THE INFLUENCE OF SOME BANK FINANCIAL RATIOS CHARACTERISTICS ON PROFITABILITY IN SHARIA BANK

Sri Murtiningsih[1], Achmad Tohirin[2]
Email: ningzeeira@gmail.com[1] , 903110102@uii.ac.id[2]

Abstract: This research seeks to analyze financial ratios in Islamic Commercial Banks (BUS) and Islamic Business Units (UUS). This research uses several variables from financial ratios to support the research. The variable indicators of financial ratios are Capital Adequacy Ratio (CAR), Financing to Debt Ratio (FDR), Non Performing Financing (NPF), Operating Costs to Operating Income (BOPO), and Third Party Funds (DPK) with the observation period from 2015 to 2020. This research analysis method applies Autoregressive Distributed Lag (ARDL) with the data type, namely time series data. The findings of this research show that in Islamic Commercial Banks (BUS) the CAR, FDR, NPF, BOPO, and DPK variables in the short term have an influence on bank profitability, namely ROA and ROE. In the long term the CAR variable only has an effect on ROE, the FDR and BOPO variables have an influence on ROA and ROE. Meanwhile, the NPF and DPK variables only influence ROA. Subsequent research findings in Islamic Business Units (BUS) show that CAR, FDR, NPF, BOPO, and DPK variables in the short term have an impact on bank profitability, namely ROA and ROE. In the long run, only the FDR variable has no effect on ROA, whereas in ROE only BOPO has an effect.

Keywords: Banking Profitability and Banking Financial Ratios.

1.   INTRODUCTION

A bank is a financial institution that plays a very important role in a country's economy, namely as an intermediary institution between parties with excess funds (surplus units) and those who lack funds (deficit units). This banking intermediary function will increase the use of funds for various forms of productive activity which will increase output and employment.

Banking in Indonesia consists of Islamic and conventional banking. Both have an important role as intermediaries whose duty is to collect and distribute funds to the public and play a role in payment traffic and money circulation. However, along with the development of Indonesian banking, a dual banking system is now emerging, namely conventional banking that has a Sharia Business Unit (UUS). The emergence of Islamic banks is expected to be able to encourage and accelerate the economic progress of a society in carrying out banking activities, in accordance with the principles of Islamic law.

In the last five years the development of Islamic banking in Indonesia has been quite rapid and the interest of the Indonesian people in using Islamic Commercial Banks has increased so that it can increase the significance of the role of Islamic Banks in promoting the stability of the national financial system. This can be seen in the following statistical data on the development of Islamic Commercial Banks:

Table 1 Development of Islamic Banks in Indonesia

Information	2015	2016	2017	2018	2019	2020
Sharia Commercial Banks	12	13	13	13	14	14
Sharia Business Unit	22	21	21	21	20	20
Sharia People's Financing Banks (BPRS)	163	166	167	167	164	164

Source: www.ojk.go.id

From the development table of Islamic Commercial Banks in Indonesia, it can be seen that the number of Islamic Commercial Banks (BUS) has increased until 2020. It is slightly different from the Islamic Business Units (UUS), which have decreased in number due to their status changing to BUS as well as Islamic People's Financing Banks (BPRS) also decreased the number. Banking performance in a country has a major impact on the economy. Financial performance is the result achieved by a bank in managing its resources to achieve its goals. One of the techniques for assessing financial performance is by analyzing ratios. Ratio analysis is a technique for analyzing financial statements. In analyzing ratios there are several that can be used such as Return On Assets (ROA) and Return On Equity (ROE). ROA is used to measure a bank's effectiveness in creating profits by utilizing its assets, while ROE is a profitability ratio that measures a bank's ability to create profits from shareholder investment in the bank.

In Hanafia dan Karim (2020) it shows that the results of multiple regression show that if CAR has no effect on ROA at BUS, CAR has a positive effect on ROA at BPRS. According to research by Moorcy dkk (2020) revealed another thing that CAR has a positive and insignificant effect on ROA at PT. Mandiri Syariah Commercial Bank in the study of the Effect of FDR, BOPO, NPF, and CAR on ROA at PT. Mandiri Syariah Commercial Bank Period 2012-2019.

Based on the background of the problem and the results of several previous studies, the authors draw the conclusion that ratios in financial performance will describe the bank's operational process in collecting and managing funds according to the functions attached to the bank. Information on the high and low ratios in evaluating the performance of Islamic Commercial Banks will affect stakeholder assessments of bank performance which is an important factor that is considered and considered by banks, regulators and stakeholders as a whole including the public to maintain the stability of the banking sector. Several studies use different objects and results. So from this, the authors conducted a study to analyze the effect of financial performance on Return On Assets (ROA) and Return On Equity (ROE) of Islamic banks in Indonesia.

2. LITERATURE REVIEW
Return On Assets (ROA)
ROA focuses on the company's ability to generate operational income. The higher the bank's ROA, the greater the level of profit achieved by the bank and the better the bank's position in the use of assets. Taswan (2010) revealed that ROA is the ratio in measuring a bank's ability to generate profits. The calculation of ROA is as follows:

$$ROA = \frac{Laba\ Sebelum\ Pajak}{Total\ Aset} \times 100\%$$

Return On Equity (ROE)

Return on equity is the ratio in measuring net profit after tax using personal capital (Kasmir, 2015). This ratio shows the power to generate a return on investment based on the book value of the shareholders. The higher this ratio, the better, meaning that the position of the owner of the company is getting stronger. ROE calculation is as follows:

$$ROE = \frac{\text{Laba Setelah Pajak}}{\text{Equity}} \times 100\%$$

Capital Adequacy Ratio (CAR)

CAR is the ratio of bank performance in assessing the amount of bank capital to support risky assets. In terms of business growth and accommodating risk of loss, capital is very important. The higher the CAR, the better the bank's ability to handle loan risk or risky productive assets. The CAR ratio formula is as follows:

$$CAR = \frac{\text{Modal}}{\text{Aset Tertimbang Menurut Risiko (ATMR)}} \times 100\%$$

Financing to Deposit Ratio (FDR)

The liquidity risk ratio can be measured using the Financing to Deposit Ratio (FDR) ratio for Islamic Commercial Banks. This ratio illustrates the high amount of financing provided to customers and the large amount of funds/loans from various sources, which means that this ratio shows the high debt of a company. The FDR ratio can be found using the following formula:

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

Non Performing Financing (NPF)

The credit risk ratio can be calculated using the Non Performing Financing (NPF) ratio for Islamic Commercial Banks. This ratio is used to measure the level of credit or financing problems where the higher this ratio, the more unhealthy credit quality. The NPF ratio formula is as follows:

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

Operating Expenses Operating Income (BOPO)

The BOPO ratio which tends to increase shows that the company is unable to manage operational costs, while the smaller the BOPO, the more effectively the company manages operational costs. The BOPO ratio shows the effectiveness of banking operations. Operating income is interest received from clients, while operating expenses are interest paid to customers. The BOPO value decreased because banking activities became more efficient. This formula is used to determine BOPO:

$$BOPO = \frac{\text{Belanja Operasional}}{\text{Pendapatan Operasional}} \times 100\%$$

Third Party Funds (DPK)
Third Party Funds are public funds collected with demand deposits, wadiah products, mudharabah savings, and mudharabah deposits. Islamic Banking will allocate Third Party Funds to various financing. According to Husaeni (2017), savings, demand deposits, and time deposits are examples of third party funds.

Hipotesis
H1: Capital Adequacy Ratio (CAR) has a significant positive effect on Return On Assets (ROA) and Return On Equity (ROE) in Islamic Banks in Indonesia.
H2: Financing to Debt Ratio (FDR) has a significant positive effect on Return On Assets (ROA) and Return On Equity (ROE) in Islamic Banks in Indonesia.
H3: Non Performing Financing (NPF) has a negative effect on Return On Assets (ROA) and Return On Equity (ROE) in Islamic Banks in Indonesia.
H4: Operating Costs Operating Income (BOPO) has a negative effect on Return On Assets (ROA) and Return On Equity (ROE) in Islamic Banks in Indonesia.
H5: Third Party Funds (DPK) have a positive effect on Return On Assets (ROA) and Return On Equity (ROE) in Islamic Banks in Indonesia.

3. RESEARCH METHOD

Research design
The type of research used is panel data. The research in this thesis uses panel data types. This research uses a quantitative approach. This study uses secondary data types obtained from the Financial Services Authority (OJK) statistical data website from 2015-2020. The data used is monthly data. The variables used include Return On Assets (ROA), Return On Equity (ROE), Capital_Adequacy_Ratio(CAR),Financing_to_Debt_Ratio(FDR), Non Performing_Financing (NPF), Operational_Cost to Operational_Revenue (BOPO) and Third Party Funds (DPK).

Population and Sampling Procedure
The population in this study are Islamic Commercial Banks (BUS) and Islamic Business Units (UUS) in Indonesia which are registered with the OJK and operate during the 2015-2020 period. Based on the saturated sampling method, the research sample is composed of General Sharia (BUS) and Sharia Business Units (UUS) registered with OJK and operating during the period 2015 to 2020.

Analysis Techniques
Stationarity Test
In this study the method used in the stationarity test was the ADF (Augmented Dickey Fuller) test using levels of 1%, 5% and 10%. If the ADF probability value is less than the critical value, then the data is declared stationary. The ADF test was carried out at the level and first difference level.

Cointegration Test Bound Test
The cointegration test was carried out in order to find out whether there is a long-term relationship between variables. The type of cointegration test used is the Bound Test. If the F-

statistic value is greater than the critical value at both levels I(0) and I(1), it can be concluded that there is a cointegration relationship in the long run.

Optimum Lag Test

The optimum lag is run as a determination of the optimum lag length used in the analyzer (Gujarati, 2006). The lag in the ARDL model serves to show the effect of the time interval on observations. In addition, the optimum lag test can be used to eliminate autocorrelation problems in research. Regarding the determination of the optimum lag, it can be determined by a number of criteria, including Final Prediction Error (FPE), Akaike Information Criterion (AIC), Schwarz Bayesian Criterion (SBC), and Hanan-Quinn (HQ).

Metode *Autoregressive Distributed lag* (ARDL)

Model *Autoregressive Distributed lag* (ARDL) adalah cara memprediksi perilaku masa depan suatu variabel berdasarkan perilaku masa lalunya. Model ini memperhitungkan "lag" dari variabel dependen dan independen, yang berarti bahwa pengaruh satu variabel terhadap variabel lainnya diperhitungkan dari waktu ke waktu (Gujarati & Porter, 2015). Model ARDL memberikan alternatif prosedur lag seperti kriteria AIC dan SBC untuk memilih model yang paling optimal. Semakin rendah nilai AIC maka semakin baik, jadi pengertian urutan lag dengan kriteria ini adalah memilih lag AIC yang paling kecil.

4.   RESULT AND DISCUSSION
RESULT
Stationarity Test

The unit root test was carried out using the Dicky Fuller (DF) method. The test aims to determine the stationarity of CAR, FDR, NPF, BOPO, DPK, ROA and ROE data on Sharia Business Units registered with the OJK and operating from 2015 to 2020. Following are the results of the data stationarity test:

Table 2 Data Stationarity Test

Uji Stasioneritas Data BUS

Variabel	Level		First Difference	
	t-statistik	Probabilitas	*t-statistik*	Probabilitas
Capital Adequacy Ratio	-0,741751	0,8288	-8,053621	0,0000
Financing Debt Ratio	-0,926293	0,7743	-11,07374	0,0001
Non Performing Financing	-0,967780	0,7601	-3,973404	0,0027
Biaya Operasional Pendapatan Operasional	-0,896946	0,7838	-8,799084	0,0000
Dana Pihak Ketiga	0,747615	0,9924	-10,31097	0,0001
Return On Assets	-1,659211	0,4474	-10,45264	0,0001
Return On Equity	-1,565981	0,4945	-12,10495	0,0001

Sumber: Hasil diolah dengan *Eviews 10*, 2022.

Uji Stasineritas Data UUS

Variabel	Level		First Difference	
	t-statistik	Probabilitas	*t-statistik*	Probabilitas
Capital Adequacy Ratio	-2,376996	0,1518	-10,39855	0,0001
Financing Debt Ratio	-2,33502	0,1641	-8,940976	0,0000
Non Performing Financing	-1,823488	0,3664	-8,88159	0,0000
Biaya Operasional Pendapatan Operasional	-3,061546	0,0341	-9,13258	0,0000
Dana Pihak Ketiga	0,075495	0,9617	-8,800627	0,0000
Return On Assets	-2,58097	0,1017	-12,2183	0,0001
Return On Equity	-2,827838	0,0595	-13,29064	0,0001

Sumber: Hasil diolah dengan *Eviews 10*, 2022.

The results of testing at the first difference level found that all variables both dependent and independent were stationary at the first difference level at $\alpha = 5\%$, which means that the probability value is smaller than $\alpha = 5\%$. The data above is stationary in the first difference, so it is assumed that there will be cointegration or a long-term relationship. Thus the next test can be forwarded to the cointegration test.

Cointegration Test Bound Test
Cointegration Test Bound Test if the F-statistic value is below the lower bound value, it can be concluded that cointegration does not occur. If the F-statistic value is above the upper bound value, it can be concluded that there is cointegration. But if the F-statistic is between the lower bound and upper bound values, the result is inconclusive. The following are the results of the Cointegration Bound Test:

Table 3 Cointegration Test BUS and UUS Bound Test

BANK UMUM SYARIAH (BUS)					
Uji Kointegrasi ROA			Uji Kointegrasi ROE		
Test Statistic	*Value*	K	*Test Statistic*	*Value*	K
F-Statistic	4,546400	5	*F-Statistic*	6,116624	5
UNIT USAHA SYARIAH (UUS)					
Uji Kointegrasi ROA			Uji Kointegrasi ROE		
F-Statistic	4,716664	5	*F-Statistic*	5,724758	5

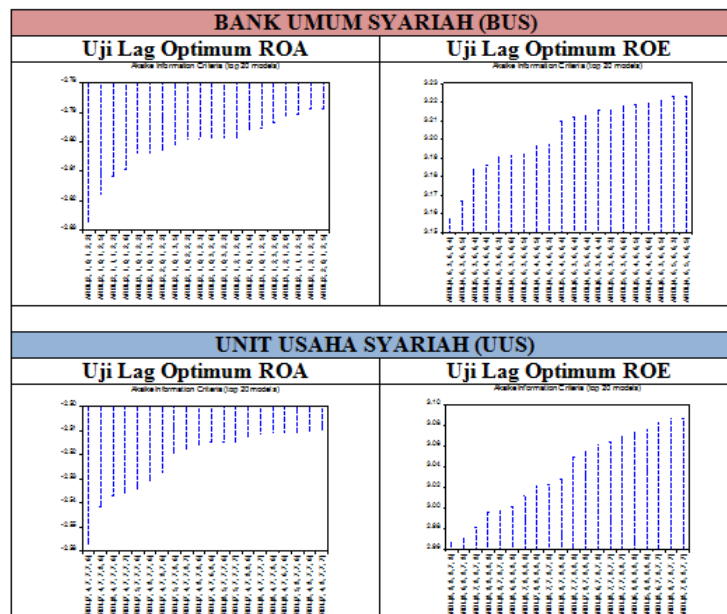Source: Results processed with Eviews 10, 2022.

The cointegration test results based on the bound test approach in table 3 above show that the F-statistic value is above the upper bound at $\alpha=1\%$. This means that there is cointegration between the variables studied at the upper bound $\alpha = 1\%$.

Optimum Lag Test
In the study of determining the optimal lag length using the Akaike Info Criterion (AIC) approach, the results were obtained as follows:
Figure 1 Optimum Lag Test

Source: Results processed with Eviews 10, 2022.

Based on figure 1 there are 20 top models. If you look closely, the right model for the ARDL method in this study is ARDL which has a very small error when compared to other ARDL models.

Autoregressive Distributed lag (ARDL) method
ARDL Short-Term Regression Coefficient
The purpose of this test is to determine how the independent variable is related to the dependent variable over a relatively short period of time. Short-term ARDL estimation results usually only describe the condition of the imbalance. The result is obtained as follows:

Table 4 ARDL Short-Term Regression Coefficient

BANK UMUM SYARIAH (BUS)							
Regresi Jangka Pendek ROA				**Regresi Jangka Pendek ROE**			
Variable	*Coefficient*	*t-Statistic*	*Prob.*	*Variable*	*Coefficient*	*t-Statistic*	*Prob.*
D(ROA(-1))	-0,325170	-3,837977	0,0003	D(CAR(-1))	-1,729581	-4,975472	0,0000
D(CAR)	0,034951	2,508418	0,0151	D(FDR(-1))	-1,027622	-5,508953	0,0000
D(FDR)	-0,021848	-2,934853	0,0048	D(NPF (-4))	-3,283022	-5,147639	0,0000
D(NPF)	-0,009842	-0,386092	0,7009	D(BOPO (-3))	-1,461658	-6,043847	0,0000
D(BOPO)	-0,135506	-24,897621	0,0000	D(DPK)	0,000145	3,364066	0,0021
D(BOPO (-1))	-0,033898	-2,956477	0,0045	CointEq(-1)	-1,582178	-7,148665	0,0000
D(DPK)	-0,000005	-2,481998	0,0161				
D(DPK(-1))	0,000005	3,489619	0,0010				
CointEq(-1)	-0,531655	-5,568392	0,0000				
UNIT USAHA SYARIAH (UUS)							
Regresi Jangka Pendek ROA				**Regresi Jangka Pendek ROE**			
Variable	*Coefficient*	*t-Statistic*	*Prob.*	*Variable*	*Coefficient*	*t-Statistic*	*Prob.*
D(ROA(-5))	0,132859	3,152415	0,0031	D(CAR)	-0,029051	-2,251569	0,0294
D(CAR)	-0,001445	-1,982527	0,0445	D(FDR(-3))	-0,323347	-2,967212	0,0048
D(FDR(-2))	0,014256	2,240150	0,0309	D(NPF (-3))	-2,224558	-2,805667	0,0075
D(NPF (-1))	-0,104484	-2,263951	0,0292	D(BOPO (-2))	-0,422940	-4,677526	0,0000
D(BOPO)	-0,097346	-20,513730	0,0000	D(DPK(-2))	0,000281	3,029048	0,0041
D(DPK(-5))	0,000017	3,297520	0,0021	CointEq(-1)	-0,713552	-6,783026	0,0000
CointEq(-1)	-0,863624	-6,505623	0,0000				

Source: Results processed with Eviews 10, 2022.

In the short-term regression results, it was found that the probability value of the error correction term t-statistic was 0.0000, meaning that it meets the requirements where the ECT value must be negative and significant at the 1% level, so it can be said that the ECM model used is correct.

ARDL Long-Term Regression Coefficient
After the short-term ARDL test, then the next is the long-term ARDL test. This test is used to determine the long-term relationship between the independent variables on the dependent variable. The result is obtained as follows:

Table 5 ARDL Long-Term Regression Coefficient

BANK UMUM SYARIAH (BUS)							
Regresi Jangka Panjang ROA				**Regresi Jangka Panjang ROE**			
Variable	*Coefficient*	*t-Statistic*	*Prob.*	*Variable*	*Coefficient*	*t-Statistic*	*Prob.*
CAR	-0,002694	-0,159709	0,8737	CAR	0,838920	2,515608	0,0173
FDR	-0,025887	-3,405345	0,0012	FDR	0,274774	2,097044	0,0442
NPF	-0,143147	-2,695847	0,0093	NPF	1,428213	1,683803	0,1023
BOPO	-0,109239	-11,612564	0,0000	BOPO	-0,697268	-4,676382	0,0001
DPK	-0,000007	-6,009354	0,0000	DPK	0,000030	1,412473	0,1678
C	15,482118	10,442149	0,0000	C	23,237711	0,677358	0,5032
UNIT USAHA SYARIAH (UUS)							
Regresi Jangka Panjang ROA				**Regresi Jangka Panjang ROE**			
Variable	*Coefficient*	*t-Statistic*	*Prob.*	*Variable*	*Coefficient*	*t-Statistic*	*Prob.*
CAR	-0,002085	-2,304960	0,0266	CAR	-0,029115	-1,533224	0,1324
FDR	0,004659	1,093521	0,2809	FDR	0,129419	1,494862	0,1421
NPF	0,138207	2,896698	0,0062	NPF	1,447303	1,417020	0,1635
BOPO	-0,073235	-9,176860	0,0000	BOPO	-0,832764	-5,774847	0,0000
DPK	-0,000003	-6,130474	0,0000	DPK	-0,000021	-1,744864	0,0880
C	7,176475	11,181648	0,0000	C	70,209426	5,668498	0,0000

Source: Results processed with Eviews 10, 2022.

DISCUSSION
Sharia Commercial Bank (BUS)
a. **Capital Adequacy Ratio (CAR)**
   Return On Assetss
   The estimation results from the ARDL model on Return On Assets (ROA) which has been done previously can be concluded that the Capital Adequacy Ratio variable in the

short term has a significant positive effect on Return On Assets, but in the long term the Capital Adequacy Ratio variable does not have an effect on Return On Assetss. Bank Indonesia provides regulations requiring banks to maintain a Capital Adequacy Ratio value of at least 8%, so bank owners increase bank capital in the form of fresh money so that the Capital Adequacy Ratio can meet the conditions set by Bank Indonesia and not try to make this capital able to influence performance bank. This research is in line with research conducted by Bilian and Purwanto (2011); Purwoko and Sudityatno (2013), that Bank Indonesia regulations require a minimum Capital Adequacy Ratio value of 8%, causing banks to try to stabilize the Capital Adequacy Ratio value so that it is in line with the provisions.

Return On Equity
The estimation results from the ARDL model on Return On Equity (ROE) which has been done previously can be concluded that the Capital Adequacy Ratio variable in the short and long term has a significant influence on Return On Equity. If the Capital Adequacy Ratio is higher, the higher the capital to fund productive assets, and the lower the cost to fund interest issued by the bank. Thus the bank is required to anticipate the emergence of risks. This research is in line with research conducted by Pradesyah and Triandhini (2021); Prasetiono and Aulia (2016), that if the Capital Adequacy Ratio increases, it can be concluded that it will provide a decrease in the Return On Equity value.

b. **Financing to Deposit Ratio (FDR)**
Return On Assets
According to the estimation results from the ARDL model on Return On Assets (ROA) that has been done before, it can be concluded that the Financing to Debt Ratio variable in the short and long term has a significant effect on Return On Assets. The higher the Financing to Debt Ratio, the greater the potential profit for the company, assuming the bank is able to channel its financing optimally as measured by Return On Assets. This research is in line with research conducted by Rahmah and Armina (2020); Yuliana and Listari (2021) that this research indicates that Islamic commercial banks have channeled their financing effectively, thereby increasing the financing distributed by banks, so that the profitability obtained will also increase and will have an impact on increasing Return On Assets.

Return On Equity
According to the estimation results from the ARDL model on Return On Equity (ROE) that has been carried out before, it can be concluded that the Financing Debt Ratio variable in the short and long term has a significant influence on Return On Equity. The Financing to Debt Ratio reflects the bank's capability in distributing its funds to those who need capital. The higher the funds distributed by the bank in the form of financing, the higher the bank's capability to provide loans. This will have an effect on increasing income, so the profitability of Islamic banking will increase. This research is in line with research conducted by Pradesyah and Triandhini (2021) if the Financing to Debt Ratio increases, it can cause an increase in the value of Return On Equity.

c. **Non Performing Financing (NPF)**
Retrun On Assets

According to the estimation results from the ARDL model on Return On Assets (ROA) that has been done before, it can be concluded that Non-Performing Financing variables in the short term and long term have a significant impact on Return On Assets. NPF is a measure of the quality of a bank's financing, a larger NPF indicates a poorer performance or, alternatively the bank takes more risk with its financing. A high level of Non-Performing Financing shows if the bank is not competent in managing credit, it also shows if the amount of risk or lending to banks is relatively high. This research is in line with research conducted by Hasanah et al., (2019) if Non-Performing Financing has an effect on profitability (Return On Assets). The higher the value of Non-Performing Financing results in a decrease in the value of profitability on Return On Assets (ROA).

Return On Equity
Based on the estimation results from the ARDL model on Return On Equity (ROE) which has been implemented previously, it can be concluded that the Non Performing Financing variable in the short term has a significant negative effect on Return On Equity, but in the long term the Non Performing Financing variable has no effect on Return On Equity. If it is related to Return On Equity, Non Performing Financing or problem financing is caused by the fact that the disbursement of financing distributed to the community tends to be small so that the effect of Non Performing Financing on Return On Equity is also not significant. This research is in line with research conducted by Angraini et al., (2020); Nuswandari et al., (2022); Prasetiono and Aulia (2016) if Non Performing Financing has no effect on Return On Equity.

d. **Operating Expenses Operating Income (BOPO)**
Retrun On Assets
According to the estimation results from the ARDL model on Return On Assets (ROA) that has been done before, it can be concluded that the variable Operating Income Operating Costs in the short term and long term has a significant influence on Return On Assets. The increase that occurs in the bank's BOPO ratio indicates an increase in the proportion of operating expenses to operating income received by the bank, in other words if operational costs increase, it will reduce profit before tax which will ultimately reduce ROA at the related bank, thereby increasing BOPO. the smaller the bank's ROA, because the profit the bank gets is also small. This reflects the presence or occurrence of inefficiencies in operational performance at Islamic commercial banks. This research is in line with research conducted by Bilian and Purwanto (2011); Yuliana and Listari (2021) that the BOPO variable has an effect on Return On Assets.

Return On Equity
Based on the estimation results from the ARDL model on Return On Equity (ROE) that has been done before, it can be concluded that the variable Operating Income Operating Costs in the short term and long term has a significant influence on Return On Equity. With better cost management, banks will be able to maximize profits by reducing the BOPO ratio. Banks that are effective when cutting operational costs will be better able to control losses due to ineffective business management so that profits increase. As a result, ROE decreases when Operating Expenses as a percentage of Operating Income increases, and increases when Operating Expenses as a percentage of Operating Income decreases. This research is in line with research conducted by Angraini et al., (2020);

Maroni,(2020); Prasetiono and Aulia (2016), that the higher the value of Operational Income Operating Costs results in a lower Return On Equity value, conversely the lower the value of Operating Costs Operating Income, the value of Return On Equity will increase.

e. Third Party Funds (DPK)
Return On Assets
According to the estimation results from the ARDL model on Return On Assets (ROA) that has been done before, it can be concluded that the Third Party Funds variable in the short and long term has a significant influence on Return On Assets. If each Third Party Fund increases, it will also be followed by an increase in profitability, where when a large number of Third Party Funds are distributed in the form of credit, then the income from these loans will increase as well as the bank's ability to generate profits also increases. This research is in line with research conducted by Ardheta and Sina (2020); Edo and Wiagustini (2014), that Third Party Funds have an influence on Return On Assets.

Return On Equity
Based on the estimation results from the ARDL model on Return On Equity (ROE) that has been done before, it can be concluded that the Third Party Funds variable in the short term has a significant positive effect on Return On Equity, but in the long term the Third Party Funds variable does not have an effect on Return On Equity. The large amount of funds that the bank managed to collect from the public does not guarantee the large profit that will be obtained by the bank because it is caused by the low amount of channeling of funds. So this will result in the funds that have been successfully collected by the bank cannot be utilized optimally so that Third Party Funds do not have a large contribution to the bank's profit, while the bank must provide compensation to the public who have placed their funds as interest on deposits. This research is in line with research conducted by Rahayu (2021) if Third Party Funds do not have an effect on Return On Equity.

Sharia Business Unit (UUS)
a. Capital Adequacy Ratio (CAR)
Return On Assets
Based on the estimation results from the ARDL model on Return On Assets (ROA) that has been done before, it can be concluded that the Capital Adequacy Ratio variable in the short and long term has a significant influence on Return On Assets. The greater the Capital Adequacy Ratio, the more profit will be obtained. The results of this research indicate that the amount of capital owned by Islamic business units to support assets that will invite risk, the bank will be able to survive even though it suffers losses. This will increase the level of customer trust so that they will not hesitate to deposit their funds in sharia business units. This research is in line with research conducted by Agusto (2021); Hasanah et al., (2019); Yuliana and Listari (2021) if the Capital Adequacy Ratio has an effect on Return On Assets.

Return On Equity

Based on the estimation results from the ARDL model on Return On Equity (ROE) that has been done before, it can be concluded that the Capital Adequacy Ratio variable in the short term has a significant negative effect on Return On Equity, but in the long term the Capital Adequacy Ratio variable has no effect on Return On Equity. The results of this study show that the higher the Capital Adequacy Ratio that is successfully collected by the Sharia Business Unit, the Return On Equity will decrease. This is in line with the role of the bank in providing capital in developing the business and mitigating the risk of loss of capital due to the bank's own operational operations by requiring customers to bear a greater burden than the costs of these activities. Funds owned by banks are not channeled optimally and efficiently resulting in decreased bank profitability. This research is in line with research conducted by Pradesyah and Triandhini (2021); Rafelia and Ardiyanto (2013); Ariyanti and Saryadi (2018) that the Capital Adequacy Ratio has no effect on Return On Equity.

b. Financing to Deposit Ratio (FDR)
Return On Assets
Based on the estimation results from the ARDL model on Return On Assets (ROA) that has been done before, it can be concluded that the Financing to Debt Ratio variable in the short term has a significant positive effect on Return On Assets, but in the long term the Financing to Debt Ratio variable has no effect on Return On Assets. One measure of bank liquidity is the Financing to Debt Ratio, which shows how effectively a bank can pay withdrawals from depositors. If a bank's Financing to Debt Ratio is high, chances are that it has poor liquidity. This is because a larger amount of money is required to finance credit. To the extent that a bank's profitability is disproportionate to the level of its financing debt, this means that the ratio between the two is not necessarily a good indicator of how profitable a bank is. This research is in line with research conducted by oleh Agusto,(2021); Hasanah, (2019); Mahmudah and Harjanti (2016); Syachreza and Mais (2020), that the Financing to Debt Ratio has no effect on Return On Assets.

Return On Equity
Based on the estimation results from the ARDL model on Return On Equity (ROE) that has been done before, it can be concluded that the Financing to Debt Ratio variable in the short term has a significant negative effect on Return On Equity, but in the long term the Financing to Debt Ratio variable has no effect on Return On Equity. The results of this research indicate that the higher the Financing to Debt Ratio the bank is not used as a benchmark when it gets high profitability. This is because the Financing to Debt Ratio in Islamic banks is in an unhealthy position and can also be caused because the financing that is channeled does not provide large profits for the bank or because there is problematic financing. This research is in line with research conducted by Aryani, Anggraeni, and Wiliasih (2016); Pradesyah and Triandhini (2021); Prasetiono and Aulia (2016), that the Financing to Debt Ratio has no effect on Return On Equity.

c. Non Performing Financing (NPF)
Return On Assets
Based on the estimation results from the ARDL model on Return On Assets (ROA) that has been done before, it can be concluded that Non-Performing Financing variables in the short term and long term have a significant influence on Return On Assets. Non-

Performing Financing reflects the risk of financing, the higher the NPF the lower the performance of a bank or it can be said that the standard of bank funding decreases when the NPF rises. An excessive amount of non-performing financing shows that banks are not adept at managing credit, and the level of risk or lending to banks is high. This research is in line with research conducted by Hasanah (2019) if Non-Performing Financing has an effect on profitability (Return On Assets).

Return On Equity
Based on the estimation results from the ARDL model on Return On Equity (ROE) which has been implemented previously, it can be concluded that the Non Performing Financing variable in the short term has a significant negative effect on Return On Equity, but in the long term the Non Performing Financing variable has no effect on Return On Equity . If it is related to Return On Equity, Non Performing Financing or problem financing is caused by the fact that the disbursement of financing distributed to the community tends to be small so that the effect of Non Performing Financing on Return On Equity is also not significant. This can also be affected by a poor systematization of financing distribution (usually financing is channeled to subsidiaries in the same group, or to the businesses of other bank owners) resulting in bad loans. This research is in line with research conducted by Angraini et al., (2020); Auliani and Syaichu,(2016); Nuswandari, (2022) that the variable Non Performing Financing has no effect on Return On Equity.

d. **Operating Expenses Operating Income (BOPO)**
Return On Assets
Based on the estimation results from the ARDL model on Return On Assets (ROA) that has been done before, it can be concluded that the variable Operating Income Operating Costs in the short term and long term has a significant influence on Return On Assets. The increase that occurs in the bank's BOPO ratio indicates an increase in the proportion of operating expenses to operating income received by the bank, in other words if operational costs increase, it will reduce profit before tax which will ultimately reduce ROA at the bank concerned, thereby increasing BOPO, the smaller the bank's ROA, because the profit the bank gets is also small. This reflects the presence or occurrence of inefficiencies in operational performance at Islamic commercial banks. This research is in line with research conducted by Bilian and Purwanto (2011), Yuliana and Listari (2021), if the BOPO variable affects Return On Assets.

Return On Equity
Based on the estimation results from the ARDL model on Return On Equity (ROE) that has been done before, it can be concluded that the variable Operating Income Operating Costs in the short term and long term has a significant influence on Return On Equity. A bank's profitability is directly proportional to its ability to control operational costs, which is indicated by the BOPO ratio. Success in reducing operational costs will reduce losses due to inefficient business management so that banks can increase profits. This means that when BOPO increases, Return On Equity decreases, and vice versa when BOPO decreases, Return On Equity increases. This research is in line with research conducted by Angraini et al., (2020); Marsekal Maroni (2020); Prasetiono and Aulia (2016), that the higher the BOPO value will result in a lower ROE value, conversely if the BOPO value is lower, the ROE value will increase.

e. **Third Party Funds (DPK)**
   Return On Assets
   Based on the estimation results from the ARDL model on Return On Assets (ROA) that has been done before, it can be concluded that the Third Party Funds variable in the short and long term has a significant effect on Return On Assets. Based on the findings of this study, it can be concluded that the management of Islamic banks is more capable of channeling money in the form of financing, the more Third Party Funds the bank has. The potential for banks to generate profits will increase as a result of increased funding (Return On Assets and Return On Equity). This research is in line with research conducted by Ardheta and Sina (2020); Edo and Wiagustini (2014), that Third Party Funds have an influence on Return On Assets.

   Return On Equity
   Based on the estimation results from the ARDL model on Return On Equity (ROE) that has been done before, it can be concluded that the Third Party Funds variable in the short term has a significant positive effect on Return On Equity, but in the long term the Third Party Funds variable does not have an effect on Return On equity. Third Party Funds do not have an effect on banking profitability (Return on Equity), because the large amount of funds that the bank has managed to collect from the public does not guarantee the large profit that will be obtained by the bank due to the low amount of channeling of funds. So this will result in the funds that have been successfully collected by the bank cannot be utilized optimally so that Third Party Funds do not have a large contribution to the bank's profit, while the bank must provide compensation to the public who have placed their funds as interest on deposits. This research is in line with research conducted by Rahayu et al., (2021) if Third Party Funds do not have an effect on Return On Equity.

5. CONCLUSION

This resarch deals with the influence of a number of bank financial characteristics on profitability in Islamic banks. Seeing the relationship between variables namely Return On Assets, Return On Equity, Capital Adequacy Ratio, Financing to Deposit Ratio, Non Performing Financing, Operating Costs Operating Income, and Third Party Funds. The analysis model used by the author is the Autoregressive Distributed Lag (ARDL) model with the data type being panel data (combined Time Series and Cross Section data). Research data is annual or annual in nature taken from a credible source, namely the Financial Services Authority (OJK) which provides information on indicators of Islamic banking financial ratios. The timeframe used in this research is six years from 2015 to 2020.

After going through several stages of testing, the authors can draw conclusions from the findings of this research, including: Islamic Commercial Banks (BUS) CAR, FDR, NPF, BOPO, and DPK variables in the short term have an impact on bank profitability, namely ROA and ROE. In the long term the CAR variable only has an effect on ROE, the FDR and BOPO variables have an influence on ROA and ROE. Meanwhile, the NPF and DPK variables only influence ROA. Subsequent research findings in Islamic Business Units (BUS) show that CAR, FDR, NPF, BOPO, and DPK variables in the short term have an impact on bank profitability, namely ROA and ROE. In the long run, only the FDR variable has no effect on ROA, whereas in ROE only BOPO has an effect.

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