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DETERMINANT FACTORS OF PROFITABILITY OF ISLAMIC BANKS IN 2017-2021 WITH CAPITAL ADEQUACY RATIO AS A VARIABLE INTERVENING

Eka Wita Sari[1], Ahmad Irvani[2], Reka Meilani[3], Hendra Cipta[4]
Corresponding Author's: IAIN Shaykh Abdurrahman Siddik Bangka Belitung, Indonesia
Email : ekaputri55510@gmail.com

Abstract: This study aims to analyze the effect of Non Performing Financing (NPF) and Finance to Deposit Ratio (FDR) on Islamic bank profitability mediated by Capital Adequacy Ratio (CAR). This study uses secondary data in the form of panel data (pooled data), which is a combination of cross section data and time series data. The analysis technique uses path analysis. The results showed that FDR has no influence on CAR while NPF affects the CAR of Islamic banks. FDR and NPF directly have no influence on the ROA of Islamic banks. CAR variable is only able to be intervening between NPF and ROA while FDR variable indirectly through CAR variable has no significant effect on ROA of Islamic banks.

Keywords: *FDR, NPF, CAR, ROA, Path Analysis*

Abstrak: Penelitian ini bertujuan untuk menganalisis pengaruh Non Performing Financing (NPF) dan Finance to Deposit Ratio (FDR) terhadap profitabilitas bank syariah yang dimediasi oleh Capital Adequacy Ratio (CAR). Penelitian ini menggunakan data sekunder berbentuk data panel (*pooled data*) yaitu gabungan antara data *cross section* dan data *time series*. Teknik analisis menggunakan path analysis. Hasil penelitian menunjukkan bahwa FDR tidak memiliki pengaruh terhadap CAR sedangkan NPF berpengaruh terhadap CAR bank syariah. FDR maupun NPF secara langsung tidak memeliki pengaruh terhadap ROA bank syariah. Variabel CAR hanya mampu menjadi intervening antara NPF dengan ROA sedangkan variabel FDR secara tidak langsung melalui variabel CAR tidak berpengaruh signifikan terhadap ROA bank syariah.

Kata Kunci: FDR, NPF, CAR, ROA, Analisis Jalur

INTRODUCTION

Return on Assets (ROA) is the profitability metric used in Islamic banking. The ability of a bank to manage money invested in all profitable assets is measured by a ratio called ROA. The ROA reflects how effectively a bank manages its resources to produce profits. The ROA ratio, which compares earnings (before taxes) to total assets, can be used to determine an Islamic bank's profitability as well as the efficiency with which its assets are managed. In a bank, the higher the ROA,

the greater the profit that will be made by the bank. The rating system for a commercial bank's soundness level based on sharia principles is described in Bank Indonesia Circular Letter Number 12/11/DPNP dated 31 March 2010. ROA is calculated by dividing profit before tax by the average total assets over a period. (Munir, 2018)

A high ROA indicates that the bank's profits are increasing. A low ROA score suggests that the level of profit realized was likewise low. Banks may suffer as a result of this because it is believed that their management performance is subpar. If the profits are small, this may lead to investors withdrawing their investment capital. Customers should be aware of the ROA because it will influence whether they choose to employ the bank's services. (Alfianda, 2020)

Capital adequacy ratio can also have an impact on ROA in a business (CAR). CAR is a crucial measure of a bank's capital adequacy. (Dendawijaya, 2009)Banks with a sufficient level of capital exhibit healthy bank metrics. With enough capital, the bank can simply manage the money it has set aside for investments, which would boost its level of profit. Research by Lutfia Abriet Fajrianti, which shows that CAR has a favorable and conside rable impact on ROA, supports this. (Fajriati, 2020)

As a distributor of funds amassed by banks, particularly third-party funds, in addition to performing the primary job of banking. When banks successfully collect money from third parties and then disburse it, they must adhere to the rules outlined in Bank Indonesia Circular Letter Number 26/5/BPPP, issued May 25, 1993. FDR, as defined by Bank Indonesia, shall not be greater than 110 percent. As long as it doesn't exceed 110 percent, banks are permitted to extend credit or financing over the sum of third third-party obtained. (Fajriati, 2020)

FDR is a way to compare how well banks have been able to collect funds from third parties to finance loans they have made. Where this percentage is high or low indicates the amount of liquidity held by the relevant bank. A bank with a higher FDR number is considered to be less liquid than a bank with a lower risk figure. The amount of profitability or ROA that a bank will realize depends on the level of liquidity determined by this FDR ratio. Similar to the study done by Nuning Maulida Isna, which found that FDR has a favorable and significant impact on ROA. (Erdah, 2016)

Studies done by (Fajriati, 2020), indicates NPF significantly and negatively affects ROA. Meanwhile, NPF had no discernible impact on ROA, according to study conducted ed by Muhammad Yusuf Wibisono and Salamah Wahyuni is required to do additional studies dressing the impact of NPF on ROA because there is a research gap from earlier studies. (Wahyuni, 2017)

According to the description given above, it is evident that the bank serves as a channel for funds, or in other words, it lends money to consumers. The yearly financial reports of Islamic Commercial Banks for the years 2017 through 2021 are included in Table I.2 along with the ROA, FDR, NPF, and CAR ratios.

Table 1
Islamic Banks Annual Financial Report

Bank Victoria Syariah (Shariah, n.d.)				
Year	FDR	NPF	CAR	LONG
2017	94.53	2.32	3.61	0.64
2018	100.24	0.33	3.13	0.33
2019	100.69	2.64	2.72	0.09
2020	112.09	4.91	1.68	1.26
2021	104.94	4.08	1.87	0.71
Bank Panin Dubai Syariah				
2017	217.40	4.83	3.61	-10.77
2018	99.57	3.84	3.13	0.26
2019	97.74	2.80	2.72	0.25
2020	99.42	2.45	1.68	0.06
2021	202.74	0.94	1.87	-6.72
Bank BCA Syariah				
2017	87.2	0.04	3.61	1.2
2018	87.4	0.28	3.13	1.2
2019	87.6	0.26	2.72	1.2
2020	86.3	0.01	1.68	1.1
2021	84.8	0.01	1.87	1.1
BTPN				
2017	68.81	0.05	3.61	11.19
2018	62.36	0.02	3.13	12.37
2019	58.07	0.26	2.72	13.58
2020	72.42	0.02	1.68	7.16
2021	59.97	0.18	1.87	10.72
Mega Syariah Bank				
2017	89.16	2.95	3.61	1.56
2018	93.84	2.15	3.13	0.93
2019	74.1	1.49	2.72	0.89
2020	65.94	1.38	1.68	1.74
2021	59.06	0.97	1.87	4.08

Sumber: Data diolah, 2022

The researchers selected 5 of the 12 Islamic Commercial Banks registered with OJK whose variable data had an issue, specifically that there was a contradiction between the theory and the reality that transpired. The researcher chose not to use Bank Syariah Indonesia since it is a merger of three banks, namely BRI Syariah, BNI Syariah, and Mandiri Syariah, which will be completed in 2021. As a result, it does not satisfy the research criteria of the authors, who employed the period of 2017–2021 in their study.

Bank Victoria Syariah, Bank Panin Dubai Syariah, National Pension Savings Bank, Bank Mega Syariah, and Bank BCA Syariah are the banks that will be the focus of this study. At these institutions, the ratios of FDR, NPF, and CAR fluctuate and have issues with ROA as a variable. who are having issues, since in the banking industry one of the profitability ratios to look at in order to gauge a bank's success is ROA. This demonstrates that these factors do not match the ideas and actual facts in the field. In order to better understand the impact of FDR and NPF on ROA in Islamic Commercial Banks for the years 2017 to 2021, researchers wish to take into account CAR as a variable.

In this study, CAR is used as an intervening variable with the goal of determining if it can influence the link between the impact of FDR and NPF on ROA. A variable that can strengthen or weaken but cannot be seen or measured, the intervening variable connects the independent and dependent variables. The CAR variable

was chosen as an intervening variable because, according to Bank Indonesia, it is the most crucial indicator for determining a bank's soundness. Therefore, the approach is utilized to determine if CAR acts as a variable interfering in the impact of FDR and NPF on ROA Path Evaluation. (Sujarweni, 2015)

THEORETICAL STUDY

ROA, also known as economic profitability in Indonesian, is a ratio that assesses a company's capacity to make profits at a certain point in time. It can also be used to predict a company's capacity to make profits in the future. The ROA of a bank is used to gauge its management's capacity to generate overall profits; the higher the ROA, the higher the bank's level of profits and the stronger its position relative to its assets. (Islami, 2018)

The better the financial performance, the higher the rate of return (return), the higher the ROA. If the management of a bank's banking activity has been carried out in accordance with sound banking principles and applicable rules, the bank's performance can also be used as a gauge of how sound the bank is. Because ROA is a statistic that assesses a bank's state of health. (Mirawati et al., 2021)

ROA is a metric used to assess how successfully a business uses its operations to generate profits. In other words, this ratio assesses the bank management's capacity to generate overall profit (profit). (Dendawijaya, 2009)

The ROA ratio should be as high as possible to maximize asset productivity and net profit. Potential investors will use this as a benchmark when deciding whether to deposit their shares in the bank. The asset or assets in question are all of the firm's assets, acquired with its own money or with money from outside sources that the company has managed into assets used for the company's existence. (Islami, 2018)The value of a bank's profitability as assessed by its productive assets, the funds of which are financed in part with Third Party Funds, is prioritized by the ROA ratio, making it very significant (DPK).

Profitability ratios are used to evaluate a company's potential for profitability; one such ratio is ROA, which compares profit before taxes to total bank assets. This ratio serves as a gauge for a company's managerial efficiency. The profit made through sales and investment income serve as indicators of this. In essence, the utilization of this ratio can demonstrate the organization's effectiveness. (Kasmir, 2014)

The formula for calculating ROA is as follows:

$$\text{LENGTH} = \frac{\text{Laba Sebelum Pajak}}{\text{Total Asset}} \text{ X } 100\%$$

Since every asset now in the company can generate profit, the ROA number is very close to 1, indicating that the company's profitability is improving.

Here is the ROA evaluation table: (Kasmir, 2014)

Table 2
Return On Asset (ROA)

Criteria	Information
Stage 1: ROA > 1,5%	Height
Stage 2 : 1,25% < ROA ≤ 1,5%	High enough
Stage 3 : 0.5% < ROA ≤ 1.25%	Low
Stage 4 : 0% < ROA ≤ 0.5%	Low Enough
Stage 5 : ROA ≤ 0%	Very low

Source: Bank Indonesia Circular Letter No.09/24/DPbs 2007

The amount of net profit made from each rupiah of money incorporated in the total assets increases in direct proportion to the return on assets. On the other hand, a lower return on assets results in less net profit being made from each rupiah of money embedded in total assets.

One of the profitability ratios is ROA. CAR, NPF, and FDR are a few variables that can have an impact on ROA. CAR is a metric used to assess a bank's capital adequacy and ability to offset the fall in assets brought on by bank losses resulting from hazardous assets.

The bank's capacity to assume the risk of any risky loans or productive assets is inversely correlated with the CAR. Or, to put it another way, the better the bank performs, the more public confidence in the bank in question will grow, which will result in larger profits. Capital adequacy measures how well a bank can withstand the risk of non-performing loans (ROA). (Almunawwaroh & Marliana, 2018)

A high NPF will raise expenses, which could lead to bank losses. The greater this percentage, the lower the quality of bank loans are, which leads to an increase in the number of non-performing loans. As a result, the bank has to incur losses in its operational activities, which lowers its return on assets (ROA).(Febriani & Manda, 2021)

FDR is a liquidity indicator that counts the amount of money lent out that came from money banks had collected (especially the public). If the measurement findings are significantly higher than the aim and the limit, the bank may encounter liquidity issues, which will put pressure on the bank's income (Putri et al., 2022). The more the FDR, the greater the profit for the corporation (assuming the bank is able to distribute loans effectively, so that the number of bad loans will be small). (Lestari, 2021)

RESEARCH METHODS

Utilizing quantitative research techniques in this investigation. Examining the links between variables is how the quantitative method tests various theories. Following that, these variables are assessed to enable the statistical analysis of data made up of numbers.

In order to provide a commonly recognized result within a parameter,

this study uses numbers to convey data and statistical test analysis with quantitative mathematical calculation tools. SPSS 20 is used for the statistical analyses in this study. In the field of science, this kind of study is used to clarify how independent and dependent factors interact. Time series data (time series), which covers specific time periods in an object, is the sort of data used in this study. (Suprayogi, 2019)The OJK website and the official websites of each Islamic Commercial Bank for the 2017–2021 timeframe served as the sources of the data used in this study.

There is 12 Islamic Commercial Banks make up the study's target demographic of Islamic Commercial Banks. NPF, BOPO, and ROA are the items to be examined, with inflation acting as an intervening variable.

This study used a descriptive research design as its methodology. The goal of descriptive research is to describe or provide an overview of the thing being studied using data or samples that have already been obtained, without undertaking analysis or drawing generalizations.

While the causality model employed in this research can be viewed as a causal relationship or influence, the analytical method used to examine the presented hypothesis is the path analysis model, commonly known as path analysis. (Sujarweni, 2015)

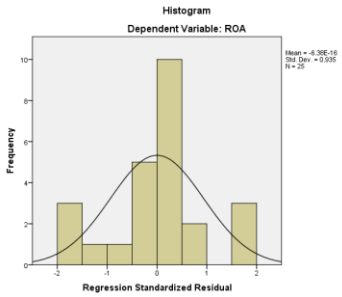
RESULTS AND DISCUSSION

In this study, supporting tools were used for data management, including IBM SPSS version 20, a statistical computer application that may help with managing statistical data effectively and delivering a variety of required results for research decision-making.

***Normality test*,** When determining the distribution of data for variables to be utilized in research, the data normality test is applied, and the data that can be used in research are data that are normally distributed.

Figure .1

Histogram Graph Test Results



Source: secondary data processing with IBM SPSS 20

The SPSS output picture is depicted in Figure 1 as having a curved shape with a slope that is evenly distributed on the left and right sides and resembles a bell. Therefore, it may be said that the processed data is regularly distributed based on the histogram graph.

Table 1
Normality Test Results with the K-S Test
One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
Asymp. Sig. (2-tailed)	.521

a. Test distribution is Normal.

Source: Secondary Data Processing with IBM SPSS 20

Based on the Kolmogorov-Smirnov test results, it is known that the output in Table 1's Asym Sig (2-Tailed) column represents a value that is more than the significance level of 0.05 or 5 percent (0.521 > 0.05). Therefore, it may be stated that the study's data are regularly distributed and that the regression model's normality assumption was satisfied.

Multicollinearity Test, to find out whether the independent variables in a regression model are correlated, one uses the multicollinearity test. The VIF value (Variance Inflation Factor) and tolerance can be used to determine the presence of multicollinearity in a model.

Table 2
Multicollinearity Test Results

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	FDR	.938	1.066
	NPF	.588	1.701
	CAR	.589	1.696

a. Dependent Variable: ROA

Source: Secondary Data Processing with IBM SPSS 20

According to Table 2, the output of the multicollinearity test indicates that variable X1 has a tolerance value of 0.938, variable X2 has a tolerance value of 0.588, and variable Z has a tolerance value of 0.589. Variables X1 and X2 both have a VIF value of 1.066 and 1,701, respectively, while variable Z has a value of 1,696. The generated variable is more than 0.10 and the resulting VIF value is less than 10 when the mark tolerance is used. Therefore, it can be said that this study's regression model does not exhibit multicollinearity.

Heteroscedasticities Test, The heteroscedasticity test is used to determine whether there is inequality between the residual of one observation and the variance of one regression model.

Table 3
Glejser Test Results

Coefficients[a]

Model	Say.
(Constant)	.685
FDR	.270
NPF	.524
CAR	.862

a. Dependent Variable: ABS_RES

Source: Secondary Data Processing with IBM SPSS 20

The results of the heteroscedasticity test using the Glesjer test are displayed in Table 3 and have significance values for the FDR variable of 0.270, the NPF variable of 0.524, and the CAR variable of 0.862. Therefore, it may be said that the independent variable's significance value is bigger than 0.05. Therefore, it may be said that the regression model does not exhibit any signs of heteroscedasticity.

***Autocorrelation Test*,** To establish whether there is a link between the confounding factors in a given period and the prior variables, an autocorre lation test is conducted in a model.

Table 4
Autocorrelation test results using*Durbin-Watson*

Model Summary[b]

Durbin-Watson
1.914

Source: Secondary Data Processing

Values are taken from the table above. Durbin-Watson (d) equals 1.914, du equals 1.6540, and (4-du) equals 2.346. Durbin-Watson test If du d (4-du), or 1.6540 1.914 2.346, it can be stated to be typical. Therefore, it may be said that this test does not exhibit autocorrelation. The researcher also employs run test to reinforce a firm determination as to whether there is an autocorrelation symptom. The outcomes of the statistical tests used in this investigation are shown in Table 5.

Table 5
Autocorrelation test results using*Run TesT*

Runs Test

	Unstandardized Residual
Test Value[a]	.09961
Cases < Test Value	12
Cases >= Test Value	12
Total Cases	24
Number of Runs	15
WITH	.626
Asymp. Sig. (2-tailed)	.531

Source: Secondary Data Processing

0.09961 withasym is the result of the hairy test, as shown in table 5. (2-tailed) or a significant level of 0.531 (0.531 > 0.05), which is higher than the significance level of 0.05. In light of the fact that the residuals are distributed randomly, it may be said that there is no association between them. In other words, there is no autocorrelation in the regression model.

***Multiple Linear Analysis*,** undertaken to determine the validity of the premise that there is a strong correlation between the independent and dependent variables. These variables combine to provide the following regression equation after the study has been completed.

a. Multiple Linear Regression 1

CAR (Z) = a + b_1X_1 + b_2X_2 + and$_1$

= 28.757 + 0.083 X_1 – 4.300 X_2 + 0.589

Table 6
Multiple Linear Regression Analysis

Model	Unstandardized Coefficients	
	B	Std. Error
(Constant)	28.757	15.832
FDR (X_1)	.083	.173
NPF (X_2)	-4.300	1.171

Source: Secondary Data Processing

The outcomes of the previous equation for multiple linear regression can be interpreted as follows: First, 0.083 is used to calculate the FDR variable's coefficient findings, with a positive coefficient direction. Consequently, anytime the FDR increases, the CAR also increases by 0.083. Second, the outcome of the coefficient of the NPF variable (X2) is obtained by -4,300 with a negative coefficient direction. As a

result, whenever NPF increases, CAR decreases by -4,300 every time.

b. Multiple Linear Regression 2

ROA (Y) = a + b_1X_1 + b_2X_2 + b_3Z + e2
= -0.403 – 0.046 X_1– 0.583 X_2 + 0.261 Z+ 0.546

Table 7
Multiple Regression Analysis

Coefficients[a]

Model	Unstandardized Coefficients	
	B	Std. Error
(Constant)	-.403	7.773
FDR	-.046	.079
NPF	-.583	.681
CAR	.261	.098

a. Dependent Variable: ROA

Source: Secondary Data Processing

The outcomes of the previous equation for multiple linear regression can be interpreted as follows: First, -0.046 is the FDR variable's coefficient result, with a negative coefficient direction. Consequently, a drop in ROA of -0.046 will occur after every increase in FDR. Second, the NPF variable's (X2) coefficient resulted in a value of -0.583 with a negative coefficient direction. Consequently, a drop in ROA of -0.583 will occur after every increase in NPF. Third, a result of 0.261 with a positive coefficient direction was derived from the variable coefficient CAR (Z). Therefore, whenever CAR increases, there will also be an increase.

***The hypothesis test*,** including the t-test, F test, and the determining coefficient, will be explained in table 8 and table 9 below;

Table 8
Hypothesis Testing Results

Model		T_{count}	Say.	T_{abel}
1	(Constant)	1.816	.083	2.07387
	FDR	.483	.634	2.07387
	NPF	-3.673	.001	2.07387
	F_{count}	7.661	R	.641
	F themselves	.003	R Square	.357

a. Dependent Variable: CAR

Source: Secondary Data Processing

F-count results were used to test the hypothesis, and the results returned a 7.661 result with a significance level of 0.003. This demonstrates that the regression model is accurate because H0 was rejected and Ha was accepted due to the significant value's value being less than 0.05. This indicates that the independent factors' combined impact on the dependent variable is substantial.

Significant test (t-test), T value count variable FDR (X1) of 0.483, a significance level of 0.634, and T value table 2.07387 are all greater than 0.05. FDR has no effect and is not significant on CAR because the T value counts Ttable and a significance value of 0.634 > 0.05 allow H0 to be accepted and H1 to be denied.

T-count The T value table is 2.07387, the NPF variable is 3.673, and the significance level is 0.001, which is less than 0.05. H0 is rejected and H2 is accepted since the T value count> Ttable and a significance value of 0.001 0.05 indicate that there is a substantial relationship between NPF and CAR.

The dependent variable's variability is measured by the model's

coefficient of determination (R2). R2 has a value that ranges from 0 to 1. A low R2 value indicates that the independent variables' capacity to explain variance in the dependent variable is severely constrained. The FDR (X1), NPF (X2), and CAR (Z) can all be viewed as explaining the R-value square of 0.357 (35.7 percent).

Table 9
Hypothesis Testing Results

Model		T_{count}	Say.	T_{abel}
1	(Constant)	-.052	.959	2.07961
	FDR	-.577	.570	2.07961
	NPF	-.857	.401	2.07961
	CAR	2.671	.014	2.07961
	F_{count}	5.812	R	.674
	F themselves	.005	R Square	.376

a. Dependent Variable: ROA

Source: Secondary Data Processing

F-count yielded 5,812 as the outcome of testing the hypothesis, with a significance level of 0.005. This demonstrates that the regression model has significant results because H0 was rejected and H2 was accepted and the significance value was less than 0.05. This indicates that the independent factors' combined impact on the dependent variable is substantial.

Significant test (t-test), the T value count variable FDR (X1) is -0.577, the significance level is 0.570, which is greater than 0.05, and the T value table is 2.07961. H0 accepted and H3 rejected because the T value count (Ttable) is -0.577 2.07961 and a significance value of 0.570 > 0.05, indicating that there is no significant relationship between the FDR variable and the ROA variable.

The t-count NPF variable (X_2) is -0.857 and a significance level of 0.401 is greater than 0.05 and the T value table is 2.07961. Because the T value count> T_{table} namely -0.857 < 2.0791 and a significance value of 0.401 > 0.05 then H_0 was rejected and H_4 accepted, which means that there is no significant effect between the NPF variable and the ROA variable.

The t-table value of 2.07961 and Tcount variable CAR (Z) of 2.671 are both less than 0.05, as is the significance level of 0.014. H0 is rejected and H5 is accepted since the T value count > Ttable and the significance value is 0.014 0.05, respectively. This indicates that there is a substantial relationship between the CAR variable and the ROA variable.

The dependent variable's variability is measured by the model's coefficient of determination (R2). R2 has a value that ranges from 0 to 1. A low R2 value indicates that the independent variables' capacity to explain variance in the dependent variable is severely constrained. According to the R-value square of 0.376 (37.6%), FDR (X1), NPF (X2), CAR (Z), and ROA (Y) explain ROA.

Effect of FDR on CAR

The findings of this study suggest that FDR has no appreciable impact on CAR. Not in the line indicates that the

minimum capital adequacy requirement the bank must meet is not significantly impacted by the level of FDR. Due to a restriction from Bank Indonesia, banks are only permitted to distribute funding over third-party funds that have been received by banks as long as it does not exceed 110 percent, and high and low FDR against CARs did not affect the level of capital adequacy.

The same results were shown by research conducted (Fajriati, 2020) and (Parvansari, 2018) which stated that FDR did not affect CAR in Islamic banks.

Effect of NPF on CAR

The findings demonstrated that NPF had no discernible impact on CAR. Not significant means demonstrating that the level of non-performing debt does not significantly affect the capital adequacy ratio. Non-performing loans may result in lower income or even a loss of income for the bank. Due to the decreased income from this financing, banks must use available capital to fund their operations. Because the bank must use its capital to cover the capital that has been utilized to finance operational activities, problem financing can produce losses for the bank and cause the capital adequacy ratio to drop as a result.

The results of this study are in line with research conducted by (Mahardika, 2019)which shows that NPF significant effect on CAR.

Effect of FDR on ROA

The study's findings demonstrate that FDR has no appreciable impact on ROA. According to Kasmir, the FDR ratio is used to assess how much funding has been provided about the number of public funds and own capital used. (Kasmir, 2014) The FDR value of a bank indicates how different the financing it offers, which leads to larger profits, so the higher the value, the better a bank is. high and capable of being balanced with bank capital. However, this study's findings revealed that FDR had no appreciable impact on ROA.

This suggests that the ROA of Islamic banks will not be significantly impacted by the high FDR value. This indicates that the 5C principles—Character, Capacity, Collateral, Capital, and Condition—are taken into consideration by sharia banks when disbursing loans to potential clients. (Munir, 2018) The results of this study are in line with research conducted(Hanafia, 2020), and (Suprayogi, 2019).

Effect of NPF on ROA

The findings of the study indicate that NPF has no appreciable impact on ROA. Because the primary impact of NPF on ROA is related to defining the level of bottlenecks in financing given by a bank, the condition of a bigger NPF in one period does not necessarily result in a decrease in profit in the same period. This is true because banks

receive income from financing. The NPF variable itself is a fluctuating and unreliable indicator of unstable funding. There are several reasons why a customer may have trouble repaying a loan in non-performing financing, whether on purpose or due to other outside circumstances beyond their control.

A high NPF, on the other hand, will impede the bank's working capital turnover. A bank will attempt to assess its performance when it has a large volume of bad financing by temporarily suspending the distribution of financing until the NPF falls. According to the data, Islamic banks' NPF is tiny or there aren't many defaulted loans, so the NPF has little impact on their profitability.

In addition, it is not always followed by an increase in pre-tax profit and may be brought on by a rise in the number of problematic loans at Islamic banks. It may also result from the absence of problematic funding that could harm profitability and from financing that is billed by the bank under research, which would otherwise prevent the ROA at the understudied bank from being impacted. Because the bank's ROA may be impacted when the amount of bad bank funding is significant and unlikely to be collected. The same results were shown by research conducted by (A.S, 2018) and (Azizah, 2021)which stated that NPF did not affect ROA Profitability in Islamic banks.

Effect of CAR on ROA

The study's findings demonstrate that CAR significantly affects ROA. The bank's capacity to assume the risk of any risky loans or productive assets is inversely correlated with the CAR. Or, to put it another way, the better the bank performs, the more public confidence in the bank in question will grow, which will result in larger profits. Capital adequacy measures how well a bank can withstand the risk of non-performing loans (ROA). CAR displays the company's capital used to make money.

The bank has a greater chance of making money the higher the CAR since bank management can be more flexible when investing big amounts of capital in lucrative investment operations. The increase in hazardous asset growth without an equal increase in capital is the cause of the low CAR, which limits banks' ability to invest and can undermine public confidence in banks, which has an impact on profitability.

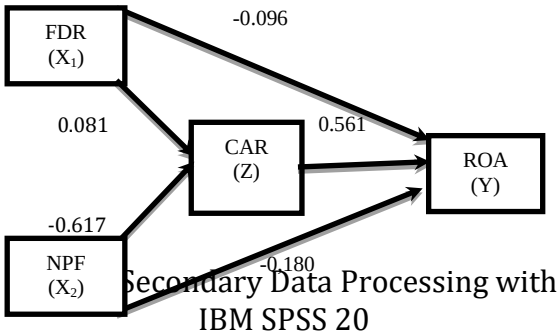
This study's results align with research conducted by (Hasanah, 2020) and (Sekarwati, 2018).

Path Coefficient Results.

For calculating direct and indirect effects, path analysis is helpful. The direct and indirect effects of the factors analyzed can be seen in the path diagram in Figure 1, and the following inferences can be made about the overall analysis based on this analysis:

Figure 1

Path Coefficient



Secondary Data Processing with IBM SPSS 20

FDR's impact on ROA via CAR, The FDR value has a positive coefficient with a t-value count of 0.483 and a significance level of 0.634 is greater than 0.05 and the coefficient value is 0.083, according to the significance test of individual parameters in the t statistical test. H0 is accepted and H1 is denied since the significance value is 0.634 greater than 0.05. Therefore, it may be said that there is no discernible impact of FDR on CAR.

The findings of this study suggest that FDR has no appreciable impact on CAR. Not in the line indicates that the minimum capital adequacy requirement the bank must meet is not significantly impacted by the level of FDR. Due to a restriction from Bank Indonesia, banks are only permitted to distribute funding over third-party funds that have been received by banks as long as it does not exceed 110 percent, high and low FDR against CARs did not affect the level of capital adequacy.

The same results were shown by research conducted by (Fajriati, 2020) and (Parvansari, 2018) which stated that FDR had no effect on CAR in Islamic banks.

***Effect of NFP on ROA through CAR*,** the direct effect of NPF on ROA of -0.180 indicates that CAR can have an impact on the NPF variables' effects on ROA. The indirect impact of NPF through CAR on ROA is represented by multiplying the values of NPF to CAR and CAR to ROA, which equals -0.617 x 0.561 = -0.346 = 34.6 percent. Therefore, these calculations show that the direct effect of -0.180 is less significant than the indirect effect of -0.346, indicating that NPF has an impact on ROA via CAR. In this instance, it can be deduced that CAR can affect how the NPF variables affect ROA.

According to the study's findings, CAR can have an impact on the link between NFP and ROA, in a study conducted by (Fajriati, 2020) found results that CAR cannot cause an influence relationship between NPF and ROA.

CONCLUSION

The regression coefficient of 0.083 and significance value of 0.634 > 0.05 with a t-value count table of 0.483 2.07387 show that FDR has no significant positive impact on CAR. As a result, a rise in FDR will not be followed by an increase in CAR because the FDR variable has no influence on the CAR variable with a positive coefficient value.

The regression coefficient value of -4,300 and significance value of 0.001 > 0.05 with a t-value count table of -3.673 2.07387 indicate that NPF has a negative and substantial impact on CAR. Therefore, a rise in NPF will result in a drop in the CAR variable because the NPF variable has no influence on it with a positive coefficient value.

The regression coefficient value of -0.583 and significance value of 0.401 > 0.05 with a t-value count table -0.857 2.07961 demonstrate that NPF has no adverse and inconsequential impact on ROA. As a result, an increase in NPF will be followed by a drop in ROA because there is no influence between NPF and ROA with a negative coefficient value.

The coefficient value of -0.046, significance value of 0.570 > 0.05, t-value count > t-table of -0.577 > 2.07961, and significance value of 0.570 > 0.05 show that FDR has no negative and insignificant impact on ROA. As a result, it follows that an increase in FDR will be followed by a fall in ROA because there is no effect between FDR and ROA with a negative coefficient value.

The coefficient value of 0.261 and significance value of 0.014–0.05 with a t-value count > t-table 2.671 2.07961 indicate that CAR has a positive and substantial impact on ROA. In other words, if CAR increases, it will be followed by a growth in ROA in Islamic banks, indicating a positive coefficient value between CAR and ROA.

The direct effect of FDR on ROA of -0.096 demonstrates that CAR cannot influence the effects of the FDR variables on ROA. The indirect impact of FDR through CAR on ROA is represented by multiplying the values of FDR to CAR and CAR to ROA, or 0.081 x 0.561 = 0.045 = 4.5 percent. These calculations show that there is no effect of FDR through CAR on ROA since the direct effect of -0.96 is greater than the indirect effect of 0.045. In this instance, it is evident that CAR cannot have an impact on ROA through the FDR factors.

The direct effect of NPF on ROA of -0.180 indicates that CAR can have an impact on the NPF variables' effects on ROA. The indirect impact of NPF through CAR on ROA is represented by multiplying the values of NPF to CAR and CAR to ROA, which equals -0.617 x -0.561 = -0.346 = 34.6 percent. Therefore, these calculations show that the direct effect of -0.180 is less significant than the indirect effect of -0.346, indicating that NPF has an impact on ROA via CAR. In this instance, it may be said that CAR can affect how the NPF variables affect ROA.

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