Information On Financial Performance Of Sharia Commercial Banks And Their Determining Factors

Hadi Purnomo [a,1], Nicko Albart [b,2]

[a] Prodi Manajemen STIMA IMMI, Jakarta
[b] Prodi Manajemen Universitas Parmadina, Jakarta
[1] hadi.purnomo2108@gmail.com, nicko.albart@paramadina.ac.id
* corresponding author

ARTICLE INFO

Article history
Received 09 May 2023
Revised 18 July 2023
Accepted 03 Sep 2023

Keywords
ROA,
NPF,
CAR,
Sharia Commercial Bank

ABSTRACT

The research aims to examine the impact of Non-Performing Financing (NPF), Capital Adequacy Ratio (CAR) on the Financial Performance of Return on Assets (ROA) in Sharia Commercial Banks registered with the OJK during 2018-2022. The population in this research is Sharia Commercial Banks registered with the OJK during 2018-2022. A total of 60 data from 12 Sharia Commercial Banks registered with the OJK during 2018-2022, and this is the sample used in this research with sample selection using the purposive sampling method. The data analysis used is descriptive statistics, classical assumption testing and hypothesis testing using the multiple regression analysis method which was tested using SPSS'26 software. The results of this research show that (1) Non-Performing Financing (NPF) does not statistically have a significant influence on profitability (ROA) in Sharia Commercial Banks registered with the OJK during 2018-2022. (2) Capital Adequacy Ratio (CAR) statistically has a significant influence on profitability (ROA) in Sharia Commercial Banks registered with the OJK during 2018-2022.

1. Introduction

The Banking Financial Information System (BFI) is a technology infrastructure specifically designed to support financial operations and risk management in the banking sector. The system includes various components and modules that serve to manage financial information and provide operational support to various functions within a bank. The development and maintenance of the Banking Financial Information System is essential to support the bank's operations efficiently and meet the applicable regulatory standards. The reliability and security of SIKP is a top priority in maintaining customer confidence and running banking operations properly. The banking sector plays an important and vital role in achieving national development goals related to improving and equalising people's living standards, as well as supporting the functioning of the economy in Indonesia. Banks also act as implementers of monetary policy and contribute to the stability of the financial system, so that a healthy, transparent and accountable banking system is needed. One type of bank is an Islamic bank. Islamic banks distinguish themselves from conventional banks by operating based on sharia principles, providing financial services guided by Islamic ethics and values [1]. This approach ensures that no party feels unfairly favoured or disadvantaged. Instead, both the bank and the customer share the risks and benefits through a profit and loss sharing mechanism, which is a significant attraction that causes many individuals to opt for Islamic banking services. Islamic banks are categorised as financial institutions, including Sharia Commercial Banks registered with the OJK during 2018-2022 and Islamic People's Financing Banks (BPRS), as defined in the 2008 Law on Islamic Banking in Indonesia. According to this law, Islamic banks conduct their business activities based on sharia principles. Sharia Commercial Banks registered with the OJK during 2018-2022 are specifically engaged in providing services related to payment transactions [2]. The birth of Islamic banks brings its own concept, which prohibits the application of interest in all banking transactions because it is classified as usury, as mentioned in the Qur'an Surah Al-Baqarah Verse 275.

Evaluation of financial performance should also consider the economic and regulatory context. Islamic banks in particular must ensure their operational activities are in accordance with sharia principles. The financial performance of an Islamic bank can be assessed using various indicators and ratios that reflect its financial condition, one of which is profitability. There are several factors that affect the financial performance-profitability (in this case with ROA/Return On Asset) of Islamic banks, and one of them is Non-Performing Financing (NPF). NPF serves as an indicator in measuring the financial risk of banks. In accordance with Bank Indonesia regulations, NPF should not exceed 5%. As for Islamic banks, the main source of income comes from the financing provided. Higher financing provides an opportunity for greater profits. However, Islamic banks must be careful in managing financing because it can cause various problems. Financing risk is measured by the amount of financing problems (Non-Performing Financing/NPF). Higher NPF results in lower bank profits because the bank must set aside more reserves for receivables. According to IAI in SAK (2007: 315), Non-Performing Financing is defined as "credit/financing whose principal and/or interest/profit sharing payments are past due 90 days or more after the due date, or credit/financing whose on-time payments are highly doubtful."

The paragraph above discusses the role of capital in influencing the financial performance-profitability of Islamic banks, especially in the context of Return On Asset (ROA). Bank capital is considered very crucial because it can be the main support when the bank faces bankruptcy. As an alternative to cover debts or liabilities, capital has a strategic role.

Bank Indonesia Regulation No. 10/15/PBI/2008 stipulates that a bank must at least achieve a Capital Adequacy Ratio (CAR) of 8%. CAR is a bank performance ratio that measures the extent to which the bank's capital is sufficient to support potentially risky assets, such as lending. In this case, CAR is measured through the ratio between own capital and Risk Weighted Assets (ATMR).

Furthermore, the amount of CAR is an important parameter to assess the strength of the bank in bearing the risk of each loan granted. The higher the CAR, the greater the bank's ability to face risks and provide protection against loans that may pose a risk to the bank. It is important to remember that capitalisation is not only a regulatory requirement, but also an integral part of a bank's financial strategy. By understanding and complying with capital rules, banks can build a strong foundation to support their growth and operational continuity in the face of market dynamics and financial risks.

The importance of evaluating financial performance-profitability information, especially through ROA (Return On Asset), is to formulate policies, maintain the continuity of bank operations in the face of competition, reduce risks and failures in Sharia Commercial Banks, and improve performance efficiency. This study aims to examine the effect of Non Performing Finance (NPF) and Capital Adequacy Ratio (CAR) on financial performance, especially profitability (ROA) of Sharia Commercial Banks registered with the OJK during 2018-2022.

2. Method

The population in this study is only Sharia Commercial Banks registered with the OJK during 2018-2022. For this study, the sample was selected using purposive sampling method, namely sample selection based on certain criteria, namely: Sharia Commercial Banks are registered with the OJK during 2018-2022, consistently publish and have complete data needed for this study and do not experience losses or decreases in profits in 2018-2022. So, the number of samples is Islamic Commercial Banks as many as : 12 Sharia Commercial Banks x 5 years (2018-2022) = 60 Islamic Commercial Banks data.

The type of data used in this study is quantitative data, which is a numerical value that indicates the amount or number of things, which comes from the company's annual financial report (annual report). This research data is obtained from the annual financial statements of each Islamic Commercial Bank listed on the Indonesia Stock Exchange from 2018 to 2022 taken from the OJK official website (www.ojk.go.id). The data collection technique used in this research is documentation.

The data obtained from this study are quantitative and analysed using the classical assumption test, hypothesis testing, and multiple linear regression analysis. The multiple linear regression equation used is as follows: ROA = a + β1NPF + β2CAR + e

3. Results and Discussion

3.1. Normality Test

Table 1. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		60
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,28452164
Most Extreme Differences	Absolute	,084
	Positive	,083
	Negative	-,084
Test Statistic		,084
Asymp. Sig. (2-tailed)		,319[,d]

Based on table 1 of the SPSS'26 output, it is known that the Significant value of Asiymp. Sig. (2-tailed) of 0.319> 0.05, then in accordance with the basis for decision making in the Kolmogorov-Smirnov Normality Test, it can be concluded that the data is normally distributed.

3.2. Multicolonierity Test

Table 2. Multicolonierity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	NPF	,531	1,882
	CAR	,654	1,530

Based on SPSS'26 output, the tolerance value of all research variables is greater than 0.10 and has a VIF value below 10, namely: NPF (0.531), CAR (0.654) > 0.10. While the VIF value for NPF (1.882), CAR (1.530) < 10.00, then referring to the basis for decision making in the Multicollinearity Test it can be concluded that there are no symptoms of Multicollinearity in the regression model.

3.3. Heteroscedasticity Test

Heteroscedasticity testing is done using the Glejser Test. Detection of heteroscedasticity by squaring the residual value, heteroscedasticity does not occur if sig. > 0,05.

Table 3. Heteroscedasticity testing

Model		Sig.
1	(Constant)	,106
	NPF	,262
	CAR	,109

The results of the Glacier test based on the output above show that the Significance value (Sig.) for NPF (0.262) and CAR (0.109) is greater than 0.05, so in accordance with the basis for decision making in the Glacier Test, it can be concluded that there are no symptoms of heteroscedastistas in the regression model.

3.4. Multiple Linear Regression Analysis

Table 4. Multiple Linear Regression Analysis

	Unstandardized Coefficients	
	B	Std. Error
(Constant)	-20,610	12,368
NPF	-,143	,125
CAR	,206	,057

The equation model that can be written from these results is in the form of the following equation: Y = - 20.610 - 0.143NPF + 0.206CAR

These results can be explained as follows:

1. Constant, if other variables are constant then the ROA value will change by itself by the constant value of -20.610.
2. The path coefficient of the NPF variable has a positive coefficient direction, which means that banks with high NPF tend to have higher ROA. Every increase in NPF by one unit, the ROA value will decrease by - 0.143.
3. The path coefficient of the CAR variable has a negative coefficient direction, which means that banks with high CAR tend to have a decreased ROA. Every increase in CAR by one unit, the ROA value will decrease by - 0.206.

3.5. Test Coefficient of Determination (R2)

Table 5. Test of the Coefficient of Determination (R2)

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,910[a]	,829	,684	2,11032	3,565
a. Predictors: (Constant), NPF, CAR					
b. Dependent Variable: ROA					

Based on the results of SPSS'26 output, it is known that the coefficient of determination or R Squere is 0.829. The value of R Squere is 0.829 or equal to 82.9% which means that ROA can be influenced by NPF, CAR, and the remaining 17.1% ROA can be influenced by other variables outside this regression equation or variables not examined.

3.6. The F Test

Table 6. The F Test

ANOVA[a]						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	553,563	2	82,735	24,529	,001[b]
	Residual	114,292	57	3,597		
	Total	667,855	59			
a. Dependent Variable: ROA						
b. Predictors: (Constant), NPF, CAR						

Based on table 6 of SPSS'26 output, it is known that the significance value is 0.000 and the fcount is 23.410, because the significance value is 0.001 <0.05 and the fcount value is 43.529 > ftabel 2.43, then in accordance with the basis for decision making in the F test it can be concluded that the hypothesis is accepted or in other words NPF, CAR simultaneously affect ROA.

3.7. The t test

Table 7. The t test

Hypothesis	Statement	Value	Sig.	Information
H_1	Non-performing finance (NPF) has a negative effect on the performance of *Sharia Commercial Banks*	2,001	,062	H_1: Retrieved
H_2	Capital Adequacy Ratio (CAR) has a negative effect on the performance of *Sharia Commercial Banks*	2,053	,001	H_1: Reject

Discussion

Effect of Net Performing Financing (NPF) on Financial Performance

Based on the data in Table 7, it can be seen that the statistical test results for the t test on the Net Performing Financing (NPF) variable show a calculated t value of 2.001, which is smaller than the t table value of 2.02809, and a significance value of 0.062, which is greater than the 0.05 significance level. This shows that statistically, the Net Performing Financing (NPF) variable has no significant effect on profitability (ROA). NPF does not significantly affect the value of ROA. In other words, during the study period, the bank's intermediation function was running normally, and economic improvement in the real sector had an impact on the decline in NPF accompanied by an increase in ROA. A high level of NPF can result in a decrease in profitability. The phenomenon of Non Performing Finance (NPF) during the study period has increased, while Return on Asset (ROA) has decreased.

The results of this study are consistent with the findings of [3] which showed a significant negative effect between NPF and profitability. However, this result contradicts [4] research which shows that NPF has a significant positive effect on ROA. The Covid-19 pandemic in the 2020-2020 period and the issuance of the Financial Services Authority Regulation POJK No. 11 / POJK.03 / 2020 concerning National Economic Stimulus as the Impact of Countercyclical Policies Impact of the Spread of Covid 19, provide relaxation for banks in terms of determining collectibility, so that the NPF ratio remains good, but banks experience a decrease in income / profit due to restructuring financing customers.

Effect of Capital Adequacy Ratio (CAR) on Financial Performance

Based on table 7, it can be observed that the statistical test results for the t test on the Capital Adequacy Ratio (CAR) variable show the calculated t value of 2.053, which is greater than the t table value of 2.02809. In addition, the significance value is 0.001, which is smaller than the significance level of 0.05. Thus, statistically, the Capital Adequacy Ratio (CAR) variable has a significant influence on profitability (ROA). An increase in bank funds is indicated to increase the funds available for lending to customers and potentially increase Return on Asset (ROA).

However, the results also show that the higher the CAR raised by Islamic Commercial Banks will lead to a decrease in ROA. This is not in line with the main function of banks in providing funds for business development and bearing the risk of fund losses due to bank operations. Factors such as increased operating costs and too high a CAR value can lead to unemployment of funds. This finding is in line with research by [5], who found that CAR has a positive and significant effect on ROA. However, this finding contradicts research by [6], which concluded that CAR has a significant negative relationship with profitability..

4. Conclusion

Based on the results of research related to Net Performing Loan (NPF) and Capital Adequacy Ratio (CAR) on financial performance (profitability/ROA) in Sharia Commercial Banks registered with the Financial Services Authority (OJK) during the period 2018-2022, it can be concluded as follows: (1) Net Performing Financing (NPF) has no statistically significant effect on profitability (ROA). (2) Statistically, Capital Adequacy Ratio (CAR) has a significant effect on profitability (ROA).

References

[1] V. Rivai, “Kepemimpinan dan perilaku organisasi,” 2013.

[2] K. R. Salman, “Akuntansi perbankan syariah berbasis PSAK Syariah.” Penerbit Akademia Padang, 2012.

[3] N. Afdalia, G. T. Pontoh, and K. Kartini, “Theory of planned behavior dan readiness for change dalam memprediksi niat implementasi peraturan pemerintah nomor 71 tahun 2010,” *J. Akunt. Audit. Indones.*, vol. 18, no. 2, pp. 110–123, Dec. 2014, doi: 10.20885/jaai.vol18.iss2.art3.

[4] M. Ika Lestari and T. Sugiharto, “Kinerja Bank Devisa Dan Bank Non Devisa Dan Faktor-Faktor Yang Memengaruhinya,” 2007.

[5] F. Yanuar, D. Ekayanthi, and L. Murdiyanto, “DIGITAL MARKETING UNTUK PENINGKATAN KAPASITAS KEWIRAUSAHAAN ANGGOTA YPBI CIRACAS , JAKARTA,” vol. XXVI, no. 3, pp. 227–236, 2021.

[6] I. W. E. Arsawan, V. Koval, I. Rajiani, N. W. Rustiarini, W. G. Supartha, and N. P. S. Suryantini, “Leveraging knowledge sharing and innovation culture into SMEs sustainable competitive advantage,” *Int. J. Product. Perform. Manag.*, vol. 71, no. 2, pp. 405–428, Jan. 2022, doi: 10.1108/IJPPM-04-2020-0192.