

FACTORS AFFECTING RETURN ON ASSETS IN *SHARIA* COMMERCIAL BANKS

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Abstract

This study aimed to analyze the influence partially between non - performing financing (NPF) on return on assets, the financing to deposit ratio on the return on assets, the debt financing on return on assets, the equity financing to return on assets in sharia commercial banks. In addition, to analyzed partially the effect of operational efficiency ratio on return on assets, between net core operating margin on return on assets, and simultaneous influence between non-performing financing, deposit financing ratio, debt financing, equity financing, operational efficiency ratio and net core operating margin on return on assets at sharia commercial banks. Data processing method used by the researcher was multiple regression analysis. The data obtained is secondary data based on financial reports on sharia commercial banks within six years. The results of this study indicate that there are simultaneous effects on variables (non-performing financing, financing to deposit ratio, debt financing, equity financing, operational efficiency ratio and net core operating margin) on return on assets.

Keyword: Debt Financing, Equity Financing, Financing to Deposit Ratio, Non-Performing Financing

INTRODUCTION

The development of economic Islam is marked by the development of banks sharia and financial institutions (Suwiknyo, 2010:1). Banks sharia is a financial institution based financial institution Islam. Sharia financial institutions in Indonesia have shown progress, especially at Sharia commercial banks. This is evidenced by ROA 2017 increasing of 1.01 from the previous year 0.63 (<http://www.ojk.go.id>). Besides, the existence of government support and a positive response from many

Muslims, sharia institution has proven to exist in conditions of the economic crisis which have devastated society and the social economy. The application of sharia principles in bank business activities with a profit-sharing system is a fundamental thing can deal with economic conditions (Suwiknyo, 2010: 8).

In assessing the performance of a bank, an investor usually refers to the banking prospectus and financial statements. The company's ability to generate profits and operational activities is the main focus in assessing the

company's performance (a fundamental analysis of the company). Company profits are an indicator of a company's ability to fulfil obligations. In addition, funders can show how much the company's prospects for the future. The measures used to assess performance are very diverse and sometimes differ from one industry to another. However, commonly used by managers or investors so far uses the company's financial ratios, such as liquidity ratios (current ratio, quick ratio), profitability ratios (return on equity, return on assets, return on investment), and solvency ratios.

Profitability can be said as one of the most appropriate indicators to measure the performance of a company. The company's ability to generate profits can be a benchmark of the company's performance. The higher profitability, better the financial performance of the company. One of the profitability ratios is a return on assets (ROA); return on assets (ROA) is the ratio of net profit after tax to average total assets. This ratio illustrates how effective the company uses all of its assets in generating profits. The value of the two financial ratios above is listed in each company's financial statements, making easier for investors to analyze and then become the basis for determining portfolio policy (Handoko, 2008:3).

LITERATURE REVIEW

Return on Asset

Return on Assets is one of the financial ratios classified as profitability ratios. Return on assets is used to measure the company's ability to utilize assets to earn profits. This ratio measures the rate of return on investment that

has been made by the company by using all the funds (assets) it has (Prastowo and others, 2008:91).

Non-Performing Financing (NPF)

Non-performing financing (NPF) is problematic financing that contains doubtful, non-performing elements. The amount of NPF allowed at Bank Indonesia is 5%, if it exceeds 5% it will affect the health rating of the bank concerned will reduce the score obtained. Financing risk increases, loan interest will too. In Islamic economics, the banking sector of the Islamic financial system implements a profit and loss sharing system that has determined the level of profit in advance (Sulistyaningrum, 2013).

Financing to Deposit Ratio (FDR)

Liquidity management is a fairly complex problem in bank operations because most of the funds managed by the bank are funds from the public that are short-term and can be withdrawn at any time. Siamat (2005:56) states that the liquidity of a bank means that the bank has sufficient funds available to fulfil all obligations. One of the assessments of bank liquidity is using the financing to deposit ratio (financing). Financing to deposit ratio (financing) is used as an independent variable that affects ROA based on a relationship with the level of bank risk which leads to bank profitability (ROA).

Debt Financing

Debt financing is a method for fulfilling financing needs in Sharia Banking with the principle of loans, but sharia Banking does not

use the method of borrowing and borrowing money on terms or promises of reward because it includes usury. The contracts used in this method include Murabahah, Istishna and ijarah (Arifin, 2009:25).

Equity Financing

Equity Financing is a method for fulfilling the capital of Sharia banking by using profit-sharing contracts, such as Musyarakah and Mudharabah (Arifin, 2009:22). This system is a system that includes procedures for the distribution of business revenues between providers of funds and fund managers. The division of the results of this business can occur between banks and depositors, as well as between banks and customers receiving funds. The forms of product based on the principle of profit sharing are mudharabah and musyarakah (Muhammad, Adam, 2015:27).

Operational Efficiency Ratio (OER)

Operational efficiency ratio used as an independent variable that influences ROA based on its relationship with the level of bank risk that has a basis for bank profitability. The BOPO ratio is used to measure the level of efficiency and ability of a bank to carry out its operations. Considering the main activities of the bank in principle are to act as an intermediary, to collect and channel public funds, the bank's operating the interest and interest costs dominate costs and income. Any increase in operational costs will result in a decrease in profit before tax which in turn will reduce the profit or profitability (ROA) of the bank concerned (Siamat, 2005:102).

Net Core Operating Margin (NCOM)

Net Core Operating Margin (NCOM) is a ratio that reflects net operating income to the average earning assets. Net main operating income is the difference between the primary operating income and the main operating costs.

In sharia banking, sharia banks carry out operational activities the bank does not use the interest system, then the valuation of the NIM ratio in Islamic banks uses the ratio of Net Core Operating Margin (NCOM). Some of Sharia banks in Indonesia use another term, Net Operating Margin (NOM), and there are also Sharia banks using the term Net Revenue Margin (NRM) to describe the bank's ability to generate profits from the management of its productive assets.

RESEARCH METHODS

The population of this study is Sharia commercial banks in Indonesia. Sampling in this study was conducted using a purposive sampling method with the criteria of banks issuing financial statements from 2011-2016. The independent variables in this study were those who were symbolized as non-performing financing (X_1), financing deposit ratio (X_2), debt financing (X_3), equity financing (X_4), Operational Efficiency Ratio (X_5) and Net Core Operating Margin (X_6). Whiles, the dependent variable in this study was returned on assets are given the symbol (Y). The data needed in this study was quantitative data which is secondary data. The data analysis method used by the researcher is descriptive statistics, data quality test, classic assumption test and hypothesis test.

RESULTS AND DISCUSSION

In 2016, the highest of return on assets was Bank Mega Syariah Indonesia of 2.63, and the lowest was Maybank Syariah Indonesia of -9.51. In 2016, the highest of non-performing financing was Bank Jabar Banten Syariah of 4.94, and the lowest was BCA Syariah Bank of 0.21. In 2016, the highest financing deposit ratio was Maybank Syariah Indonesia of 134.73 and the lowest by Bank BRI Syariah of 81.42. In 2016, debt financing, the highest was Bank Muamalat Indonesia of 30.87 and the lowest by Bank Victoria Syariah of 26.20. In 2016, equity financing, the highest was Bank Muamalat Indonesia of 30.77 and the lowest by Maybank Syariah Indonesia. In 2016, the highest operational efficiency ratio was Maybank Syariah Indonesia of 160.28, and the lowest was Bank BNI Syariah of 87.67. In 2016, the highest net core operating margin was Bank Mega Syariah Indonesia of 10.00, and the lowest was Bank Jabar Banten Syariah of 22.68.

Table 1. Classical Assumption Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	NPF	.680	1,470
	FDR	.677	1,478
	DF	.710	1,408
	EF	.610	1,638
	NCOM	.319	3,130
	OER	.385	2,600

To detect multicollinearity problems, it can be done by looking at a Tolerance value more than 0.1 and a variance inflation factor (VIF) value less than 10. NPF has a tolerance

value of 0.680, FDR has a tolerance value of 0.677, EF has a tolerance value of 0.610, and DF has a tolerance value of 0.710. OER has a tolerance value of 0.319; NCOM has a tolerance value of 0.385. NPF has a VIF value of 1.470, FDR has a VIF value of 1.478, EF has a VIF value of 1.408, and DF has a VIF value of 1.638. OER has a VIF value of 3,130; NCOM has a VIF value of 2,600.

Table 2. Normality Test Results

		Unstandardized Residual
N		66
Normal Parameters a, b	Mean	0E-7
	Std.Deviation	1.16152635
Most Extreme Differences	Absolute	.093
	Positive	.091
	Negative	-.093
Kolmogorov-Smirnov Z		.754
Asymp. Sig. (2-tailed)		.621

The results of the test for normality can be seen from the value of Kolmogorov-Smirnov for unstandardized residues of 0, 621. It means that the residual data is normally distributed because of the significantly higher than 0,05 so that the data used is normally distributed.

Table 3. Autocorrelation Test Results Summary Model ^b

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.935 a	0.874	0.861	1.21916	2,191

The value of Durbin Watson (d) was 2,291; this value will be compared with the table value by using a significance value of 5%, the number of samples (n) 66 and the number of independent variables (k) was 6.

Then, the table obtained the value $du = 1,80$ and $4 - du = 4 - 1.80 = 2.20$. Because the value of $du < d < 4 - du$ or $1,80 < 2.191 < 2.20$ can be concluded that there was no positive or negative autocorrelation.

Partial of Significant Test Results (t-test)

The t-test aims to determine the effect of independent variables consisting of from ratio of non-performing financing, financing deposit ratio, debt financing, equity financing, operational efficiency ratio and net core operating margin. Partially affects the dependent variable (return on assets).

Based on the table above, it can be described the partial effect between the independent variable (non-performing financing, financing deposit ratio, debt financing, equity financing, operational efficiency ratio and net core operating margin) on the dependent variable (return on assets).

Table 4. Partial of Significance Test Results (t-test) Coefficients *

Model	Unstand. Coeff.		Stand. Coeff.	t	Sig.
	B	Std. Error	Beta		
(Constant)	11,428	4,481		2,551	.013
NPF	.192	.115	.094	1,671	.100
FDR	.006	.006	.058	1,035	.305
DF	-279	.124	-.124	-2,252	.028
EF	-009	.117	-005	-.081	.936
OER	.328	.037	.663	8,897	.000
NCOM	-060	.012	-.426	-5,206	.000

1. The Effect of Non-Performing Financing Ratio Variable on Return on Assets.

The value of Non-performing financing variable was $t\text{-count} < t\text{ table}$ or $1.671 < 1,99$ and sig value higher than 0.05 ($0.100 > 0.05$), it can be concluded that H_0 is accepted and H_a is rejected. It means that the variable non-performing financing was no significant partial effect on return on assets. The result was the same line with the research conducted by Wibowo (2013), the research entitled "Analysis of the Influence of Interest Rates, INFLATION, CAR, BOPO, and NPF on the Profitability of Sharia Banks." Based on the result of data analysis, it can be concluded that BOPO has a significant negative effect on ROA. Whiles, variable CAR, NPF, Inflation and Interest Rate does not affect. However, this result was not accordance with the research conducted by Nugroho (2011), the results of the analysis show that the data of FDR, NPF, and BOPO partially have a significant to ROA.

2. The effect of Financing Deposit Ratio Variable on Return on Assets.

Variable of financing deposit ratio was the value $t\text{-count} < t\text{-table}$ or $1.035 < 1.99$ and sig value higher than 0.05 ($0.305 > 0.05$) can be concluded that H_0 is accepted and H_a is rejected. It means that the financing deposit ratio variable there is no significant partial effect on firm value. The result was the same line with research conducted by Adyani (2011), in a study entitled "Analysis of Factors Affecting Profitability (ROA)." The results state that the CAR and FDR variables have no significant positive effect on bank profitability

(ROA). Whiles, NPF and BOPO have a significant negative effect on the profitability (ROA) of banks.

3. The effect of *Debt Financing* Variable on *Return on assets*.

Variable of debt financing was the value $t\text{-count} < t\text{-table}$ or $-2.252 < -1,99$ and sig value lower than 0.05 ($0.028 < 0.05$) can be concluded that H_0 is rejected and H_a is accepted. It means variable debt financing was the significant partial effect on return on assets. The result was consistent with the research conducted by Yudha and Nurhayati (2015), the research entitled "The Effect of Debt financing d an Equity Financing of Return on Assets in the city of Bandung." The research result shows that debt financing and equity financing was a significant positive effect on return on assets.

4. The effect of *Equity Financing* Variable on *Return on Assets*.

Variable of equity financing was a value $t\text{-count} > t\text{-table}$ or $-0.081 > 1.99$ and sig. value higher than 0.05 ($0.936 > 0.05$) can be concluded that H_0 is accepted and H_a is rejected. It means that the equity financing variable was a significant partial effect on return on assets. The results same line according to research conducted by Zahara, Islahuddin and Musnadi Said (2014), in a study entitled "The Effect of Debt Financing and Equity Financing on Financial Performance of Sharia Bank". The results stated that debt financing significantly affects the determination of the financial performance of Sharia banks. Variable of financing equity partially was

affect determining the financial performance of Sharia banks.

5. The effect of *Operating Efficiency Ratio* Variable on *Return on Assets*.

Variable of operating efficiency ratio was a value $t\text{-count} > t\text{-table}$ or $8,897 > 1,99$ and sig value lower than 0.05 ($0.000 < 0.05$), it can be concluded that H_0 is rejected and H_a is accepted. So, the operating efficiency ratio variable was a significant partial effect on return on assets. The results are consistent with the research conducted by Nugroho (2011), the research entitled "Analysis of the Influence of Financing Deposit Ratio, Non-Performing Financing, Operational Expenses and Operational Income, KAP and PLO on the return on assets of study on Islamic Banks in Indonesia". The analysis result show the data FDR, NPF, and BOPO partially was significance on ROA.

6. The effect of *Net Core Operating Margin* Variable on *Return on Assets*.

Variable core net operating margin was the value $t\text{-count} < t\text{-table}$ or $-5.897 < -1.99$ and sig value lower than 0.05 ($0.000 < 0.05$), it can be concluded that H_0 is rejected and H_a is accepted. So, the variable of net core operating margin was a significant partial effect on return on assets.

These results are same as the research of Sabir (2012), the research about "Effect of Debt Financing and Equity Financing on Financial Performance of Sharia Banks". The results state that debt financing was a significant effect on determining the financial performance of Sharia banks, the variable of

equity financing partially was no effect on determining the financial performance of Sharia banks.

The F-test is used to examine the effect of independent variables which consist of the ratio of non-performing financing, financing deposit ratio, debt financing, equity financing, operational efficiency ratio and net core operating margin simultaneously. ANOVA test results using F-test can be seen the F-count value of 68.217 with a significant was 0.000. In F-table, the value of F-table was obtained of 2,26. This conditions F-counthigher than F-table and significant value was lower than alpha (0,05), it can be concluded that Ho is rejected and Ha is accepted. So, the independent variables have the significant simultaneous effect of return on assets.

The results of multiple linear regressions influence the non-performing financing, financing deposit ratio, debt financing, equity financing, operating efficiency ratio and net core operating margin effect on return on assets.

From on table above, a regression equation can be formulated to determine the effect of non-performing financing variables, financing deposit ratio, debt financing, equity financing, operating efficiency ratio and net core operating margin effect of return on assets as follows:

$$Y = 11,428 + 0,192 X_1 + 0,006 X_2 - 0,279 X_3 - 0,009 X_4 + 0,328 X_5 - 0,060 X_6$$

In the regression equation above, shows a constant value of 11.442. This states that if the variables were *non-performing financing, financing deposit ratio, debt financing, equity financing, operating efficiency ratio* and *net core operating margin* are considered constant or 0 (zero). Thus, return on assets will increase was amounting to 11,428 units. *Non-performing financing* variable was amounting to 0.192 indicate that if the variable non-performing financing increases of 1 unit. Thus, it will increase return on assets was amounting to 0.192 units with the note that other variables are considered constant. *The financing deposit ratio* variable was amounting to 0.006 shows that if the financing deposit ratio variable was increases of 1 unit. Thus, it will increase return on assets was amounting to 0.006 units with the note that other variables are considered constant. *The debt financing variable* was amounting to - 0.279 shows that if the debt financing variable increases of 1 unit. Thus, it will reduce the return on assets was amounting to 0.279 units with the note that other variables are considered constant. Variable of *equity financing* was amounting to - 0.009 shows that if the equity financing variable increases of 1 unit. Thus, it will reduce the return on

Table 5. Results of Analysis of Multiple Linear Regression Coefficients Coefficients *

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std.Error	Beta
(Constant)	11,428	4,481	
NPF	.192	.115	.094
FDR	.006	.006	.058
DF	-279	.124	-.124
EF	-009	.117	-005
OER	.328	.037	.663
NCOM	-060	.012	-.426

assets was amounting to 0.009 units with the note that other variables are considered constant. Variable of *operating efficiency ratio* was amounting to 0.328 indicates that if the operating efficiency ratio variable increases of 1 unit. Thus, it will increase return on assets was amounting to 0.328 units with the note that other variables are considered constant. Variable of *net core operating margin* was amounting to -0.060 indicates that if the net core operation margin variable was increases of 1 unit. Thus, it will reduce the return on assets was amounting to 0.060 units with the note that other variables are considered constant.

The coefficient of determination used to determine how much influence the independent variable on the dependent variable (return on assets); through simultaneous testing can be known the magnitude of the coefficient of determination (adjusted R²). Through, Coefficient determination (adjusted R²) can find out the degree of accuracy of multiple linear regression analysis can show the amount of variation in the contribution of all independent variables to the dependent variable.

Table 6. Test Results of Adjusted R Square Summary Model ^b

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.935 ^a	0.874	0.861	1.21916	2,191

The effect of the independent variables indicated by the value (adjusted R²) = 0.861 that percentage the effect of variables non-performing financing, financing deposit ratio,

debt financing, equity financing, operating efficiency ratio and net core operating margin affect the price-earnings ratio was amounting of 86.1%. Whiles, the remaining 13.9% was influenced by other variables outside this research such as capital adequacy ratio, debt to equity ratio and others.

CONCLUSION

Based on the results of the study, it was found that there were simultaneous effects between independent variables (non-performing financing, financing deposit ratio, debt financing, equity financing, operating efficiency ratio and net core operation margin) on the dependent variable (return on assets). Whereas, based on the partial test results found results state that the variables that affect partially were debt financing, operating efficiency ratio and net core operating margin. While, the variables of non-performing financing, financing deposit ratio and equity financing were not affecting return on assets.

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