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THE INFLUENCE OF PROBLEMATIC FINANCING, LIQUIDITY RATIO AND OPERATIONAL EFFICIENCY RATIO (OER) ON PROFITABILITY OF SHARIA COMMERCIAL BANKS

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Abstract

This study aims to determine how much influence Non Performing Financing (NPF), Financing to Deposit Ratio (FDR), and Operational Effiiency Ratio (OER) to Profitability are partially and simultaneously in Islamic Commercial Banks.

This research approach using associative research with quantitative data types.

This research was conducted with data from secondary financial reports public Bank Syariah Bank in Indonesia research period year 2013 – 2017. The population in this research are all public Bank Syariah (BUS) which is registered with the Bank Indonesia totalling thirteen banks. While the sample in this study is the annual financial reports for the past five year period i.e. the period 2013 – 2017. In addition, the technique of taking sampelnya by way of purposiv sampling. The analysis technique used in this study is multiple linear regression.

The results of this study indicate that partially NPF and OER have a negative and significant effect on profitability, while FDR has no effect on profitability. And simultaneously the NPF, FDR and OER variables significantly influence profitability, with a determination coefficient of 80%, while the remaining 20% is influenced by other factors not included in the research model.

Keywords: *ROA, NPF, FDR, OER*

A. Introduction

Islamic Bank is a financial institution that has one function, namely to gather a Community Fund. The fundamental purpose of the business of banking is the obtained profit optimally with the way financial services provides services to the community. The concept of Islamic banking bank itself is based on the principle of partnership, fairness, transparency and universal.

Profitability (income) are very important position in all lines of business organizations, including in the banking activities. Because of the existence of profitability will affect and that it is best to ensure the sustainability of the Organization well. Profitability within the company can show a comparison between the profits with assets or capital that can create the Spider (Surtono, 2010).

Profitability ratios are used to measure the effectiveness of the bank in obtaining profit. Return On Assets is part of the profitability, i.e. the ratio is one measure of financial performance in banking. Banking that has good profitability then the bank's survival is assured. But conversely, if the bank has a bad bank profitability, then the bank's survival will not last long, because the bank could not afford to meet the costs – operational costs.

Tabel 1 The development of the ROA, NPF, FDR and OER Public bank Syariah Years 2013-2014

Variabel	2013	2014	2015	2016	2017
ROA	2.00 %	0.41 %	0.49 %	0.63 %	0.63 %
NPF	2.62 %	4.95 %	4.84 %	4.42 %	4.76 %
FDR	100.32 %	86.66 %	88.03 %	85.99 %	79.61 %
OER	97.13 %	96.97 %	97.01 %	96.22 %	94.91 %

Source: OJK Statistics Data

From the table above it can be seen that Public Bank's ROA Shariah has increased from the year 2014 – 2017, even though the visible experience increased but according to the provisions of Bank Indonesia concerning the classification level of the ROA, ROA public Bank Syariah in requirements unhealthy i.e. under 0.77%.

Financing channelled by banks can give rise to potential financing problem. The troubled financing can be seen from the level of the NPF.

The troubled financing is a loan that is experiencing due to the repayment of kesulitas factor and deliberate action or due to external factors beyond the ability of the borrower (Siamat, 2005).

Related issues of asset management has indicated that in smooth, banks must understand in managing flow there in order to generate high profits – high. But simultaneously the bank must also take notice of the possibility of the risk arising accompanies decisions – decisions of the management of asset and liability structure, including liquidity risk.

The operational Efficiency Ratio (OER) is a comparison between the total operational cost by the total operating income, this ratio is used to measure the level of efficiency and ability in conducting its operational activities of the bank. The higher the ratio of OER, the performance of the bank will increasingly decline, instead the lower level of the ratio the better the performance of the OER means the management of the bank.

This research aims to analyze and test the influence of the troubled Financing, Operational and Liquidity Ratio Efficiency Ratio (OER) against Profitability at commercial banks.

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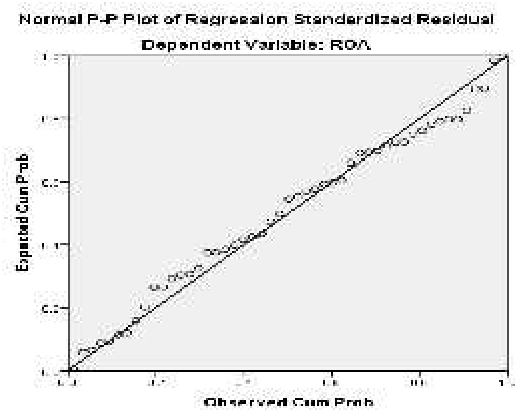
B. Method

This research approach using associative research with quantitative data types. This research was conducted with data from secondary financial reports public Bank Syariah Bank in Indonesia research period year 2013 – 2017. The population in this research are all public Bank Syariah (BUS) which is registered with the Bank Indonesia totalling thirteen banks. While the sample in this study is the annual financial reports for the past five year period i.e. the period 2013 – 2017. In addition, the technique of taking sampelnya by way of purposiv sampling, that sampling conducted in accordance with the research objectives.

C. Research Finding

1. A Classic Assumption Test
   a. Normality Test Results



On the image of the graphs plot the following normal seen that point – the point spread along a diagonal line, and deployment following the direction of the diagonal lines. This means that the data in this study Gaussian.

b. Multicollinearity Test Results

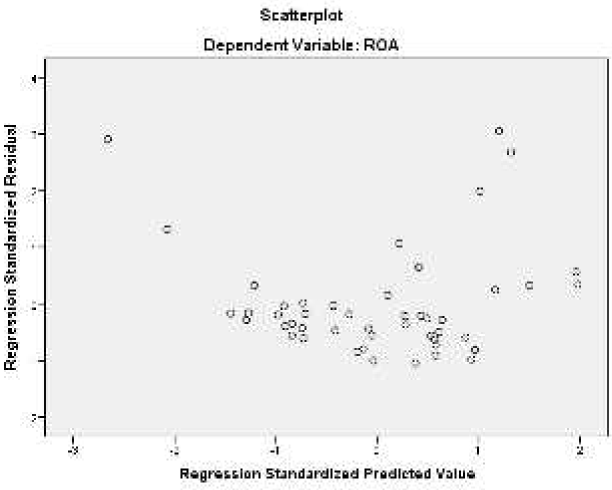
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	11.312	2.028		5.579	.000		
	NPF	-.220	.051	-.374	-4.289	.000	.426	2.346
	FDR	.002	.016	.008	.134	.894	.925	1.081
	OER	-.099	.014	-.584	-6.868	.000	.449	2.229

c. Dependent Variable: ROA

The table above shows that the correlation between variables does not occur freely. Tolerance value of each variable is greater than 0.10. Tolerance value of NPF is 0426, FDR of 0925 and OER of 0449. While the value of each variable of the VIF are smaller than 10, namely NPF of 2,346, FDR of 1,081 and OER of 2,229.

d. Heterocedasticity Test Results



From the picture above, the graph shows a scatterplot that point – the point spread at random does not form a specific pattern that's clear and spread under or above the number 0 on the Y axis. This means not going heterokedastisitas on the model regression, regression models so worthy is used to predict the Return On Asset (ROA) based on the input of other variables.

e. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.895[a]	.802	.792	1.95511	1.478

a. Predictors: (Constant), OER, FDR, NPF

b. Dependent Variable: ROA

The table above shows the value of the statistic Durbin – Watson of 1,478. This statistic indicates the number of values D – between W-2 to 2. From the observations, D – W-2 are among 1,478 < < 2. It can be inferred that the autocorrelation is not happening.

2. Descriptive Statistics Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
NPF	65	.00	43.99	5.3082	7.29513
FDR	65	69.44	157.77	93.9071	16.13069
OER	65	67.79	217.40	97.5882	25.27688
ROA	65	-20.13	11.20	.6672	4.28818
Valid N (listwise)	65				

3. Multiple Linear regression analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	11.312	2.028		5.579	.000		
	NPF	-.220	.051	-.374	-4.289	.000	.426	2.346
	FDR	.002	.016	.008	.134	.894	.925	1.081
	OER	-.099	.014	-.584	-6.868	.000	.449	2.229

a. Dependent Variable: ROA

From the table above the linear regression equation can be obtained from multiple IE Y = 11,312 – 0220 x 1 + X 2 0002-0099 X 3 + e

4. The results of hypothesis testing
   a. Partial Test (test T)

Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF

1	(Constant)	11.312	2.028		5.579	.000		
	NPF	-.220	.051	-.374	-4.289	.000	.426	2.346
	FDR	.002	.016	.008	.134	.894	.925	1.081
	OER	-.099	.014	-.584	-6.868	.000	.449	2.229

a. Dependent Variable: ROA

From the above table is retrieved the value t calculate the NPF (X 1) of 4,289 whereas t – table 1.66901 so t calculate > t table (4,289 > 1.66901), then the level of NPF individually affect the ROA. Sign (-) on the outcome of t calculate the NPF shows influence negative against ROA. Research also shows significant < 0.05 (0.00 < 0.05). , Ha Ho was rejected and then accepted, meaning negative effect significantly to NPF ROA public Bank Syariah.

FDR (X 2) indicates the count of t 0134 while 2,000 table t so that t count < t table (0993 < 1.66901), studies also show significant > 0.05 (0.05 > 0894), Ho and Ha accepted rejected. This means that FDR did not affect ROA public Bank Syariah.

OER (X 3) indicates the value t calculate registration-6,868 whereas t table 1.66901 so t calculate > t table (6,868 > 1.66901), then the OER to ROA. The meaning of the negative (-) on the outcome of t calculate OER shows influence negative against ROA. The significance of research also shows < 0.05 (0.00 < 0.05), then Ho denied and Ha was accepted, meaning that the negative effect of the OER and significantly to the ROA on public Bank Syariah. a. Dependent Variable: ROA From the above table is retrieved the value t calculate the NPF (X1) of 4,289 whereas t – table 1.66901 so t calculate > t table (4,289 >1.66901), then the level of NPF individually affect the ROA. Sign (-) on the outcome of t calculate the NPF shows influence negative against ROA. Research also shows significant < 0.05 (0.00 < 0.05). , Ha Ho was rejected and then accepted, meaning negative effect significantly to NPF ROA public Bank Syariah.

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b. Test Synchronously (F Test)

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	943.690	3	314.563	82.293	.000[b]
	Residual	233.171	61	3.822		
	Total	1176.861	64			

a. Dependent Variable: ROA

b. Predictors: (Constant), OER, FDR, NPF

The table above shows that the contribution of the free variables of NPF (X 1), FDR (X 2) and OER (X 3) against the variable bound ROA (Y) obtained R Square of 0802 or 80%, meaning that 80% of the regression model of ROA (Y) are able to be explained by the variables (X 1), (X 2), da n (X 3), the remaining 20% are affected by other variables that have not been examined.

5. Analysis of the coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.895[a]	.802	.792	1.95511	1.478

a. Predictors: (Constant), OER, FDR, NPF

b. Dependent Variable: ROA

The table above shows that the contribution of the free variables of NPF (X 1), FDR (X 2) and OER (X 3) against the variable bound ROA (Y) obtained R Square of 0802 or 80%, meaning that 80% of the regression model of ROA (Y) are able to be explained by the variables (X 1), (X 2), da n (X 3), the remaining 20% are affected by other variables that have not been examined.

D. Discussion

1. Influence of Non Performing Financing (NPF) against the Public Sharia Bank Profitability

Non Performing Financing (NPF) is financing bogged down or troubled, financing this very influential towards the Public Sharia Bank profitability. NPF intimately connected with financing undertaken by public Bank Sharia to its customers.

From the test results are partial, find that value t calculate variable NPF bigger than the t test table, the NPF has a negative and significant influence against ROA public Bank Syariah. This shows that the larger the NPF will have an impact on the drop in profitability. NPF ratio that is used to find out the troubled financing associated with the possibility that at maturity the debtor fails to meet its funding towards the bank. The risk in the form of difficulty financing repayment by borrowers with large enough amounts can affect the performance of the bank. There is financing the troubled financing channelled many don't deliver results. His height also results in the emergence of NPF larger backup, so that in the end the capital bank be reduced. The magnitude of the NPF be one barrier to banking financing tersalurnya. An increase in the financing of this troubled cause formation of backup financing problematic this becomes increasingly large. The disadvantage is the cost of financing which means lower profits. The high value of the NPF can impact on the health of banks. The larger the NPF then the greater the losses experienced by banks, which will then lead to a decline in profit of the bank. Reduced profits will result in the total assets of the bank also reduced.

This is in line with research conducted by Edi Satriyo Wibowo & Muhammad Syaichu (2013) stating that the NPF influential negative and significantly to ROA public Bank Syariah.

2. The influence of Financing to Deposit Ratio (FDR) against the Public Sharia Bank Profitability

Financing to Deposit Ratio (FDR) is the ability of a bank to provide funds and funneling funds to the customer, and have an influence on profitability. Financing to Deposit Ratio (FDR) is the ratio between the magnitude of the whole volume of credit or financing channelled by banks and the number of receiving funds from a variety of sources. The value of FDR shows effective whether banks in finance, if the value of FDR shows percentage is too high or too low then the bank judged ineffective in the spool and funneling the funds obtained from the client, thereby affecting the profit gained. The direction of the relationship that arises between the FDR against ROA is positive, because if the bank is able to provide funds and funneling funds to the customer then will raise the return obtained and influential to increasing ROA obtained by public Bank The Sharia.

Sukarno and Syaichu (2006) explained that the higher the company has profit LDR likely to escalate with a note that the bank was able to disburse its credit optimally, then concluded that the positive effect against profit-LDR . Samahalnya on FDR when FDR up profits that accrue to the bank also naikdengan the assumption that the bank is able to finance secaraoptimal.

Testing over the influence of Financing to Deposit Ratio (FDR) was done with the Test Results found that t. Partial Test States that FDR effect insignificant against ROA, indicated by the p-value is greater than α (0.894 > 0.05). FDR effect insignificant against ROA can be caused by financing Public Bank channeled by the Sharia has not been running effectively and optimally, thus causing the financing of non-smoothly increased along with total financing transmitted by the public Bank Syariah. And also funds that have been collected by the bank so that the bank is too little difficulty to pay short term debt of the bank, this caused the bank belongs are not liquid. as this can occur because the management public Bank Syariah principle applying less circumspection in assessing prospective customer financing. The results of this study support the research Purbaningsih (2014) stating the FDR effect insignificant against ROA.

3. The influence of the Operational Efficiency Ratio (OER) against the Public Sharia Bank Profitability

OER or BOPO is a ratio used to measure operational efficiency of the bank. Sukarno and Syaichu (2006) claims the smaller the ratio, the more efficient the means BOPO operational costs incurred corresponding bank so that the chances for the bank to get more benefits and shows the bank is not in the conditions of the problem.

Testing over the influence of OER against ROA done with Test Results found that t. OER influential variables are negative and significantly to ROA public Bank Syariah. The negative relationship between OER and ROA may imply that the higher level of OER the low-level ROA a bank. The bank's efficiency ratio reflects the OER in running the effort anyway especially loans, whereby for the results to become the largest Islamic banking income. Management of financing urgently needed by the bank, given its function as a contributor to the largest income financing for Islamic banks. The smaller the OER indicates more efficient bank in the conduct of its business activities. A healthy bank his OER ratio less than 1 instead of less healthy banks OER his ratio of more than 1. The higher cost of revenue the bank operational activities means the more inefficient. In other words OER relates negatively to ROA.

Low levels of OER shows a good bank management capabilities in meeting operating costs by generating optimal profit. So the impact on the ROA for the better. This is in line with research conducted by Edi Satriyo Wibowo & Muhammad Syaichu (2013) stating that OER influential negative and significantly to ROA public Bank Syariah.

4. Influence of Non Performing Financing (NPF), Financing to Deposit Ratio (FDR) and the Operational Efficiency Ratio (OER) against the Public Sharia Bank Profitability

Profitability is very important because profitability is the main purpose of business entities in the conduct of its business. In addition profitability can also be used to find out the good the bad the performance of a business entity in the conduct of its business. To be able to maintain the performance of the bank that needs to be done is to keep the level of profitability of the bank. Factors that affect profitability, namely, Financing to Deposit Ratio (FDR), Non-Performing Financing (NPF) and the Operational Efficiency Ratio (OER).

Non Performing Financing ratio is used to measure the ability of bank management in managing the troubled financing can be filled with productive assets owned by a bank. Financing to Deposit Ratio is a ratio used to measure liquidity a bank pay back withdrawals done depositors to rely on credit given as a source of liquidity. The operational Efficiency Ratio to measure the level of efficiency and ability in conducting the activities of the bank's operations.

Based on hypothesis testing conducted found that F calculate earned far greater than F table, so Ho and Ha rejected accepted. This means that the free variables of Non Performing Financing (NPF), Financing to Deposit Ratio (FDR) and the Operational Efficiency Ratio (OER) jointly – the same significant effect against variables bound Return On Asset (ROA) public Bank Syariah. This result is supported by the ability of the free variables in explaining variables bound with koefiisen determination is good enough i.e amounting to 80% or Return On Assets (ROA) of the Bank can be influenced by the Public Sharia a Non Performing Financing (NPF), a Financing Scheme to Deposit Ratio (FDR) and the Operational Efficiency Ratio (OER) by 80%, while 20% are affected by other variables not examined in this study.

The research is in line with the research of the Medina Almunawwaroh and Rina Marliana (2018) and results of research CAR, NPF and FDR simultaneously effect significantly to profitability, with predictions from the variable against third profitability (ROA) in the study of 80.9%, and research Adiasma Yulianto Triasmoro (2017) with simultaneous research results that the NPF, BOPO and FDR effect significantly to ROA public Bank Syariah.

E. Conclusion

1. Non Performing Financing (NPF) effect on the profitability of commercial banks.

2. Financing to Deposit Ratio (FDR) have no effect on the profitability of commercial banks.
3. Operaional Efficiency Ratio (OER) effect on the profitability of commercial banks.
4. Non Performing Financing (NPF), Financing to Deposit Ratio (FDR) and Operaional Efficiency Ratio (OER) effect on the profitability of commercial banks.

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