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Analysis of the Effect of NPF, CAR, and FDR on the Profitability of Sharia Commercial Banks in Indonesia for the Period 2017-2022

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ABSTRACT

This study examines the impact of Non-Performing Financing (NPF), Capital Adequacy Ratio (CAR), and Financing to Deposit Ratio (FDR) on the profitability of Islamic Commercial Banks in Indonesia during the 2017–2022 period. Using a quantitative approach, this research employs panel data regression analysis based on secondary data obtained from the financial statements of nine selected banks through purposive sampling. Profitability is proxied by Return on Assets (ROA), while NPF, CAR, and FDR serve as key financial indicators representing credit risk, capital adequacy, and liquidity, respectively. The findings reveal that partially, NPF and FDR have a significant negative effect on profitability, indicating that higher financing risk and suboptimal fund distribution reduce bank performance. Meanwhile, CAR shows a positive but statistically insignificant relationship with profitability, suggesting that capital adequacy alone does not directly drive profit generation. Simultaneously, all independent variables significantly influence profitability. These results highlight the importance of effective risk management, particularly in controlling non-performing financing and optimizing liquidity, to enhance the financial performance and stability of Islamic banking institutions.

Abstrak

Riset ini mengkaji dampak Pembiayaan Bermasalah (NPF), Rasio Kecukupan Modal (CAR), dan Rasio Pembiayaan terhadap Simpanan (FDR) terhadap profitabilitas Bank Syariah Komersial di Indonesia selama periode 2017–2022. Dengan menggunakan pendekatan kuantitatif, penelitian ini menerapkan analisis regresi data panel berdasarkan data sekunder yang diperoleh dari laporan keuangan sembilan bank terpilih melalui teknik sampling purposif. Profitabilitas diproksikan oleh Return on Assets (ROA), sedangkan NPF, CAR, dan FDR berfungsi sebagai indikator keuangan utama yang masing-masing mewakili risiko kredit, kecukupan modal, dan likuiditas. Temuan penelitian menunjukkan bahwa secara parsial, NPF dan FDR memiliki pengaruh negatif yang signifikan terhadap profitabilitas, yang mengindikasikan bahwa risiko pembiayaan yang lebih tinggi dan distribusi dana yang kurang optimal menurunkan kinerja bank. Sementara itu, CAR menunjukkan hubungan positif namun tidak signifikan secara statistik dengan profitabilitas, yang mengindikasikan bahwa kecukupan modal saja tidak secara langsung mendorong pembentukan laba. Pada saat yang sama, semua variabel independen secara signifikan memengaruhi profitabilitas. Hasil ini menyoroti pentingnya manajemen risiko yang efektif, terutama dalam mengendalikan pembiayaan bermasalah dan mengoptimalkan likuiditas, guna meningkatkan kinerja keuangan dan stabilitas lembaga perbankan syariah.

INTRODUCTION

The development of Islamic commercial banks in Indonesia increasingly shows a significant improvement in the various features and also the quality of service presented to their customers. According to Marimin and Romdhoni (2017), the presence of Islamic banks is a form of response to the aspirations of various circles, including economists and Muslim banking practitioners, who want banking activities based on sharia principles. The Islamic banking system regulated in Law No. 10 of 1998 commercial banks are positioned as banking institutions that have the legality to provide financial intermediation services with two main operational approaches, namely through a conventional interest-based system and a sharia approach that refers to the provisions of Islamic law and values, both of which offer services in facilitating payment transactions. Support for this also comes from Law No. 21 of 2008 concerning Sharia Banking. This law establishes a legal framework for the operational activities of Islamic banking in Indonesia, which ultimately plays a role in supporting the national development agenda with the aim of strengthening the principles of social justice, the spirit of togetherness, and the equitable distribution of welfare for all levels of society. Thus, Sharia banks have a very important role to increase economic growth in Indonesia in order to realize an increasingly developing economic structure.

The emergence of more and more banks in Indonesia has the goal of being able to support and drive the country's economy, because it is hoped that from this goal banks can improve performance and improve the banking industry itself by adopting the Islamic economic system into it. This is the right step for the banking industry because there is a need for innovation and development for banks in Indonesia, more than that, most of the Indonesian people embrace Islam.

Based on the data presented in the table, it can be observed that the growth of Islamic commercial banks in Indonesia shows a positive trend. In the period between 2017 and 2018, the number of commercial banks operating based on sharia principles in Indonesia was recorded as many as 13 banking institutions. Then there was an increase in 2019 to a total of 14 banks in total. In 2021, there was a merger between BRI Syariah, BNI Syariah, and Bank Syariah Mandiri, which was renamed Bank Syariah Indonesia, which caused a decrease in 2022 so that the total number of banks operating in Indonesia became 13 banks.

As an infectious disease, COVID-19 has the main characteristic of its ability to trigger infections in the lungs. The first case of this disease was recorded in Wuhan, China, at the end of 2019, which then became the starting point for the spread of the pandemic. However, the World Health Organization (WHO) only announced globally that the coronavirus became a pandemic in March 2020 and the cases recorded in Indonesia as of July 25, 2020, were 94,000 positive cases and 4,600 deaths (WHO, 2020). The attacks of the Covid-19 pandemic have had a significant impact on many sectors, including the banking sector. With its rapid spread, the World Health Organization (WHO) finally announced that this pandemic has become a serious problem. The progressively worsening situation prompted the government to implement a series of responsive policies, including Work From Home (WFH), Social Distancing, and Large-Scale Social Restrictions (PSBB). The implementation of these policies ultimately triggers a drastic decline in economic activity (Tahliani, 2020).

The decline in economic activity, as a result of various policies enforced, has a direct impact on the decline in people's income. This consequence then affects consumption levels, which ultimately causes turmoil in economic growth (Ubaidillah and Aji, 2020). This makes the Indonesian government seek various ways to stabilize the economy from economic growth shocks by distributing assistance from the state budget and sharia social fund instruments in the form of ZISWAF (Cahyono et al, 2021). This government initiative aims to keep economic conditions under control, even amid the pressure of the pandemic and a series of restrictive policies implemented to minimize the escalation of the spread of the virus which is increasingly difficult to control.

When the pandemic hit Indonesia in early 2020, the condition of all banks in Indonesia experienced a difficult situation. Not only conventional banks, but also Islamic banking. With increasingly uncertain conditions, in the end the OJK decided to issue POJK policy No. 11/POJK 03/2020 concerning National Economic Stimulus as a Countercyclical Policy on the Impact of the Spread of Covid-19. The policy issued by the OJK provides an opportunity for banks to be more prepared in developing strategies to optimize existing resources so that banks can maintain their performance in the face of the pandemic. As a continuation of the previous regulation, namely POJK No. 11/POJK.03/2020, the Financial Services Authority (OJK) subsequently issued POJK No. 48/POJK.03/2021. This latest policy, which is also supported by letter No. S-19/D.03/2021 dated March 29, 2021, specifically regulates the assessment of the quality of loans from restructuring, the quality of loans affected by the COVID-19 pandemic, and the duration of the restructuring period (OJK, 2020).

Essentially, banks that function as institutions whose core activities are centered on managing and facilitating financial aspects, need an assessment of banking performance during operation. With this assessment, banks can carry out various strategies that are used to improve both the system and the services provided. To assess the performance of the bank, Bank Indonesia itself has set profit as an indicator of the performance of a bank represented through Return on Assets (ROA). According to Harahap (2013), profitability indicates the extent to which a company is able to generate profits through the comprehensive use of all available resources. This includes the contribution of sales operations, capital structure, cash position, number of employees, and other relevant factors. In addition, profitability also functions as a crucial indicator to evaluate the efficiency and effectiveness of a business entity in accumulating profits through optimizing the use of its assets (Almunawwaroh and Marliana, 2018). If the bank is able to maintain or even increase the income obtained, it can provide a high level of trust in the public, especially for customers who want to transfer their funds to the bank (Simatupang and Franzlay, 2016).

According to Rahman and Rochamanika (2012), the profits obtained by banks are greatly influenced by the income obtained through financing distribution. If the financing distributed by the bank runs smoothly, then it can be an advantage for the bank. However, if the financing that has been provided by the bank experiences various problems that threaten the bank's profitability, then it can be a boomerang for the bank. Given the importance of banking system stability, financial institutions are required to consistently apply the principle of prudence in providing financing facilities to customers. This practice is necessary so that the potential credit risk that can disrupt the bank's financial balance can be effectively minimized. With the stability of a bank maintained, this condition has the potential to affect the profitability obtained by banks. In addition, banks that are maintained in stability will also have good performance for a bank which can trigger an increase in profits generated. Thus, the banking industry must always pay attention both in terms of the distribution of funds distributed to customers, operations carried out, and also the services provided to customers to always maintain the stability and quality presented so that the profitability generated has a positive impact on the bank.

Table 2. Profitability of Indonesian Sharia Commercial Banks for the 2017-2022

Month	2017	2018	2019	2020	2021	2022
January	1,01%	0.42%	1,51%	1,88%	1,79%	2,03%
February	1,00%	0,74%	1,32%	1,85%	2,15%	1,91%
March	1,12%	1,23%	1,46%	1,86%	2,06%	1,99%
April	1,10%	1,23%	1,52%	1,55%	1,97%	1,98%
May	1,11%	1,31%	1,56%	1,44%	1,92%	2,01%
June	1,11%	1,37%	1,61%	1,40%	1,94%	2,04%
July	1,04%	1,35%	1,62%	1,38%	1,91%	2,04%
August	0,98%	1,35%	1,64%	1,36%	1,88%	2,04%
September	1,00%	1,41%	1,66%	1,36%	1,87%	2,07%
October	0,70%	1,26%	1,65%	1,35%	1,59%	2,05%
November	0,73%	1,26%	1,67%	1,35%	1,66%	2,04%
December	0,63%	1,28%	1,73%	1,40%	1,55%	2,00%

Source : Ototitas Jasa Keuangan (OJK), 2024

In 2017, the level of profitability achieved by banks was in the relatively low performance category, as reflected by the average ratio of 0.96%. In 2018, there was another decline in January which touched 0.42% and then continued to increase with an average ratio from February to December of 1.25%. In 2019, the resulting profit tended to be stable and increased with an average ratio of 1.57%. During the COVID-19 pandemic period that began in early 2020 in Indonesia, the profitability of the Islamic banking sector experienced a significant decline. At the beginning of 2020 from January-March the average profitability was 1.86%. Then after the Covid-19 pandemic attacked, the profitability of Islamic commercial banks in April-December 2020 was on average at 1.40%. In 2021, Islamic commercial banks have resumed operations and are stable. This can be seen in February 2021 where the profitability of Islamic commercial banks touched 2.15% and this stable trend was maintained until September 2021, although there was a decline in October 2021. In 2022, the profitability of Islamic commercial banks can be said to have stabilized with an average ratio of 2.01%. From the data that has been presented, it can be seen that Islamic banking is starting to be able to adapt during the pandemic so that in its implementation Islamic banks are able to rise from very difficult conditions.

In previous studies, most of them have researched the profitability of Islamic public banking. However, in the previous study, the data presented was data that was past. In this study, the researcher focuses on analyzing FDR, NPF, and CAR on the profitability of Islamic public banking in Indonesia in the period 2017-2022 by using the latest data to determine the influence of NPF, CAR, and FDR on the profitability of Islamic banking. Thus, the purpose of this study is to determine and analyze the influence of NPF, CAR, and FDR on the profitability of Islamic commercial banks in Indonesia during the period of 2017-2022. This research is also expected to be used by Islamic banks as a means to assist in making Bank Business Plans (RBB) in the future.

LITERATURE REVIEW

Sharia Banks

Islamic banks are financial institutions that carry out their operational activities referring to the provisions of Islamic law (sharia) which expressly prohibit the practice of interest both in the form of receipts and payments to customers. In Law Number 21 of 2008, Sharia Bank is a bank whose business unit in running its business unit is guided by sharia principles and also according to its type consists of Sharia Commercial Banks and Sharia People's Financing Banks. In the context of their operations, Islamic banks actively perform an intermediation function by collecting funds and redistributing them. This process is accompanied by the application of rewards that are consistent with sharia principles, especially through buying and selling and profit-sharing schemes (Santoso and Triandaru, 2006).

Based on the principles of Islam, Islamic banks are not allowed to conduct interest-related transactions both in payments, collections, and in carrying out other payment service activities and must remain based on the Quran and Hadith (Muhammad, 2015). Thus, Islamic banks must be in accordance with the Islamic way of muamalah so that banks are always within the scope of sharia rules and do not deviate from the predetermined guidelines (Muhammad, 2015).

Profitability

ROA is a ratio used by banks to measure the profit or profit obtained by banks. If the ROA owned by the bank has a large value, it indicates that the profits obtained are also large so that the bank's financial position will improve (Dendawijaya, 2009). The existence of profits obtained from various transaction features and services provided by banks, makes banks always earn profits not only for banks, but owners, employees, improving product quality and can make various kinds of innovations for the bank itself (Syah Toufan, 2018).

In the context of financial performance analysis, Return on Assets (ROA) serves as a key parameter that reflects how optimally a bank utilizes its total assets to make a profit. A high ROA value reflects the efficiency of asset management in generating income, which directly contributes to increasing profitability and strengthening the bank's financial condition, both in the short and long term (Dendawijaya, 2009). In line with this, Bank Indonesia has also determined that profitability is used as a measuring tool in looking at banking performance because profitability is represented by ROA reviewed directly using assets in the form of funds collected through the community, which in the end ROA can be more representative than the performance of a bank (Syakhrun et al., 2019).

Non Performing Finance

Non-performing finance (NPF) is a risk indicator that reflects a decline in asset quality due to the debtor's failure to meet its financial obligations. NPF can occur if the person who has a loan has difficulty paying off his loan, either intentionally or unintentionally (Nuha and Mulazid, 2018). According to Wangsawidjaja (2012), non-performing finance (NPF) in the Islamic banking sector is categorized into three groups based on their quality, namely less current (group III), doubtful (group IV), and non-performing (group V), each of which shows a different level of default risk. In managing and distributing funds, the NPF ratio is important because it is related to the performance of a bank. If the NPF is at a high ratio, it will result in a decrease in profitability obtained by the bank (Ali, 2004).

Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) plays a strategic role as a measure of capital adequacy that not only serves to cover operational and financing risks, but is also a fundamental element in supporting the development and growth of the bank's business. According to Sudarmawati and Pramono (2017) As one of the crucial ratios, CAR is one of the important indicators in evaluating the adequacy of the capital owned. This capital adequacy is important to mitigate risks related to productive assets, such as the volume of credit distributed by banking institutions. When the CAR ratio is at a high value, it indicates that the bank has an adequate capital structure to anticipate the risk of loss, especially those originating from non-performing loans and other risky assets (Ariyani Desi, 2010).

Finance to Deposit Ratio

Finance to Deposit Ratio (FDR) is an indicator used to assess the extent of a bank's ability to manage funds collected from customers, as well as distribute them in the form of productive financing. In addition, the FDR Ratio can also function as an important indicator to assess the vulnerability and capabilities of a bank (Ariyani Desi, 2010). Not only as an indicator, the FDR value can provide information on whether a bank has been effective or not in distributing its financing, because if the FDR value is at a suboptimal ratio, it can be said that the bank has not been fully efficient in carrying out its intermediation role, both in terms of fundraising and distribution and directly affects the profitability of the bank (Riyadi and Yulianto, 2014). Dendawijaya (2003) stated that FDR reflects the capacity of banks in fulfilling the obligation to withdraw funds from customers through the use of funds that have been channeled in the form of financing.

The Relationship of Non-Performing Finance to Profitability

The NPF ratio is used to measure the level of financing that is at stake in Islamic banking institutions. According to Dendawijaya (2003), if the non-performing loans have a large ratio, this can affect the income obtained by banks from the loans disbursed. With the existence of bad credit faced by banks, banks must always be careful and selective in distributing financing to customers in order to minimize the risks that will be faced and give confidence to the public because it can have an impact on the projection of deposits received by banks in the future (Setiawan and Indriani, 2016). In the study, Pravasanti (2018) also stated that non-performing loans are measured using NPF, if the ratio is larger, it can result in profits and have a bad influence on ROA.

H1: NPF has a significant effect on Profitability

The Relationship of Capital Adequacy Ratio to Profitability

Dendawijaya (2003) stated that the Capital Adequacy Ratio (CAR) is used as a measurement tool in identifying the adequacy of banks' capital reserves, to ensure that

banks have adequate financial capacity to bear the risks inherent in productive assets. The high *Capital Adequacy Ratio* (CAR) in a bank is a positive indicator that indicates that the bank is able to bear the risks that will be faced in the event of financing or bad credit in the future (Zulfiah and Susilowibowo, 2014). A high CAR ratio can also provide a sense of security to the public and give confidence that banks can manage risks that may occur in carrying out their business activities. In the study, Setiawan and Indriani (2016) also stated that a high CAR ratio indicates that banks can bear the risks that may occur and banks can take advantage of this situation to increase profits obtained through the financing channeled.
H2: CAR has a significant effect on Profitability

The Relationship of Finance to Deposit Ratio to Profitability

The Financing to Deposit Ratio (FDR) functions as a parameter used to measure the extent of a banking institution's ability to carry out the intermediation function, namely by managing the collected third-party funds and redistributing them in the form of financing to the public. In addition to functioning as a measurement tool for intermediation functions, the FDR ratio can also be used as an indicator that reflects the level of vulnerability and capacity of a bank in managing liquidity optimally (Ariyani Desi, 2010). The profitability of banks plays a strategic role in strengthening the long-term financial position, as it not only allows for capital increase through undistributed profits, but also supports the growth of productive assets, increases resilience to financing risks, and guarantees the continuity of investment returns to capital owners. In this case, liquidity management is very crucial by considering its impact which directly affects the profitability obtained by banks.
H3: FDR had a significant effect on Profitability

RESEARCH METHOD

This study applies a quantitative method, where data is presented in the form of numbers. The goal is to predict population characteristics or identify future trends. In this study, the type of data used is secondary data or data that is taken indirectly or utilizing information that has been available through several documents, websites, and unpublished documents (Sugiyono, 2013). Data obtained by the researcher through the quarterly financial statements of Sharia Commercial Banks (BUS), the official website of Bank Indonesia and the Financial Services Authority (OJK) for the 2017-2022 period. The population used by the author is all Sharia Commercial Banks in Indonesia during the 2017-2022 period by utilizing the purposive sampling method in sampling through predetermined criteria. The following are the criteria in this study:

Table 3. Proses Sampling

No	Criteria
1.	Sharia Commercial Banks in Indonesia that are registered with the Financial Services Authority and operate in the 2017-2022
2.	Sharia Commercial Banks that provide complete Financial Statement information and are published on the official websites of each bank and OJK for the 2017-2022

Source : Author, 2025

Based on the sample determination in table 3. So those that are in accordance with the criteria include:

Table 4. Statistics Descriptive

No	Bank Name	No	Bank Name
1.	Bank Aceh Syariah	6.	Bank Panin Dubai Syariah
2.	Bank Muamalat	7.	Bank Syariah Bukopin
3.	Bank Victoria Syariah	8.	BCA Syariah
4.	Bank Jabar Banten Syariah	9.	BTPN Syariah
5.	Bank Mega Syariah		

Source : Author, 2025

In 2017-2022, there were 13 Islamic commercial banks officially registered with the OJK. Based on the criteria that have been determined, there are 9 banks that meet the criteria with a total of 216 data in this study.

Variable Operational Definition

An operational definition is a definition that is based on the observation of the characteristics of what is defined on the concept of variables into a measurement instrument. The operational definition of a variable is a property or value that aims to provide limitations and clarifications related to the variable being studied, so that confusion in the substance of the variable can be reduced (Winoto, 2016). The variables used by the researcher are as follows:

Return on Asset

ROA is a ratio used by banks to measure the profit or profit obtained by banks. If the ROA owned by the bank has a large value, it indicates that the profits obtained are also large so that the bank's financial position will improve (Dendawijaya, 2009).

$$ROA = \frac{laba\ bersih}{total\ aktiva} x100\%$$

Non Performing Finance

The Non-Performing Financing (NPF) ratio is one of the indicators to measure asset quality according to SEBI/No.7/10/DNDP (Anisa, 2018). According to Maidalena (2014), the Non-Performing Financing Ratio (NPF) serves as a key indicator to identify the proportion of financing that has low quality. It covers a wide range of non-performing credit classifications, ranging from the category of less smooth, doubtful, to stuck.

$$NPF = \frac{pembiyaan\ bermasalah}{jumlah\ pembiayaan} x100\%$$

Capital Adequacy Ratio

Capital Adequacy Ratio (CAR) is a ratio indicator to measure whether or not a bank's capital is sufficient or not which will later be used to anticipate assets that have risks such as the amount of credit when distributed by banks.

$$CAR = \frac{modal\ bank}{ATMR} x100\%$$

Finance to Deposit Ratio

Finance to Deposit Ratio (FDR) is a ratio used to estimate the competence of a banking institution in carrying out its intermediation function, which is to collect funds from depositors and distribute them in the form of financing facilities.

$$FDR = \frac{total\ pembiayaan}{total\ dana\ pihak\ ketiga} x100\%$$

Analytical Techniques

The researcher utilizes the panel data regression method as an analysis technique used with the support of the Eviews 12 software as a tool in data processing. The data panel itself is a combination of time series (time) and cross-section (individual) data, where each individual unit is observed over several periods of time. According to (Agus Widarjo; Basuki, 2016) The application of panel data in an economic research has the following benefits: (1) presenting a larger amount of data to increase the degree of freedom and (2) unifying time series and cross section data to solve problems when a variable is deleted. In this study, to examine the extent of the influence of non-performing finance, capital adequacy ratio, and finance to deposit ratio on profitability in Sharia Commercial Banks in Indonesia partially or simultaneously for the 2017-2022 period, it can be formulated as follows:

$$ROA = \beta_0 + \beta_1(NPF) + \beta_2(CAR) + \beta_3(FDR) + e$$

RESULTS AND DISCUSSION

Table 5. Statistic Descriptive

Variable	Mean	Median	Max	Min	Std. Dev.
ROA	1.931528	0.755000	13.58000	-5.690000	3.485930
NPF	3.900278	2.930000	22.29000	0.332000	3.775474
CAR	25.30870	22.15000	149.2700	10.16000	13.13599
FDR	86.06319	88.58500	196.7300	40.63000	19.43593

Source: Processed data

In the Return on Asset (ROA) variable, the average value is 1.931528. The median value is 0.755000. The Standard Deviation is 3.485930. The maximum value of ROA is 13.58000 and the minimum is -5.690000. In the Non-Performing Finance (NPF) variable, the average value is 3.900728. The median value is 2.93000. The standard deviation is 3.775474. The maximum value is 22.29000 and the minimum is 0.332000. In the Capital Adequacy Ratio (CAR) variable, the average value is 2.008750. The median value is

22.15000. The standard deviation is 13.13599. The maximum value of the CAR is 149.2700 and the minimum is 10.16000. In the Finance to Deposit Ratio (FDR) variable, the average value is 86.06319. The median value was 88.58500. The standard deviation is 19.43593. The maximum value is 196.7300 and the minimum is 40.63000.

Panel Data Regression Analysis

Table 6. The Chow Test Estimation Result

Effects Test	Statistic	d.f	Prob.
Cross-section F	242.766117	(8.204)	0.0000
Cross section Chi Square	508.313018	8	0.0000

Source: Processed data

From the results of the tests that have been carried out, the probability value of Cross-section F is 0.0000 < 0.05. So that in decision-making H0 is rejected. So it can be concluded that the best model chosen is the Fixed Effect Model.

Table 7. The Hausman Test Estimation Result

Test Summary	Chi-Sq.	Chi-Sq. d.f.	Prob.
Cross-section random	5.395514	3	0.1450

Source: Processed data

From the results of the tests that have been carried out, the probability value of random cross section is 0.1450 > 0.05. So that in decision-making H0 is rejected. So it can be concluded that the best model chosen is the Random Effect Model.

Table 8. Lagrange Multipiler Test Estimation Result

	Cross-section	Time	Both
Breusch-Pagan	1368.849	5.660968	1374.510
	(0.0000)	(0.0164)	(0.0000)

Source: Processed data

From the results of the tests that have been carried out, the value of the breusch-pagan both is 0.0000 < 0.05. So that in decision-making H0 is rejected. So it can be concluded that the best model chosen is the Random Effect Model.

Hypothesis Testing Results

After going through a series of testing stages, the Random Effect Model (REM) was identified as the most suitable model for this study, as presented in the following table:

Table 9. The Chow Test Estimation Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.206769	1.101034	2.912506	0.0040
NPF	-0.110630	0.022636	-4.887360	0.0000
CAR	9.41E-05	0.006354	0.014810	0.9882
FDR	-0.009832	0.004520	-2.174994	0.0307

Source: Processed data

Based on the results of the model estimation test in the table above, the regression equation can be written as follows:

$$ROA = 3.206769 - 0.110630NPF + 9.41E\text{-}05CAR - 0.009832FDR + e$$

The above equation has the following meanings:

If the independent variable is constant, the profitability variable increases by 3.206769. In the NPF variable, it is known that the coefficient value is -0.110630, which shows that NPF has a negative relationship. In this case, if there is an increase in one unit of NPF variable and the other independent variable is considered constant, then profitability decreases by 11%. A known probability value of 0.000 < 0.05 indicates a significant influence on profitability.

In the CAR variable, it is known that the coefficient value is 9.41E-05 so that it shows that CAR has a positive relationship. In this case, if there is an increase in one unit of the CAR variable and the other independent variable is considered constant, the profitability increases by 941.05%. The known probability value of 0.9882 > 0.05 indicates an insignificant effect on profitability.

In the FDR variable, it is known that the coefficient value is -0.009832, which shows that FDR has a negative relationship. In this case, if there is an increase in one unit of FDR variable and the other independent variable is considered constant, then profitability decreases by 9%. The known probability value of 0.0307 < 0.05 indicates a significant influence on profitability.

Table 10. Simultaneous Tests

F-statistic	Prob (F-statistic)
9.697781	0.000005

Source: Processed data

According to the test results, it explains the F-statistic probability of 0.000005 < 0.05 with an F-statistic of 9.697781. So in making a decision, he stated to reject H0 and accept H1. If the conclusion is drawn, it shows that the variables NPF, CAR, and FDR simultaneously affect profitability.

Table 11. Coefficient Determination Test

R-squared	Adjusted R-squared
0.120673	0.108229

Source: Processed data

According to the table, explaining the determination coefficient of 0.120673 and showing that the independent variable can explain the dependent variable of 12.06% and the rest is explained by other variables that are not used in this study.

The Effect of Non-Performing Finance on Profitability

Based on the results of the above estimate, imposing NPF has a significant negative effect on ROA. This is because if the NPF value is higher, it will affect the profitability obtained by the bank. A high NPF ratio value can indicate that banks have problematic financing that is quite worrying so that this can hinder several aspects, including increasing the cost of productive assets and other financing and resulting in losses experienced by banks (Syarief et al., 2021).

Bank Indonesia has also set regulations on the maximum NPF ratio that must be complied with by Islamic commercial banks in Indonesia, which is 5% as stated in Bank Indonesia Regulation No.13/3/PBI/2011. The regulation issued by Bank Indonesia aims to ensure that Islamic commercial banks in Indonesia always pay attention to the management of non-performing loans provided by banks. Non-performing loans received by banks are part of the business risk owned by banks, the causes of which start from uncertain returns or debtors unable to repay loans that have been provided by banks which result in a default on repayments that have been determined to be due (Syakhrun et al., 2019). Thus, banks must always supervise and manage NPF properly so that they can minimize risks that can result in losses in the future.

The Effect of Capital Adequacy Ratio on Profitability

Based on the results of the above estimate, it can be interpreted that CAR has a negative relationship with ROA. This can happen because the higher the CAR ratio owned by the bank, the better the bank's ability to bear every risk from loans, participation, securities and bills to the bank (Hanafia and Karim, 2020). Therefore, CAR can be interpreted as a bank's performance ratio which is used to determine the adequacy of capital owned by the bank which will later be used to support risky assets (Dendawijaya, 2009).

In Bank Indonesia Regulation No. 15/12/PBI/2013 concerning Minimum Capital Provision Obligation, it is stated that the minimum limit of capital reserves owned by banks is 8%. With the higher the CAR ratio owned by banks, it does not significantly interfere with the acquisition of banking profits. With an adequate level of capital reserves, it is hoped that banks can overcome various kinds of risks that can threaten a bank's income.

The Effect of Finance to Deposit Ratio on Profitability

Based on the results of the above estimate, it can be seen that FDR has a significant negative relationship with ROA. From the above estimate, it can be explained that if there is an increase in the amount of financing or loans distributed by banks, it is not always in line with the increase in profitability obtained by banks (Pravasanti, 2018). The results of the study are also in line with the research that has been conducted by Wibisono and Wahyuni (2017); Lemiyana and Litriani (2016).

CONCLUSIONS

The results of this study are based on the implementation of panel data regression, with a Random Effect Model (REM) that has been carefully selected after going through a series of testing stages. This approach allows partial, simultaneous testing of relationship significance as well as determination coefficient analysis to obtain the most relevant findings. The results show that non-performing finance from internal variables has a significant negative relationship with profitability. Then for the capital adequacy ratio variable, there is a non-significant positive relationship and the finance to deposit ratio variable shows a significant positive relationship with profitability. Simultaneously, all variables used in this study produced a significant relationship with profitability in Sharia Commercial Banks in Indonesia.

The results of the study show that NPF, CAR and FDR simultaneously affect profitability. Banks as intermediary institutions must be able to manage risk control well, collect and distribute their money to customers, and also manage the capital owned by banks, so that the ratios mentioned above can be controlled and provide maximum profits for banks. Because the projected profitability through ROA also shows the bank's performance in conducting its business, this is important for banks to maintain their performance well.

From the results of the research, it is hoped that regulators, namely Bank Indonesia and the Financial Services Authority, can be used in determining the policies used to supervise banking performance so that the banking industry can continue to carry out its operations optimally and maintain its best performance.

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