



Analysis of The Effect of Inflation, Capital Adequacy Ratio, Operation Cost of Operating Income, and Net Performing Financing on The Profitability of Sharia Commercial Banks in Indonesia

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ABSTRACT

This study aims to analyze the factors that influence the profitability of Islamic Commercial Banks in Indonesia for the 2016-2020 period. Measurements are made using financial ratios consisting of the Capital Adequacy Ratio, Operating Costs for Operating Income, and Net Performing Financing and adding the inflation factor to the Return on Assets proxy. This study uses a quantitative descriptive method using secondary data taken from the published reports of Islamic Commercial Banks in Indonesia at the Financial Services Authority. The sample in this study was 13 Islamic Commercial Banks in Indonesia that had complete CAR, OCOI, and NPF ratios and were registered with the Financial Services Authority. The analysis technique used is panel data regression using a random effect model. The results showed that the Capital Adequacy Ratio has a significant positive effect on the probability of Islamic Commercial Banks in Indonesia, Operational Costs of Operating Income and Net Performing Financing have a significant negative effect on the probability of Islamic Commercial Banks in Indonesia and inflation has no significant effect on the probability of Islamic Commercial Banks in Indonesia.

Keywords:

Inflation, Capital Adequacy Ratio, Operating Costs of Operating Income, Net Performing Financing, Islamic Commercial Banks.

