

THE INFLUENCE OF CAPITAL ADEQUACY, FUND TO ACCOUNT FOR DEPOSIT AND NON-PERFORMING ACCOUNT OF RETURN ON ASSETS IN PT. TIMELINE OF BANK JABAR BANTEN SHARIA BANK (2015-2023)

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Abstract

Banks play an important role in a nation's economic development by acting as a financial intermediary connecting spare funds with those in need of capital. Islamic banks, like any financial institution, face financial risks in their operations and financial activities. A high-performance company is often characterized by its ability to achieve high profits at low costs. All business activities, including banking, involve various risks, especially financial risks that affect profits and paying obligations. This study examines how capital adequacy (CA) affects Return on Assets (ROA) and Funding Ratio (FDR) as well as the effect of Non-Performing Financial Ratio (NPF) on these metrics. A descriptive method was used with a quantitative method using secondary from the financial statements of PT. Bank Jabar Banten Syariah (2015-2023) accessed through their website. The results show partial effects.

Keywords: CAR, NPF, FDR.

A. INTRODUCTION

The banking sector plays an important role in national development, acting as a financial intermediary connecting those who were capital (Muhammad Saifi Antonio, 2011). This intermediation function allows the bank to earn profits that are usually measured by indicators such as return on assets (ROA). ROA indicates a company's ability to generate profit over a period of time, as a measure of operational efficiency and effectiveness (Munawir, 2004).

In Indonesia, Sharia banking continued to grow, especially after the adoption of Law No. 21 of 2008, which established a clear legal framework for its operations. The Sharia Bank operates on the principles of the Quran and Hadith, promoting justice and balance. As Allah SWT said in the Qur'an, Surah Ali-Imran, verse 110:

كُنْتُمْ خَيْرَ أُمَّةٍ أُخْرِجَتْ لِلنَّاسِ تَأْمُرُونَ بِالْمَعْرُوفِ وَتَنْهَوْنَ عَنِ الْمُنْكَرِ وَتُؤْمِنُونَ بِاللَّهِ ۗ وَلَوْ ءَامَنَ أَهْلُ
الْكِتَابِ لَكَانَ خَيْرًا لَهُمْ ۚ مِّنْهُمْ الْمُؤْمِنُونَ وَأَكْثَرُهُمُ الْفَاسِقُونَ

"You have created the best nation for man; do good, forbid evil, and believe in Allah".

Islamic banks face the inevitable risks to their operations and finances. Working capital (Yusuf, 2006), which requires financing daily operations, plays an important role in sustaining these activities. According to Maudos and Solis (2009) labor costs directly affect the profitability of a company, where lower costs and higher profits result in greater efficiency. There are several key financial indicators used to assess banking performance, most of which are based on economic judgments (Almilia & Herdiningtyas, 2005). These reports provide a basis for evaluating the progress of the Bank's activities. Profitability, a key index, is the success of management in generating revenue from banking operations (Suryani, 2011). The ROA ratio estimates the bank's earnings. A higher ROA means higher profits and more efficient

use of resources. Recognizing the importance of Sharia Bank in Indonesia, it is important to establish a stable and efficient bank. ROA serves as a measure of the bank's performance, using funds to generate profit (Simtopani & Frenzli, 2016). ROA is affected by various factors of bank management, including capital management (CAR), general management, profit management (BOPO), and liquidity management (LDR) (Hakim & Rafsanjani, 2016). ROA is usually chosen as a performance indicator because it reflects the overall ability of bank management to achieve profit. It is defined as the 12-month pre-profit compared to the average business size during that period (Malayu, 2007), a higher ROA indicates better profits and a better economy in terms of capital utilization. Achieving better profitability exposes the bank to various risks, especially the financial risk inherent in relying on Sharia, due to its emphasis on financial distribution. External factors such as macroeconomic conditions and industry competition can affect financial risk, which is determined by the quality of financial distribution (Umam 2013). The profit ratio can be affected by various factors including CAR, BOPO, NPF, and FDR. The equity ratio (CAR) assesses the adequacy of a bank's capital, which affects its ability to operate efficiently. CAR measures the amount of capital expenditures and external expenditures in financing. A higher CAR indicates a higher risk of financial risk. A low CAR limits the bank's lending capacity and therefore affects profitability (Umam, 2013). The principal activity of the bank is lending as it represents the allocation of the bank's funds. However, problems with payment or financial processes can be dangerous. Increasing non-performing funds (NPF) can reduce capital, reducing ROA. NPF measures financial quality, a higher NPF indicates a higher debt ratio. Mayhud Ali (2006) is a ratio that reflects difficulties in repaying NPF loans that may be caused by voluntary or non-extinguishable causes. The high NPF costs are increasing, including the provision of good profits, which are related to the financial health of banks. In practice, the theoretical relationship between the capital equity ratio (CAR), the financial deposit ratio (FDR) and the return on non-performing finance (NPF), and return on asset (ROA) does not always agree. This difference is evident in the financial performance of the Jaber Benten Bank of Syria in 2015-2024, where the actual evidence fully matches the expectations of the speculation.

B. LITERATURE REVIEW

1. Agency Theory

Agent relationships are the simplest form of social interaction that arise when the functions of management and ownership are separated, in which one party (the agent) takes the person of another (the principal) in the decision-making process. This separation between management and ownership can lead to management problems due to disparate interests.

Management theory addresses questions that arise from these types of relationships, particularly when principals doubt whether management is acting appropriately or when principals and organizations have different attitudes toward risk. According to Jensen and Meckling, agency theory describes the relationship between one or more principals and an intermediary for which agency is said to represent the principal's interests in decision making.

2. Signalling Theory

Signal theory is a fundamental concept to understand in financial management. A signal is usually information given by a company (a director) to an outside party (an auditor). Data can be expressed in a variety of ways, either directly stored or requiring more in-depth analysis. They may include charts or information that show the company is doing better than its competitors.

This principle emphasizes the importance of information provided by society to outsiders. Management intends to present information that attracts investors, especially if it is positive. For investors, this information serves as a signal for investment decisions. In financial

statements, the company regularly shows public information showing the company's performance, which allows people to influence the company's position.

3. Equity Ratio (CAR)

According to Dendawijaya, CAR is a system in which the bank's risky assets (such as credit, money, security and other banking claims) are financed alongside the bank's own capital and outside sources such as public deposits. Debt Mulyono explains that the car is used to indicate the bank's ability to cover potential credit losses and investment risks.

The capital adequacy ratio is important for banks as it supports business growth and absorbs losses. CAR indicates that the bank is well capitalized to meet the needs of the operator, which improves profitability by providing greater flexibility in expanding operations and risk management. In Indonesia, the central bank requires banks with sufficient capital to have a car of at least 8%, which complies with the Banking Standard for International (BIS) standard.

CAR represents the ratio between the bank's capital and hedged assets (RWA) which is used as a guide for credit expansion. In practice, car calculations are related to the minimum capital requirement (KPM) required by Indonesia in relation to the detailed consideration of capital and industries such as RWA. In it, SE BI No. by Bank of Indonesia. 26/1 / BPPP dated 29 May 1993 and subsequent amendments.

According to the 1993 regulations, core capital (Tier 1) and working capital (Tier 2) are identified for domestic and foreign banks, core capital usually includes retained earnings and working capital.

4. Concepts and Principles of Financial Reasoning (FDR)

Liquidity is an index that measures a company's ability to meet its liabilities (deposits) that are immediately due. Companies that meet their financial obligations on time are considered liquid. In the banking sector, liquidity is often measured using the deposit ratio (FDR). Fred Weston defines a liquidity ratio that describes a company's ability to meet short-term debt. This means that if the company is asked to pay its debts, it will be able to do so, especially for outstanding debts. The cash flow index has two main concepts: the concept of inventory and the concept of flow. The concept of inventory compares liquid assets with estimated liquidity needs, but to some extent does not consider liquidity from market credit or income streams. However, the concept of liquidity does not only look at the ability to convert assets into liquid but also the ability to borrow and generate money through its operations. This can be measured by the source of funds and the use of funds, for example, within 30 days. The difference between liquid assets and short-term liabilities indicates a liquidity position that may be in surplus or deficit. An extreme liquidity position means low risk, but the value of liquidity should be considered. But the failure calls for immediate action as words failed. One of the indicators of liquidity based on the inventory concept is the debt ratio (FDR). Because this system is growing, banks are more selective in lending or investing. A higher FDR indicates a higher interest rate. Although LDR is not a definitive term, it plays an important role in influencing credit and investment decisions. Larger banks generally show higher FDRs. This trend can be partly explained by the ability and willingness of banks to manage their liquidity challenges by borrowing from the financial market rather than diversifying their assets and trying to earn a higher return.

A higher deposit ratio (FDR) means that more funds are allocated to the third party. But this means less bank money than most people are obligated to pay. On the other hand, a low FDR indicates that banks are not using deposits efficiently and have excess liquidity

C. METHOD

Research methods include the skills and methods of collecting, obtaining, recording, and analyzing primary and secondary data to compose scientific work and analyze aspects related to key questions. This method ensures accurate data acquisition. According to Sugiono, research methods are as important as scientific methods in obtaining accurate data. The goal is to find, clarify and expand the knowledge base for identifying, solving and anticipating problems. Another definition is that research methods are seen as methods, methods and parallel scientific activities based on analysis and construction to find the truth as part of human research.

Research Title "Effect of Equity Capital Ratio (CAR), Deposit Ratio (FDR) Financial and Non-Performing Finance (NPF) on Return on Assets (ROA) from PT. Bank Jabar Banten Syariah "A study of some important variables included that I suggest a research variable defines any element defined by the researcher to facilitate data collection. The study of what matters;

1. Independent Variables

According to Sugiono, the independent variables affect or change the dependent variables.

2. Dependent Variable

Sugiono describes variables that depend on independent variables.

All these variables are listed as sub-variables in Table 1:

Table 1 Operationalization of Variable

Variable	Concept Description	Indicator	Scale
Capital Adequacy Ratio (CAR)	Ratio measuring bank capital adequacy	$CAR = \text{Capital}/\text{ATMR} \times 100\%$	Ratio
Financing to Deposit Ratio (FDR)	Ratio of financing to deposits	$FDR = \text{Financing}/\text{Deposits} \times 100\%$	Ratio
Non-Performing Financing (NPF)	Ratio of problematic financing	$NPF = \text{Non-Performing Financing}/\text{Total Financing} \times 100\%$	Ratio
Return on Assets (ROA)	Ratio measuring management profitability	$ROA = \text{Net Income}/\text{Total Assets} \times 100\%$	Ratio

D. RESULT AND DISCUSSION

1. Classical Hypothesis Analysis

Classical Hypothesis testing is required before performing regression analysis. These tests are performed to prevent errors in the analysis and to identify errors in the specification of the regression models. The classic hypothesis tests performed here include multicollinearity, heteroscedasticity, and autocorrelation tests. The results of these tests are summarized below:

a. Normality Test

The purpose of the normality test is to determine whether the residual data is normal or significant after a normal distribution for regression analysis. Normality was tested using the one-way Kolmogorov-Smirnov test. For the data to be considered normal, the critical value shown in the results table must be greater than 0.05.

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual	
N		9	
Normal Parameters ^{a,b}	Mean	.0000000	
	Std. Deviation	2.32802271	
Most Extreme Differences	Absolute	.121	
	Positive	.121	
	Negative	-.108	
Test Statistic		.121	
Asymp. Sig. (2-tailed) ^c		.200 ^d	
Monte Carlo Sig. (2-tailed) ^e	Sig.	.967	
	99% Confidence Interval	Lower Bound	.962
		Upper Bound	.971

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.
- e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Source: SPSS Output Version 29.0

According to the general test results above, the critical value is 0.200, which is greater than 0.05, which indicates that regression analysis is possible. Based on the results of this regulatory examination, the data processing tests for the capital equity account (CAR), the funds to deposit account (FDR) and the Non-Performing Finance (NPF) meet the assumptions of normality.

b. Multicollinearity Testing

The next test is the multicollinearity test, which aims to determine whether there is a high correlation between the independent variables in the regression model. This test is performed by performing a regression between the explanatory variables and examining the value of the variance inflation factor (VIF) of each variable. A good regression model should be multi-linear. Multi-lineage significance is assessed using the tolerance value and the equivalent VIF. The decision criteria for this exam are as follows.

If the tolerance value is greater than 0.10 and/or the VIF is less than 10, multicollinearity is absent. If the tolerance values are ≤ 0.10 and/or $VIF \geq 10$, multicollinearity is indicated.

The results of a multi-line test using SPSS for Windows version 29.0 are shown below:

Table 2 The Results of a Multi-Line Test

		Coefficients ^a					Collinearity Statistics	
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	-11.480	19.117		-.601	.574		
	CAR	.420	.310	.421	1.358	.233	.993	1.007
	FDR	.082	.217	.149	.377	.721	.610	1.640
	NPF	-1.905	1.083	-.696	-1.759	.139	.610	1.638

a. Dependent Variable: ROA

Source: SPSS Output Version 29.0

The effect of both variables is different. For the capital adequacy ratio (CAR) variables, the tolerance value of $0.993 > 0.10$ and $VIF 1.026 < 10$ indicates that the CAR is not multi-collinear. For the variable deposit financing (FDR), the tolerance value of $0.610 > 0.10$ and the VIF of $1.640 < 10$ indicate that the FDR is also not multi-linear. Similarly to non-factor variance (NPF), a tolerance value of $0.610 > 0.10$ and a VIF of $1.638 < 10$ indicates that the NPF is not multiple.

c. Test Heteroskedasticity

The purpose of the heteroskedasticity test is to determine whether there is residual variance in the observations. When the residual variation is constant throughout the

observation, it is called homogeneity; If it varies, it is called heteroskedasticity. A good regression model should demonstrate consistency, meaning that there is no significance in the data variable.

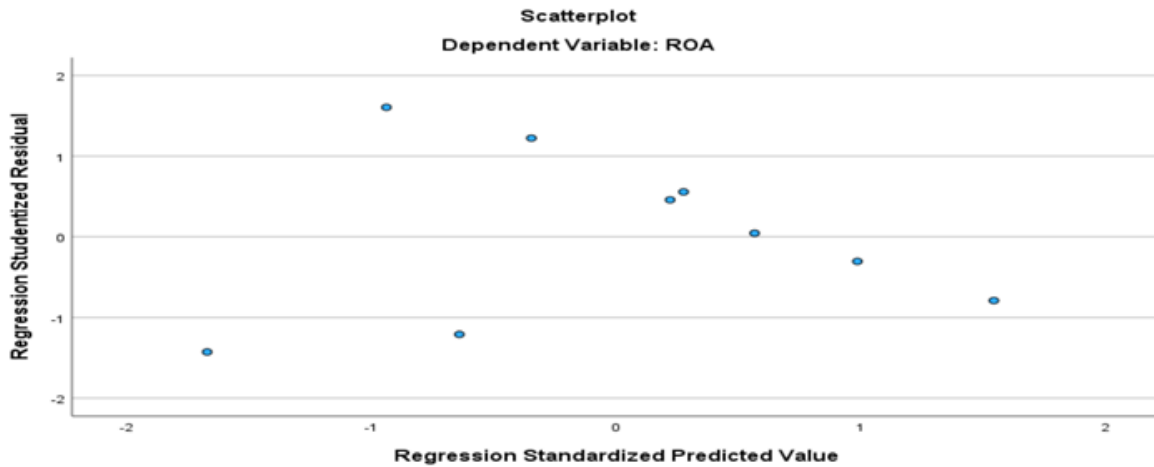


Figure 1 Heteroskedasticity Test

Classical hypothesis testing confirmed that the data were free from multicollinearity, heteroskedasticity, and autocorrelation and that multiple linear regression analysis was performed according to a normal distribution. This analysis was done using the SPSS version of Jabar Banten Syariah Bank, Tbk. The objective is to determine the impact of Non-Performing Financing (NPF) on Equity Ratio (CAR), Deposit Ratio (FDR), and Return on Assets (ROA).

To evaluate the effects of CAR (X_1), FDR (X_2), and NPF (X_3) on ROA (Y), multiple regression techniques were applied. The multiple regression equations are as follows: $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$. The following is a summary of the results of the SPSS multiple regression analysis with ROA as the dependent variable.

Table 2 The Results of Regression Analysis Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-11.480	19.117		-.601	.574
	CAR	.420	.310	.421	1.358	.233
	FDR	.082	.217	.149	.377	.721
	NPF	-1.905	1.083	-.696	-1.759	.139

a. Dependent Variable: ROA

Source: Data output from SPSS for Windows version 29.0.

From the results, the multiple regression table of equations is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

$$Y = -11.480 + 0.420X_1 + 0.082X_2 - 1.905X_3 \text{ And } = -11.480 + 0.420X_1 + 0.082X_2 - 1.905X_3$$

The fixed value (a) is -11,480, which means that if the capital adequacy ratio (CAR), Financing Deposit Ratio (FDR), and non-performing financing (NPF) are all zero, the return on assets (ROA) will be zero. Be -11,480. The capital adequacy ratio (CAR) coefficient is 0.420, which indicates a positive effect on ROA. This implies that as CAR increases, so does ROA. The debt ratio (FDR) is 0.082, which indicates that FDR has a positive effect on ROA, where FDR is proportional to the growth of ROA. The coefficient of non-performing financing (NPF) is -1.905, which indicates that NPF has a negative impact on ROA. Therefore, as NPF increases, ROA decreases.

E. CONCLUSION

The CAR variable has a positive effect on ROA with a coefficient of 0.420. Similarly, FDR has a positive effect on ROA with a value of 0.082. However, NPF has no significant effect on ROA, as indicated by the coefficient of -1,905. Moreover, the results for CAR, FDR, and NPF are influenced significantly by the ROA factor as a dependent variable.

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