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## Analysis of Financial Ratios on The Performance of Muamalat Indonesia Bank

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### Abstract

This study aims to determine the effect of financial ratios (NPL, CAR, LDR, BOPO) simultaneously on the performance of Muamalat Indonesia Bank from 2008-2018. In this study, the researchers used a type of quantitative research with a descriptive and verification research approach because of the variables to be examined for their relationship and the purpose of presenting a structured picture. This research is a quantitative study with time series data. The type of data used in this study is secondary data in the form of data for all variables, namely Return on Assets (ROA), Non-Performing Loans (NPL), Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), and Operating Cost Income Operational (BOPO). This secondary data was obtained by the method of observing financial ratios registered during the observation from 2008 to 2018. Corporate financial data for that period is available at [www.idx.co.id](http://www.idx.co.id). Data collection techniques used are observation and recording and linear regression models are used to determine whether there is a significant influence of one variable with another variable. For testing the hypothesis, it used the t-test and F-test.

**Keywords:** Financial Ratios, Performance, Muamalat Indonesia Bank



## INTRODUCTION

A bank is an institution that accepts current accounts, deposits, and pays on the basis of documents drawn on certain people or institutions, discounts securities, provides loans and invests funds in securities. This is due to the role of banking as an intermediary institution, namely channeling funds from surplus economic units to deficit economic units or in other words, banks hold the role of collecting and channeling funds.

In the current development of economic activity, the banking industry has always played an important role in almost all business sectors which of course are related to financial activities so the banking industry must always be healthy, especially from a capital perspective. In line with this, Bank Indonesia Regulation (PBI) No.13/1/PBI/2011 explains that a bank's soundness assessment is one of the matters regulated by Bank Indonesia which will be useful in implementing Good Corporate Governance (GCG) as well as in dealing with risks in future. This is of course also useful especially for shareholders because the assessment of bank performance will give a signal in making investment decisions. Assessment of bank soundness is the final estuary or result of aspects of banking regulation and supervision that show the performance of the national banking system. Assessment of the soundness level of a bank is also regulated in a copy of the Financial Services Authority Regulation Number 8/POJK.03/2014 concerning Assessment of the Soundness Level of Sharia Commercial Banks and Sharia Business Units article 2 paragraph 1 which reads "Banks are required to maintain and/or improve the soundness level of banks by implementing prudential principles, Sharia principles, and risk management in conducting business activities".



In this regard, of course, banks must also pay attention to the general principles of bank management so that they do not pose a large risk to be accepted. According to the Directorate of Banking Research and Regulation (DPNP) in BI Circular Letter (SE) No.13/24/DPNP/2011 are general principles that must be considered by bank management in assessing bank performance are risk-oriented, proportionality, materiality, and significance as well as comprehensive and structured. Assessment of bank performance by management, shareholders, government, and other stakeholders is important to do because it involves the distribution of wealth among them. Bank performance can be assessed through various indicators. The main source of indicators used as the basis for the assessment is the financial statements of the companies concerned.

The company's financial statements serve to provide financial information to parties with an interest in the company. Financial reports will function optimally if they are presented in accordance with their qualitative elements, including easy to understand, reliable, comparable, and relevant. Financial reports are presented to stakeholders, namely: management, employees, investors (holders), creditors, suppliers, customers, and the government. It can be seen from the use of the Indonesian Capital Market Directory, which is increasingly being used as a basis for viewing the financial performance of companies listed on the Indonesian Capital Market.

Currently, the application of Islamic-based economic activities is a new phenomenon in various countries, in Asia, Europe, America, and Africa. Specifically in the Asian Region, namely the State of Indonesia, Islamic economics was first implemented in the form of an institution in 1991 in the



form of Baitul Mal Wat Tanwil (BMT) and in 1992 the first Islamic bank was established namely Bank Muamalat Indonesia. In 2003 Bank Muamalat for the first time Issued Subordinated Mudharabah I Sukuk of IDR 200 billion, the first sukuk issued by a banking institution in Indonesia. Bank Muamalat continues to grow, this is proven by the existence of an international branch office located in Kuala Lumpur, Malaysia which was inaugurated in 2009. In this case, the researcher has an interest in analyzing the financial statements of Bank Muamalat, the first Islamic bank in Indonesia. In accordance with Law No. 21 of 2008, it is explained that an Islamic Bank is a Bank that carries out its business activities based on Sharia Principles.

In 2018, Bank Muamalat had several offices spread throughout Indonesia with a total of 276 which included 1 head office, 83 branch offices, 150 sub-branch offices, 43 cash offices, and 1 overseas office.

**Table 1**  
**Number of Bank Muamalat Offices**

<b>Office Type</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Headquarters	1	1	1	1
Branch office	83	83	83	84
Branch office	150	152	202	266
Cash office	43	43	78	96
Overseas office	1	1	1	1
Amount	276	278	363	448

From the table above, it can be seen that every year the number of branch offices, and sub-branch offices almost always decrease. According to Wimboh Santoso, who also serves as chairman of the OJK Board of Commissioners, improving customer service by adding the number of new branch offices is not



very effective. Online services are considered more effective and efficient than having to increase the number of branch offices to serve customers.

In this study, there are several financial ratios used to measure financial performance that are proxied to have a positive relationship with Return on Assets (ROA). Financial ratios that affect ROA include Non-Performing Loans (NPL), Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), and Operational Income Operating Expenses (BOPO).

From what has been described above, the researcher has an interest in researching “Financial Ratio Analysis on the Performance of Bank Muamalat Indonesia”.

## **LITERATURE REVIEW**

### **Islamic Bank**

Islamic banks are banks that carry out their business activities based on Sharia principles. Islamic bank is a term used in Indonesia to describe a type of bank that is implemented based on Sharia principles. However, “Islamic Bank” is a term widely used in other countries to refer to banks with Sharia principles, besides there are other terms to refer to other Islamic banks to refer to Islamic banks including interest-free banks, Lariba banks, and Sharia banks.

In general, what is meant by an Islamic bank is a financial institution whose main business is providing credit financing services and services in payment traffic and money circulation that operate according to Sharia principles. Islamic banks are banks that operate according to Islamic Sharia principles, referring to the provisions contained in the Al-Quran and Al-Hadith. By referring to the Al-Quran and Al-Hadith, Islamic banks are expected to avoid activities that contain elements of usury and anything that is contrary to Islamic



law. By type, it consists of Islamic commercial banks and Islamic people's financing banks. Referring to the definition above, there is a very clear difference regarding the basic operational principles, namely sharia. Where this sharia is the main sign in Islamic banking in addition to rules or laws issued by the government and Indonesian banks. Referring to Sharia values, there are orders and prohibitions. Command as a form of obligation and prohibition is something that must be abandoned. This is certainly not found in conventional commercial bank operations. And that's why the level of compliance of Islamic banks is not only measured by compliance with Indonesian bank laws and regulations but also measured by Sharia compliance. This is certainly not found in conventional commercial bank operations. And that's why the level of compliance of Islamic banks is not only measured by compliance with Indonesian bank laws and regulations but also measured by Sharia compliance. This is certainly not found in conventional commercial bank operations. And that's why the level of compliance of Islamic banks is not only measured by compliance with Indonesian bank laws and regulations but also measured by Sharia compliance.

The Government of Indonesia, with the approval of the DPR RI, has replaced the Banking Law No. 10 of 1998 with the Banking Law No. 21 of 2008 concerning Sharia Banking which further strengthens its existence in the traffic of the ummah economy, namely collecting funds from the community and then channeling them back to the community in accordance with Islamic law. The development of Sharia banking was followed by the growth of the Small and Medium Enterprises (SMEs) sector, which so far has shown very good progress. Naturally, this sector is the focus of Islamic banking financing. The SME sector



is even able to sustain national economic growth. This sector is also a driving force for the economy when the crisis hit. Just like SMEs, Sharia banking which has been sidelined so far has shown its existence when the crisis occurred.

Islamic banking institutions then become a vital necessity in economic movement. Dependence on Islamic banking is a must for both small- and large-scale economic actors. This is because the business he undertakes always intersects with the availability of capital which incidentally is within the power of banking institutions. Capital and expertise cannot be used as a guarantee of success in a business. Productive business activities carried out by weak economic groups such as SMEs actually have quite bright prospects, but in reality, many of them are then hampered by capital factors. Therefore, Islamic banks carry out business activities as follows:

1. Collecting funds in the form of savings, time deposits, and demand deposits using wadiah, *mudharabah* or other contracts that are not against sharia.
2. Distributing funds to the public by using profit-sharing agreements such as: *mudharabah*, *musyarakah*, sale and purchase agreements such as: *murabahah*, *salam* and *istisna*, leasing contracts such as: *ijarah* and *ijarah lumpuriyah bittamlik*, loan contracts such as: *qard* and other contracts that do not conflict with sharia.
3. Purchasing sharia securities issued by the government and so forth.

Islamic banks are intermediary institutions and financial service providers whose operations are based on ethics and the Islamic value system, especially those that are free of interest (*usury*), free from non-productive speculative activities such as gambling (*maysir*), free from things that are unclear and doubtful (*gharar*) has the principle of justice, and only finances halal



business activities. Islamic banks have a narrower concept, namely interest-free banks when a number of instruments are interest-free. In addition, Islamic banks also actively contribute to achieving the goals and objectives of an Islamic economy that is oriented towards social welfare. This is intended so that every transaction made at an Islamic bank really avoids things that are prohibited such as *usury*, gambling, *gharar*, *dhalim*, and others.

Contracts in Islamic banking occupy a very vital position, considering that this contract is the difference between the operations of Islamic banks and conventional banks. This contract is also the benchmark for a product that can be said to be halal. Therefore, this sub-chapter will describe some of the characteristics of Sharia contracts. The principles of the Islamic bank product contract are as follows:

1) Principle of *wadi'ah* or Custody

According to the language, *wadi'ah* is something that is placed not on the owner so that it is guarded. Wadiah is a contract for the safe keeping of goods agreed by the parties to be kept by the recipient of the deposit and returned to the owner when requested. The *wadi'ah* principle is a form of contract used by Islamic banks, where the customer is the party depositing funds while the bank is the party receiving the deposited funds. In general, this *wadi'ah* contract is divided into two, namely:

(a) *Wadiah Yad Amanah*

Namely a contract for safekeeping of goods/money where the party receiving the deposit is required to look after the goods deposited and is not allowed to use the goods/money deposited. In principle, in the implementation of this contract, the party receiving the deposit does not bear the burden and





risks that arise during the deposit period except for the negligence of the deposit. In the world of banking, this contract is used for Save Deposit Box (SDB) products.

(b) *Wadiah yad dhamanah*

In principle, this type of *wadi'ah* is the same as before, the difference is in the status of the use of the deposited goods/money. If in a *wadi'ah amanah*, the recipient of the deposit is not allowed to use it, in a *wadi'ah dhomanah*, a person who receives the deposit is allowed to use the goods/money deposited with the condition that he bears all the risks that arise during the safekeeping. In Islamic bank operations, *wadi'ah* contracts are commonly used for fundraising products such as demand deposits and savings.

2) Principles of Cooperation or *Syirkah*

In principle, all Islamic banking transactions use the basic contract of cooperation or *syirkah*. In its operations, the principle of cooperation/*syirkah* is found in several contracts as follows:

a) *Musyarakah Akad*

*Musyarakah* in Islamic banking takes the term *fiqh*, namely *al-musyarakah*. This means a cooperation contract between two or more parties for one particular business where each party contributes funds with an agreement that the profits and risks will be shared according to the agreement. Thus, *musyarakah* is a partnership between two or more parties in a company or project where each party is entitled to all profits and is responsible for all losses that occur in accordance with their respective participation.

b) *Mudharabah*



Mudharabah is part or one type of *syirkah* contract. *Syirkah musharabah* or also commonly referred to as *qiradh* is a business partnership (business partnership) between an entity and property. This means that a person hands over his assets to another party to be managed in a business with the provision that the profits to be obtained are shared by both of them in accordance with the agreed terms. A *mudharabah* contract is a contract or cooperation system in which one person provides the entire capital to another party to be managed with the condition that the profits obtained (from the results of such management) are shared between the two parties according to an agreed ratio. Meanwhile, the loss is borne by the capital owner as long as there is no negligence on the part of the business manager.

In *mudharabah*, the party acting as a financier is called *shahibul maal* and the other party is *mudharib*. In Islamic bank operations, this contract is commonly used in savings products, bonded investments, and venture capital financing.

### 3) The principle of buying and selling

In addition to using a *mudharabah* cooperation contract or profit sharing, Islamic banks have various alternative contracts in financing transactions, including buying and selling contracts. Because the contract is a sale and purchase, then the law of sale and purchase applies, including the terms and pillars of buying and selling, so that the contract made becomes legal in terms of sharia. In Islamic banking operations, transactions that use the principle of buying and selling include *Murobahah*, *Salam*, and *Istisna*.

### 4) Principle of Lease



In addition to using a contract with the principle of buying and selling, Islamic banking can also use another alternative contract, namely a financing scheme with an *ijaroh* contract. *Ijaroh* comes from the Arabic word *al ijarah*, which means the contract of transferring usufructuary rights to goods or services through payment of rental wages without being followed by a transfer of ownership of the goods. In Sharia banking operations, leasing contracts are usually executed in the form of *Ijaroh* and *Ijaroh Mutahiyah Bittamlik*.

#### 5) Fee Principle

Apart from transacting using the *wadi'ah* principle or *syirkah* deposit or cooperation, the *bai'* principle or buying and selling, and the *ijaroh* system or leasing and wages, Islamic banking also uses fee-based transactions. In a sense, Islamic banks obtain fees from the transactions carried out which are recognized as bank income. Among the fee principles implemented by Islamic banking are *Kafalah*, *Hiwalah*, *Jo'alah*, *Wakalah*, and *Rahn*. *Financial Ratio Analysis*

Financial ratio analysis is an activity carried out to obtain an overview of the company's financial development and financial position. Financial ratio analysis is useful as an internal analysis for company management to find out the financial results that have been achieved for future planning and also for internal analysis for creditors and investors to determine a company's lending and investment policies.

Ratio analysis is one of the most widely used financial analysis tools. The ratio is a tool to provide insight into the underlying conditions. The ratio is a starting point, not an endpoint. Correctly interpreted ratios identify areas that require further investigation. Ratio analysis can reveal important relationships and form the basis of comparison in discovering conditions and trends that are



difficult to detect by studying the individual components that make up a ratio. As with other analytical tools, ratios are most useful when they are forward-looking.

### **Bank's Financial Performance and Its Measurement**

#### 1) ROA

Profitability is the company's ability to earn profits in relation to sales, total assets, and own capital. Profitability or profitability is used to measure the efficient use of capital in a company by comparing profits and capital used in operations, therefore large profits do not guarantee or are not a measure that the company is profitable. According to Slamet Riyadi, profitability ratios are classified into two, namely: first, Return on Equity is a profitability ratio that shows the ratio between profit (after tax) and capital (core capital), this ratio shows the level of % (percentage) that can be generated and second, Return on Assets is a profitability ratio that shows the comparison between profit (before tax) and the bank's total assets, This ratio shows the efficiency level of asset management carried out by the bank concerned. But in this study using Return on Assets as the dependent variable. The formula for calculating return on assets (ROA) is as follows:

$$ROA = \frac{\text{Profit Before Tax}}{\text{Total Assets}}$$

#### 2) NPLs

NPL is a debtor or group of debtors that fall into groups 3, 4, and 5 out of 5 credit categories, namely debtors who are substandard, doubtful, and lost. It should always be remembered that the change in credit classification from current credit to NPL is gradual through a process of decreasing credit quality. One of the risks that arise due to the increasing complexity of banking



activities is the emergence of increasingly large non-performing loans (NPLs). Or in other words, the larger the scale of operation of a bank, the supervision aspect decreases, so that the NPL increases or the credit risk increases. NPL is the ratio of non-performing loans to total loans. A good NPL is an NPL that has a value below 5%. NPL reflects credit risk, the smaller the NPL, the smaller the credit risk borne by the bank.

$$\text{NPL} = \frac{\text{Total Problematic Financing}}{\text{Total Funding Provided}}$$

### 3) CAR

CAR is the ratio or comparison between bank capital and risk-weighted assets (ATMR). CAR is a guideline for banks in expanding in the credit sector. In practice, the CAR calculation, which Bank Indonesia calls the Bank's Minimum Capital Adequacy Requirement (KPMM), is not simple. KPMM is a comparison between Capital and Risk Weighted Assets (ATMR). Both RWA and Bank Capital require details and a common understanding of what is included as a component for calculating RWA and how to calculate it. Likewise, for Capital, it is necessary to specify what can be classified and calculated as Bank Capital. Instructions regarding this matter are regulated in principle by Bank Indonesia through the provisions of SE BI No. 26/1/BPPP dated 29 May 1993. Regarding the definition and details of capital consisting of Core Capital and Supplementary Capital, BI has made improvements through Bank Indonesia Circular Letter No. 3/30/DPNP dated 14 December 2001, based on the previous provisions as follows:

1) The calculation of profit does not include recognition of profit due to the application of Statement of Financial Accounting Standards (PSAK) No. 46 concerning Income Tax Accounting.



- 2) The paid-in capital component does not include the recognition of subscribed capital originating from receivables to Shareholders as stipulated in the Statement of Financial Accounting Standards (PSAK) No. 21 concerning equity accounting.
- 3) What is meant by paid-up capital are funds that have been fully paid up for the purpose of increasing capital but have not been supported by the completeness of the requirements to be classified as paid-up capital such as holding a general meeting of shareholders or ratifying the articles of association from the competent authority. In order to be classified as Capital Deposit Funds, these funds must be placed in a special account (escrow account) and their use must be with the approval of Bank Indonesia.
- 4) Reserves for Fixed Assets Revaluation cannot be capitalized into paid-up capital and distributed as bonus shares and or dividends.
- 5) Deficiencies in the Formation of Earning Assets Allowance by Banks is a cost component in current year profit.
- 6) What is included in the components of last year's and current year's profit is the amount after calculating estimated tax unless the Bank is allowed to compensate for losses in accordance with applicable tax provisions.
- 7) The increase or decrease in the price of shares in the available-for-sale portfolio is the difference between the market price and the acquisition value of the Bank's participation in companies whose shares are listed on the Capital Market.

According to BI Circular Letter Number 13/24/DPNP dated 25<sup>th</sup> October 2011, the CAR ratio is obtained by the following formula:

$$\text{CAR} = \frac{\text{Bank Capital}}{\text{Total ATMR}}$$

**4) LDR**

LDR is a ratio that measures a bank's ability to meet financial obligations that must be met. This obligation is in the form of call money which must be fulfilled when there is a clearing obligation, where the fulfillment is made from current assets owned by the company. LDR is calculated from the comparison between total credit and third-party funds. The total credit referred to is credit extended to third parties (excluding credit to other banks). Third-party funds in question include among others demand deposits, savings, and time deposits (excluding interbank). The best standard of LDR is above 85%. To be able to obtain an optimum LDR, banks still have to maintain NPLs. LDR affects Earning After Tax (EAT), if the LDR is large, the EAT is large. LDR depends on bank management. The size of the bank's LDR is not the same. The relationship between LDR and EAT is independent, not autocorrelated. The greater the LDR, the greater the potential to achieve EAT, as far as NPL can be suppressed.

$$\text{LDR} = \frac{\text{Total Financing}}{\text{Total Third Party Funds}}$$

**5) BOPO**

BOPO is the ratio between operating costs to operating income. Operating costs are costs incurred by banks in carrying out their main business activities such as interest costs, marketing costs, labor costs, and other operating costs. Operating income is the bank's main income, namely income derived from the placement of funds in the form of credit and other operating income. The smaller the BOPO, the more efficient the bank is in carrying out its business activities. A healthy bank has a BOPO ratio of less than 1, whereas a bank that is unhealthy has a BOPO ratio of more than 1. According to Bank



Indonesia regulations, operating efficiency is measured by BOPO. Operational efficiency also affects bank performance, which is to show whether the bank has used all its production factors efficiently and effectively.

$$\text{BOPO} = \frac{\text{Total Operasional}}{\text{Total Operating Income}}$$

## RESEARCH METHOD

The type of research that will be carried out in this study is research applied a quantitative approach based on secondary data in the form of financial reports. This study uses a quantitative analysis method because the data used is empirical data and the variables used have units that can be measured.

This research is quantitative research with time series data. Quantitative is the data used expressed in the form of numbers. While the time series is the data collected from time to time. In this study, the scope used is the period 2008-2018 in the financial statements of Bank Muamalat Indonesia.

The type of data used in this study is secondary data in the form of data for all variables, namely Return on Assets (ROA), Non-Performing Loans (NPL), Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), and Income Operational Costs Operational (BOPO). This secondary data was obtained using the method of observing financial ratios registered during observations from 2008 to 2018. The company's financial data for that period is the data available at [www.idx.co.id](http://www.idx.co.id).

The population in this study is the financial statements of PT Bank Muamalat Indonesia, Tbk from 2008 to 2018. The sample used in this study is for





10 years of the financial report data of PT Bank Muamalat Indonesia, Tbk from 2008 to 2018.

Based on the purpose of this study, the data analysis technique used is multiple linear regression analysis. However, before carrying out multiple regression analysis, it is necessary to carry out several prerequisite tests or classical assumption tests.

RESULTS AND DISCUSSION

The data used in this study were taken from Bank Muamalat’s Annual Published Financial Report, especially the Financial Ratio Calculation Report. The following data on financial ratios and financial performance at Bank Muamalat in the 2008-2018 period are shown in the following table:

Table 3
Description of Muamalat Bank Financial Ratios 2008 – 2018

Table with 7 columns: No, Year, NPLs, CAR, LDR, BOPO, ROA. Rows include years 2008-2018 and summary statistics like Min Value, Maximum Value, St. Deviation, and Mean (Average).



T-test

Table 4 Partial t-test

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
	B	std. Error	Betas		
1 (Constant)	062	008		7,461	.000
NPLs	.025	.030	061	-3,833	.037
CAR	-.060	.037	-.142	4,602	001
LDR	008	005	.137	4,620	.015
BOPO	-.062	008	-.841	-8,043	.000

a. Dependent Variable: ROA

Based on the table it can be seen that the multiple regression equation is:

Y = 0.062 + 0.025X1 - 0.060X2 + 0.008X3 - 0.062X4

From the table above it can be concluded that NPL, CAR, LDR, and BOPO partially have an influence on ROA with a calculated T value of -3.833 for NPL, 4.602 for CAR, 4.620 for LDR and -8.043 for BOPO and probability values each of -0.037 for NPL, 0.001 for CAR, 0.015 for LDR and 0.000 for BOPO. which means the probability value is smaller than the significance level of 0.05. Meanwhile, the regression coefficient is 0.025 for NPL, -0.060 for CAR, 0.008 for LDR, and -0.062 for BOPO.

F test

Table 5 Simultaneous F Test

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
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1	Regression	.000	4	.000	59,529	.000a
	residual	.000	6	.000		
	Total	.000	10			

a. Dependent Variable: ROA

b. Predictors: (Constant), BOPO, NPL, LDR, CAR

From the table above it can be seen that simultaneously the independent variable on the dependent variable has a significant influence. This can be seen from the calculated F value of 59.529 with a significance value of 0.000 which is smaller than the significance value of 0.05.

**The Coefficient of Determination R2**

**Table 6**  
**Test of the Coefficient of Determination**

Summary Models					
Mode		R	Adjusted R	std. Error of	
1	R	Square	Square	the Estimate	
1	.988a	.975	.959	.0010187110	

a. Predictors: (Constant), BOPO, NPL, LDR, CAR

From the calculation results, it is obtained that the magnitude of the influence of the independent variable on the dependent variable which can be explained by this equation model is 97.5% and the remaining 2.5% is influenced by other factors not included in the regression transformation model, such as other ratios or country's macroeconomic factors, market sentiment factors and country's political factors.

**The Effect of NPL on Bank Muamalat's ROA in 2008-2018**

The results of hypothesis testing show that NPL has a positive and significant effect on ROA. This can be seen from the NPL probability value of 0.037 where this significant value is smaller than the significance value of 0.05



and the regression coefficient value of 0.025. This shows that NPL has a positive and significant effect on ROA.

The results of this study are supported by the results of research conducted by Anjum Iqbal (2012) this study entitled Liquidity Risk Management: A Comparative Study between Conventional and Islamic Banks of Pakistan. And the results of research conducted by Slamet Fajari and Sunarto (2017) entitled. The Influence of CAR, LDR, NPL, BOPO on Bank Profitability (Case Study of Banking Companies Listed on the Indonesia Stock Exchange for the Period 2011 to 2015) which in its research results states that Non-Performing Loans (NPL) have a positive and significant effect on Return on Assets (ROA).

#### **The Effect of CAR on Bank Muamalat's ROA in 2008-2018**

The results of hypothesis testing show that CAR has a negative and significant effect on ROA. This can be seen from the CAR probability value of 0.001 where this significant value is smaller than the significance value of 0.05 and the regression coefficient value of -0.060. This shows that CAR has a negative and significant effect on ROA.

The results of hypothesis testing for the two variables Capital Adequacy Ratio (CAR) have a negative and significant effect on Return on Assets (ROA). This can be explained that the low Capital Adequacy Ratio (CAR) at Bank Muamalat occurs because the company has not optimized its capital, so the bank must control the level of risk not to exceed the amount of existing capital. For the bank, it must optimize the balance of funds that have been collected by channeling it back into the form of financing and banks must be more careful in determining policies regarding the level of capital adequacy (CAR) and



distribution of financing by maintaining a balance of capital, risk level, financing, and fundraising.

### **The Effect of LDR on Bank Muamalat's ROA in 2008-2018**

The results of testing hypothesis 2 show that LDR has a positive and significant effect on ROA. This can be seen from the LDR probability value of 0.015 where this significant value is smaller than the significance value of 0.05 and the regression coefficient value of 0.008. This shows that LDR has a positive and significant effect on ROA.

The results of the analysis show that the 2008-2018 Bank Muammalat LDR has an average of 89.75%, meaning that it is stated to be within the safe limit according to BI's own rules. In addition, the third hypothesis is accepted, meaning that there is an effect of the Loan Deposit Ratio (LDR) on Return on Assets (ROA). It is assumed that the lower LDR value means that it indicates a liquid bank with excess capacity of funds ready to lend. Conversely, a higher LDR indicates that a bank lends all of its funds or is relatively illiquid. A high LDR in this case does not exceed the specified limit, it will increase the profitability derived from loan interest income so that the hypothesis can be formulated that LDR has a positive effect on ROA. This theory is supported by research conducted by Widati (2012).

### **The Effect of BOPO on Bank Muamalat's ROA in 2008-2018**

The results of hypothesis testing show that BOPO has a negative and significant effect on ROA. This can be seen from the probability value of BOPO of 0.000 where this significant value is smaller than the significance value of 0.05



and the regression coefficient value of -0.062. This shows that BOPO has a negative and significant effect on ROA.

According to Loen, B, and Ericson (2008), BOPO is used to measure the level of efficiency and ability of a bank to carry out its operations. Any increase in operating costs will result in reduced profit before tax which will ultimately reduce the profit or profitability (ROA) of the bank concerned. The higher the BOPO value, the higher the operating costs compared to operating income.

#### **Effect of NPL, CAR, LDR and BOPO on Bank Muamalat's ROA in 2008-2018**

Based on the results of the first hypothesis test, the results show that the Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), Net Operating Margin (NOM), Operational Costs and Operational Income (BOPO), Financing to Deposit Ratio (FDR) influence simultaneously or together -same to Return on Assets (ROA).

This research is in line with previous research conducted by Hasbi, Willy Sri Yuliandari (2012) in his research entitled The Effect of Loan to Deposit Ratio, Non-Performing Loans, Good Corporate Governance, Operating Costs Against Operating Income, and Capital Adequacy Ratio Against Return on Assets in Foreign Exchange Banks that Go Public for the 2010-2012 period state that NPL, CAR, LDR, and BOPO have a simultaneous effect on ROA in measuring a bank's health level.

#### **CONCLUSION**

Based on the results of the analysis that has been carried out, the following conclusions are obtained: (1) there is a significant negative effect between the ratio of Non-Performing Loans (NPL) to Return on Assets (ROA).



This is found in the calculated t value of -3.833 and a significance value of 0.037; (2) there is a significant negative effect between the Capital Adequacy Ratio ratio and the Return on Assets (ROA). This is found in the calculated t value of 4.602 and a significance value of 0.001; (3) there is a significant positive effect between the ratio of Loan to Deposit Ratio to Return on Assets (ROA). This is found at the calculated t-value of 4.620 and a significance value of 0.015;

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