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DETERMINANTS OF PROFITABILITY OF ISLAMIC COMMERCIAL BANKS (BUS): AN EMPIRICAL STUDY OF THE EFFECT OF FDR, CAR, AND NPF IN THE 2020-2024 PERIOD

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ABSTRACT

The growth of Islamic banking assets in Indonesia during 2020–2024 does not align with profitability, which has shown volatility. This phenomenon indicates the need for a reassessment of the determinants of profitability in the post-pandemic period. Within the context of restructuring policies, this study evaluates the determinants of profitability (ROA) of Islamic Commercial Banks. A quantitative-associative analysis was applied using a multiple linear regression model based on secondary financial report data to examine the roles of the Financing to Deposit Ratio, Capital Adequacy Ratio, and Non-Performing Financing Ratio. The findings reveal results that differ from most previous studies. It was found that FDR has a positive and significant effect, confirming the importance of intermediation activities. Conversely, CAR has a negative and significant effect, indicating potential inefficiency caused by excess capital. Furthermore, NPF was found to have no significant effect, a finding identified as a consequence of financing restructuring policies. These results demonstrate that the determinants of Islamic bank profitability have shifted, where the efficiency of capital management is now a more influential factor compared to credit risk, whose impact has been mitigated by policy interventions.

Keywords: ROA, Islamic Banking, FDR, CAR, NPF.

INTRODUCTION

The period of 2020–2024 became a crucial phase for Indonesia's Islamic banking industry, marked by resilience amid global economic challenges and strategic consolidation efforts. Data from the Financial Services Authority (OJK) shows that total Islamic financial assets grew impressively by 11.67% (yoy), reaching IDR 2,883.67 trillion as of December 2024, with a market share surpassing 7.38% of the total national banking assets. [1] However, behind the solid asset growth, key profitability metrics specifically Return on Assets (ROA) showed notable volatility. This is reflected in the ROA of Islamic Commercial Banks, which stood at 1.40% in 2020, increased to 2.07% in 2024, after previously declining to 1.81% in 2023. [2] A fluctuation that indicates asset expansion does not

[1] OJK, "Snapshot Perbankan Syariah," 2024, 2-5, https://www.ojk.go.id/Snapshot Perbankan Syariah Indonesia Desember.

[2] Laporan Perkembangan Keuangan Syariah, "Laporan Perkembangan Keuangan Syariah Indonesia," *Otoritas Jasa Keuangan*, 2024, 222.

always align with a consistent increase in profit efficiency. This phenomenon serves as the main justification for examining the fundamental factors that shape the profitability performance of Islamic banking in this dynamic era.

Profitability performance in this study, proxied by ROA, becomes an essential benchmark for assessing management's capability to convert assets into net income. A high and stable ROA not only reflects financial health and operational efficiency but also provides a positive signal for stakeholders, including investors and customers. Understanding the determinants that influence ROA fluctuations, as observed during the study period, is a fundamental step in evaluating the sustainability of the Islamic banking business model.[3] Maka penelitian ini akan berfokus pada analisis tiga pilar krusial yang secara teoretis memiliki pengaruh kuat terhadap ROA, yakni likuiditas, permodalan, dan risiko pembiayaan.

These three pillars are operationalized into relevant research variables. The liquidity pillar is measured through the FDR, which reflects the bank's strategy in channeling Third-Party Funds into productive assets. [4] Next, the capital pillar is measured using the CAR, an indicator that functions as a risk absorber and a marker of the bank's financial foundation strength. Lastly, the risk management pillar is measured through the NPF, which indicates the level of non-performing or problematic financing and directly reflects asset quality as well as the bank's prudence in mitigating credit risk. The interrelationship between these three ratios and profitability becomes the main focus in banking health analysis.[5]

Previous empirical studies on the influence of these three variables on ROA have produced diverse findings, thereby creating a research gap. The study by Wulansari and Aroni, for instance, found that CAR has a positive and significant effect on ROA, in line with the theory that strong capital supports profitable business expansion.[6] Namun, temuan ini berbeda dengan However, this finding differs from the study by La Difa, which did not find a significant effect of CAR on ROA.[7] A similar inconsistency is also found in the NPF variable. Several studies report a significant negative effect as expected, while other studies, such as that by Mutmainnah, found that NPF has no significant effect, prompting further discourse on risk management under various market conditions.[8]

Departing from the assumption that the determinants of profitability have shifted due to post-pandemic policy

[3] Chavia Gilrandy La Difa, Diharpi Herli Setyowati, and Ruhadi Ruhadi, "Pengaruh FDR, NPF, CAR, Dan BOPO Terhadap Profitabilitas Bank Umum Syariah Di Indonesia," *Journal of Applied Islamic Economics and Finance* 2, no. 2 (2022): 333–41, https://doi.org/10.35313/jaief.v2i2.2972.

[4] Rika Yuli Wulansari et al., "Faktor Yang Mempengaruhi Likuiditas Bank Umum Syariah (BUS) Di Indonesia Tahun 2020-2023," *AL-Muqayyad* 6, no. 1 (2023): 1–16, https://doi.org/10.46963/jam.v6i1.967.

[5] Ahsan Putra Hafiz et al., "Pengaruh Rasio FDR, CAR, BOPO Dan NPF Terhadap Roa Bank Umum Syariah Di Indonesia Periode 2021-2023 the Effect of Car, Fdr, Bopo and Npf Ratios on the Roa of Sharia Commercial Banks in Indonesia for the 2021-2023 Periode," *Margin: Journal of Islamic Banking* 5, no. 1 (2025): 41–62.

[6] Wulansari et al., "Faktor Yang Mempengaruhi Likuiditas Bank Umum Syariah (BUS) Di Indonesia Tahun 2020-2023."

[7] La Difa, Setyowati, and Ruhadi, "Pengaruh FDR, NPF, CAR, Dan BOPO Terhadap Profitabilitas Bank Umum Syariah Di Indonesia."

[8] Sayyidati Mutmainnah dan Wirman Wirman, "Pengaruh Capital Adequacy Ratio (CAR), Bopo, Financing To Deposit Ratio (FDR), Dan Non Performing Financing (NPF) Terhadap Return On Asset (ROA) Bank Syariah (Studi Kasus Pada Bank Umum Syariah yang Terdaftar di OJK Periode 2016-2020)," Jurnal Aktual Akuntansi Keuangan Bisnis Terapan (AKUNBISNIS), 2022.

conditions, this study carries strong urgency and novelty by re-examining the influence of the independent variables on the dependent variable during a period that is fundamentally different from previous years. Thus, this research aims to present updated empirical evidence on the determinants of profitability of Islamic Commercial Banks in Indonesia. The results are expected to contribute significantly to the literature and serve as a benchmark for banking management and regulators in formulating strategies amid an ever-changing economic landscape.

Research Questions

This study investigates the determinants of Islamic banking profitability (ROA) in the post-pandemic period as a response to the previously described phenomena. Specifically, it examines: (1) the partial effect of the Liquidity Ratio (FDR), Capital Adequacy (CAR), and Financing Risk (NPF) on ROA; and (2) the collective (simultaneous) influence of these three independent variables on the profitability (ROA) of Islamic Commercial Banks during 2020–2024.

THEORETICAL REVIEW

Agency Theory

Agency theory describes the interaction between company management as the agent and the owners of the company as the principal. The principal is an individual or entity that gives instructions to the agent to carry out various activities on their behalf. As the party that owns the company, the principal continually seeks complete information regarding company activities, including the management of invested funds. Through accountability reports prepared by management as the agent, the principal can obtain the necessary information and use the reports as a basis for assessing the agent's performance over a given period.[9]

All members of the management and each individual manager have the authority to bind the organization in agreements made with third parties. This is influenced by the fact that the authority to represent the organization lies in the hands of management, which holds substantial decision-making power regarding the actions the organization should take, the vision it aims to achieve, its business strategies, the investment approaches to be pursued, and its performance objectives.[10]

Financing to Deposit Ratio (FDR)

According to Moorey, FDR is a ratio used to assess a bank's level of liquidity, illustrating the bank's ability to meet financing demands by utilizing the total assets it possesses.[11] The FDR ratio measures the comparison between the total financing disbursed by the bank and the third-party funds it has successfully collected. An excessively low FDR ratio indicates inefficiency, where the bank fails to optimally channel its collected funds. Conversely, a high FDR ratio (while still remaining below prudential limits) signifies that the intermediation function is operating effectively. The bank's ability to manage the productive distribution of funds contributes to increasing profits, which in turn positively affects the Return on Assets

[9] Rahima Br Purba, *Teori Akutansi: Sebuah Pemahaman Untuk Mendukung Penelitian Di Bidang Akuntansi Cetakan*, *Jurnal Ilmu Pendidikan*, vol. 7, 2023.

[10] Eni Endaryati Vivi Kumalasari Subroto, *Kumpulan Teori Akuntasi*, *Yayasan Prima Agus Teknik*, 2019.

[11] I Gunawan, E. D. Purnamasari, and B Setiawan, "Pengaruh FDR, CAR, NPF, Dan BOPO Terhadap Profitabilitas (ROA) Pada Bank Syariah Bukopin Periode 2012-2018," Jurnal Manajemen SDM Pemasaran, Dan Keuangan 1, no. 01 (2020): hal. 20.

(ROA) [12]. The FDR ratio can be calculated as follows:

$$FDR = \frac{\text{Total Pembiayaan yang Diberikan}}{\text{Total Dana Pihak Ketiga (DPK)}} \times 100\%$$

Capital Adequacy Ratio (CAR)

According to Kasmir, CAR is a performance indicator of a bank that measures the adequacy of available capital to support productive assets that carry risks, such as loans provided to customers.[13] The success of a bank is evaluated through the Capital Adequacy Ratio (CAR), which indicates whether the bank has sufficient capital to support its risky or profitable assets. When an institution is growing and assessing potential losses, capital becomes extremely crucial. A bank's ability to absorb credit risk increases along with a higher CAR. A higher CAR ratio signifies that the bank has strong performance.[14]

$$CAR = \frac{Modal\ Bank}{ATMR} \times 100\%$$

Non-Performing Financing

According to Peny, Putri, and Fatimah, NPF is defined as the risk of loss that arises when debtors fail or are unable to fully meet their obligations to repay borrowed funds within the agreed timeframe. The health level of an Islamic bank can be evaluated through the NPF ratio, where an increase in this ratio directly reflects a deteriorating condition of the bank.[15]

$$NPF = \frac{\text{Total Pembiayaan Bermasalah}}{\text{Total Pembiayaan}} \times 100\%$$

Return On Assets (ROA)

ROA is a ratio used to assess how effectively a bank's assets can be utilized to generate profit. Bank Indonesia stipulates that the minimum ROA value must reach 1.5%. This ratio also serves to fulfill accountability to shareholders, measure managerial performance, and attract investor interest. Therefore, banks strive to achieve higher profits. With a high ROA ratio, a bank is able to provide financing in order to generate returns.[16]

$$ROA = \frac{\text{Laba Bersih Setelah Pajak}}{\text{Total Aset}} \times 100\%$$

Hypotheses

Based on Agency Theory and the formulated research problems, several research propositions are presented. First (H1), the Liquidity Ratio (FDR) is presumed to have a positive and significant effect on ROA, as the effectiveness of fund distribution reflects optimal agent performance. Second (H2), Capital Adequacy (CAR) is expected to have a positive and significant effect on ROA, in line with the view that strong capital provides a positive signal and supports business growth. Third (H3), Financing Risk (NPF) is suspected to have a negative and significant effect on

[12] Dewi Fitriana, Kusnul Ciptanila Yuni K, and Imam Sopingi, "Pengaruh Dana Pihak Ketiga Dan Financing To Deposit Ratio Terhadap Profitability Bank Syariah," Jurnal Ekonomi, Manajemen Dan Perbankan (Journal of Economics, Management and Banking) 10, no. 1 (2024): hal. 32.

[13] Resmi Afifah Fadilah, "Pengaruh Spesifik Bank Terhadap Kecukupan Modal (CAR) Pada Perbankan Syariah Di Indonesia," Jurnal Wahana Akuntansi : Sarana Informasi Ekonomi Dan Akuntansi 7, no. 2 (2023): hal. 57.

[14] Kharisma Abdul Yayan and Rizky Nur Ayuningtyas, "Pengaruh CAR, BOPO, NPF, Dan FDR Terhadap Profitabilitas Bank Umum Syariah (Studi Kasus 2018-2022)," SAUJANA : Jurnal Perbankan Syariah Dan Ekonomi Syariah 6, no. 01 (2024): hal. 27.

[15] Mia Fatimatu Zahra, "Non Performing Financing (Npf) Pada Bank Umum Syariah Lebih Baik Dari Non Performing Loan (Npl) Di Bank Konvensional ?," 2021, hal. 4.

[16] Intan Rika Yuliana and Sinta Listari, "Pengaruh CAR, FDR, Dan BOPO Terhadap ROA Pada Bank Syariah Di Indonesia," Jurnal Ilmiah Akuntansi Kesatuan 9, no. 2 (2021): hal 312.

ROA, because an increase in non-performing financing can directly reduce profitability. Lastly, fourth (H4), FDR, CAR, and NPF are expected to simultaneously influence the ROA of Islamic Commercial Banks during the 2020–2024 period.

METHODS

This study uses secondary data obtained from the annual financial statements of Islamic Commercial Banks for the period 2020–2024. The research population includes all Islamic Commercial Banks registered with the Financial Services Authority (OJK), with samples selected through purposive sampling. The samples were chosen based on specific criteria: banks operating in Indonesia, having complete audited financial statements, and providing complete historical data for the variables FDR, CAR, NPF, and ROA. Adopting a causal associative quantitative research design, the data meeting the criteria were then analyzed using multiple linear regression with SPSS version 25 to examine the cause-and-effect relationships among the variables.

RESULT AND DISCUSSION

Result

Table 1. Test Results

Variabel	Mean	Std. Dev	Koef. (B)	Sig. uji-t	VIF	Sig (Gletser)
(*Constant*)			0.154			
FDR	75.3690	16.28190	0.019	0.019	1.043	0.208
CAR	32.3063	25.11933	-0.010	0.049	1.064	0.985
NPF	2.5107	1.83079	-0.102	0.133	1.043	0.485
ROA	0.9750	0.72147				

Jenis Pengujian	Nilai	Kriteria	Hasil
Uji Normalitas	0,200	Asymp. Sig > 0,05	Normal
Uji Autokorelasi	0,193	Asymp. Sig > 0,05	Tidak terjadi Autokorelasi
Uji F	0,022 (F=3,788)	Sig < 0,05	Model Layak (Signifikan)
Koefisien Determinasi	0,224 (22,4%)	Adjuster R^2	Rendah (22,4%)

(Source: Data processed with SPSS version 25)

Descriptive Statistics

Based on the descriptive analysis of 30 observation data points, Islamic Commercial Banks (BUS) during the observation period exhibited generally healthy conditions. The average profitability (ROA) was at 0.975%, supported by well-managed credit risk with an average NPF of 2.51% (below the 5% threshold). In terms of capital adequacy, BUS were also very strong, with an average CAR of 32.31%, far above regulatory requirements. However, the data show significant variations in strategy among banks, as indicated by the wide range of financing distribution (FDR), from 38.33% to 107.95%. Extreme variation was also observed in capital adequacy levels (CAR), suggesting substantial differences in capital strength and risk management strategies among the sampled Islamic banks.

Classical Assumption Tests

Normality Test

The regression model satisfies the normality assumption. Using the Kolmogorov-Smirnov (K-S) method, the test produced an Asymptotic Significance (Asymp. Sig.) value of 0.200. Since this value exceeds the 0.05 threshold (0.200 > 0.05), the null hypothesis (H_0) of normally distributed data is accepted. This indicates that the residuals are normally distributed and that the model is appropriate for further analysis.

Multicollinearity Test

This study is indicated to be free from multicollinearity issues. This conclusion is based on the Variance Inflation Factor (VIF) and Tolerance values in the coefficient table. All independent variables (FDR, CAR, and NPF) show VIF values far below the maximum limit of 10, ranging from 1.043 to 1.064. At the same time, the Tolerance values for each variable are also higher than the minimum standard of 0.10. Therefore, it can be confirmed that no high correlation exists among the independent variables in this model.

Heteroscedasticity Test

The heteroscedasticity test in this study uses the Glejser method, which examines the significance of the influence of independent variables on the absolute residuals. The results show that the significance values for FDR (0,208), CAR (0,985), and NPF (0,485) are all above 0.05. Since none of the independent variables have a significant influence on the residuals, it is concluded that the regression model is free from heteroscedasticity issues.

Autocorrelation Test

The autocorrelation test was conducted using the Run Test to ensure the absence of correlation among residuals. Based on the test results (Table 1.5), the Asymptotic Significance (2-tailed) value is 0.193, which exceeds the alpha threshold of 0.05 (0.193 > 0.05). This indicates that the null hypothesis (H_0) regarding random residuals cannot be rejected. Therefore, it can be concluded that the regression model is free from autocorrelation.

Multiple Linear Regression Test

The hypothesis analysis using multiple linear regression produced the following equation:

$$\mathbf{ROA = 0.154 + 0.019(FDR) - 0.010(CAR) - 0.102(NPF) + e.}$$

The constant value of 0.154 indicates that if all independent variables equal zero, ROA will be at 15.4%. The FDR coefficient of 0.019 indicates a positive relationship, meaning that every 1% increase in FDR will increase ROA by 0.019%. Conversely, the CAR and NPF coefficients, at –0.010 and –0.102 respectively, indicate negative relationships, meaning that a 1% increase in either variable may reduce ROA.

Hypothesis testing was then conducted through several stages:

a. **Model Feasibility Test (F-Test):** The overall model feasibility was tested using the F-Test (ANOVA). The results show an F-calculated value of 3.788 with a significance level of 0.022. Since this value is less than 0.05 (0.022 < 0.05), the null hypothesis is rejected. Therefore, the regression model is considered fit, and the variables

FDR, CAR, and NPF simultaneously have a significant effect on ROA.

b. **Partial Hypothesis Test (t-Test):** The partial test (t-Test) shows varied results. The FDR variable has a positive and significant effect on ROA, with a significance value of $0.019 < 0.05$. The CAR variable also has a significant influence on ROA with a significance value of $0.049 < 0.05$, but the direction of the effect is negative. Meanwhile, the NPF variable is found to have no significant effect on ROA, as shown by its significance value of $0.133 > 0.05$.

c. **Coefficient of Determination (R^2):** The model's ability to explain the dependent variable is measured using the Adjusted R Square value. The analysis shows an Adjusted R Square of 0.224, meaning that the three independent variables—FDR, CAR, and NPF—collectively explain only 22.4% of the variation in ROA. The remaining 77.6% is influenced by other factors not included in this study.

Discussion

Effect of FDR on ROA

The hypothesis testing also reveals that the Capital Adequacy Ratio variable has a negative and significant effect on Return on Assets. This indicates that an increase in the bank's capital is not always followed by an increase in profitability within Islamic Commercial Banks during the study period. Meanwhile, the Non-Performing Financing variable has a significant negative effect on ROA, indicating that the higher the problematic financing risk, the greater the decline in profitability. This finding highlights the importance of credit risk management in maintaining healthy financial performance.

These findings align with the framework of Agency Theory underlying this study. In this context, bank management is mandated by shareholders to maximize profitability (ROA). One of the key strategies that agents can employ is optimizing the distribution of collected funds, as reflected in the FDR ratio.[17] A high FDR can be viewed as a positive signal from the agent to the principal, indicating that the entrusted funds are not left idle but are instead managed productively to generate profit-sharing income or margins, which ultimately increases ROA.

Empirically, the results of this study align with most previous research that found a positive relationship between FDR and ROA. For example, the study by Subekti and Wardana also concluded that FDR has a positive and significant effect on ROA, arguing that a high FDR reflects the bank's ability to channel third-party funds into productive financing activities. These findings reinforce the important role of FDR as an indicator of the effectiveness of fund distribution in improving the financial performance of banks.[18] Similar findings were also reported by Almunawwaroh and Marliana, who showed that an increase in credit distribution sourced from third-party funds is directly proportional to the rise in bank profits. This reinforces that optimizing the utilization of third-party funds in financing has a significantly positive

[17] Rahima Purba, *Teori Akutansi: Sebuah Pemahaman Untuk Mendukung Penelitian Di Bidang Akuntansi Cetakan*, *CV. Merdeka Kreasi Group*, vol. 7, 2023.

[18] Wahyu Agung Panji Subekti and Guntur Kusuma Wardana, "Pengaruh CAR, Asset Growth, BOPO, DPK, Pembiayaan, NPF Dan FDR Terhadap ROA Bank Umum Syariah," *INOBIS: Jurnal Inovasi Bisnis Dan Manajemen Indonesia* 5, no. 2 (2022): 270–85, https://doi.org/10.31842/jurnalinobis.v5i2.229.

impact on bank profitability.[19] However, these results contradict the findings of Hakim, Pamikatsih, Setiabudi, and Mutmainnah, who state that FDR does not have a significant effect on ROA. This indicates the possibility of other factors or specific market conditions that cause financing distribution to be unable to contribute optimally to profits.[20]

Therefore, the positive and significant effect of FDR on ROA in this study reaffirms the crucial role of the intermediation function in driving the profitability of Islamic Commercial Banks. The increase in the financing distribution ratio has proven to be an effective managerial strategy to meet shareholders' expectations in generating profits. Although there are some differing findings, the evidence from this study strongly indicates that the effectiveness in transforming collected funds into productive assets is an important determinant of the financial performance of Islamic banks in Indonesia during the observation period. [21]

The Effect of CAR on ROA

The regression analysis reveals that the Capital Adequacy Ratio variable has a negative and significant effect on Return on Assets. This finding is intriguing because it statistically contradicts most existing theoretical hypotheses. The negative regression coefficient indicates that every increase in the capital adequacy ratio is associated with a decrease in the profitability of Islamic Commercial Banks during the study period. This suggests that banks with higher capitalization levels tend to record lower profitability. This phenomenon may reflect that the large amount of capital owned has not been optimally utilized for profit-generating expansion activities, or that the capital is mostly functioning as passive reserves.

From the perspective of Agency Theory, these results can be interpreted in several ways. First, management with a very high CAR may tend to be overly conservative or risk-averse. This attitude aims to secure their position and maintain the bank's stability, but it does not align with the interests of shareholders (principals) who are oriented toward maximizing profits, which often requires taking measured risks. Second, large capital that is not distributed productively can become idle funds that generate capital costs without providing proportional returns, thereby suppressing ROA.[22]

Empirically, the finding regarding the negative effect of CAR is consistent with several previous studies, although it also contradicts the results of others. The research conducted by Subekti and Wardana specifically found that CAR has a negative and significant effect on ROA, which reinforces the results of this study. [23] However, this finding contradicts studies conducted by Azizah and Hafiz, Hamzah, and Safitri, who found that CAR has a positive and

[19] Medina Almunawwaroh and Rina Marliana, "Pengaruh Car,Npf Dan Fdr Terhadap Profitabilitas Bank Syariah Di Indonesia," *Amwaluna: Jurnal Ekonomi Dan Keuangan Syariah* 2, no. 1 (2018): 1–17, https://doi.org/10.29313/amwaluna.v2i1.3156.

[20] Hatta Setiabudi Lukman Hakim, Mutia Pamikatsih, "ANALISIS PENGARUH CAR, NPF, DAN FDR TERHADAP ROA BANK UMUM SYARIAH," *Jesya* 6, no. 1 (2023): 661–73, https://doi.org/10.36778/jesya.v6i1.972.

[21] Mutmainnah and Wirman, "PENGARUH CAPITAL ADEQUACY RATIO (CAR), BOPO, FINANCING TO DEPOSIT RATIO (FDR), DAN NON PERFORMING FINANCING (NPF) TERHADAP RETURN ON ASSET (ROA) BANK SYARIAH (Studi Kasus Pada Bank Umum Syariah Yang Terdaftar Di OJK Periode 2016-2020)."

[22] Vivi Kumalasari Subroto, *Kumpulan Teori Akuntasi*.

[23] Subekti and Wardana, "Pengaruh CAR, Asset Growth, BOPO, DPK, Pembiayaan, NPF Dan FDR Terhadap ROA Bank Umum Syariah."

significant effect on profitability.[24] [25] In addition, there are studies by Wulandari, Usdeldi, and Nengsih as well as La Difa, which report that CAR has no significant effect at all, indicating the complexity of the relationship between capitalization and profitability under various market conditions.[26][27]

Thus, it is concluded that the negative and significant influence of CAR on ROA in this study highlights a potential dilemma between capital stability and profitability optimization. A strong capital level, although essential for risk mitigation, does not automatically guarantee increased profit and may even become counterproductive if not managed efficiently for business expansion. These findings confirm that for Islamic Commercial Banks in Indonesia during the observation period, the main challenge lies not only in meeting the capital adequacy ratio, but also in how the capital can be utilized productively to generate optimal returns.

The Effect of NPF on ROA

The hypothesis testing results in this study indicate that the Non-Performing Financing variable does not have a statistically significant effect on Return on Assets. Although the regression coefficient points to a negative relationship consistent with theory, the significance level greater than 0.05 indicates that this relationship is not strong enough to be considered valid in the population. This shows that during the observation period, fluctuations in problematic financing levels in Islamic Commercial Banks did not directly become a primary determining factor in profitability changes. This finding suggests the possibility of effective risk mitigation mechanisms, such as adequate establishment of Allowance for Impairment Losses (CKPN) by the banks.

Within the framework of Agency Theory, the absence of a significant effect of NPF on ROA can be interpreted from several perspectives. First, it may indicate that the monitoring and internal control mechanisms implemented by the principals to limit excessive risk-taking behavior by agents have been effective. As a result, the emerging NPF levels did not reach a point that systematically eroded profitability. Second, during the 2020–2024 period, which was marked by financing restructuring policies due to the pandemic, the negative impact of NPF on profits was likely dampened by these stimulus measures and policies, thereby weakening the statistical relationship.[28]

This finding is consistent with several previous studies that also reported similar results. Research conducted by Wulandari, Usdeldi, and Nengsih, as well as by Mutmainnah, found that NPF does not have a significant effect on ROA, which reinforces the results of this study.[29][30] However, this finding differs from and

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[24] Siti Nur Azizah, "ANALISIS PENGARUH CAR, FDR, DAN NPF TERHADAP PROFITABILITAS PADA BANK UMUM SYARIAH DI INDONESIA," *JRKA* 10, no. 01 (2024): 45–57.

[25] Hafiz et al., "Pengaruh Rasio Car, Fdr, Bopo Dan Npf Terhadap Roa Bank Umum Syariah Di Indonesia Periode 2021-2023 the Effect of Car, Fdr, Bopo and Npf Ratios on the Roa of Sharia Commercial Banks in Indonesia for the 2021-2023 Period."

[26] Masyita Wulandari, Usdeldi, and Titin Agustin Nengsih, "Pengaruh Dana Pihak Ketiga Dan Car Terhadap Pembiayaan Mudharabah Dengan NPF Sebagai Variabel Moderating Pada Bank Umum Syariah Di Indonesia," *Jurnal Riset Akuntansi & Bisnis* 8, no. 2 (2022): 11–17.

[27] La Difa, Setyowati, and Ruhadi, "Pengaruh FDR, NPF, CAR, Dan BOPO Terhadap Profitabilitas Bank Umum Syariah Di Indonesia."

[28] Purba, *Teori Akutansi: Sebuah Pemahaman Untuk Mendukung Penelitian Di Bidang Akuntansi Cetakan*, 2023.

[29] Wulandari, Usdeldi, and Nengsih, "Pengaruh Dana Pihak Ketiga Dan Car Terhadap Pembiayaan Mudharabah Dengan NPF Sebagai Variabel Moderating Pada Bank Umum Syariah Di Indonesia."

[30] Mutmainnah and Wirman, "PENGARUH CAPITAL ADEQUACY RATIO (CAR), BOPO,

contradicts most of the existing literature. Research by Hakim, Pamikatsih, and Setiabudi as well as Azizah clearly found that NPF has a negative and significant effect on profitability, in line with the theory that non-performing financing increases provisioning burdens and reduces bank income.[31][32]

In conclusion, although theoretically NPF is an important predictor of declining profitability, this study does not find sufficient statistical evidence to support that hypothesis. The absence of a significant effect of NPF on ROA implies that during the research period, the quality of financing assets was not the dominant factor driving the profit performance of Islamic Commercial Banks. This is likely due to the success of risk management in mitigating the impact of non-performing financing or the influence of stronger external factors, such as restructuring policies during the pandemic era that reduced the negative impact of NPF on financial reports.

The Simultaneous Effect of FDR, CAR, and NPF on ROA

The results of the F-Test (ANOVA) show that the independent variables FDR, CAR, and NPF jointly have a significant effect on Return on Assets (ROA). This is evidenced by an F-statistic value of 3.788 and a significance level of 0.022, which is below the critical threshold of 0.05. These findings confirm that the regression model used in this study is appropriate (fit) for explaining the relationship among the variables. Collectively, these three variables are important factors that can explain variations in profitability in Islamic Commercial Banks.

From the perspective of Agency Theory, this simultaneous significant effect reflects managerial performance (agents) holistically in balancing various operational aspects to achieve the goals of the principals (shareholders). The model indicates that the agents' decisions regarding liquidity policies (FDR), capital strength (CAR), and credit risk management (NPF) cannot be viewed independently. Instead, it is the combination of these three strategies that jointly shapes profitability performance (ROA).[33] Thus, the F-Test validates that these three financial ratios collectively serve as relevant indicators for evaluating the overall effectiveness of managerial policies.

These findings generally support the majority of research in the field of Islamic banking. Studies by La Difa as well as Subekti and Wardana also conclude that key financial variables jointly have a significant effect on ROA, thereby confirming the feasibility of the research model.[34] Although the partial effect of each variable may vary, as discussed earlier, when analyzed together their explanatory power becomes statistically significant. This indicates that banking profitability is a multifaceted phenomenon influenced by the interaction of various factors, not by a single factor alone.

In conclusion, the simultaneous testing provides strong empirical evidence that FDR, CAR, and NPF are

FINANCING TO DEPOSIT RATIO (FDR), DAN NON PERFORMING FINANCING (NPF) TERHADAP RETURN ON ASSET (ROA) BANK SYARIAH (Studi Kasus Pada Bank Umum Syariah Yang Terdaftar Di OJK Periode 2016-2020)."

[31] Lukman Hakim, Mutia Pamikatsih, "ANALISIS PENGARUH CAR, NPF, DAN FDR TERHADAP ROA BANK UMUM SYARIAH."

[32] Azizah, "ANALISIS PENGARUH CAR, FDR, DAN NPF TERHADAP PROFITABILITAS PADA BANK UMUM SYARIAH DI INDONESIA."

[33] Eni Endaryati Vivi Kumalasari Subroto, *Kumpulan Teori Akuntansi*, *Yayasan Prima Agus Teknik*, 2024.

[34] La Difa, Setyowati, and Ruhadi, "Pengaruh FDR, NPF, CAR, Dan BOPO Terhadap Profitabilitas Bank Umum Syariah Di Indonesia."

relevant variables in predicting the ROA of Islamic Commercial Banks. Even though their individual effects vary some positive, some negative, and some insignificant collectively, the three form a valid and statistically significant explanatory model. This underscores the importance for management not only to focus on a single aspect of financial performance, but also to manage the interaction and balance between liquidity, capitalization, and financing risk to achieve sustainable profitability.

CONCLUSION

Conclusion

This study re-evaluates the determinants of profitability (ROA) of Islamic Commercial Banks during the post-pandemic period of 2020–2024 and finds a significant shift from research models in earlier eras. The main findings show that traditional credit risk factors (NPF) are no longer significant predictors of ROA, a phenomenon identified as a strong impact of financing restructuring policies during the pandemic period. Conversely, this study reveals that capital adequacy (CAR) has now become a variable with a negative and significant effect on profitability. Among the three variables, the intermediation function (FDR) remains the only consistent and positive driver of profitability.

Recommendations

Based on the research findings, concrete recommendations are addressed to several parties. Future researchers are advised to re-examine the effect of NPF in the post-restructuring period and to include efficiency variables (BOPO) to explain the anomaly of CAR's negative effect. For banking practitioners, these findings underscore the urgency of evaluating idle capital, where excess capital (CAR) should be allocated more productively rather than eroding profitability, while maintaining effective intermediation strategies (FDR). For policymakers, the Financial Services Authority (OJK) needs to re-evaluate the impact of excessively high capital requirements on industry efficiency to prevent a trade-off between stability and profitability. In addition, regulators must promptly prepare the industry for policy normalization so that risk management discipline (NPF) can be restored in the post-restructuring era.

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