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THE EFFECT OF CAPITAL ADEQUACY RATIO, FINANCING TO DEPOSIT RATIO AND FEE BASED INCOME ON PROFITABILITY IN SHARIA BANKS FOR THE PERIOD 2015-2019

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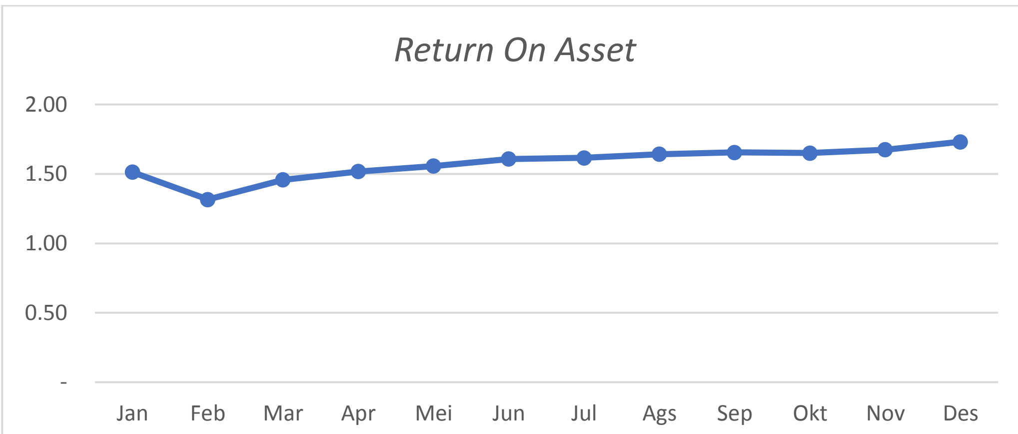
ABSTRACT:
Return On Assets is a ratio used to measure bank profitability. The value of profitability is measured by assets whose most of the funds come from the public. This research aims to determine the effect of Capital Adequacy Ratio, Financing to Deposit Ratio and Fee Based Income on Return On Assets. The population in this research is the Indonesian Sharia Commercial Bank for the period 2015-2019. The sample collection technique used purposive sampling. This research data analysis method using panel data regression analysis with Eviews software. The results showed the Capital Adequacy Ratio, Financing to Deposit Ratio and Fee Based Income simultaneously influence Return On Assets. The results of the study partially show that the Financing to Deposit Ratio and Fee Based Income have no effect on Return On Assets, while the Capital Adequacy Ratio has an effect on Return On Assets.

INTRODUCTION

Sharia banks in 2012 developed with good performance, Sharia banks grew by 37%, bringing total assets to Rp. 174.09 trillion. The financing reaches Rp. 135.58 trillion and can raise funds of Rp. 134.45 trillion. The Sharia banking education and dissemination strategy pursued jointly between Bank Indonesia and the industry in the form of an iB campaign for both funding and financing has been able to increase the market share of Islamic banking to 4.3% (www.bi.go.id).

Sharia banks in Indonesia in 2019 have a fairly weak performance, this is due to the impact of global and domestic economic instability. Based on monthly financial performance data for 2019, ten Sharia Commercial Banks (BUS) and five Sharia Business Units (UUS) continue to show a slowdown in profit growth. This includes state-owned banks, that is Bank Mandiri Syariah and Bank BNI Syariah (www.finansial.bisnis.com).The corona virus that occurred at the end of 2019 had quite a broad impact on the activities carried out by the community, one of which was the impact on economic activities in conventional banking financial institutions and Islamic banks (Itsnaini, 2020). Covid-19 has had a negative impact on world economic development. The Covid-19 pandemic is a challenge for the business world, including the banking financial services industry.Profitability is a measure of the performance of a company. If the company's profitability is high, the better the company's performance (Ningrum, 2017). One of the ratios used to measure profitability is Return On Assets (ROA) (Kasmir, 2012). The following is the Return On Asset for Sharia Commercial Banks during 2019.



Source: Islamic Banking Statistics, 2019

Based on the graph above, the tendency of the Return On Asset value of Islamic Commercial Banks in 2019 tends to be stable and increased in the last month despite the pandemic conditions experienced globally. The conditions experienced by Islamic Commercial Banks are contrary to current conditions, for this reason this phenomenon is interesting to conduct research on Return On Assets.Previous research has explained that there are several factors that influence Return On Assets, which include the Capital Adequacy Ratio, Financing to Deposit Ratio and Fee Based Income. The results of research on Capital Adequacy Ratio, Financing to Deposit Ratio and Fee Based Income on Return On Assets still show inconsistent results among previous researchers.Capital Adequacy Ratio (CAR) is a ratio that describes how much risky bank assets (credit, investment, securities and other bank claims) are financed from the bank's own capital funds in addition to obtaining funds from external parties (public, debt, etc.) (BI, 2008).

The results of research by Novatiani (2014), Khadijah (2018) and Lestari (2019) suggest that the Capital Adequacy Ratio (CAR) has a positive effect on Return On Assets (ROA). The higher the Capital Adequacy Ratio (CAR), the Return on Assets (ROA) will increase. The results of this study are not in line with research conducted by Usman Harun (2016), Andy (2017) and Purwanto (2017) who explain the results of their research that the Capital Adequacy Ratio (CAR) has no effect on Return On Assets (ROA).

The Financing to Deposit Ratio (FDR) or in conventional banks is called the Loan to Deposit Ratio (LDR), which is a comparison between the financing provided by the bank and the third party funds that the bank has collected (Litriani, 2016).
The results of research conducted by Almunawwaroh (2018) and Irfandi (2019) explain that the Financing to Deposit Ratio (FDR) has a positive effect on Return On Assets (ROA). The results of the above research explain that the higher the Financing to Deposit Ratio (FDR), the Return on Assets (ROA) will increase. The results of this study are not in line with the results of research conducted by Sumachdar (2012), Fajar Adiputra (2017) and Sunarto (2017) which give results that the Financing to Deposit Ratio (FDR) has no effect on Return On Assets (ROA).

Fee based income aims to generate profits for the bank so that it is expected to increase the profitability of the services provided. In this case, fee based income has an influence on profitability. In carrying out its activities, bank management is always required to maintain a balance of liquidity maintenance with the need for reasonable profitability and sufficient capital in accordance with the investment. This needs to be done because in addition to investing in productive assets, banks also provide commitment to other services that generate profitability (Taswan, 2008).

Research on the effect of Fee Based Income (FBI) on Return On Assets (ROA) has been conducted by Anggadini (2010), Cahyo (2018) and Vivi Indah Bintari (2019) which results that Fee Based Income (FBI) has a positive effect on Return. On Assets (ROA). This means that the higher the Fee Based Income (FBI), the higher the Return On Assets (ROA) achieved. However, this contradicts research by Massie (2014), Elyunita (2017) and Yaqinah (2020) which explain that Fee Based Income (FBI) has no effect on Return on Assets (ROA).

Based on the phenomena and research gaps described above, the authors are encouraged to conduct research on "The Effect of Capital Adequacy Ratio, Financing to Deposit Ratio and Fee Based Income on Profitability in Sharia

Banks for the Period 2015-2019". From these problems, the research questions are as follows:
Does the Capital Adequacy Ratio affect profitability?
Does the Financing to Deposit Ratio affect profitability?
Does Fee Based Income affect profitability?

Theoretical Framework

a. Profitability

Return on Asset (ROA) is used to measure bank profitability because Bank Indonesia as a banking supervisor and supervisor prioritizes the profitability value of a bank, measured by assets whose funds mostly come from the community (Misbach Mokoagow, 2015). The formula for Return on Assets (ROA) is proxied as follows:

$$\mathrm{ROA} = \frac{Earning\ Before\ Tax}{\text{Total Assets}} \times\ 100\%$$

b. Capital Adequacy Ratio

Is an analysis ratio to see the extent of the ability of a bank institution to maintain an asset in the form of capital so as to minimize the risk of risks affecting the amount of bank capital (Fatah, 2018).
Capital Adequacy Ratio is proxied as follows:

$$\boxed{\mathrm{CAR} = \frac{\text{Tier Capital}}{\text{Risk Weighted Assets}} \times\ 100\%}$$

c. Financing to Deposit Ratio

Benchmark the amount of funds channeled on the lending side and the funds raised on the funding side. This ratio measures the level of distribution of funds on the landing side using the funds raised on the funding side (Mahardika, 2015). Financing to Deposit Ratio is proxied as follows:

$$\boxed{\mathrm{FDR} = \frac{Financing}{\text{Third Party Funds}} \times\ 100\%}$$

d. Fee Based Income

Fee Based Income (FBI) is a non-interest profit obtained from other bank services. The types of services consist of fees, commissions, fees, foreign exchange transaction income, increases in securities and other income. These components are included in non-interest income (Kasmir, 2013). Fee Based Income is proxied as follows:

$$\text{FBI} = \frac{\textit{Fee Based Income}}{\text{Total Operating Income}} \times 100\%$$

RESEARCH METHODOLOGY

The object of this research is capital adequacy ratio and financing deposit Ratio, fee Based Income, return on assets. The regression of this research uses regression data panel, because blend cross section and time series. The population research was all syariah general Banks for period 2015-2019. The sampling technique used study was method purposive sampling. The following are the criteria for sampling research.

Table 3-1. Criteria Sample

No.	Criteria Sample	Total
1	All Islamic Commercial Banks	14
2	Islamic Bank which is a transition from conventional banks	(1)
3	Sample with outlier data	(3)
	Total Sample	10

The research sample consisted of 14 Islamic Commercial Banks in Indonesia. There are 3 companies that have outlier data, including Maybank Islamic, bank Aceh Islamic and Jabar Banten Bank Islamic and there is 1 company that is a transition general banks an Islamic bank namely Bank NTB Islamic so that 50 research samples were obtained.

RESULTS AND DISCUSSION

Selection of Panel Data Model Estimation Techniques

a. Chow Test

Carried out ensure the most appropriate permanent effect or global effect model for the model used in this study (Ghozali, 2018).

Table 4-1. Chow test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	12.040191	(9,37)	0.0000
Cross-section Chi-square	68.415368	9	0.0000

Source: data processed by Eviews 9.0 (Startz, 2015)

Chow test results show that the prob value <alpha value 0.05 that selected model permanent effect model.

b. Hausman Test

Carried out reassess relevant results effect or mix effect model for model used in this study (Ghozali, 2018).

Table 4-2. Hausman test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.852937	3	0.8368

Source: data processed by Eviews 9.0 (Startz, 2015)

That the prob result is> than alpha value of 0.05, so the model chosen the mix effect model. After conducting two model tests through the Chow test and the Hausman test, the selection of concluded that the appropriate method is a mix effects model. The following is the regression selected regression model, namely the mix effects model.

Table 4-3. Random effect model

Variable Dependent: ROA
Method: EGLS Panel (random effects cross-section)
Date: 12/11/20 Time: 16:36
Sample: 2015 2019
included Periods: 5
sections included cross: 10
observations (balanced): 50
component variances wamy and Arora estimator

Variable	Coefficient t.	Error Std.	Statistic t.	Prob.
c.	-0.089652	0.046280	-1.937151	0.0589
CAR	0.253798	0.052190	4.862928	0.0000
FDR	0.052361	0.047526	1.101735	0.2763
FBIR	0.030367	0.029246	1.038307	0.3046
	Specification Effects			
			S.d.	rho
cross selection random			0.030085	0.7669
random. diosyncratic			0.016588	0.2331
	Weighted Statistics			
R- Squared.	0.359054	Dependent Mean.		0.003158
Adjusted R-Square.	0.317254	Dependent Var.		0.019602
S.E. Regression.	0.016196	Squared Resid Sum.		0.012067
F-Statistic.	8.589652	Watson-Durbin.		2.055046
-Statistic. Prob.	0.000123			
	Unweighted Statistics			
R Swuare.	0.349156	Dependent Mean		0.013190
Resid Square Sum.	0.042359	Watson-Durbin.		0.585430

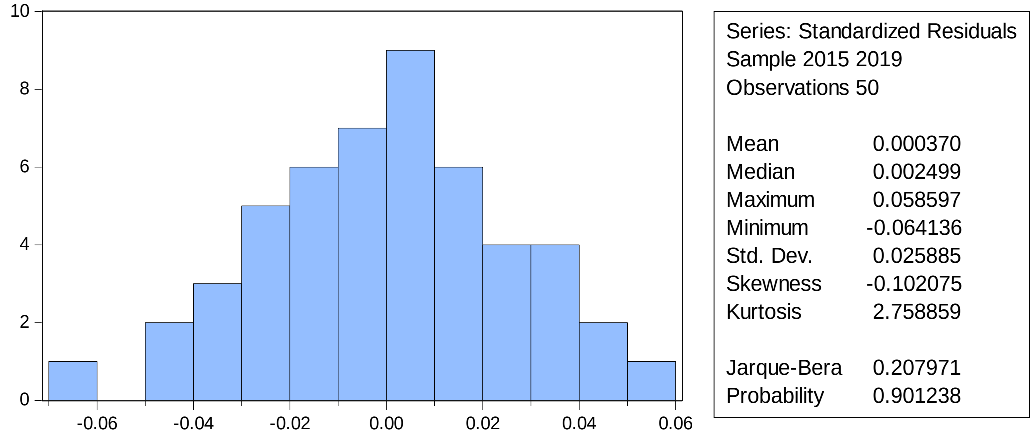
Source: processed by eviews (Startz, 2015)

Classic Assumption Test

a. Normality Test

Was carried out find out samples used in this study came from a normally distributed population or not (Ghozali, 2018).

Table 4-4. Normality Test



Source: data processed by Eviews 9.0 (Startz, 2015)

The normality test shows probability result 0.9012, which means probability result > 0.05 significance. Conclusion was drawn research data is normally allocation.

b. Heteroscedasticity test

To describe in a regression model whether there is a difference in the variance of one observation test and another (Ghozali, 2018).

Table 4-5. Heteroscedasticity test

Variable dependent: RESABS
Method: EGLS Panel: (Cross-section random effects)
Date: 12/11/20 Time: 13:46
Sample: 2015 2019
included periods: 5
sections included cross: 10
observations (balanced):: 50
component variances wamy and Arora estimator

Variable.	Coefficient t	Error Std.	Statistic t	Prob.
c	-0.021545	0.031949	-0.674378	0.5034
CAR	0.078748	0.038117	2.065945	0.1445
FDR	0.036144	0.035753	1.010942	0.3173
FBIR	-0.036172	0.019476	-1.857229	0.0697
	Specification Effects			
			s.d	rho
cross selection random.			0.007479	0.1826
random. diosyncratic			0.015822	0.8174

Source: data processed by Eviews 9.0 (Startz, 2015)
Heteroscedasticity test to analyze respective variable independent are > from significance value of 0.05. The prob. CAR value is 0.1445> 0.05, the FDR prob. is 0.3173> 0.05, the FBIR prob. value is 0.0697> 0.05, which means that the data does not experience heteroscedasticity.

c. Multicollinearity Test

Describing a regression model with an independent variable correlation. A model regression is said to be good when there is correlation with an independent variable. Variable independent are mutually correlated, then the variables are not orthogonal, namely the correlation between the variables is not zero (Ghozali, 2018).

Table 4-6. Multicollinearity Test

Correlation			
	CAR	FDR	FBIR
	CAR	FDR	FBIR
CAR	1.000000	0.245778	-0.322838
FDR	0.245778	1.000000	-0.016357
FBIR	-0.322838	-0.016357	1.000000

Source: data processed by Eviews 9.0 (Startz, 2015)
Correlation variable independent did not exceed 0.80. Research data did not experience multicollinearity.

d. Autocorrelation testing

Autocorrelation testing tests whether a model regression said to be a correlation of error in period t and error in period t-1. model regression is specified as good when autocorrelation-free dynamic (Ghozali, 2018). researchers reference Durbin Watson table with a significance value of 5% so that the DU value was 1.6739 and DL was 1.4206. Durbin Watson test related to this research 2.0550. Thus, autocorrelation detection was carried out as follows.
If $0 < 2.0550 < 1.4206$, then no positive autocorrelation
If $1.4206 \leq 2.0550 \leq 1.6739$, then no positive autocorrelation
If $2.5794 < 2.0550 < 4$, then no negative autocorrelation
If $2.3261 \leq 2.0550 \leq 2.5794$, then no negative autocorrelation
If $1.6739 < 2.0550 < 2.3261$, then no negative or positive autocorrelation
Draws conclusions did not experience negative or positive autocorrelation.

RESEARCH RESULT

Coefficient Determination

The test of the coefficient of determination shown in Table 4-18 explains the R-Squared value of 0.3590. These results explain that the independent variables that are proxied by the capital adequacy ratio financing to, deposit ratio and fee based income ratio can affect the dependent variable which is proxied by profitability of 35% and 65% is influenced by other factors.

Simultaneous Test (F Test)

Based on the results of probability 0.00000 <sig 0.05 in Table 4-3, simultaneously affect profitability. These results indicate that the model built in this study can be used to predict the results of research regression.

Partial Test (T Test)

a. ***Capital adequacy ratio***

Refer to Table 4-3 explain that the probable value of Capital Adequacy Ratio is 0.0000. It indicates the probe result is smaller than the significance number 0.005. The hypothesis formed in the partial test is as follows:
H0: capital adequacy ratio has no effect on profitability.
H1: capital adequacy ratio has an effect on profitability.
Based on results probability 0.0000 < sig 0.05, H1 accept and H0 reject, can be draws conclusions capital adequacy ratio an effect on profitability.

b. Financing to Deposit Ratio

Reference Table 4-3 explain that the probable value of Financing to Deposit Ratio is 0.2763. The hypothesis formed in the partial test is as follows:
H0: financing to deposit ratio has no effect on profitability.
H1: financing to deposit ratio has an effect on profitability.

Based on results probability 0.2763 > sig 0.05, H1 accept and H0 reject, can be draws conclusions financing to deposit ratio has no effect on profitability.

c. Fee based income

Refer to Table 4-3 explain that the probable value of Fee Based Income is 0.3046. It indicates the probe result is greater than the significance number 0.005. The hypothesis formed in the partial test is as follows:
H0: Fee Based Income has no effect on profitability
H1: Fee Based Income has an effect on profitability

Based on the results of probability 0.3046> sig 0.05, H1 is rejected and H0 is accepted, which means that fee-based income has no effect on profitability.

DISCUSSION

The effect of capital adequacy ratio on profitability

Study by selecting a model using the Random Effect in Table 4-3 explain capital adequacy ratio has an effect on profitability with a positive coefficient direction. The results showed that the amount of the capital adequacy ratio, the greater level of profitability of Islamic Commercial Banks. Thus, this study succeeded in proving research conducted by Novatiani (2014), Khadijah (2018) and Lestari (2019) had a positive effect on profitability.
Capital Adequacy Ratio Affects Return On Assets due to optimal Sharia Commercial Banks in utilizing the aspects of their capital to achieve the expected

profitability of each bank. Banks can bear the risks that occur from each financing and are able to provide sufficient capital to finance operational activities and are able to interfere with bank operational risks (Lestari, 2019).

The effect of financing to deposit ratio on profitability

Study by selecting model using random effect in Table 4-3 explain financing to deposit ratio has no effect profitability. Thus, riset succeed in proving the research conducted by Sumachdar (2012), Fajar Adiputra (2017) and Sunarto (2017) which explained their research that the financing deposit ratio had no effect profitability.

Financing to Deposit Ratio does not affect revenue at Islamic Commercial Banks. This is because the number of the financing deposit ratio causes the risk of financing disbursement to be high, thereby reducing return on assets in general banks syariah (Adiputra, 2017).

The Effect of Fee Based Income on Profitability.

The results of research with model selection using Random Effect in Table 4-3 explain that Fee Based Income Ratio has no effect on profitability. Thus, this study has succeeded in proving the research conducted by Massie (2014), Elyunita (2017) and Yaqinah (2020) which explains their research that Fee Based Income Ratio has no effect on profitability.

Fee Based Income does no impact return on assets because bank cannot control component that can affect the rating profit from services, because services are something abstract in nature. The level of profit owned by a bank is influenced by two factors, namely the controllable factor and the uncontrollable factor (Elyuanita, 2017).

CONCLUSION

This research aims to determine the effect of Capital Adequacy Ratio, Financing to Deposit Ratio and Fee Based Income on Return On Assets. This research was conducted at Islamic Commercial Banks for the period 2015-2019 with a sample of 50 selected research. Regression in this study used panel data regression to determine the effect of independent variables on the dependent variable. Based on the results of testing and discussion, the following conclusions are obtained.

Capital adequacy ratio has an effect on return on assets, it shows that higher the Capital Adequacy Ratio, the higher the profitability.

Financing to deposit ratio has no effect on return on assets. This is because number financing deposit ratio causes the risk of disbursing financing to be high, thereby reducing Return On Assets.

Fee Based Income no impact on Return On Assets. This is because banks cannot control the component that affect the level profits derived from services, because services are something abstract in nature.

Capital adequacy ratio, financing, deposit ratio fee Based Income simultaneously affect Return On Assets.

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