ABSTRACT

Research on financial ratios and its effect to the profitability of banks in Indonesia have been carried out by several researchers, but research results are inconsistent. Profitability has essential means for long-term survival of banking business, because the profitability of the business showed good prospects in the future. This study intends to examine the effect of Risk Financing (Non Performing Finance/NPF) and Capital Adequancy Ratio (CAR) to Profitability Islamic bank in Indonesia.

This explanatory research was conducted at the Islamic Commercial Bank at Bank Indonesia. Data collection was carried out in the documentation, in the form of financial ratios data from the financial statements of Islamic Banks gained per month of Islamic Commercial Bank Statistical Report published by Bank Indonesia in 2009-2012. The samples are 48 financial ratios of data taken by purposive sampling. Descriptive statistics are used to see an overview of research data individually, and multiple linear regression was used to test the hypothesis, where the previous requirement that the classical assumptions include normality, multicollinearity, heteroscedasticity, and autocorrelation have been fulfilled.

The results of multiple linear regression showed the CAR regression coefficient on ROA is 0.002 with p = 0.024; NPF on ROA regression coefficient is 0.008 with p = 0.894. The test results demonstrate F value 3.110 with p = 0.054, and the test results adjusted R^2 *0.082 shows the explanatory power of the two independent variables in this study was 8.2% on ROA; remaining 81.8% is influenced by other factors are not included in the regression model.*

Keywords : Profitability (ROA), Risk Financing (Non Performing Financing) and (Capital Adequacy Ratio)