FINANCING DISTRIBUTION, FINANCING TO DEPOSIT RATIO (FDR) AND NON PERFORMING FINANCING (NPF) ON PROFITABILITY OF THE ISLAMIC RURAL BANKS IN BANTEN PROVINCE

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ABSTRACT. This study aims to determine empirical evidence about the effect of profit sharing financing, sale and purchase financing, FDR and NPF on the profitability (ROA) of Islamic Rural Banks (BPRS) in Banten Province. The type of data in this study is secondary using panel data. The research object was five Islamic Rural Banks in Banten Province and research period from the first quarter to the fourth quarter of 2013-2019. The research sample was selected using purposive sampling technique. The analysis method used is Panel Data Regression Analysis with Eviews 10 software. The results obtained in this study indicate that there is no significant influence between the Profit Sharing variable on Profitability (ROA) partially. Sale and Purchase Financing, FDR, and NPF variables partially have a significant effect on profitability (ROA). Simultaneously, Profit Sharing, Sale and Purchase Financing, FDR, and NPF have a significant effect on Profitability (ROA).

Keywords: Profit Sharing Financing, Sale and Purchase Financing, FDR, NPF, ROA, Islamic Rural Banks (BPRS)

1. INTRODUCTION

In the last few years, Islamic banks have contributed to market share with a trend that has increased significantly, where in 2013 it was recorded at 4.98%, having experienced a decline, namely in 2014 at 4.85% and mid-2019 at 5.95%. The latest data shown in March 2020, the overall market share of Islamic banks reached 5.99%. This figure consists of 65.22% Sharia Commercial Banks (BUS); 32.17% Sharia Business Units (UUS); and 2.62% Islamic Rural Banks (BPRS) based on data from the Financial Services Authority (2013-2020).

This market share development was balanced with the development of main Islamic banking indicators such as assets, financing distribution, and third party funds. The value of Islamic banking assets keeps increasing every year as there was an increase from Rp 278 T in 2014 to Rp 536 T in March 2020. Likewise, the value of financing distribution was Rp 204 T in 2014 to Rp 372 T as of March 2020. The development of third party fund collection also grew significantly, from Rp 221 T in 2014 increased to Rp 423 T in March 2020.

Meanwhile, seen from the growth trend, Islamic banking assets tend to grow slowly, where there was a decline from 12.41% in 2014 to 9% in 2015 then increased to 20.28% in 2016, and then continued to slow down from 11.26% in 2017 to 9.02% in the first quarter of 2020. Similarly, the financing distribution decreased from 8.35% to 7.06% in 2015. In 2016, it grew significantly at 16.41%

but slowed down again to 10.68% in March 2020. Meanwhile, the trend of third-party funds also decreased, from 18.53% in 2013 to 6.35% in 2015 then strengthened to 20.84% in 2016, but then went down to 8.37% in March 2020.

In addition to the slowdown of the indicator growth, the development of Islamic banks especially Islamic Rural Banks has also experienced a decline in five banks in the last two years, from 167 banks in 2018 to 162 banks in June 2020. The decline was due to the revocation of operating permits and the liquidation process of five Islamic Rural Banks (BPRS) namely BPRS Jabal Tsur Jawa Timur, BPRS Safir Bengkulu, BPRS Muamalat Yotefa Jayapura, BPRS Hareukat Banda Aceh, and BPRS Gotong Royong Kab. Subang. According to the Bisnis.com page (2019) and Republika.co.id (2019a, 2019b, 2019c, 2020), the reasons for the liquidation were weak management, deteriorating financial conditions, and also incautious of financing distributing.

Seeing this phenomenon, BPRS must make some efforts in management and be able to show better financial performance to maintain customer trust and ensure the sustainability of the entity. According to Romdhoni and Yosika (2018) financial performance is one indicator of the success of a bank's health. One of the assessments of bank financial performance can be seen from the amount of profitability. The ratio that is often used to measure the level of profitability is ROA (Return On Asset). Pratama, et al (2017) said ROA is a ratio that describes a bank's ability to earn profits through assets. ROA can also describe the productivity of a bank in managing its funds to generate profits.

The development of this ratio is based on data from the Sharia Banking Statistics (OJK, 2014-2020) shows a significant fluctuation, from 2.26% in 2014 down to 2.20% in 2015. Then it increased again until 2017 to 2.55%, while in 2018 ROA decreased to 1.87%, increased to 2.61% in 2019, and decreased to 2.22% in June 2020. The ROA fluctuation that occurs is influenced by several things. Riyadi and Yulianto (2014) in their research states that two factors affect profitability, namely internal and external factors. In this study, internal factors are used to assess the level of profitability of Islamic banks which includes financing distribution products and the financing performance factors, such as Financing to Deposit Ratio (FDR) and Non-Performing Financing (NPF).

The financing products in this study use profit-sharing financing and sale and purchase financing as variables to be studied. Based on data from Islamic Banking Statistics (OJK, 2014-2020), the development of profit-sharing financing is fluctuating where this financing has increased from Rp 690.1 billion to Rp 931.2 billion in 2016. Then it decreased in 2017 to Rp 901.1 billion. In 2018, it has increased namely Rp 1.01 T until Rp 1.55 T in June 2020. Then the development of sale and purchase financing tends to show a significant increase every year. In 2014, sale and purchase financing was recorded at Rp 3.97 T, increasing to Rp. 5.92 T in 2017, then continuing to increase until Rp 7.68 T in June 2020. This is because sale and purchase financing is the most popular financing for the community than the other financing products.

Research by Anam & Khairunnisah (2019) declares that there is a significant influence between profit-sharing financing on the profitability of

Islamic banks, in contrast to the research of Nizar and Anwar (2015) which states that there is no significant effect of profit-sharing financing on profitability. Meanwhile, for sale and purchase financing, research conducted by Budiharyanto, et al (2018) said that sale and purchase financing has a significant effect on the profitability of Islamic banks, while Riyadi and Yulianto (2014) said in their research that there is no significant effect between the sale and purchase financing on profitability.

The second internal factor is the performance financing ratio. Generally, the funds used in the distribution of financing come from third-party funds collected by banks to maintain liquidity. One of the ratio that reflects liquidity is the Financing to Deposit Ratio (FDR), which means the ratio of total financing distribution towards third party funds collected (Almunawaroh & Marliana, 2018). The development of FDR ratio based on data from the Financial Services Authority (2014-2020), the FDR value continued to decline from 124.24% in 2014 to 111.12% in 2017. Then it increased in 2018 to 111.67% until June 2020 at 118.15%. This figure still exceeds the standard FDR value of 85-110%. Research conducted by Almunawaroh & Marliana (2018) said that FDR has a significant effect on the profitability of Islamic banks, in contrast to Amelia's research (2015) which declares that FDR does not affect the profitability of Islamic banks.

In the distribution of financing, there will be potential financing risk due to substandard, doubtful, or non-performing returns. That financing risk can be seen from the Non-Performing Financing (NPF) ratio. The standard value of the NPF criteria issued by Bank Indonesia is 5%, which is the limit where Islamic banks are said to be healthy (Haq, 2015). Based on data from the Financial Services Authority (2014-2020), the development of the Islamic rural bank's NPF has shown an increase, from 7.89% in 2014 to 8.2% in 2015. The NPF value continues to increase to 9.68% in 2017. Furthermore, it decreased to 7.05% in 2019 and increased back up to 9.14% in June 2020. This figure still exceeds the safe limit of the NPF of Islamic banks. Research conducted by Rosiana, et al (2019) said that NPF has a significant effect on profitability as represented by ROA. Meanwhile, according to Riyadi and Yulianto (2014) NPF does not affect the profitability of Islamic banks.

Based on this background and the existence of a research gap from several previous researchers, the author is interested in reconducting research on the financial performance of Islamic banks which is proxied by profitability ratios, especially the Islamic Rural Banks in Banten Province which is the object of the author's research. The purpose of this study is to prove whether or not there is a significant effect of the profit-sharing, sale and purchase financing, FDR and NPF ratio, toward the profitability of the Islamic Rural Banks which is proxied by ROA either simultaneously or partially.

2.   LITERATURE REVIEW

2.1   Financial Performance

Financial performance is also a description of the entity's financial condition which is analyzed to determine the good/bad financial condition of the company. The indicators used include indicators of capital adequacy, liquidity, and profitability. The company's financial condition will later reflect the company's work performance (Fahmi, 2011).

According to Munawir (2012), the objectives of measuring financial performance are:

a.   Knowing the level of liquidity to show the company's ability to meet obligations that must be completed

b.   Knowing the level of solvency to show the ability to fulfill its financial obligations when the company is liquidated.

c.   Knowing the level of profitability to show the company's ability to earn profits in a certain period.

d.   Knowing the level of stability to show the company's ability to carry out its business in a stable manner as measured by the company's ability to pay debt and interest expense on the debt on time.

2.2   Profitability

Kasmir (2012) defines that profitability is an analysis that aims to measure the level of business efficiency and profitability achieved by the bank concerned. Several ratios represent profitability, including Gross Profit Margin (GPM), Net Profit Margin (NPM), Return On Asset (ROA), Return On Equity (ROE), and Operating Costs Operating Income (BOPO).

In this study, the profitability variable is proxied by the ratio of Return on Assets (ROA). This ratio aims to measure the ability to generate profits through investing in all productive assets. The results of this Return on Asset calculation show the effectiveness of management in generating profits related to the availability of company assets (Kasmir, 2012).

The ROA health criteria limit set by Bank Indonesia is more than 1.25%, with the calculation formula:

$$\text{Return On Assets (ROA)} = \frac{\text{Net Profit}}{\text{Total Assets}} \text{ x } 100\%$$

2.3   Profit-Sharing Financing

One of the functions of Islamic banking activities is distributing funds in the form of financing. Profit-lost sharing is one of the terms used by Islamic banks in distributing their funds. Whereas in conventional banks it is usually referred to as credit or loan where bank profits come from the interest charged on the credit or loan. As for the advantages of Islamic banks themselves do not come from the interest charged because there is no term interest in Islamic banks but are obtained from the profit-sharing system implemented (Kasmir, 2017).

There are several contracts used in the profit-sharing system, namely the muza'arah contract, the musaqah contract, the musyarakah contract, and the

mudharabah contract. Of the four contracts, which are used in the financing of profit-sharing in Islamic banks are musyarakah and mudharabah contracts.

According to Anam & Khairunnisah (2019), Musyarakah is a cooperation contract to conduct a certain business between two or more parties, where each party contributes in the form of funds or capital provided that the profits or losses obtained will be shared based on an agreement. Meanwhile, musyarakah financing is an investment transaction to distribute capital carried out by the two partners.

Meanwhile, Yaya et al (2016) defined that Mudharabah is a business cooperation agreement between two parties in which the first party (Shahibul Maal) provides all (100%) of the capital, while the other party manages it. Profits from mudharabah are divided according to the agreement in the contract, whereas if the loss is borne by the owner of the capital as long as the loss is not a result of the negligence of the manager. However, if the loss is caused by the manager's negligence, then the manager must be responsible for the loss.

2.4 Sale and purchase Financing

According to Al Arif (2012), sale and purchase financing are defined as financing that aims to own goods, where the profits to be received by the bank are predetermined and become part of the price of the goods. In this financing, goods that are traded can be in the form of consumptive or productive goods.

Based on practice, sale and purchase financing at Islamic banks is divided into three types, which are called Murabahah, Salam, and Istishna. According to Ascarya (2008), Murabahah is a particular form of sale and purchase when the seller states the cost of goods, including the price of goods and other costs incurred to obtain these goods, and the level of profit (margin) desired.

Salam according to Al Arif (2012) is a purchase of goods that are delivered at a later date, while the payment is made at the beginning of the transaction. In this transaction, the goods being traded are not available at the time of the transaction but must be produced first. Goods that are traded are agricultural products and fungible products (goods that can be estimated and replaced according to weight, size, and quantity). Meanwhile, istishna financing is a sale and purchase agreement between the buyer and the producer (producer of goods), in which both parties must agree on the price and payment system both in advance, in installments, and at the end of the contract (Kasmir, 2017).

2.5 *Financing to Deposit Ratio*

FDR or Financing to Deposit Ratio is a measuring tool or ratio to find out the amount of financing disbursement to customers towards third party funds collected by Islamic banks (Munir, 2018). Meanwhile, Riyadi & Yulianto (2014) explained that FDR is a bank's ability to ensure the availability of funds in addition to its use for financing distribution. The high or low level of FDR value illustrates how effective the bank is in managing to finance. Banks are considered ineffective in managing funds when the FDR ratio they have is too high or vice versa. The criteria for the FDR health assessment set by Bank Indonesia are between 85-110%. The calculation formula is:

$$\text{Financing to Deposit Ratio (FDR)} = \frac{\text{Total Pembiayaan}}{\text{Total Dana Pihak Ketiga}} \text{ x } 100\%$$

2.6 Non Performing Financing

Islamic banks provides financing to their customers as their main activity. In practice, the repayment of loan principal by customers is not entirely smooth, some are problematic and ultimately uncollectible. Problematic financing or what is commonly called NPF (Non-Performing Financing) is one of the risks that must be faced by Islamic banks. The NPF ratio shows the performance of Islamic banking in managing the risk of financing carried out. The higher NPF ratio means that the bad financing experienced is higher or the financing management by the bank is not good enough. Vice versa, if the NPF ratio is getting lower, then the distribution of financing is well managed (Sumarlin, 2016).

The higher NPF ratio results in a decrease in the opportunity for Islamic banks to earn profits from the financing that has been distributed. Based on the provisions of Bank Indonesia, the NPF health criteria for Islamic banks is 5%, with a calculation formula as follows:

$$\text{Non Performing Financing (NPF)} = \frac{\text{Total Pembiayaan Bermasalah}}{\text{Total Pembiayaan}} \text{ x } 100\%$$
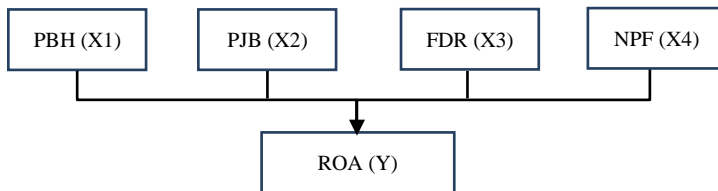
2.7 Islamic Rural Banks

According to Al Arif (2012), Islamic banks are generally defined as financial institutions that carry out the main business in the form of providing credit and other services as well as the circulation of money, which in their operations use sharia principles. The types consist of Islamic Commercial Banks and Islamic Rural Banks. While the Sharia Business Unit is part of a Conventional Bank that operates using sharia principles. Islamic banks have a role as an intermediary institution between parties with excess funds and other parties who experience a lack of funds so that it provides benefits to both parties.

Islamic rural bank (BPRS) is a sharia bank that in its activities does not provide services in payment traffic as referred to in Act Number 21 of 2008 concerning Sharia Banking. The purpose of Islamic Rural Banks is to improve the economic welfare of the public community, especially those in rural areas; to provide jobs, especially at the sub-district level to reduce the flow of urbanization; to increase the spirit of *ukhuwah Islamiyah* to increase better income for the community; and to accelerates economic turnover, especially in the real sector (Al Arif, 2012).

2.8 Framework

This study aims to determine the effect of profit-sharing financing, sale and purchase financing, financing to deposit ratio (FDR), and non-performing financing (NPF) to Return On Assets (ROA). The research framework of this study is:

Pict 1. Framework

The hypotheses that can be proposed in this study are:

Ha1: There is a significant influence between profit-sharing financing on profitability (ROA) of Islamic Rural Banks.
Ha2: There is a significant influence between sale and purchase financing on profitability (ROA) of Islamic Rural Banks.
Ha3: There is a significant influence between the Financing to Deposit Ratio on profitability (ROA) of Islamic Rural Banks.
Ha4: There is a significant influence between Non-Performing Financing on profitability (ROA) of Islamic Rural Banks.
Ha5: There is an influence between profit-sharing financing, sale and purchase financing, FDR, and NPF on profitability (ROA) of Islamic Rural Banks.

3. RESEARCH METHODOLOGY

This research uses a quantitative approach. This research is an associative causality study, in which the writer wants to find empirical evidence regarding the effect of the independent variable on the dependent variable being tested. The type of data used is secondary data using panel data which consists of several entities in several periods. The data source in this study is the Islamic Rural Banks publication report published on the official website of the Financial Services Authority (2013-2019). The population used in this study were all Islamic rural banks in Indonesia, totaling 162 banks.

The sampling technique in this study adopted the purposive sampling method, where the samples were taken from the population-based on certain criteria. The criteria are as follows:

a) **Islamic Rural Bank registered in BI and OJK.**
b) **Islamic Rural Bank is located in the Banten province.**
c) **Islamic Rural Bank publishes quarterly publication reports on the official website of the OJK.**
d) **Islamic Rural bank that has complete data based on variables during the 2013-2019 period.**

Based on these criteria, there was five Islamic Rural Banks (BPRS) that matched the criteria, namely: BPRS At-Taqwa, BPRS Berkah Ramadhan, BPRS Musyarakah Ummat Indonesia, BPRS Harta Insan Karimah and BPRS Cilegon Mandiri. The total data observed were 4 quarters x 7 years x 5 banks = 140 observations.

This study uses panel data regression analysis using the Eviews 10 software program. The stages taken are stationarity test, classical assumption test, model selection test, and hypothesis testing including determination coefficient test, t test (partial), and f test (simultaneous).

The variables used in this research are profit-sharing financing (X1) including musyarakah and mudharabah financing; sale and purchase financing using murabahah (X2); Financing to Deposit Ratio (X3); and Non-Performing Financing (X4). While the dependent variable used is Return on Assets (Y).

Table 1. Operational Research Variables

No.	Variable	Definition	Measurement	Scale
1.	Profit-Sharing Financing (X1)	Financing is channeled by Islamic banks where the profit comes from the profit-sharing system (Kasmir, 2017).	Musyarakah financing + Mudharabah financing	Ratio
2.	Sale and Purchase Financing (X2)	The financing in which the Islamic bank acts as a seller states the cost of goods and the desired margin level (Ascarya, 2008).	Murabaha Financing	Ratio
3.	FDR (Financing to Deposit Ratio) (X3)	The liquidity ratio shows the amount of third party fund distributed by Islamic banks in the form of financing (Anam & Khairunnisah, 2019).	$\dfrac{\text{Total financing}}{\text{Total DPK}} \times 100\%$	Ratio
4.	NPF (Non-Performing Financing) (X4)	Financing risk shows the bank's ability to manage non-performing financing from its financing activities to customers (Rosiana et al (2019).	$\dfrac{\text{Total NPF}}{\text{Total financing}} \times 100\%$	Ratio
5.	ROA (Return On Assets) (Y)	The ratio used to measure the bank's ability to generate overall profit (Harianto, 2017)	$\dfrac{\text{Net profit}}{\text{Total Assets}} \times 100\%$	Ratio

4. ANALYSIS AND DISCUSSION

4.1 Stationarity Test

In this study, the data stationarity test used the unit root test developed by Dickey-Fuller or commonly called the Augmented Dickey Fuller test (ADF test). According to Winarno (2015) the standard for the stationarity test uses the unit-roots ADF test, where the data variable is said to be stationary if it has an ADF-Fisher Chi-square probability value <0.05. On the other hand, if the probability value is >0.05, the data is not stationary. If the data test is not stationary at the level stage, then the testing is continued at the first difference or the next stage (Basuki & Prawoto, 2016).

Table 2. Data Stationarity Test Results

ADF Test Statistics (max lag: 9)					
No.	Variable	Stationarity Level			
		Level		*1st Difference*	
		Prob.	Information	Prob.	information
1.	ROA	0.0001	Stationary	0.0000	Stationary
2.	PBH	0.2706	Not Stationary	0.0000	Stationary
3.	PJB	0.2976	Not Stationary	0.0000	Stationary
4.	FDR	0.7904	Not Stationary	0.0000	Stationary
5.	NPF	0.0029	Stationary	0.0000	Stationary

Source: Output Eviews 10 (data processed, 2020)

Table 2 shows that the variable profit sharing (PBH), sale and purchase financing (PJB), and financing to deposit ratio (FDR) are not stationary at the level stage, which is indicated by a probability value >0.05 ($\alpha = 5\%$). Therefore, it is necessary to test the stationarity of the variable at the next stage, namely the 1st Difference stage.

The test results of the 1st Difference stage in table 2 shows that the three variables that were previously not stationary at the level stage namely PBH, PJB, and FDR have a probability value of 0.0000 <0.05 ($\alpha = 5\%$) at the 1st difference stage. Likewise, the variables ROA and NPF are stationary at both the level and 1st difference stages, so it can be said that all the data variables in this research are stationary. Because all data is stationary, the next testing phase can be carried out.

4.2 Classic assumption test

In panel data research, not all classical assumption tests are mandatory, as assumed by Basuki and Prawoto (2016) who say that the normality test is not a BLUE (Best Linear Unbias Estimator) requirement and several other opinions do not require this test to be fulfilled. Then, the autocorrelation test is generally

only found in time series research data so that testing on panel or cross-section data is meaningless.

Based on these assumptions, this study did not carry out the normality test and autocorrelation test because the data used was panel data. The classical assumption tests that must be fulfilled are the multicollinearity test and the heteroscedasticity test.

Multicollinearity test can be detected through the correlation coefficient test (r). The rule of thumb of the correlation test is, if the correlation coefficient between independent variables >0.9, there are multicollinear symptoms in the research model. Conversely, if the coefficient <0.9, there are no multicollinear symptoms (Ghozali & Ratmono, 2013).

Table 3. Multicollinearity Test Results

Variable	PBH	PJB	FDR	NPF
PBH	1,000000	0.169546	0.101024	-0.062037
PJB	0.169546	1,000000	0.060450	-0.320942
FDR	0.101024	0.060450	1,000000	-0.113236
NPF	-0.062037	-0.320942	-0.113236	1,000000

Source: Eviews 10 output (data processed, 2020)

Based on table 3, it can be concluded that the correlation value between each variable, namely profit sharing, sale and purchase financing, FDR, and NPF has a correlation coefficient value of <0.9, so it is said that the research data does not experience multicollinearity symptoms.

Then, the heteroscedasticity test can be analyzed using the Glejser method in the Eviews 10 software. With the condition that if the chi-square probability value of Obs* R-square > 0.05 then the data does not experience heteroscedasticity. Conversely, if the chi-square probability value of Obs* R-square <0.05, the data has heteroscedasticity.

Table 4. Heteroscedasticity Test Results

Heteroskedasticity Test: Glejser			
F-statistic	0.681422	Prob. F (4,133)	0.6060
Obs* R-squared	2.771360	Prob. Chi-Square (4)	0.5968
Scaled explained SS	5.054296	Prob. Chi-Square (4)	0.2818

Source: Eviews 10 output (data processed, 2020)

Table 4 shows the Chi-Square probability value from Obs* R-squared is 0.5968>0.05. This figure is greater than 0.05, so it can be concluded that the data of this study did not experience heteroscedasticity.

4.3 Model Selection Test

Model selection tests that can be done are as follows:

1) The Chow test is a test to determine the fixed effect or common effect model that is most appropriate for estimating panel data. With the

condition that if the probability value >0.05 then choose the Common Effect Model. And if the probability value <0.05 then choose Fixed Effect Model.

2) The Hausman test is a test to determine the most appropriate model to use for estimating panel data, whether a fixed effect or random-effect model. With the condition that if the probability value >0.05 then choose the Random Effect Model. Conversely, if the probability value <0.05 then choose Fixed Effect Model.

Table 5. Chow Test Results

Redundant Fixed Effects Tests			
Equation: DATA_PANEL			
Fixed effects cross-section test			
Effects Test	Statistics	df	Prob.
Cross-section F	0.058576	(4,126)	0.9936
Chi-square cross-section	0.250807	4	0.9928

Source: Eviews 10 output (data processed, 2020)

From table 5, it can be seen that the Chi-square probability value is 0.9928>0.05, so the conclusion is to choose the Common Effect Model (CEM) as the best estimation model.

Because the Common Effect Model has been selected in the Chow Test, this study did not conduct the Hausman Test which is a test to select the Fixed Effect Model (FEM) or Random Effect Model (REM) models.

4.4 Hypothesis Test Results

Based on the model selection test, the Common Effect Model was chosen as the best estimation model. The following is a table of the Common Effect estimation results:

Table 6. Selected Estimation Results (CEM)

Dependent Variable: ROA				
Method: Least Squares Panel				
Date: 08/22/20 Time: 11:32				
Sample: 2013Q1 2019Q4				
Periods included: 28				
Cross-sections included: 5				
Total panel (balanced) observations: 140				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	**-9.313712**	4.419954	-2.107196	**0.0370**
PBH	**-0.384823**	0.318932	-1.206597	**0.2297**
PJB	**0.991056**	0.495447	2,000328	**0.0475**
FDR	**0.019104**	0.003488	5.476533	**0.0000**
NPF	**-0.113609**	0.021246	-5.347239	**0.0000**
R-squared		0.444481	Mean dependent var	1.493214

Adjusted R-squared	**0.428021**	SD dependent var	4.553581
SE of regression	3.443840	Akaike info criterion	5.346112
Sum squared resid	1601,104	Schwarz criterion	5.451171
Log likelihood	-369.2278	Hannan-Quinn criter.	5.388805
F-statistic	27.00403	Durbin-Watson stat	1.073899
Prob (F-statistic)	**0.000000**		

Source: Eviews 10 output (data processed, 2020)

Regression Model Equations

Based on table 6, the panel data regression equation can be formulated as follows:

$ROA_{it} = -9.313712 - 0.384823PBH_{it} + 0.991056PJB_{it} + 0.019104FDR_{it} - 0.113609NPF_{it} + e_{it}$

Coefficient of Determination

Based on table 6, the coefficient of determination is indicated by the Adjusted R-squared value of 0.428021. This means that the independent variables, namely profit-sharing financing, sale and purchase financing, Financing to Deposit Ratio (FDR), and Non-Performing Financing (NPF) can explain the dependent variable proxied by Return on Assets (ROA) of 42.8%. While the remaining 57.2% is explained by other variables not included in this research model.

t-test (partial) and F test (simultaneous)

From table 6, the partial results of hypothesis testing are obtained by comparing the probability value of t-statistic with 5% alpha. The finding results are $H0_1$ is accepted and Ha_1 is rejected because the probability value of the Profit-Sharing Financing (PBH) variable is 0.2297> 0.05. $H0_2$ is rejected and Ha_2 is accepted because the probability value of the Sale and Purchase Financing variable (PJB) is 0.0475 <0.05. $H0_3$ is rejected and Ha_3 is accepted because the probability value of the Financing to Deposit Ratio (FDR) variable is 0.0000 <0.05. $H0_4$ are rejected and Ha_4 are accepted because the probability value of the Non-Performing Financing (NPF) variable is 0.0000 <0.05. While the simultaneous test results in table 6, show that the probability value of the F-statistic is 0.0000 <0.05 so that $H0_5$ is rejected and Ha_5 is accepted.

4.5 Discussion

1. The Effect of Profit-Sharing Financing on Return On Assets (ROA)

The results of the hypothesis test Ha_1 obtained from panel data regression analysis show the t-statistic value amount of -1.206597 and the probability value of the Profit Sharing Financing (PBH) variable amount of

0.2297>0.05 so that H0 is accepted and Ha is rejected. Therefore, it can be concluded that the profit-sharing variable does not have a significant effect on Return on Assets (ROA). This result is supported by research conducted by Nizar & Anwar (2015); Kholis & Kurniawati (2018); and Abusharbeh (2014).

Based on the test results in this study, it can be concluded that the profit-sharing financing does not significantly influence the profitability (ROA) of the Islamic Rural Banks. The possible cause is that the distribution is quite low. Profit-sharing financing generally requires tighter supervision from the Islamic bank, including the Islamic Rural Banks as the owner of capital, to minimize the risk loss. When a loss occurs other than due to customer negligence, the bank as the owner of the funds was obliged to bear the loss. Conversely, if the loss is due to negligence, the customer was obliged to bear the loss. The publics are certainly more interested in safer types of financing such as sale and purchase financing so that the size distribution of profit-sharing financing is lower. Therefore it can be concluded that the Islamic Rural Banks income received from the distribution of profit-sharing financing is not optimal because of the risk of loss and low distribution so that the size of this financing distribution cannot affect the level of profitability (ROA) of the Islamic Rural Banks.

2. Effect of Sale and purchase Financing on Return On Assets (ROA)

The results of testing the hypothesis Ha$_2$ obtained from panel data regression analysis show the t-statistic value amount of 2,000328 and the probability value of the sale and purchase financing variable (PJB) amount of 0.0475 <0.05 so that H0 is rejected and Ha is accepted. Therefore, it can be concluded that the sale and purchase financing variable has a significant effect on Return on Assets (ROA). These results are in line with research conducted by Budiharyanto, et al (2018); Haq (2015); Abusharbeh (2014); and Almanaseer & Abdelfattah A. (2016).

Based on the test results, it can be concluded that sale and purchase financing has a significant and positive impact on the profitability (ROA) of the Islamic Rural Banks. This means that the greater sale and purchase financing distributed by the Islamic Rural Banks to customers, the greater the profit margin that will be received so that the profitability (ROA) of the Islamic Rural Banks will increase. Sale and purchase financing itself has a risk of loss that is smaller or even almost non-existent compared to profit-sharing financing. This is evidenced by an increase in the volume of financing each period, while profit-sharing financing tends to fluctuate. Besides, sale and purchase financing also plays a role as one of the largest assets contributor of Islamic banks including Islamic rural banks, and is the most popular financing for the public.

3. Effect of Financing to Deposit Ratio (FDR) on Return On Assets (ROA)

The results of testing the hypothesis Ha$_3$ obtained from panel data regression analysis show the t-statistic value of 5.476533 and the probability value of the variable Financing to Deposit Ratio (FDR) of 0.0000 <0.05, so that

H0 is rejected and Ha is accepted. Therefore, it can be concluded that the Financing to Deposit Ratio (FDR) variable has a significant effect on Return On Assets (ROA). This is supported by research conducted by Riyadi and Yulianto (2014); Budiharyanto, et al (2018); Almunawaroh & Marliana (2018); and Yusuf & Surjaatmadja (2018).

Based on the test results, it can be concluded that the FDR ratio has a significant effect and has a positive impact on the profitability (ROA) of the Islamic Rural Banks. This means that the better the FDR ratio, the better the profitability ratio (ROA). In other words, the higher the bank's ability to allocate funds in the form of financing, the greater the chance for the bank to earn a profit, which will have an impact on increasing the bank's profitability ratio.

4. The Effect of Non Performing Financing (NPF) on Return On Assets (ROA)

The results of testing the hypothesis Ha_4 obtained from panel data regression analysis show the t-statistic value of -5.347239 and the probability value of the Non-Performing Financing (NPF) variable of 0.0000 <0.05, so that H0 is rejected and Ha is accepted. Therefore, it can be concluded that the Non-Performing Financing (NPF) variable has a significant effect on Return On Assets (ROA). The results of this study are in line with the research of Budiharyanto, et al (2018); Rosiana, et al (2019); Almunawaroh & Marliana (2018); and Harianto (2017).

Thus, it can be concluded that the NPF variable has a significant and negative impact on the profitability (ROA) of Islamic Rural Banks. This means that the lower the Non-Performing Financing by Islamic banks including Islamic Rural Banks, the more it will increase the profitability ratio (ROA). Vice versa, the increasing Non-Performing Financing ratio will cause the decline in the profitability ratio (ROA) of Islamic banks. Even though the amount of financing disbursement to customers shows a high number, if the ratio of nonperforming financing is also high, it will have the potential to decrease the profit of Islamic banks. This will cause a decrease in profitability (ROA) of Islamic banks.

5. The Effect of Profit-Sharing Financing, Sale and purchase Financing, Financing to Deposit Ratio and Non-Performing Financing on Profitability (ROA)

The results of testing the hypothesis Ha_5 obtained from panel data regression analysis show that the F-statistic value is 27.00403 and the F-statistic probability value is 0.0000 <0.05 or H0 is rejected and Ha is accepted. This means that there is a significant influence between the variables of Profit-Sharing Financing, Sale and purchase Financing, Financing to Deposit Ratio, and Non-Performing Financing on Profitability (ROA) simultaneously.

5. CONCLUSION

Based on the research results, the conclusions obtained from this study are as follows:

5.1 The profit-sharing financing partially does not have a significant effect on the profitability (ROA) of the Islamic Rural Banks. This shows that the

level of profitability of 5 Islamic Rural Banks in Banten Province will remain even though the value of the profit-sharing financing has fluctuated in the 2013-2019 period.

5.2 Partially, sale and purchase financing has a significant effect on the profitability (ROA) of the Islamic Rural Banks. This shows that an increase in sale and purchase financing will increase the ROA ratio of 5 Islamic Rural Banks in Banten Province in the 2013-2019 period.

5.3 Partially, the Financing to Deposit Ratio (FDR) has a significant influence on the profitability (ROA) of the Islamic Rural Banks. This indicates that changes in the FDR value will cause changes in the ROA value of 5 Islamic Rural Banks in Banten Province for the period 2013-2019.

5.4 Non-Performing Financing (NPF) partially has a significant influence on the profitability (ROA) of the Islamic Rural Banks. This shows that the level of ROA of Islamic Rural Banks in Banten Province is influenced by the fluctuation of the NPF value in the 2013-2019 period.

5.5 Profit-sharing financing, sale and purchase financing, Financing to Deposit Ratio (FDR) and Non-Performing Financing (NPF) have a significant effect on the profitability (ROA) of the Islamic Rural Banks. This shows that simultaneously the independent variable in this study has an effect on the dependent variable, namely ROA at 5 Islamic Rural Banks in Banten Province for the period 2013-2019.

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