EFFECT OF BI RATE, NON-PERFORMING FINANCE AND INFLATION IN RETURN ON ASSETS (ROA) OF ISLAMIC BANKING IN INDONESIA

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Abstrak

This study was conducted using a quantitative method with secondary data obtained from website of Bank Indonesia and Financial Services Authority. The data used is a time series from January 2011 to December 2016. Data were analyzed using classical assumption test consisting of: (a) Normality Test; (b) Test of autocorrelation; (c) Test Multicolinearity. Further statistical tests were used consist of; (a) Test t; (b) Test F. Based on these results we concluded: (a) BI Rate positive and significant effect on ROA partially; (b) Non-performing finance has negative effect on ROA; (c) Inflation partially negative and not significant ROA. It can be concluded that variable BI Rate and Inflation only slightly affect the operational risk while the Islamic Bank non-performing finance considerable influence because of the bad loans directly influence revenue Islamic Bank.

Keywords: *BI Rate, Non-Performing Finance, Inflation, ROA, Sharia Bank*

INTRODUCTION

Banking is one essential instruments economy of a country, not just a place but the Bank also turning money into one measure of economic activity. In-Law No. 21 of 2008 mentioned bank is an entity that collects funds from the public such of deposits and distribute to public as loans or other forms. Bank is also tools to funding money and lend money those who need funds.

Inflation is one of the things that can affect the banks, because when inflation is rising prices continuously. Inflation itself arises because of the pressure on the supply side, the demand side and on the side of expectations (Bank Indonesia, 2017). In this condition, people will spend more money than saving their money in banks. This can affect the financing that will be given to the bank and can both reduce the benefits to be received by the bank.

Besides inflation BI Rate allegedly also had an influence on the movement of the banks because the interest rate environment set by Bank Indonesia is too high, it will make a request to the bank financing will be reduced (Bank Indonesia, 2017). In this

condition the Islamic banking into one solution because it does not refer to the interest rate, but value of margin in the direction of interest rates.

The main factor other than inflation which caused the monetary crisis is interest rate or BI Rate for banks. Bank Indonesia (2014) explained, the BI Rate is a policy interest rate that reflects attitudes monetary policy stipulated by Bank Indonesia and announced to public. The BI Rate is announced by the Board of Governors of Bank Indonesia at every meeting monthly governor council and implemented on monetary operations conducted by Bank Indonesia through liquidity management in the money market for achieve the operational targets monetary policy. At the time of the monetary crisis, Islamic banks did not experience negative movements like conventional banks. (Safyra and Agustiyanti, 2018) Many banks in country collapsed due to the monetary crisis. At that time, the government had poured hundreds of trillions in recapitulation resignations to almost all the big banks. However, there are still banks that, although a little shaken, managed to survive the crisis. In fact, without the help of a penny from the state. One of them, namely PT Bank Muamalat Indonesia Tbk.

NPF or non performing finance is the credit conditions are substandard or jammed this is also expected to affect the banking conditions such as inflation and BI rate .One of the bank's financial performance measurement is the level of profitability that shows a combination of the effect of liquidity, asset management, and debt on operating results (Housteon, 2004). In profitability ratio of the most outstanding thing is the Return Of Assets which is the ratio of net income to total assets.

ROA is a profitability ratio that measures the company's ability to generate profits from the use of all its resources or assets. it will be seen the bank's ability to generate net income by comparing the total assets. Therefore, when the greater ROA of a bank, the level of benefits are also getting bigger (Syahirul, 2014).

on the above, the formulation of the research can be described as follows:

a. How does the BI Rate partially on ROA Sharia Bank in Indonesia?
b. How do the non-performing Finance (NPF) partially on ROA Sharia Bank in Indonesia?
c. How is the effect of inflation partially on ROA Sharia Bank in Indonesia?
d. How can the effects of inflation BI Rate and the Non Performing Finance simultaneously on ROA Islamic Banking in Indonesia?

THEORITICAL REVIEW

BI Rates

BI Rate is the interest rate that reflects the policy stance of monetary policy set by Bank Indonesia and announced to the public. BI Rate announced by the Board of Governors of Bank Indonesia. Each Board of Governors of the monthly and implemented on monetary operations conducted by Bank Indonesia through the management of liquidity in the money market to achieve the operational objectives of monetary policy. (website, www.bi.go.id accessed in 2017).

According to Pohan (2008) development of flower unnatural levels can directly interfere with the development banks, high interest rates on the one hand will increase the public desire to save money so that the amount of funds raised will be quite large. On the other hand high interest rates will reduce production activities in the country. The decline in production will reduce the funding requirements of the business sector and caused on credit demand, declining interest. This problem arises where the funds collected for the interest rate rise will be channeled.

BI rate announced by the Board of Governors of Bank Indonesia each monthly Board Member Meeting and implemented on monetary operations conducted by Bank Indonesia through the management of liquidity in the money market to achieve operational objectives monetary policy. Monetary policy operations are reflected in the development of interest rates Interbank Money Market Overnight (interbank). Movements in interbank rates is expected to be followed by the development of deposit interest rates, and in turn bank lending rates. (website www.bi.go.id)

Non-Performing Finance

Non-Performing Financing is evaluating the performance of sharia banks as one of indicators in. The high NPF level indicates it shows many financing problems and performance of sharia banks lowed. According to Muhammad (2005) Non-Performing Finance is financing the troubled bank. When financing problems increased the risk of a decline in profitability is increasing. If the profitability of banks decreasing the ROA of banks will tend to decline.

Inflation

Islam according to Rozalinda (2010) regarded inflation as a monetary phenomenon, due to the impairment calculation unit of the commodity. Inflation is a symptom that

shows the general rise in price levels continue to occur, if the price increases are temporary then cannot be said of inflation.

According to Karim inflation measured by the inflation rate, the rate of change of the overall price level. The equation is as follows:

$$\frac{The\ price\ level\ t\ price\ levelt1}{price\ levelt1} x\ 100 = Inflation$$

From equation be concluded if the higher level of inflation, the greater the difference in the price of goods after inflation which resulted in the price of goods more expensive.

Causes Inflation:

a. Pressure from the side supply (cost push inflation) This inflation arising from the depreciation of the exchange rate, the impact of inflation abroad, especially countries trading partner, increased commodity prices are regulated by the government and the occurrence of negative supply shocks caused by natural disaster or disruption distribution.
b. Encouragement request(demand pull inflation). This inflation arises when aggregate demand is rising faster than the economy's productive potential.
c. Inflation Expectations. Inflation is influenced by the behavior of people and economic actors are more likely to be adaptive or forward looking. This is evident from the behavior of price formation at the level of producers and traders, especially on the eve of religious holidays and minimum regional salary determination (website www.bi.go.id, 2017).

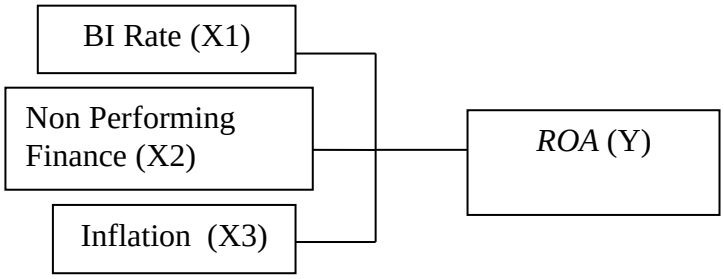
ROA

ROA in Houston (2004) is one of the ratios which fall in the profitability ratios. Profitability ratios are a group ratio, showed the combination of the effects of liquidity, asset management, and debt on operation results. According to Lukman (2005) in Syahirul (2014) ROA used to measure the bank's management in the gain (profit) as a whole. The greater the number of ROA, the better the financial performance and a great level of return funds.

Formula ROA is as follows:

$$\frac{\text{Profit after Tax}}{\text{Total Assets}} \text{ x 10(}$$

Conceptual Framework



RESEARCH METHODS

This study discusses the effects of inflation, BI Rate and Non Performing Finance (NPF) against the Islamic Bank in Indonesia 2011-2016. This research uses quantitative research causality approach using multiple linear regression analysis. Regression analysis is generally used for predictive analysis of causality between the independent variables and the dependent variable (kuncoro, 2007). The data used in this study using secondary data from the Financial Services Authority (FSA) and the Bank of Indonesia. Applications used to support data analysts are using SPSS 24.

Independent Variables

BI Rate is the interest rate that reflects the policy stance of monetary policy set by Bank Indonesia and announced to the public. BI Rate announced by the Board of Governors of Bank Indonesia. Each Board of Governors of the monthly and on monetary operations conducted by Bank Indonesia through the management of liquidity in the money market to achieve the operational objectives of monetary policy.

Non Performing Finance (NPF)

Non Performing Finance is financing the troubled bank. If the financing problems (loss) increases the risk of a decline in profitability higher.

Inflation

Since due to decreased value calculation unit of the commodity. Inflation is a symptom that shows the general rise in price levels continue to occur, if the price increases are temporary then it can not be said of inflation.

ROA

ROA is the ratio used to measure the bank's management in the gain (profit) as a whole. The greater the number of ROA,the better the financial performance and a great level of return funds.

RESULT

Normality Test

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of LnBIRATE is normal with mean 6,04 and standard deviation 1,405.	One-Sample Kolmogorov-Smirnov Test	,000[1]	Reject the null hypothesis.
2	The distribution of LnNPF is norma with mean 1,25 and standard deviation 0,258.	One-Sample Kolmogorov-Smirnov Test	,200[1,2]	Retain the null hypothesis.
3	The distribution of LniNFLASI is normal with mean 6,26 and standard deviation 0,309.	One-Sample Kolmogorov-Smirnov Test	3,000[1]	Reject the null hypothesis.
4	The distribution of LnROA is norma with mean 0,31 and standard deviation 0,665.	One-Sample Kolmogorov-Smirnov Test	,000[1]	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is ,05.

[1] Lilliefors Corrected

[2] This is a lower bound of the true significance.

Source: SPSS

Normality test table using the one-sample Kolmogorov-Sminov test above it can be seen that each variable assumes normal.

Test of Multicolinearity

	Std. Eror	Toleance
Constant	1,571	
BI RATE	,049	,839
NPF	,239	,724
INFLASI	,222	,826

Results of Tolerance value calculation shows there variable independently having a value of less than 0,10.yang Tolerance means that there is no correlation between the independent variables. The result of the calculation of Variance Inflation Factor (VIF) also shows the same thing no one independent variable which has VIF more than 10. So we can conclude there is no multicollinearity between the independent variables in the regression model (Ghozali, 2013).

Autocorrelation Test

R	Std. Eror	D-W

,638	,52659	,869

From the calculation of the Durbin-Watson of 0.869 using a significance value of 5%, the total sample of 72 and the number of independent variables as much as three (k = 3). Thus obtained table du dl 1,395 and 1,557. So we can conclude that 0 <d <dl or 0 <0.869 <1.395, which means there is no positive autocorrelation or H0 is rejected (Ghozali, 2013).

Statistical Test

Test results statistically the relationship between the influence Inflation, *BI* and NPF *ROA* Islamic bank in Indonesia to test statistically as follows:

t Test

t test was conducted to determine the effect of the BI rate, NPF and Inflation partially (individual) the dependent variable is ROA .

Model	B	Std. Error	Tolerance
Constant	6,222	1,517	
BI RATE	,020	,049	,839
NPF	-1,885	,293	,742
NFLASI	-,586	,222	,826

From the above results can be formulated regression equation based on the table as follows:

$Y = 6.222 + 0.20\ X_{to}\ 11.885\ X_{to}\ 20.586\ X_3$

Where: X_1 = BI

X_2 = Non Performing Finance

X_3 = Inflation

From the equation above is described as follows:

a) Price constant coefficient of 6.222. This indicates that when the value of inflation, BI and NPF equal to zero, then the amount of variable ROA amounted to 6.222.
b) Coefficient BI =of 0.20, which means that if the inflation rate rose by one point independent variable is fixed, then the level of ROA will increase 2%.

c) Prices coefficient NPF = -1.885, which means that if the value of NPF increased by one point independent variable is fixed, then the level of ROA will decrease by 188.5%.

d) Price inflation coefficient = -0.586, which means that if the inflation rate rose by one point independent variable is fixed, then the level of ROA will decrease by 58.6%.

F Test

F test conducted to determine the relationship of independent variables, namely the BI Rate, Non Performing Finance and Inflation simultaneously (together) affect the dependent variable ROA. In tests f proposed the following hypotheses:

H_0:No significant relationship between the BI Rate, Non Performing Finance and Inflation on ROA

H_1:There was a significant correlation between the BI Rate, Non Performing Finance and Inflation on ROA

α: 5 % (0,005)

criteria test : H_0 if the significance value> of α

H_0 is rejected if the significance value <α

Model	Sum of Squares	Mean Square	F
Regression	12,923	4,308	15,534
Residual	18,856	,277	
Total	31,779		

From the above, it appears that the significant value of 15.534 F whose value is greater than 0.005. So H0 is accepted, the BI Rate, Non-Performing Finance and Inflation together had no influence on ROA.

DISCUSSION

Effect of BI Variable Rate Of ROA

These results indicate that the variable results BI have a positive impact and no significant effect on ROA. This indicates that the greater the value of BI Rate, then the

value of ROA will increase though not significantly. It is possible that interest rates and margins in the same direction although not the same.

Effect of Variable Non Performing Finance Against ROA

These results indicate that the variable results of non-performing Finance has a negative effect and no significant effect on ROA. this indicates that the greater the value of BI ,the value ROA will decline though not significantly. This is because the NPF is only one of several factors that can affect the profitability ratios ROA.

Against Inflation Effect of Variable ROA

These results indicate that the variable inflation results had a negative effect and no significant effect on ROA. this indicates that the greater the value of BI, the value ROA will decline though not significantly. This is because the Islamic banking system adopted for the results so that when inflation is less affected Islamic Bank for the financing and distribution of funds Islamic Bank adheres sharing system.

CONCLUSION

1. BI Rate variable partial and insignificant positive effect on ROA. So this shows H0 rejected and H1 accepted. This is not accordance Syahirul study (2014) which states that the BI Rate negative effect ROA Islamic Bank.
2. Non-performing finance variable partial and negative effect ROA, this shows H0 rejected and H1 accepted.
3. Inflation varible partially negative and not significant ROA. So this shows H0 rejected and H1 accepted. It is not appropriate study Sahara (2013) which states that inflation has a positive effect ROA in Islamic Bank.
4. Concluded variable BI Rate, Non-Performing Finance and Inflation affect the risk operational Sharia Islamic Bank because Bank does not use the system and variable NPF Sharing only one of several profitability ratios. financial institutions changes interest rates will affect the Islamic Bank as portfolio management and fund-raising financing although the effect is not significant.

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