ABSTRACT

Non Performing Financing is a ratio used to measure the level of non-performing financing in Islamic banking. NPF ratio is one of the indicators used to assess the performance of Islamic banking. The high NPF shows how poor the quality of the bank is and poses a danger to the bank. The amount of NPF is one of the causes of the bank's difficulty in channeling its financing. Bank Muamalat Indonesia's NPF rate fluctuates and tends to be higher than other Islamic banks.

This research was conducted with a quantitative approach with a research focus on the influence of internal bank factors and macroeconomic variables on the NPF level of Bank Muamalat Indonesia. The internal bank factors used are CAR and BOPO, while the macroeconomic variables used are GDP and exchange rates. This study uses secondary data sourced from the BPS website and the Ministry of Trade and Bank Muamalat's quarterly financial reports for the 2014-2023 period. The research data was collected using documentation techniques and analyzed using the Autoregressive Distributed Lag - Error Correction Model (ARDL-ECM) using the E-views 12 application.

The results show that GDP has a negative effect in the short term, but a significant positive effect in the long term. Likewise, the exchange rate has a negative effect in the short term, but a significant positive effect in the long term. CAR has a negative effect in the short term but no effect in the long term. BOPO has a significant positive effect both in the short and long term on the NPF level of Bank Muamalat Indonesia. In this study, the R-square value is 76.5% of the NPF level of Bank Muamalat Indonesia. The speed of adjustment of short-term dynamics towards the long-term will be corrected by 172.64% in each period. Among the four independent variables found that the internal factors of the bank have the greatest influence on NPF Bank Muamalat Indonesia.

Keywords: ARDL-ECM, NPF, Internal Bank, Macroeconomy, Bank Muamalat Indonesia.