ABSTRACT

This research aims to analyze the influence of sensitivity of the Net Operating Margin (NOM) toward inflation, Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Non Performing Financing (NPF), Operating Expenses to Operating Income (BOPO), and Size, toward Profitability in Islamic Banks in Indonesia which were proxied by Return on Assets (ROA).

The data used in this research were obtained from the Financial Report of Islamic Banks quarterly publication through each website. The sampling technique used was purposive sampling with Islamic Banks that published quarterly financial report periodically during the observation period of 2008-2013 as criteria. Sample in this research there were 4 Islamic Banks. Data is analized using multiple linear regression with common effect or Ordinary Least Square (OLS) as estimation methods with a significance level of 5%.

Results of this research show that the independent variables simultaneously (F-test) effect on ROA with a significance level of 0.000. While partially (t-test) show that sensitivity NOM toward inflation, CAR, and Size variable has no significant effect on ROA. FDR variable have significant positive effect on ROA. While NPF and BOPO has significant negative effect on ROA. Predictive ability of all these variables toward ROA in this research is 77.38%, while the rest was influenced by other factors that is not included into this research model.

Keywords: Profitability, sensitivity of NOM toward inflation, CAR, FDR, NPF, ROA, Size.