ABSTRACT

Banking in Indonesia applies a dual banking system, where banks are divided into two namely conventional banks and Islamic banks. Islamic banks themselves benefit from the profit-sharing funds. This study uses the data of Islamic state-owned banks, where Islamic state-owned banks provide a good example for other Islamic banks.

This study aims to analyze the profitability of Islamic banking in 2011-2018. This study uses the Return on Assets (ROA) variable as the dependent variable and variables such as: Market Share (MS), Herfindahl Hirschman Index (HHI), Capital Adequacy Ratio (CAR), Non Performing Finance (NPF) and Operating Costs to Operating Income (BOPO) as the independent variables. This study uses panel data with a span of time from the first quarter of 2011 to the third quarter of 2018. The research method in this study is Common Effect Model, while the analytical method used in this study is Ordinary Least Square (OLS). The population in this study are Islamic state-owned banks in Indonesia, namely BNI Syariah, BTN Syariah, BRI Syariah and Bank Syariah Mandiri.

The estimation results showed that the Capital Adequacy Ratio (CAR) and Operational Costs to Operating Income (BOPO) had effects on profitability (ROA). While Market Share (MS), Herfindahl Hirschman Index (HHI) and Non Performing Finance (NPF) did not affect profitability (ROA).

Keywords: Islamic Banking, OLS, Bank Profitability.