

ABSTRACT

Profitability is an important tool towards improving Islamic bank performance, evaluating their operations, determining management policy and strategy to help the Islamic banks surviving markets competency also improving the living standard of people. In 2017, PT Bank Panin Dubai Syariah Tbk becomes most losses Islamic bank among other 14 Islamic bank in Indonesia. The aim of this study is to examine the influence of bank specific and macroeconomic factors that contributed toward the profitability of PT. Panin Dubai Bank Syariah. Tbk over the period 2013- 2017.

The analytical method used in this study is Autoregressive Distributed Lag – Error Correction Model (ARDL-ECM) consisting of stationary test, optimal lag selection, cointegration test, diagnostic test, and stabilization test. Data used in this study are monthly time series data with 60 observation obtained from Laporan Keuangan Bank Umum Syariah OJK and Badan Pusat Statistik over the period 2013-2017. Bank specific variable are FDR and DPK, while macroeconomic variabel are BI Rate, inflation, and exchange rates.

Based on optimal lag selection, ARDL (1,0,1,0,0,0) model is generated. The ARDL-ECM estimation results showed that FDR, BIR, and KURS affect profitability in both short and long run. DPK affect profitability only in short run, while inflation does not affect profitability both in short and long run. The speed of adjustment is 84% within the first period. The implication of this result is PT. Panin Dubai Bank Syariah Tbk needs to raise CASA to minimalize the operating costs and must able to managed well bad financing through inter-bank, central bank and securities placements.

Keywords: Autoregressive Distribution Lag – Error Correction Model, Bank Specific, Macroeconomy, Profitability, Islamic Bank