ABSTRACT

In Islamic banking, there is a profit sharing concept which can create opportunities for several people or entrepreneurs. The community or entrepreneurs carry out buying and selling based on sharia principles to make profits in a fairer way. In contrast to the conventional bank system which charge fixed interest, profit sharing offers a higher return system ini line with improved banking performance and increase business. However, the Islamic banking system is not free from various risks. Some of them, such as the risk of bearing losses due to decreased business and a decline in bank performance. This research also discuss how financial ratios such as Return on Equity (Roe), Non Performing Financing (NPF) and Financing to Deposit ratio (FDR) can affect the performance and coverga of capital owned by Islamic banking.

This study uses quantitative data, while the population in this study is Islamic banking that has financial reports an is registered with BI and OJK for the period 2013 to 2018. The total sample used in this study is 12 Islamic banks in Indonesia that have met all the criteria.

From this study it can be concluded that sharia Risk and Return on Equity (ROE) have no effect on the Capital Buffer of Islamic banks, while Non Performing Financing (NPF) has a significant negative effect on the Capital Buffer of Islamic banks. Financing to Deposit Ratio (FDR) also has a significant negative effect on the Capital Buffer of Islamic banks. The result of moderation shows that GDP growth does not moderate the effect of Sharia Risk and and Return on Equity (ROE) on the Capital Buffer of Islamic banks. Meanwhile, GDP growth moderates the effect of Non Performing Financing (NPF) with the Capital Buffer of Islamic banks. GDP growth also moderates the effect of Financing to Deposit Ratio (FDR) with the Capital Buffer of Islamic banks

Keywords: Syariah Risk, ROE, NPF, Financing to Deposit Ratio (FDR), Capital Buffer, GDP growth.