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THE DETERMINANTS FACTOR OF ISLAMIC BANK'S PROFITABILITY AND LIQUIDITY IN INDONESIA

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Abstract *This research aims to analyzes the determinants factor of profitability and liquidity of the Bank Muamalat Indonesia, Bank Syariah Mandiri, and Bank Mega Syariah. Profitability variable represented by ROA (return on asset) and liquidity represented by quick ratio. Independent variable factor affecting profitability is the quick ratio, CAR, and ROA. Independent variable factor affecting liquidity is CAR, NPF, and OER. The analytical method used in this study is multiple regression analysis. The data used is the quarterly data from the years 2008 to 2015. The analysis showed that the quick ratio and OER have a negative and significant effect on profitability, and CAR has a positive and significant effect on profitability. CAR has positive and significant effect on liquidity, OER has a negative and significant negative effect to liquidity, and NPF has not significant effect to liquidity.*

Key words:

profitability, liquidity, ROA, quick ratio, CAR, NPF, OER

INTRODUCTION

The slowing of global economic growth that occurred in various countries such as Russia, Malaysia, Brazil, China, and other developing countries, including Indonesia was marked by the weakening of the currencies of these countries. The strengthening of the dollar against most world currencies caused by the policies issued by the United States as a result of the crisis in 2008. Package policies issued by the United States to improve its economy is "*quantitative easing*" is to inject stimulus funds to spur the economy. As a result of this policy many investment funds are taken out to several countries to be invested into developing countries one of them is Indonesia. Once the economy improves, American re-issue continued economic policy package called "*tapering off*" by cutting the stimulus funds. As a result, investors are re-draw funds from these countries. So the dollar became scarce and pressing global currencies, especially the developing countries, including Indonesia. The weakening of the rupiah against the dollar led to export goods from Indonesia into a costly impact on decreasing the amount of exports. Exports continued to decline precisely when imports continue to run as normal so that the national trade balance tend to deficit. The trade balance deficit led to increasingly sluggish national economy and the impact on the various sectors of the national economy include the banking sector. The weakening economy could affect the financial sector such as banking but banking also could be the key to the national economy from the downturn.

Table 1
Value of Export and Import Indonesia 2008-2013 (million USD)

	Non Oil & Gas		Oil & Gas		Total	
Year	Export	Import	Eksport	Import	Export	Import
2008	107.894,20	98.644,40	29.126,30	30.552,90	137.020,40	129.197,30
2009	97.491,70	77.848,50	19.018,30	18.980,70	116.510,00	96.829,20
2010	129.739,50	108.250,60	28.039,60	27.412,70	157.779,10	135.663,30
2011	162.019,60	136.734,10	41.447,00	40.701,50	203.496,60	177.435,60
2012	153.043,00	149.125,30	36.977,30	42.564,20	190.020,30	191.689,50
2013	149.918,80	141.362,30	32.633,00	45.226,40	182.551,80	186.628,70

Source: Central Bureau of Statistics of Indonesia, 2015

Banks and other financial institutions are very dynamic because of changes in the economy of a country affect the financial institutions in the country. The development of financial institutions in Indonesia is growing quite well, both conventional and Islamic financial institutions. One of the most factor that can support the national economy is its banking system. Commercial banks are conducting conventional business activity and/or based on sharia principles in their activities providing services in payment traffic (Bank Indonesia, 2006). Services provided by commercial banks general in nature, meaning that it can provide the entire existing banking services.

In principle, the Islamic bank is same as conventional banking in which as an intermediary function which receives funds from the surplus units and distribute to those in deficit unit. Thus the products supplied by conventional banks both fund products and financing product basically can also be held by Islamic banks. One of the main principles of banks in Islamic banking are profit sharing principle which distinguishes Islamic banks to conventional banks. Characteristics of the Islamic banking system that operates on the principle of profit sharing provides an alternative banking system that is mutually beneficial for society and the bank, as well as highlight aspects of fairness in trade, investment, ethical, promoting the values of togetherness and brotherhood in production, and avoid speculative activity in the transaction.

Market share of Islamic banking in Indonesia is currently only around 5% compared to total assets of banks nationwide (Financial Services Authorithy, 2015). The Number of Islamic Banks customers today is still below 10 million people so the potential increase in customers of Islamic banking is still very large because the amount of productive age in Indonesia continues to grow. As the country with the largest Muslim population, is certainly a great potential for the development of Islamic banking in Indonesia.

Up to the November 2014 there were 12 Islamic Commercial Banks, 22 Islamic Banking Window, and 163 Islamic Rural Bank with a total network of 2.539 offices in almost all parts of Indonesia (Financial Services Authority, 2015). The total assets of Islamic Commercial Banks and Islamic Banking Window reached 262 trillion rupiah, while Islamic Rural Bank reached 6.4 trillion rupiah (Financial Services Authority, 2015). Islamic Banking in Indonesia need to be higher of growth than conventional one to increase its market share. If the trend of high growth in the Islamic banking industry continues to be maintained, then the Islamic banking market is estimated to reach 15% -20% within 10 years.

Table 2
Total of Islamic Banking in Indonesia

Indicator	2008	2009	2010	2011	2012	2013	2014
Islamic Commercial Bank							
Total Banks	5	6	11	11	11	11	12
Total Office	581	711	1.215	1.41	1.745	1.998	2.174
Islamic Banking Windows							
Total Banks	27	25	23	24	24	23	22
Total Office	241	287	262	336	517	590	3554
Islamic Rural Bank							
Total Banks	131	138	150	155	158	163	163
Total Office	202	225	286	364	401	402	438
Total Office	1.024	1.223	1.763	2.101	2.663	2.99	2.939

Source: Financial Services Authority of Indonesia, 2015

Based on Table 2, it appears that the growth of Islamic banking is increasing every year. The increasing growth of Islamic banks in Indonesia is also driven by the high interest of the public to place their funds in Islamic banks and began to develop into a trend. The trend is due to the products of Islamic banking fund has appeal for depositors considering profit sharing ratio and margin of financing are still competitive compared to interest on conventional one. Besides the performance of Islamic banks showed a significant increase reflected increased on profitability. The performance of banks is of paramount importance in the banking business to demonstrate the credibility to encourage people to use the services of the bank. Customer relationship to the Islamic bank is not a relationship between the debtor and the creditor, but the partnership between the owners of the funds (*sohibul maal*) with the fund manager (*mudharib*)

(Sudarsono, 2008). Because the bank's profitability can influence on the profit sharing that will depositors take.

Profitability of banks can be measured by Return on Assets (ROA) and Return on Equity (ROE). ROA is used to measure the effectiveness of the bank's profit from the use of assets owned, while the ROE measure the effectiveness of the company based on equity. ROA is used to measure the profitability as supervisor of banks prefer the profitability of a bank measured by assets with funds mostly come from public deposits (Dendawijaya, 2009). The higher the ROA shows the better performance of the company, because the rate of return higher (Husnan & Pudjiastuti, 1998).

Table 3
Assessment Criteria Return On Asset (ROA)

Level	Criteria	Information
Level 1	ROA > 1,5%	Very High
Level 2	1,25% < ROA ≤ 1,5%	Heigh
Level 3	0,5% < ROA ≤ 1,25%	High Enough
Level 4	0% < ROA ≤ 0,5%	Low
Level 5	ROA ≤ 0%	Very Low

Source: Bank Indonesia Circular Letter No. 9/24 / DPbS 2007

Besides profitability, liquidity is also an important factor in the banking industry to increase public trust. Liquidity describes the ability of banks to accommodate withdrawal of deposits and other liabilities efficiently and to cover the increase in loan funds and investment portfolios. Banks that have an adequate level of liquidity can obtain the necessary funds (by increasing liabilities, securing, or sell assets) immediately and at a reasonable cost (Van Greuning & Brajovic, 2011). Liquidity in Islamic banks can be seen from the quick ratio. Quick ratio is a liquidity ratio used to measure a bank's ability to meet its obligations to depositors with the most liquid assets owned by banks. The higher number of the quick ratio, the higher number of level of liquidity of the bank.

Profitability and liquidity have the same an important meaning for bank. The viability of the bank in the short term depends on the liquidity of the bank owned. While the bank's viability in the long term and continuity depends on profitability. Successful bank is the bank with the appropriate level of liquidity (not too high and not too low) was able to get the maximum profitability. There are several factors that affect the profitability and liquidity of the bank such as bank size, capital, non performing financing, efficiency, etc.

In this study will be examined factors that affect the profitability and liquidity of the three Islamic banks in Indonesia. There are three variables that will be used to see the effects on profitability and liquidity. On the factors that affecting the profitability, variable liquidity, capital and efficiency will be used as independent variable. While the factors that affecting liquidity is the capital, non-performing financing, and efficiency.

Islamic bank capital can be seen by using a variable Capital Adequacy Ratio (CAR). According to the provisions BI CAR level must be owned Islamic bank is 8%. If the banks are able to meet 8% CAR requirement according to criteria of BI means that the bank is able to finance the operations of the bank, so the bank can maintain liquidity and obtain profitability.

Table 4
Assessment Criteria Capital Adequacy Ratio (CAR)

Level	Criteria	Information
Level 1	KPMM ≥ 12%	Much Higher than Provisions
Level 2	9% ≤ KPMM < 12%	Higher than Provisions
Level 3	8% ≤ KPMM < 9%	Slightly Higher than Provisions
Level 4	6% < KPMM 8 12%	Lower than Provisions
Level 5	KPMM ≤ 6%	Much Lower than Terms

Source: Bank Indonesia Circular Letter No. 9/24 / DPbS 2007

Financing Quality in Islamic banks can be seen from the ratio of Non Performing Financing (NPF). NPF is a ratio that describes the percentage of the total amount of bad financing to all financing provided by Islamic banks. The higher the value of NPF would negatively impact the profitability and liquidity of Islamic banks.

Table 5
Assessment Criteria Non Performing Financing (NPF)

Level	Criteria	Information
Level 1	NPF < 2%	Very Good
Level 2	2% ≤ NPF < 5%	Good
Level 3	5% ≤ NPF < 8%	Good Enough
Level 4	8% ≤ NPF < 12%	Not Good
Level 5	NPF ≥ 12%	Bad

Source: Bank Indonesia Circular Letter No. 9/24 / DPbS 2007

Efficiency in Islamic banks can be seen from the ratio of Operating Expenses to Operating Income (OER). OER is a percentage of the total operating costs of Islamic banks on the amount of revenue generated in the bank specified period of time. The higher the OER the efficiency of the bank is lower. The higher the value BOPO will affect negative on profitability and liquidity of the bank.

Table 6
Assessment Criteria Operating Expenses to Operating Income (BOPO)

Level	Kriteria	Information
Level 1	OER ≤ 83%	Very High
Level 2	83% < OER ≤ 85%	High
Level 3	85% < OER ≤ 87%	Moderate
Level 4	87% < OER ≤ 89%	Low
Level 5	OER > 89%	Very Low

Source: Bank Indonesia Circular Letter No. 9/24 / DPbS 2007

PROBLEM IDENTIFICATION AND HYPOTHESIS

Given the extent of discussion to be studied and also to avoid the spread of discussion, this research will be limited and directed at the two points of analysis. First, the influence factor of liquidity (*quick ratio*), capital (CAR), and efficiency (OER) to profitability (ROA) in Islamic Banks in Indonesia. Second, the effect of capital (CAR), non-performing financing (NPF), and efficiency (OER) for the liquidity (quick ratio) on Islamic Banks in Indonesia. Next to facilitate discussion, so here the researchers gave two problem identification, namely: First, "*Is there any significant effect the level of liquidity, the amount of capital, and the efficiency of the profitability of Islamic Commercial Bank?* Second, *Is there any significant effect the level of capital, the amount of non-performing financing and efficiency to liquidity of Islamic Commercial Bank*?

Furthermore, the hypothesis presented in this study is:

Profitability Model

Ho: there is no significant influence between the variables of liquidity (quick ratio), Capital (CAR), and efficiency (BOPO) to profitability (ROA).

H1 : there is significant influence between the variables of liquidity (quick ratio), capital (CAR), and efficiency (BOPO) to profitability (ROA).

Liquidity Model

Ho: there is no significant effect anatara variable capital (CAR), non-performing finaning (NPF) and efficiency (BOPO) to the liquidity (quick ratio).

H1: there is significant influence anatara variable capital (CAR), non-performing finaning (NPF) and efficiency (BOPO) to the liquidity (quick ratio).

LITERATURE REVIEW

Profitability is the company's ability to earn a profit from his business (Suntoto, 2013). To determine the profitability on measured the ability of the management company, in this case the banks in using total assets and net assets. The Attractiveness for investors and owners of the company, namely the level of corporate profitability. The higher level of profitability, the profit made by the investor will be higher as well. Profitability is a parameter that indicates management approach and the competitive position of a bank in a market-based banking (Tabrani, 2013). These parameters help the bank to tolerate some degree of risk and support them against short-term problem (Tabrani, 2013).

Liquidity is the ability of banks for financing increase in assets and meet obligations due, without incurring unexpected losses (Vadova, 2011). Liquidity is an important factor that can lead to financial distress, because without a well-managed liquidity banks are not able to meet deposit withdrawals and loan customers (Kamau, 2013). Determine the ideal level of liquidity is the task of the bank's management based on various considerations and internal and external conditions of the bank (Maliq & Rafique, 2013). Excess liquid assets could cause a decline in bank profitability. While the shortage of liquid assets will cause the bank difficulty in meeting obligations that must be met.

Banks that hold higher liquid asset affect the profitability depends on the level of short-term funding, if banks raise high of short-term funding, then the required liquid assets to maximize profitability is became higher (Bordeleau & Graham, 2010). When profitability is more prioritized than the liquidity, then the gain will be a liquid asset and increase liquidity (Diamond & Rajan, 2013). But it is more risky because of liquidity problems could occur in a period where profitability has not been achieved by the bank. When liquidity is more prioritized, bank security will be better, because the company's survival in the short term dependent on the liquid assets being owned (Don, 2009). The company's survival in the short term depends on the liquidity, while the company's survival in the long term growth and expansion depends on profitability. Therefore, profitability and liquidity equally has an important role in the company, in this case for the bank.

The relationship between liquidity and profitability depends on the business model of banks and possible risks when giving credit. Resist liquid assets will make banks more resistant to liquidity shocks, thereby reducing the negative influence from outside the bank, but hold too many liquid assets can be a negative influence on the level of profitability that will be generated by the bank (Bordeleau & Graham, 2010). Because the banks lose the opportunity to benefit from these assets. This theory is supported by studies Etiene Bordeleau and Christopher Graham in 2010, which shows that there is empirical evidence about the relationship liquid asset holdings with profitability from panel data from 1997 to 2009. The results of the study showed that there is a non-linear relationship, where profitability increased in bank- banks hold liquid assets, but there is a point where holding or hold higher liquid asset decrease the profitability of banks.

According to the study by Akhtar (2011), Hassan (2003), Wasiuzzaman, and Hanimas (2012), and Haron (2004) capital adequacy ratio (CAR) has a positive and significant effect on profitability (ROA). According Santhye (2001) OER has a negative and significant impact on profitability (ROA). While the factors that affect liquidity Pavla (2011), Moussa (2015), and Chagwiza (2014) CAR has a positive effect on liquidity (quick ratio). And according to Odung (2013) OER has a negative effect on liquidity (quick ratio).

RESEARCH METHOD

This research is quantitative research. Quantitative research methods that emphasize on testing theories through measurements of the variables with numbers and perform data analysis with statistical procedures. Data taken from 2008 to 2015.

This research population is all Islamic commercial banks in Indoenesia. The sampling technique using purposive sampling method. Where the sample criteria are; banks publish financial data from 1st quarter 2008 to second quarter is the year 2015. Based on the criteria, the sample used is Bank Muamalat Indonesia, Bank Syariah Mandiri, and Bank Mega Syariah.

The data used is secondary data that is quarter data published by Bank Muamalat Indonesia, Bank Syariah Mandiri, and Bank Mega Syariah in the period 2008 to 2015. The data obtained from the the each of bank's website.

The multiple linear regression analysis will be used in this research to see how the influence of the independent variables x1, x2 and x3 on the dependent variable y.

The mathematical equations used in this study are:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3$$

Description:

X1, X2,X3 = independent variable
Y = dependent variable
α = constants
β = regression coefficients

After multiple regression analysis, the model is further seen whether good or bad, or in statistical pronunciation needs to be seen in the goodness of fit of the model. To see the goodness of fit model is to look at the results of t statistics, F statistics, and coefficient determination (R^2).

RESULTS AND DISCUSSION

Liquidity has a significant effect on the profitability of the two samples, that is bank Muamalat Indonesia and Bank Syariah Mandiri. The interesting fact is found that the effect of liquidity on profitability in the two samples are different, that is positive and negative. Positive effect on the profitability of liquidity means that the higher the liquidity of the bank, the higher profitability generated by the bank. The positive influence of liquidity to profitability indicate that the bank did raising short-term is quite high, requiring higher the liquid assets to meet its obligations and maximize profitability. This result is supported by the research by Bordeleau and Graham (2010) stating that banks hold liquid assets higher effect on profitability depends on the level of short-term funding, if banks raise high short-term then the required liquid assets higher to maximize profitability (Bordeleau & Graham, 2010). While the results of the analysis of other samples, liquidity has a negative and significant effect which means that the higher of the banks liquidity, the bank's profitability tend to small. Liquidity indicates a negative effect on the profitability of banks to withstand too many liquid assets that have a negative impact on profitability. Because hold too high liquid assets could cause banks to lose the opportunity to generate profit from these assets. This result is supported by the research by Bordeleau and Graham (2010). Resist liquid assets will make banks more resilient to liquidity shocks, thereby reducing the negative influence from outside the bank, but hold too many liquid assets a negative effect on the level of profitability that will be generated by the bank (Bordeleau & Graham, 2010). How liquidity effect on profitability is also not free from bank management policy in setting the level of liquidity, or the amount of liquid assets that banks are able to obtain maximum profitability without incurring the risk of liquidity in the bank.

Capital only significant and positive impact on one sample of banks, that is the Bank Mega Syariah, while Muamalat and Bank Syariah Mandiri had no significant effect. Meaning that if the capital increase, the profitability of banks will rise. This indicates Bank Mega Syariah is able to finance its operations and to protect depositors thereby increasing public confidence. Encourage public confidence that revenue increased profitability. This result is evidence that Bank Mega Syariah is able to maximize its capital well, so that the capital is directly proportional to the level of profitability. But it doesn't mean that Bank Muamalat Indonesia and Bank Syariah Mandiri are less able to protect its depositors, but in this case Bank Mega Syariah is considered better in managing its capital to gain more leverage. On two sample banks which showed that capital has no significant effect on profitability due to capital contribution in generating revenue that ends up being not the maximum profit. This could be caused by inappropriate policies in the allocation of capital. Bank's management must be observant and able to see the opportunity to put their money in the more profitable sector so that capital is encouraging the increased profitability.

The analysis of three samples of the study showed that the efficiency (OER) has a significant effect on profitability (ROA) in all samples, that is the Bank Muamalat Indonesia, Bank Syariah Mandiri, and Bank Mega Syariah. Of the three banks is obtained that any increase OER will reduce profitability. It means that efficienct banks, the profitability will increase. This indicates that the efficiency is one of the important factor for the bank to improve its profitability. Operational policies of bank management that suppress or minimize unnecessary costs in operational will positively impact the bank's profits will be generated. Maximizing revenues by tapping into the key expenses that banks are increasingly efficient in operation. Banks should be able to do innovation that can reduce costs and be more productive, such as the use of the good technology, the effective marketing to attract customers and sustainability growth. Able to maintain a good level of efficiency in a sustainable manner in the long term will affect the bank's significant profitability. Efficiency is maintained to make the bank more profitable so that banks are able to develop their business and compete with another rivals.

While the results of the analysis of the factors that affect the liquidity showed a significant effect only on the CAR of Bank Mega Syariah and it doesn't affect the liquidity of Bank Muamalat Indonesia and Bank Syariah Mandiri. Capitalization has a positive and significant effect on the liquidity of Bank Mega Syariah. Meaning that the higher of capital, it tend to make higher bank's liquidity. Differences in test results might be due to a higher Bank Mega Syariah put its capital in a higher percentage in comparison to liquidity of Bank Muamalat Indonesia and Bank Syariah Mandiri. Bank Mega Syariah own capital put into liquid assets to avoid liquidity problems that may be encountered. Meanwhile Bank Muamalat Indonesia and Bank Syariah Mandiri are focus on something else, perhaps on business development expansion by opening new branches and so as a form of business to improve the existence and maximize the benefits to be achieved. The duty of the bank's management in determining the allocation of capital in liquidity by making assets liquid or in other sectors. Management of the bank should be able to balance between liquidity and profitability. If a bank is too high to put capital in liquidity, could negatively affect the profitability because will lead idle money. Idle money eliminating the possible benefits that can be obtained from the capital. Because the capital will be lost when the economic value allocated to the liquidity too high. But ignoring liquidity to the pursuit of profit is not a wise decision. Because liquidity is the key to the company's survival in the short term. Shortage of liquidity in the bank could be a serious problem for the survival of the bank. So the bank should be able to balance the capital for liquidity needs and still be able to maximize profits.

Non-performing financing only have a significant effect on the sample of Bank Muamalat Indonesia. But from the analysis found an interesting result because contradictory to existing theories which influence it positively to the non-performing financing of liquidity. That is if non-performing financing increase the liquidity of banks, it will increase as well. This may indicate that when the bank puts high capital on liquidity in the bank at which time also is experiencing an increase in non-performing financing. Furthermore, the positive effect on the level of liquidity from non-performing financing are difficult to explain in theory. The researchers concluded that non-performing financing has no significant effect on liquidity because the two other samples in the bank Syariah Mandiri and Bank Mega syariah, non-performing financing also has no significant effect on liquidity.

In the results obtained by analysis of the results of efficiency (OER) has a significant effect on a sample Bank Mega Syariah, while the sample Bank Muamalat Indonesai and Bank Syariah Mandiri didn't significantly affect the liquidity (*quick ratio*). OER influence has a negative influence on liquidity (*quick ratio*) at Mega Syariah. That is the more efficient of Bank Mega Syariah has a positive effect on liquidity. This indicates that with good efficiency and maintained the banks, it could increase the amount of its liquid assets that banks will be more resistant than liquidity problems because banks are more liquid. Besides an efficient bank will be able to produce higher profits. The profits generated by the bank can be allocated to various sectors including the one on liquidity.

From the analysis and discussion is found that there is a link between profitability and liquidity directly or indirectly. Liquidity can be a positive or negative impact on the bank. Liquidity has a positive effect on the profitability of the bank if the bank is not able to put the right portion to be used as liquid assets as needed so it does not reduce the benefits that may be obtained bank. Besides banks allocate their funds to credit or short-term financing become high, the liquidity required higher too, thus the level of liquidity has a positive effect on the profitability of banks. Meanwhile liquidity negatively affect the profitability of the bank when the bank is too high placing funds or capital in liquidity, resulting in idle money and capital funds or economic value cann't be utilized. Capital and efficiency is also an important factor for banks in profit and keep banks from liquidity problems. Capital adequacy of the bank's and operations that efficient and will make banks more easily improve profitability and maintain liquidity.

Table 7
Financial Ratios Sharia Commercial Bank and Islamic Bank Unit

Ratio	2009	2010	2011	2012	2013	2014
CAR	10.77%	16.25%	16.63%	14.13%	14.42%	15.74%
ROA	1.48%	1.67%	1.79%	2.14%	2%	0.79%
NPF	4.01%	3.02%	2.52%	2.22%	2.62%	4.33%
FDR	89.7%	89.67%	88.94%	100%	100.32%	91.5%
BOPO	84.39%	80.54%	78.41%	74.97%	78.21%	94.16%

Source: Financial Services Authority of Indonesia, 2015

Table 7 illustrates how the profitability, liquidity, capital, financing problems, and the efficiency of the Islamic commercial banks and islamic banking window in Indonesia. ROA as the ratio of the profitability assessment shows that the profitability BUS and UUS in Indonesia is quite good. Based on the criteria of table 2 then in 2010 and 2013 ROA included in the criteria is very high because the ROA> 1.5% and in 2009 entered the high criteria because 1.25% <ROA ≤ 1.5% and in 2014 a decline because only included in the criteria is quite high. While the assessment of capital on the BUS and UUS in Indonesia based on CAR criteria in table 3 it was found that the capital Islamic commercial banks and Islamic banking window in Indonesia is quite good because in the year 2010 to 2014 the level of capital included in the criteria is much higher than the provision for CAR ≥ 12% and in the year 2009 is higher than the provision for 9% ≤ CAR <12%. Assessment criteria NPF in Table 4 found that the criteria NPF from 2009 to 2014 qualifies as good as 2% ≤ NPF <5%. Whereas the efficiency rating Islamic commercial banks and Islamic banking window in Indonesia based on the criteria OER in Table 5 shows that there are efficiencies that fluctuate in a given year that in 2009 the efficiency qualifies as high as 83% < OER ≤ 85%, in the year 2010 to the year 2013 efficiency into the very high criteria because OER> 89%, and in 2014 the efficiency decreases with the criteria included in the very low because OER ≤ 83%.

CONCLUSION

Factors that affect the profitability (ROA) based on F-test (simultaneous) and t-test (partial) can be concluded that the simultaneous variables liquidity (*quick ratio*), capital (CAR), and efficiency (OER) have a significant impact on profitability (ROA). While in partially liqudity (*quick ratio*) has a positive and negative, and significant on two different samples, capital (CAR) has a significant positive effect on profitability (ROA), and efficiency (OER) has a significant positive effect on profitability (ROA).

Factors that affect liquidity (*quick ratio*) of the results of significance simultaneously test and partial test drawn the conclusion that the variable capital (CAR), Non-Performing Financing (NPF), and efficiency (OER) simultaneously have a significant effect on liquidity (*quick ratio*). While partially capital (CAR) has a significant positive effect on the liquidity (*quick ratio*), non-performing financing (NPF) has no significant effect on liquidity (*quick ratio*), and efficiency (OER) has a positive and significant effect on the liquidity (*quick ratio*).

From the conclusion of the regression analysis it can be concluded broadly that profitability and liquidity is an important factor in the survival of the bank. Liquidity and profitability can influence each other in certain circumstances. Capital and efficiency is directly proportional to profitability, meaning that if the capital good and high efficiency will have a positive impact on the profitability of banks. In addition to capital, and the efficiency is also a positive effect on liquidity.

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