The Effect of Third Party Fund (TPF), Capital adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), and Non-Performing Financing (NPF) on Profitability in Islamic Commercial Banks in Indonesia, With Financing as an Intervening Variable.

Ulfa Noviana[1], A Sakir[2], Mirza Tabrani[3], M. Rizal Yahya[4] Muslim A. Djalil[5*]

[1]Master of Management Program, Faculty of Economics and Business,Universitas Syiah Kuala.
[2,3,4,5*] Faculty of Economics and Business, Universitas Syiah Kuala
[5*]Corresponding Author: muslimadjalil@usk.ac.id

Abstract: Return on assets (ROA) is a financial measurement that quantifies the bank management's capacity to generate income or profit as a whole. The variation in ROA levels can be attributed to the effectiveness of bank management in asset management. There is a direct relationship between the level of ROA and the efficiency of a bank's operations. A higher ROA indicates greater efficiency, whereas a lower ROA suggests lower efficiency. The variability in ROA cannot be isolated from many factors that exert an influence on it, including internal characteristics specific to the bank. The objective of this study is to examine the impact of Third Party Fund (TPF), Capital Adequacy Ratio (CAR), Performing Financing (NPF), and Financing to Deposit Ratio (FDR) on Return On Asset (ROA) with financing acting as a mediator. The employed approach is a quantitative model, with a sample size consisting of 7 Islamic Commercial Banks in Indonesia. This study used a panel data regression model, which combines both time series and cross-sectional data. This study encompasses a total of 13 theories. The research findings suggest that the factors of TPF (Total Productive Financing), NPF (Net Profit Financing), and financing have a statistically significant impact on ROA (Return on Assets). Similarly, both FDR and finance variables exert a substantial influence on financing. However, the results of the indirect effect hypothesis indicate that there is only partial mediation in the relationship between TPF, FDR, and NPF on ROA, with funding acting as a mediating variable.

Keywords: *Return on Assets (ROA), Total Profitability Factor (TPF), Capital Adequacy Ratio (CAR), Financial Distress Risk (FDR), Non-Performing Financing (NPF), Financing and Islamic Bank*

I.   INTRODUCTION

The development of Islamic banking in Indonesia is experiencing significant growth. In 2021, the government achieved a significant milestone by establishing PT Bank Syariah Indonesia (BSI) by the merger of Bank BRI Syariah, Bank SyariahMandiri, and Bank BNI Syariah. This policy was established with the intention of encouraging and developing the implementation of Sharia principles in transactions. This increase is supported by Indonesia, which has the distinction of having the largest Muslim population in the world. There is a demand for attracting more customers to the unique financial products and investments offered by Islamic banks, which differ from those offered by conventional banks.Banks need to maintain a high level of profitability in order to be considered successful. By achieving high profitability, banks may increase public confidence and attract more cash to be deposited in their institution. Profitability, as defined by Ridwan et al. (2021), refers to the ability of a corporation to generate profit through its sales, capital, and assets over a specific period of time. One can infer that the profitability of a bank can be assessed using several methods depending on its profits, assets, and capital, which are compared to each other.

One of the variables that are believed to impact profitability is Third Party Fund (TPF). Financial statistics contained in the annual published financial statements of Islamic commercial banks include aspects of capital, productive assets, profitability, and liquidity. The capital aspect includes the Minimum Capital Adequacy Ratio (CAR), the productive asset aspect includes Non-Performing Financing (NPF), the profitability aspect includes Return On Asset, and the liquidity aspect includes the Financing to Deposit Ratio (FDR) and Financing as an intervening variable.

This study focused on analyzing Islamic Commercial Banks in Indonesia for the period from 2014 to 2023. The rise of profitability (ROA), TPF, CAR, NPF, FDR, and financing at Islamic Commercial Banks in Indonesia during the period may be seen in table 1 below.

Table 1:

Conditions of Profitability (ROA), TPF, CAR, NPF, FDR and Financing
at Syariah Commercial Banks (2014-2021)

Year	ROA	Financing	TPF	CAR	NPF	FDR
2014	0,41	147,944	170.723	15,74	4,96	86,66
2015	0,49	153,968	174.895	15,02	4,84	88,03
2016	0.63	177,482	206.407	16,63	4,42	85,99
2017	0,63	189,789	238.393	17,91	4,77	79,65
2018	1,28	202,298	257.606	20,39	3,26	78,53
2019	1,73	225.146	288.978	20,59	3,23	77,91
2020	1,40	246.532	322.853	21,64	3,13	76,36
2021	1,55	256. 219	365.421	25,71	2,59	70,12
2022	2.00	322.599	429.029	26.28	2.35	75.19
2023	1.88	368.376	465.932	25.41	2.10	79.06

Source: www.ojk.go.id (Islamic Banking Statistics), 2023

Empirically, based on the table 1 above, it appears that the financial ratios fluctuate from year to year. The relationship between ROA and the other factors that influence it, such as Disbursed Financing, Third Party Fund (TPF), CAR, NPF, and FDR, is inconsistent. It is evident that the Third Party Fund (TPF) increased from 206,407 in 2016 to 238,393 in 2017. However, the return on assets (ROA) did not experience an increase, as the mover maintained the same level as the previous year, with a percentage of 0.63%. Nuha and Indriani (2016) assert that banks should be capable of conducting activities on a larger scale because they have access to larger funds. Therefore, the ROA obtained will also increase as the third-party funds collected increase, as the bank has numerous sources of funds to channel in order to conduct its business activities and generate a profit. In 2015, the same phenomenon occurred: CAR decreased to 15.02%, despite an increase in ROA to 0.49%. We can observe that this is in direct opposition to their theory, which asserts that CAR has a beneficial impact on ROA. Derndawijaya (2015) posits that the CAR is a ratio that indicates the extent to which all bank assets that contain risk (such as loans, investments, securities, and bills to other banks) are financed from the bank's own capital funds. Consequently, a bank with a high CAR value is better able to finance operational activities and make a substantial contribution to profitability. Therefore, if CAR increments, an increment in ROA should follow. Meanwhile, CAR is also not in accordance with financing, as financing increased to 153,968 during the period in which CAR decreased by 15.02% in 2015. According to Derndawijaya (2015), a bank that has a high CAR value is more capable of financing operational activities and making a substantial contribution to profitability. Additionally, banking's largest activity is financing. Therefore, the higher the CAR value, the more favorable the financing channel offered by the bank. Conversely, the decrease in CAR value indirectly affects financing.

It was also discovered that there were fluctuations in the level of non-performing financing as indicated by the NPF ratio. For example, the ROA ratio remained consistent at 0.63% in 2017, despite the fact that the NPF increased to 4.77%. Then, when NPF increased to 3.13% in 2020, ROA actually decreased, specifically to 1.40%. NPF is a detrimental construct; therefore, if NPF increases, ROA decreases, and vice versa. This is in direct opposition to the theory that the NPF ratio has a negative impact on ROA. NPF is positively correlated with financing; however, it is worth noting that in 2017, the NPF increased to 4.77 from the previous year. This was followed by a rise in financing channels provided by Islamic institutions, which amounted to $199,000 in 2017. Based on one of the fundamental principles of the bank, specifically the principle of prudential consideration, the high NPF will induce greater prudence from the bank in the process of financing, thereby reducing the potential risks and increasing public confidence in the bank, as financing is one of the assets that contains risk.

When the FDR ratio reached 78.53% in 2018, the ROA ratio actually increased by 1.28%. We can conclude that when the FDR ratio decreases, ROA should also decrease; however, the opposite is true. Consequently, this phenomenon indicates that FDR has a negative impact on ROA. Whereas the previous theory posits that FDR has a more positive impact on ROA. FDR is also not in accordance with financing when From 2016 to 2021, the FDR has decreased sequentially, with

values of 85.99 (2016), 79.65 (2017), 78.53 (2018), 77.91 (2016), 76.36 (2020), and 70.12 (2021). In the subsequent years, financing has also increased significantly from 2016 to 2021, specifically by 177,482 (2016), 189,789 (2017), 202,298 (2018), 225,146 (2019), 246,532 (2020), and 256,219 (2021). The financing channel to their community is influenced by FDR. The greater the FDR, the more favorable the impact on financing.

Additionally, the financing channel increased, as evidenced by the fact that it rose to 189,789 in 2017. However, the ROA ratio did not increase, as the move remained consistent with the previous year, remaining at 0.63%. In 2020, the financing channel increased to 246,532, resulting in a decrease in the ROA value, specifically to 1.40%. In Islamic banks, the term "financing and profit sharing" is used to refer to the source of the majority of the bank's income, which is earned from interest income and capital gains, as per Kuncoro (2011). Consequently, the greater the quantity of financing provided by the bank, the greater the ROA it achieves.

Based on the gap phenomenon mentioned above, it can be inferred that not all empirical evidence is consistent with existing theory. This is further supported by research voids in previous studies, such as the research conducted by Ridwan et al. (2021), which demonstrated that third-party funds have no effect on ROA. Conversely, the research conducted by Ardherta&Sina (2020) demonstrated that TPF has a positive effect on ROA profitability. This implies that the bank places its funds in productive assets such as bonds due to the increase in the quantity of third-party funds, which is the primary source of funds in the bank. Deposits in the form of credit will generate interest income for banks, which will affect their profitability. The subsequent research conducted by Sertiawan&Indriani (2016) concluded that TPF has no significant impact on financing. Conversely, the research conducted by Ridwan et al. (2021) demonstrated that TPF has a substantial positive impact on financing.

Additionally, according to Suberkti and Wardana's (2022) research, CAR has a negative impact on ROA, whereas Ardherta and Sina's (2020) research indicates that CAR has a considerable positive impact on ROA. This is due to the fact that capital is one of the critical factors in the development of businesses and the mitigation of their risk of loss. The greater the CAR, the more robust the bank's capacity to bear the risk of error and productive assert. Therefore, it can be concluded that the capacity of a bank to bear risks that may develop from any learning or productive assertions that can pose a risk is significantly influenced. Additionally, regarding the impact of CAR on financing, Bakti (2017) conducted research that indicates that CAR has no significant impact on financing, whereas Kusmyati's research (2019) indicates that CAR has a significant positive impact on financing.Furthermore, the impact of NPF on ROA yields inconsistent outcomes. Research conducted by Apriyanti, et al. (2021) indicates that NPF does not have a substantial impact on ROA. However, research conducted by Ridwan et al. (2021) indicates that NPF has a substantial positive impact on ROA. The impact of NPF on financing is not significant, as evidenced by the research conducted by Ridwan et al. (2021). This suggests that an increase or decrease in Non-Performing Financing (NPF) has no effect on financing. This is due to the fact that if the NPF is relatively high, stakeholders will actively assist in increasing capital to prevent any impact on the financing channel. However, Tanjung's research (2018) demonstrates that NPF has a substantial negative impact on financing. This increase in NPF is the result of an increase in non-performing financing. Consequently, Islamic institutions are cautious in issuing financing to reduce the incidence of non-performing financing.

Then, research was conducted on the effect of FDR on ROA. Such as the research conducted by Trisningtyas and Mutaherr (2015), which demonstrates that FDR has no significant effect on ROA. This can be attributed to banks' inability to maintain their fund allocation channel, which can result in problematic financing or a high volume of financing that fails, thereby impeding their ability to achieve profitability. Meanwhile, Marisya's research (2019) demonstrates that FDR has a substantial and positive impact on ROA. Then, the effect of FDR on financing is examined. Tanjung (2018) conducted research that indicates that FDR has a positive effect on financing, while Perrmataningayu&Mahdaria (2019) conducted research that indicates that FDR has no effect on financing.

Research on the impact of financing on profitability reveals discrepancies. Ridwan et al. (2021) found that financing has no direct effect on profitability, whereas Nuha (2016) found that financing has a significant positive impact on profitability.

Examining the dynamics of third-party funds, financial ratios, and financing as influencing variables that are uncertain over a seven-year period (2014–2023) In addition to the aforementioned research gap phenomenon, it is imperative to propose additional research to investigate the impact of third-party funds, capital adequacy ratio, financing-to-deposit ratio, and nonperforming financing on profitability (ROA) by incorporating financing as a mercenary in Islamic commercial banks. The research model that will be examined in the figure 1 below is as follows:
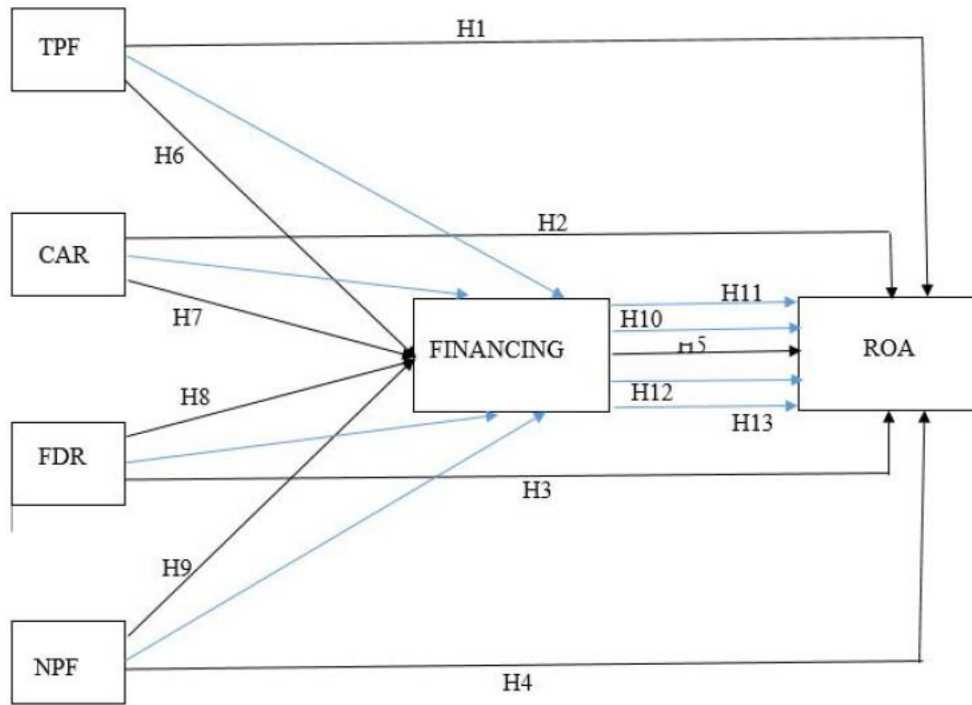
Figure 1. Research Framework.

II. LITERATURE REVIEW

Profitability

Profitability refers to the bank's capacity to generate profits or engage in business activities that generate earnings, ensuring the long-term viability of the enterprise. In business, profit is derived from every operational activity of the organization, including investment activities, assets, and equity (Anggriani and Muniarty, 2020).

Return on Asset (ROA)

This research examines the Return on Assets (ROA) as a measure of Bank Syraih's profitability performance. Return on assets (ROA) is a financial measurement that measures the ability of bank management to generate overall profits (Amalia and Nugraha, 2021). Husna and Satria (2019) state that Return on Assets (ROA) can be calculated by comparing net income with total assets.

$$ROA = \frac{NetIncome}{TotalAset} X\ 100\%$$

Third Party Fund (TPF)

TPF (Third Party monies) refer to monies collected from the public or sourced from public deposits, which make them the primary source of finance for operational activities in banking (Anggerni and Novianty, 2021). The computation of TPF itself can be determined using the following method:

$$TPF = Saving + CurrentAcc + TimeDeposit$$

Capital Adequacy Ratio (CAR)

CAR, or Capital Adequacy Ratio, is a measure that indicates the proportion of a bank's total assets that are funded by its own capital and used to cover potential risks. To assess the adequacy of bank capital, namely by comparing the amount of capital held by the bank with the level of Risk-Weighted Assets (RWA) (Derndawijaya, 2015).

$$CAR = \frac{BankCapital}{RiskWeightedAsset} x100\%$$

The Financing to Deposit Ratio (FDR)
The Financing to Deposit Ratio measures the extent to which a bank can meet its obligations to customers, namely in repaying the money withdrawn by customers as a source of liquidity (Pratiwi& Nabila, 2022). The following calculating formula seeks the Financing to Deposit Ratio (FDR):

$$FDR = \frac{TotalFinancing}{TotalThirdPartyFund} x 100\%$$

Non-Performing Financing (NPF)
Non-performing finance refers to the potential losses that may emerge from the allocation of cash by banks. This distribution is a type of financing provided by banks to customers that request loans. However, customers are unable to make payments or loan installments that should be made according to their agreement between the bank and the customer. This failure to carry out payments on time results in non-performing financing or risks that the bank must confront.

$$NPF = \frac{BadFinancing}{TotalFinancing} x 100\%$$

Financing.
Financing refers to the provision of loan funding by a financial institution, such as a bank, to other parties in need of financial support. Wherever there are two or more parties, there is an agreement regarding the return of money or bills that are required from the financed party. This can also take the form of rewards or profit sharing after a predetermined period of time (source: https://www.ojk.go.id/waspada-inverstasi/id/rergulasi/Documernts/UU_No_21_Tahun_2008_Perrbankan_Syariah.pdf, 2023).

III.   RESEARCH METHOD

Population and Sample
The population under investigation consists of an Islamic Commercial Bank that has been registered with the Financial Services Authority (OJK) from 2014 to 2023. Seven Islamic Commercial Banks were selected using purposive selection method for the purpose of testing.

Data Collection Technique
The data included in this research is derived from secondary sources. The source of this research is data obtained from yearly financial reports published by Islamic Commercial Banks on their respective official websites. Data will be organized in annual periods from 2014 to 2023.

Analytical Method
This study utilizes a statistical data processing tool called EViews. The methods used are descriptive statistics, panel data regression tests, classical assumption tests, t statistical tests, and the coefficient of determination R^2.

IV.   RESULTS AND DISCUSSIONS

The results of hypothesis testing on two structural variables with panel data regression may be seen in the following table 2:

Structural I:

Table .2
Results of t Test (Financing)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.627264	0.057198	-80.89910	0.0000
TPF	0.999685	0.000805	124.211	0.0000
CAR	-0.003235	0.004953	-0.653165	0.5160
FDR	1.009067	0.009423	107.0896	0.0000

Source: Output of Data Procesing (2024)

Based on the table 2 above, we can determine that the t-statistic of TPF is 124.211 and the corresponding probability value is 0.0000. Therefore, the t-statistic (124.211) is more than the t-table value (1.997138) and the corresponding probability value. (0.0000) < (0.05), if the p-value is less than 0.05, then the null hypothesis (Ho) is rejected and the alternative hypothesis (Ha) is accepted. This indicates that the TPF variable has a statistically significant positive effect on the financing variable at Islamic commercial banks.

We can determine that the t-statistic for CAR is -0.653165, with a corresponding probability value of 0.9300. This indicates that the calculated t-statistic (-0.653165) is less than the critical t-value (1.997138), and the probability is more than the significance level. If the p-value (0.5160) is greater than the significance level (0.05), then the null hypothesis is accepted and the alternative hypothesis is rejected. This implies that the CAR variable does not have a significant effect on the Islamic commercial bank funding variable.

We can determine the t-statistic of the false discovery rate (FDR) to be 107.0896, with a probability value of 0.0000. This means that the calculated t-statistic (107.0896) is more than the tabulated t-value (1.997138), indicating a significant result. If the result (0.0000) is less than (0.05), then the null hypothesis is rejected and the alternative hypothesis is accepted. This means that the FDR variable has a substantial effect on the financing variable at Islamic commercial banks.

We can determine the NPF t-statistic, which is -0.038028, and its corresponding probability value, which is 0.7462. This means that the calculated t-statistic (0.038028) is less than the tabulated t-value (1.997138), and the probability is also less than the given threshold. If the p-value (0.9698) is greater than the significance level (0.05), then the null hypothesis is accepted and the alternative hypothesis is rejected. This means that there is no significant effect of the NPF variable on the Islamic commercial bank financing variable. Meanwhile the outcome of R2 can be seen on the following table 3 as follows:

Table 3
R² Test Results

R-squared	0.922717
Adjusted R-squared	0.917961

Source: Output of Data Procesing (2024)

In table 3 above it shows that the R2 value of 0.922 which indicates that theeffect of theindependentvariables (TPF, CAR, FDR and NPF) on Financing is 92.2% while theremaining 7.8% is explained by other factors outsidethepanel data regressionmodelstudied.

Sub-structural II:

Table 4
The result of t test (ROA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.294528	0.644726	0.456826	0.6495
TPF	1.09E-13	3.79E-14	2.871251	0.0057
CAR	0.001973	0.004099	0.481370	0.6321
FDR	0.005932	0.005035	1.178051	0.2436
NPF	-0.400230	0.024401	-16.40190	0.0000
Financing	5.22E-14	2.23E-14	2.344067	0.0225

Source: Output of Data Procesing (2024)

Based on the table 4 above, we can determine that the t-statistic for TPF is 2.871251 and the corresponding probability value is 0.0057. This indicates that the t-statistic (2.871251) is more than the t-table value (1.997730), and the probability is significant. If the p-value (0.0057) is less than the significance level (0.05), then the null hypothesis is rejected and the alternative hypothesis is accepted. This implies that the TPF variable has a statistically significant positive effect on the financing variable at Islamic commercial banks.We can determine that the CAR t-statistic is 0.481370 and the corresponding probability value is 0.6321. This indicates that the t-statistic (0.481370) is less than the t-table value (1.997730), and the probability is also lower. If the result (0.6321) is greater than the significance level (0.05), then the null hypothesis (Ho) is accepted and the alternative hypothesis (Ha) is rejected. This indicates that the CAR variable does not have a significant effect on the ROA variable of Islamic Commercial Banks.

We also can determine that the t-statistic for FDR is 1.178051 and the corresponding probability value is 0.2436. This indicates that the t-statistic (1.178051) is less than the critical t-value (1.997730), and the probability is also less than the significance level. If the p-value (0.2436) is greater than the significance level (0.05), then the null hypothesis is accepted and the alternative hypothesis is rejected. This implies that the FDR variable does not have a significant effect on the Islamic Commercial Bank ROA variable.

Similarly, we can determine the NPF t-statistic to be -5.690226 with a probability value of 0.000. This indicates that the calculated t-statistic (5.690226) is more than the t-table value (1.997730), and the likelihood is very low. If the p-value (0.000) is less than the significance level (0.05), then the null hypothesis is rejected and the alternative hypothesis is accepted. This implies that the NPF variable has a significant effect on the ROA variable at Islamic Commercial Banks. In addition, We can also calculated the financing t-statistic to be 2.344067 with a probability value of 0.0225. This indicates that the calculated t-statistic (2.344067) is more than the tabulated t-statistic (1.997730), and the likelihood is significant. If the result (0.0225) is less than (0.05), then the null hypothesis is rejected and the alternative hypothesis is accepted. This implies that the Financing variable has a substantial effect on the ROA variable at Islamic Commercial Banks.

Table 5
R² Test Results

R-squared	0.981069
Adjusted R-squared	0.977478

Source: Data processed (2024)

Table 5 above displays the R2 value of 0.981, indicating that the independent variables (TPF, CAR, FDR, NPF, and Financing) collectively account for 98.1% of the variation in ROA. The remaining 1.9% is attributed to additional factors not included in the panel data regression model studied.

Results of the Sobel test
The results of testing the mediation hypothesis by doing the sober test are as follows:
Examining the outcomes of mediation of TPF variables mediated by funding variables on ROA. Based on the results obtained from the computation of the soberl test (attachment 1), it is evident that the t-statistic value is 2.340, with a corresponding p-value of 0.0194. Based on the t-statistic value of 2.340, it can be concluded that it is greater than the t-table value of 1.996. Additionally, the p-value of 0.019 is less than the significance level α of 0.05. Based on the results of these calculations, it may be inferred that it has a substantial influence and is included in partial mediation. According to a study conducted by Rais et al. (2023), it was found that finance mediates the effect of TPF variables on profitability. In the banking industry, the availability of substantial financing is directly attributed to the large amount of deposits owned or collected by the bank. This, in turn, has a significant impact on increasing profitability.
Furthermore, examining the outcomes of mediation of CAR variables mediated by funding variables on ROA. Based on the results obtained from the computation of the soberl test (attachment 2), it is evident that the t-statistic value is 0.629, and the corresponding p-value is 0.529. It can be concluded that the t-statistic value (0.629) is less than the t-table value (1.996), and the p-value (0.529) is more than the significance level α (0.05). Based on the results of these calculations, it can be interpreted that it does not have a substantial effect. According to a study conducted by Almunawaroh and Marlina (2018), banks are unable to utilize capital to mitigate the risk associated with financing in the banking sector. Banks with larger capital but ineffective capital utilization, specifically in terms of directing financing to individuals in need of capital for both consumption and productive investments in order to generate profits, will not experience a significant impact on bank profitability. Due to the Islamic banks' endeavors to uphold the sufficiency of their bank capital, it is challenging to allocate their funds for financing purposes as it can entail significant risk. Additionally, supported by the findings of research conducted by Sertiawan and Indriani (2016), it is explained that a higher Capital Adequacy Ratio (CAR) in Islamic banking does not serve as a benchmark for achieving profitability (Return on Assets, ROA). In fact, banks with high CAR but idle capital can actually lead to a decrease in the bank's profitability.

In addition, examining the effects of mediating FDR variables mediated by finance variables on ROA. Based on the calculations conducted (see attachment 3), it is evident that the t-statistic obtained was 2.0154, with a corresponding p-value of 0.043. It may be concluded that the t-statistic value (2.0154) is greater than the t-table value (1.996), and the p-value (0.043) is less than the significance level α (0.05). Based on the results of these calculations, it can be inferred that it has a substantial influence and is included in complete mediation. Consistent with the existing theory that higher levels of FDR values correspond to greater financing channeled to customers. If the FDR (Financial Distress Risk) is higher, the bank's potential for making a profit is also larger. Consequently, the bank will be more inclined to allocate funding in the subsequent year. This is supported by research conducted by Munandar (2009) and Yunita (2014), which resulted in a favorable and significant effect on finance.

Examining the effects of mediation of NPF variables mediated by funding variables on ROA. Based on the calculations conducted (see attachment 4), it is evident that the t-statistic value is 2.340, and the corresponding p-value is 0.019. Based on the t-statistic value of 2.340, it can be concluded that it is greater than the critical t-value of 1.996. Additionally, the p-value of 0.019 is less than the significance level α of 0.05. Based on the outcomes of these computations, it may be inferred that it has a substantial influence and is included in partial mediation. The findings of this study are supported by the research conducted by Ridwan et al. (2021), which demonstrates that when the NPF ratio increases, the bank is faced with a higher level of non-performing financing. The bank will experience losses since

it will not generate a profit from its financing activities. Therefore, in the subsequent period, the bank will be more cautious and inclined to decrease lending in order to mitigate the risk of non-performing financing that may recur in the next period. Therefore, negative net profit figures in the previous period have a detrimental effect on bank funding. The starting value of NPF is quite high, resulting in a decrease in the amount of financing paid. This will also affect the profitability of the bank, which will also decrease. This is further supported by the findings of Rais et al. (2023), which indicate that NPF has a negative impact on profitability, mediated by finance.

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. There is a significant influence on the variables of TPF (Total Profit Financing), NPF (Non-Performing Financing), and Financing on Profitability (ROA - Return on Assets) at Islamic Commercial Banks in Indonesia.
2. There is no significant of CAR and FDR variables on Profitability (ROA) at Islamic Commercial Banks in Indonesia.
3. There is a significant influence of the TPF (Third Party Funds) and FDR (Financing to Deposit Ratio) variables on financing at Islamic Commercial Banks in Indonesia.
4. There is no substantial effect on the CAR (Capital Adequacy Ratio) and NPF (Non-Performing Financing) variables on Islamic Commercial Bank Financing in Indonesia.
5. In the indirect effect hypothesis, the financing partly *mediates* variables of TPF and NPF and have the ability to influence the ROA variable at Islamic Commercial Banks in Indonesia.
6. Financing*fully mediates* FDR variableand it is not able to influencetheROA variable at Islamic Commercial Banks in Indonesia.
7. Financing cannot mediatetheeffect of CAR on ROA.

Recommendations

1. Based on the findings of the research conducted, it is anticipated that Islamic Commercial Banks in Indonesia will be able to enhance their financial performance, particularly in terms of profitability. By effectively channeling and utilizing third-party funds through profitable financing, the banking sector can enhance its overall profitability.
2. Islamic banking is expected to increase their CAR (Capital Adequacy Ratio) in order to maximize their available capital and enhance bank profitability.
3. Islamic Banking is recommended to reduce the Non-Performing Financing (NPF) ratio in problematic financing and increase the funding-to-Deposit Ratio (FDR) in channeling funding more effectively, hence maximizing profitability.
4. Enhanced proficiency in managing financial performance to optimize bank earnings.
5. The collection and distribution of funds should prioritize stability in order to maximize earnings at the bank.

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ATTACHMENTS

Attachment 1

Input:		Test statistic:	Std. Error:	p-value:
a	1.009	Sobel test: 2.01508884	2.61377061	0.04389534
b	5.22	Aroian test: 2.01500143	2.613884	0.0439045
s_a	0.0094	Goodman test: 2.01517626	2.61365723	0.04388618
s_b	2.59	Reset all	Calculate	

Attachment 2

Input:		Test statistic:	Std. Error:	p-value:
a	-2.43	Sobel test: -2.34080673	5.41890103	0.01924213
b	5.22	Aroian test: -2.34080665	5.41890122	0.01924213
s_a	0.00064	Goodman test: -2.34080681	5.41890084	0.01924212
s_b	2.23	Reset all	Calculate	

Attachment 3

Input:		Test statistic:	Std. Error:	p-value:
a -0.0032	Sobel test:	-0.62903918	0.02655478	0.52932341
b 5.22	Aroian test:	-0.58171522	0.02871508	0.56075852
s_a 0.0049	Goodman test:	-0.69017885	0.02420242	0.49008172
s_b 2.23	Reset all		Calculate	

Attachment 4

Input:		Test statistic:	Std. Error:	p-value:
a 0.99	Sobel test:	2.34080299	2.20770395	0.01924232
b 5.22	Aroian test:	2.34080222	2.20770467	0.01924236
s_a 0.0008	Goodman test:	2.34080375	2.20770323	0.01924228
s_b 2.23	Reset all		Calculate	