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ANALYSIS OF INDONESIAN SHARIA BANKING PERFORMANCE DURING THE COVID-19 PANDEMIC (PANZAR-ROSSE APPROACH)

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Abstract

The purpose of this study was to determine the effect of the Industrial Production Index, Inflation, Third Party Funds, and Measures on the Performance of Islamic Banking in Indonesia and to see the level of competition in Islamic banking during the pandemic. Researchers use a profitability indicator to measure banking performance, namely Return On Assets (ROA). The method in this study uses the scope of this study using a sample of 12 banks registered with the Financial Services Authority (OJK). The data used in this study is monthly data for the period January 2019 to December 2021. In this study, the Auto Regressive Distributed Lag (ARDL) analysis was used. ARDL estimation to obtain short-term and long-term effects. The results showed that the Industrial Production Index variable had a significant negative effect on Return on Assets, the inflation variable had an insignificant effect on Return on Assets, the third-party funds variable had a significant positive effect on Return on Assets, the third-party funds variable had a significant positive effect on Return on Assets, variable third party funds have a significant positive effect on Return on Assets Return on Assets, variable size has a significant positive effect on Return on Assets.

Keywords*:* Industrial Production Index, Inflation, Third-Party funds, Return on Assets

INTRODUCTION

In the current era of globalization, the development of the banking industry is very rapid. The banking industry has a strategic role because it acts as a facilitator, namely a financial intermediary, where banks can mobilize public money placed in banks and divert it as financing and provide banking services. The development of the Sharia banking industry also followed the development of the banking industry.

The development of Sharia finance in Indonesia began in the late 1980s when the first Sharia bank, Bank Muamalat Indonesia, was established in Indonesia in 1992. However, the development of sharia finance in Indonesia at that time was prolonged (Ghozali et al., 2019). The 1997 economic crisis brought good things to the development of the Indonesian Sharia economy because while conventional banks experienced negative differences, Bank Muamalat survived the economic crisis. This raises public confidence in the existence of Sharia financial institutions in Indonesia. This resulted in Law No. 10 of 1998 concerning Banking, which regulates sharia banking in the national banking system (Syamsuri et al., 2021).

Table 1
Sharia Banking Institutional Development

Bank Group	Year			
	2018	2019	2020	2021
BUS	14	14	14	12
UUS	20	20	20	21
SRB	167	164	163	164

Source : (Financial Services Authority, 2021)

The development of sharia banking in Indonesia from year to year is quite rapid, despite experiencing a slowdown in economic growth caused by weakening world economic conditions. Slowing economic growth also affects the growth rate of Sharia banking. Total Sharia Commercial Bank Assets were recorded at IDR 316.691 trillion in 2021 or an increase compared to the previous year's growth. The growth rate of sharia banking assets remains

higher than the growth of banking assets nationally, so that the overall share of Sharia banking in the national banking industry increased from 6.51% to 6.56% (OJK, 2021).

In 2019 the world was shocked by a deadly virus, namely the corona virus, from Wuhan, a city in the People's Republic of China. Not only in the PRC, this virus has also spread to more than 180 countries in the world as of March 2020. The World Health Organization (WHO) finally announced global pandemic status on March 11 2020. In Indonesia, the first case of Covid-19 was reported on March 2 2020 who was confirmed positive for Covid-19. Policies began to emerge as a response to the Covid-19 pandemic, starting with the implementation of Work From Home (WFH) in the form of efforts required and implemented by the world to prevent the spread of Covid-19 (Gunawan, 2020). Physical distancing and Large-Scale Social Restrictions (PSBB), but unfortunately this step has the consequence of an overall decline in all economic activity.

Company activities have slowed down due to the impact of the corona virus which has made things abnormal. Various regulations have been implemented to prevent this virus outbreak from spreading further and affecting economic activities, and this virus outbreak has an impact on the banking industry (Livana et al., 2020). The virus also caused a slowdown in the development of sharia banking. Many sharia banking financing customers suffer losses so that customers have difficulty fulfilling their financial payment obligations. The large number of customers meeting their needs while at home resulted in third party funds being affected and many customers withdrawing their funds. In these conditions, Islamic banks must provide services that are different from normal conditions (Trimulato et al., 2020). To overcome the impact caused by the COVID-19 pandemic, the government responded with various steps, including issuing Financial Services Authority Regulation Number 11 /POJK.03/2020 concerning National Economic Stimulus as Countercyclical. Political. Regarding the impact of the spread of the corona virus in 2019, including credit restructuring/financing (OJK, 2021).

Based on Bank Indonesia Regulation No. 13/1/PBI/2011 concerning assessing the solvency level of commercial banks, bank performance is a factor in assessing bank stability, along with risk factors. In PBI, bank performance consists of three elements, namely the implementation of good governance, profitability and capital. According to previous

research, in general bank performance is proxied using profitability indicators, namely return on assets (ROA) (Wahasusmiah & Watie, 2019).

Return on Assets (ROA), which is a ratio that measures the ability of bank management to manage the assets it owns to generate various income. Return on assets shows the bank's ability to generate profits on its assets, the higher this ratio indicates that the bank is in good condition. Return on assets (ROA) was chosen as a measure of a bank's financial performance, because the higher the ROA, the higher the company's profitability (Saputra, 2020). Bank performance measures are usually measured by the ROA indicator. ROA is the company's effectiveness in generating profits by utilizing the assets owned by the company.

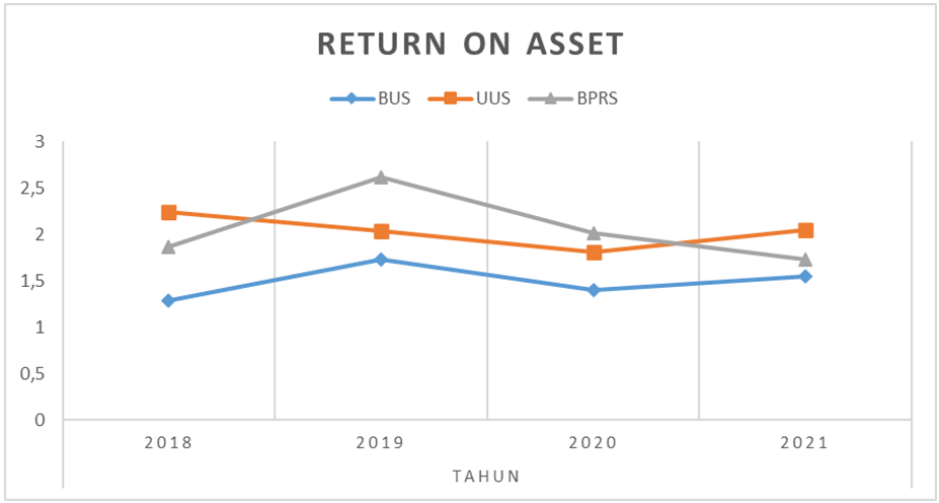


Figure 1
ROA

The bank's own performance complies by Hamida et al., (2018) can be influenced by two factors, namely internal factors and external factors. Internal factors are the competitiveness of banks, so that one bank and another bank have different characteristics. Meanwhile, external factors are general macro conditions. External factors, namely macroeconomic conditions, have characteristics that fluctuate easily and are difficult to predict. When macroeconomic conditions are conducive, a conducive business climate will be created, thereby encouraging the growth of the banking sector. On the other hand, volatile external factors such as exchange rate instability and inflation will cause market risk and credit risk to emerge which will of course disrupt banking performance.

The level of profitability of a banking institution can be determined based on both internal and external factors of the bank in running its business. The bank's profit level determines how the bank conducts its business. A bank's ability to develop its business is determined by the bank's ability to generate large profits. Factors related to macroeconomic conditions include the Industrial Production Index and Inflation, while internal factors are third party funds and size.

Soeharjoto & Hariyanti, (2019)Inflation is a macroeconomic factor that has a negative effect on ROA, because increasing inflation will have an impact on increasing the company's production costs, thereby reducing the company's profits, which in extreme conditions can cause the company to suffer losses, it can even close, and ultimately will make the company have liquidity problems, which will increase risk and reduce banking profitability. Based on the tests carried out by Pratama & Hakim, (2022), the inflation variable, both long and short term, is negative and insignificant to the ROA variable, this is in accordance with the research hypothesis. This means that the level of profits obtained by banks does not decrease too significantly even if inflation occurs, although otherwise.

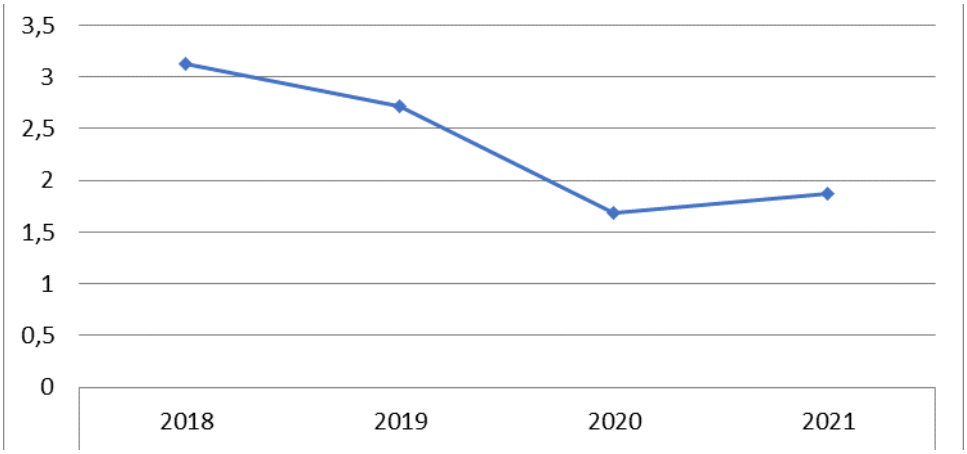


Figure 2
Inflation

The profitability of Islamic banking is closely related to the industrial production index, IPI being a measure that describes the state of a country's economic sector. Where the industrial production index reflects the level of social welfare, because if the country's GDP increases, company income will also increase. High income can increase people's income, the income received by the public can form a savings model for banks, ultimately receiving more bank capital. According to BPS 2020, the industrial production index is a value that

describes the development of manufacturing sector production in a certain period compared to the base period used. The industrial production index can be used to describe the development of industrial production during the reference period (base year = 100). If the industrial production index value for the current period, the total index is greater than 100, then the industry usually experiences an increase in this period compared to the base period.

Pratama & Hakim, (2022), based on the tests carried out, the IPI variable has a positive and significant effect on the ROA variable in the short and long term. Good GDP growth for a country indicates a stable and good economy, where this situation will encourage the level of banking profitability by getting more profits. Aviliani, (2022) who describes national income has a strong correlation with almost all bank performance indicators. The IPI variable appears to have a strong correlation with almost all bank performance indicators except NIM. In particular, LDR and ROA both have a positive and very strong relationship with the IPI and IHSG, but have a negative correlation with the BI rate and inflation. In general, the macroeconomic variables that have the strongest or weakest correlation with bank performance indicators when sorted are IPI, IHSG, BI interest rates, oil prices, inflation and exchange rates. Meanwhile, the banking performance indicators with the strongest and weakest correlation with macroeconomic variables are DPK, Credit, Profit, LDR, ROA.

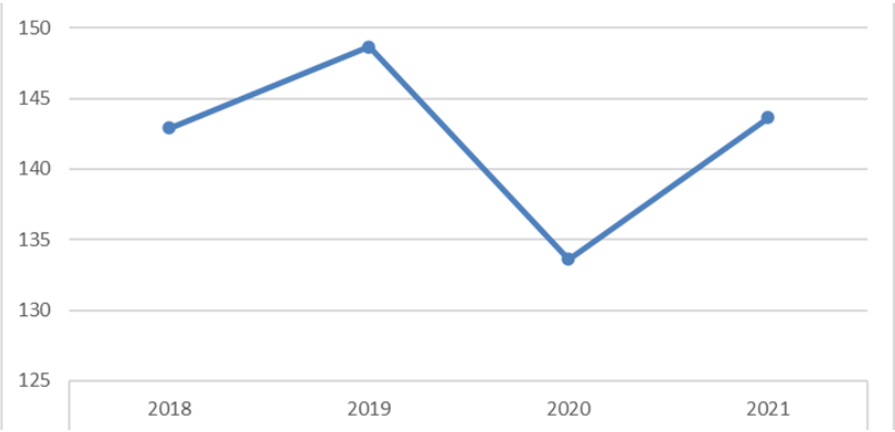


Figure 3
Industrial Production Index

The largest capital of banks is public funds. People will choose to save or invest their funds depending on the income they have; this condition will also influence the development of Third-Party Funds (DPK). Macroeconomic conditions can also influence Third Party

Funds (DPK) in sharia banking because they will influence individuals, groups and companies to make transactions. When national income conditions improve, people's income will increase, which will ultimately increase Third Party Funds (DPK) in Islamic banks (Rahman & Setiawansi, 2021).

In accordance with BI regulation no. 10/19/PBI/2008 PBI No.10/19/2008, third party funds are bank obligations to the public in rupiah and foreign currency. When profitability increases by charging valuable third-party fees. The existence of banking activities plays an important role in Indonesia's economic growth which will later influence the growth of the investment sector by collecting public funds in the form of Third-Party Funds (DPK). Third Party Funds (DPK) in the banking world consist of deposits, savings, time deposits and so on (Ningsih & Syahputra, 2020).

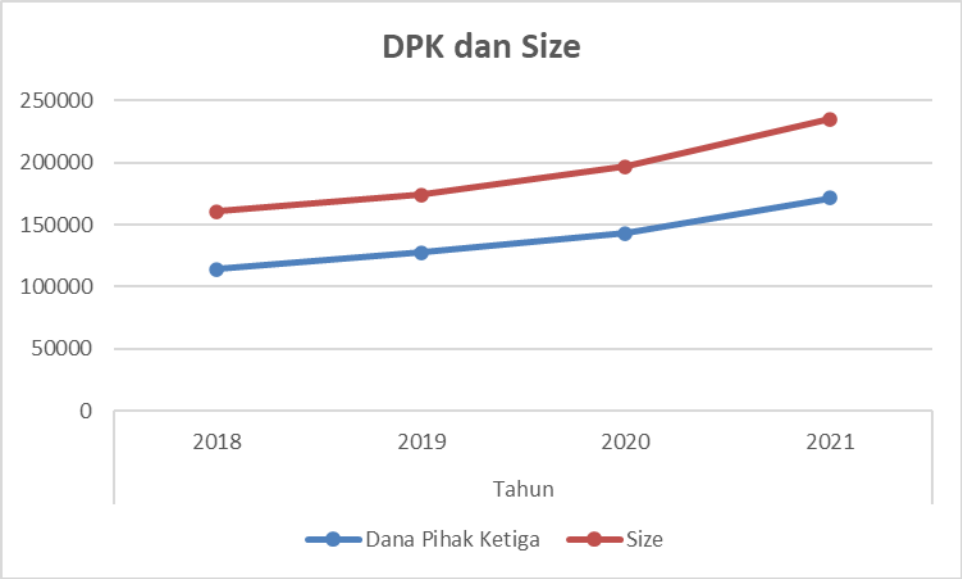
Financial activities are supported by third party funds which are one of the various resources that are useful for financial activities. The more funds available from these third parties, the more Islamic banks can offer higher financing. DPK obtained from the public can be utilized or optimized as best as possible for the operational activities of Sharia Commercial Banks and their efforts to achieve the operational profits they generate (Fitri et al., 2022)

Third Party Fund Sources (DPK) are the most important source of funds for a bank's operational activities and it is a bank's success if it is able to finance its operations from this source of funds (Astutiningsih & Baskara, 2018). The importance of funding sources from the wider community is because funding sources from the wider community are the most important source of funds for banks. Funds collected from the public are the largest source of funds that banks rely on most. Banks are tasked with providing services to the community, banks must always be in the midst of the community so that the flow of money from people who have excess funds can be channeled to parties who lack funds.

Ardheta & Sina, (2020), states that Third Party Funds have a significant positive effect on profitability. In other words, this can mean that if Third Party Funds (DPK) increase, this will also be followed by an increase in bank profitability.

This research was also carried out by Dasari & Wirman, (2020), that DPK has no effect on the profitability of BUMN Sharia Commercial Banks for the 2016-2020 period. The higher the amount of third funds collected, the higher the profits generated. The results

of this research indicate that third party funds have no effect on ROA. This occurs because there is an imbalance between the sources of funds received and the funds distributed to customers. If financing payments do not match the large amount of Third-Party Funds, the bank may experience losses and reduced profits, because the distribution of income from financing distributed to customers does not produce profits and the bank is unable to fulfill the profit distribution, namely, the costs that must be paid to depositors. One of the factors that causes an imbalance between the amount of funds obtained from third party sources and the distribution of credit or financing is public distrust of banks regarding their money management activities in banking.



Fugure 4

In this study, size is measured by total assets, where the total nominal value of Islamic bank assets consists of current assets, fixed assets and other assets. Increased assets and related improvements in operating results increase stakeholder confidence. According to Astria et al., (2017)Company size is the size of a company which can be seen from the size of its asset value, sales value and equity value. Based on Law no. 20 of 2008 concerning business size, divided into 4 categories consisting of micro, small, medium and large businesses. To classify company size, it is measured from total assets and total company income. Putri & Wahyuningsih, (2021)said that it is easier for large companies to raise capital than small companies. Due to the convenience of large companies, there is a lot of flexibility compared to small companies. Companies that have a lot of assets usually describe

the stability of the company. If the total assets are greater, the capital invested and the size of the company will also be large. This will make the money in the company circulate more and more and will then increase the company's performance. Size of assets. will be calculated using Ln from total assets.

Size is the bank's total assets managed and is usually measured in the form of total assets, total sales, or total capital. The bigger the bank is in wealth management, the more economical the bank is in managing large amounts of wealth. Company size is the size of the company which is reflected in the level of equity, sales and asset sales. A company's higher total assets may indicate that the company has reached the maturity stage, meaning the company has positive cash flow and is likely to be profitable for a relatively long period of time.

Agustia & Suryani, (2018), based on the results of research using panel data regression, the results show that company size has a positive effect on profitability. The results of this study are in line with Adawiyah & Suprihhadi, (2017) that companies that have large assets will have good abilities in managing these assets. If the total assets in the company get bigger, the capital invested and the size of the company will also get bigger, this will make more money in the company circulate and improve the company's performance. As the size of the company increases, the company has more resources and assets in the form of branch offices and Human Resources (HR) to gain profits.

Structure Conduct Performance Theory (SCP) is a model for connecting market structure with a company's market behavior and its performance. According to Coleman, (2021), competition measurements can be grouped into two; first, a structural approach that is more conventional and generally adheres to the Structure Conduct Performance (SCP) paradigm; second, the non-structural approach which takes the opposite research direction to the structural approach, where the way or behavior of a company or organization influences market conditions. There are three non-structural approach models, namely the Iwata model, the Bresnahan model, and the Panzar-Rosse (PR) model. In this research, the model used is the Panzar-Rosse model.

In the nonstructural approach introduced by Panzar and Rose in 1987, it explains the relationship between changes in input factor prices and the income earned by the firm. In the Panzar-Rosse model, it is very relevant to explain the situation in the banking industry.

Where changes in input factors are also a strategy taken by the company to improve performance (Yudaruddin, 2017).

The Panzar-Rosse model uses several independent variables for input factor prices to obtain the H-statistic value in determining the competitive market formed in an industry, while other independent variables are used in the Panzar-Rosse equation. The Panzar-Rosse approach could be used to explain the relationship between changes in input factors that occur on the performance of Islamic banking in Indonesia.

RESEARCH METHOD

The scope of this research uses a sample of 12 Sharia Commercial Banks registered with the Financial Services Authority (OJK). The data used in this research is monthly data for the period January 2019 to December 2021. The aim of this research is to determine the influence of the Industrial Production Index, Inflation, Third Party Funds and Size on Sharia Banking Performance in Indonesia and to see the level of competition in Sharia banking during the pandemic. In measuring banking performance, researchers use profitability indicators, namely Return on Assets (ROA).

In this research, Auto Regressive Distributed Lag (ARDL) analysis is used. ARDL estimates to obtain short-term and long-term effects. Apart from that, the model explains the relationship between the independent variable and the dependent variable at present and in the past. To see the effect of behavior based on input factors on the performance of sharia banking in Indonesia, the analytical model used is the Panzar-Rosse model. Where the Panzar-Rosse Model explains that a company's total income is influenced by input factors, which can be replaced by proxy values that are directly related to input factors.

RESULTS AND DISCUSSION

In this section, we will explain in more detail the analytical technique method for processing data using the Autoregressive Distributed Lag (ARDL) method and Eviews 9 as an analysis tool. By using the ARDL method, there are several stages used, such as stationarity test, estimation test, cointegration test (bound testing), Optimal Lag test, and classical assumption test. The ARDL method also functions to analyze long-term relationships and long-term effects related to effects that occur at different times.

Descriptive Analysis

Descriptive statistical analysis is a descriptive technique that provides information about the data held. Analyze this used to clarify the situation or characteristics of the data which will later be presented by measuring the mean, standard deviation, maximum and minimum. The results of the descriptive analysis are presented in Table 1.

Table 2
Statistical Descriptive Data

	X1_INDEX_ PRODUCTION_ INDUSTRY	X2_INFLATION	X3_THIRD_PARTY_FUNDS	X4_SIZE	Y_ROA
Mean	141.9758	0.173333	300624.7	365980.9	1.650556
Median	146.2150	0.120000	292221.5	354576.5	1.630000
Maximum	158,0000	0.680000	365421.0	441789.0	2.150000
Minimum	104.0200	-0.270000	256690.0	311401.0	1.320000
Std. Dev.	11.11423	0.214862	31181.95	39453.73	0.227784
Observations	36	36	36	36	36

Stationarity Test

A problem that is often found in time series is the problem of data stationarity. This problem is important considering that regression carried out in conditions that contain unit roots (not stationary) will produce spurious regression, namely conditions where the regression results show a high coefficient of determination value, and are statistically significant, but in theory there is no significant relationship. means.

Time series data is said to be stationary if the average variance and covariance are constant throughout the time period. The method that has recently been widely used by econometricians to test data stationarity is the unit root test. Testing in this research was carried out using the Philips-perron statistical test model. The unit root test results can be seen in the following table:

Variable	Philips-Perron	1% levels	5% level	10% levels
Y_ROA	-4.765267	-3.632900	-2.948404	-2.612874
X1_INDEX_PRODUCTION_INDUSTRY	-4.988093	-3.632900	-2.948404	-2.612874
X2_INFLATION	-4.288865	-3.632900	-2.948404	-2.612874
X3_THIRD_PARTY_FUNDS	-4.120425	-3.632900	-2.948404	-2.612874
X4_SIZE	-4.128897	-3.632900	-2.948404	-2.612874

The table above shows the results of the unit root test using the Phillips-Perron test statistical model. The table above shows that the Philips-Perron t-statistic value for each variable with a degree of confidence of 1%, 5%, 10% is stationary. This can be seen from the value of the Philips-Perron t-statistic for the ROA variable, industrial production index, inflation of Third-Party Funds, the size of which is larger than the Philips-Perron table. The results of the stationarity test show that all variables are stationary at the same order, namely at the first degree of integration. The data above is stationary in the first difference, so it is assumed that cointegration or a long-term relationship will occur.

ARDL Model Estimation Results

After all variables are stationary, we continue with the ARDL estimation of the Akaike Info Criterion (AIC) model. In this study using Lag 6, the following results were obtained:

Selected Model: ARDL (1, 0, 1, 2, 4)

Variables	Coefficient	Std. Error	t-Statistics	Prob.*
Y(-1)	0.768020	0.119730	6.414575	0.0000
X1	-0.000521	0.001866	-0.279342	0.7830
X2	-0.155915	0.101788	-1.531772	0.1421
X2(-1)	0.209817	0.117960	1.778708	0.0913
X3	-1.67E-05	1.02E-05	-1.640136	0.1174
X3(-1)	5.93E-07	1.41E-05	0.042136	0.9668
X3(-2)	-4.77E-05	1.46E-05	-3.263746	0.0041
X4	1.47E-05	1.11E-05	1.331794	0.1987
X4(-1)	5.31E-07	1.51E-05	0.035208	0.9723
X4(-2)	4.57E-05	1.46E-05	3.133972	0.0055
X4(-3)	-1.25E-06	4.47E-06	-0.278580	0.7836
X4(-4)	-9.69E-06	3.52E-06	-2.755348	0.0126
C	1.236097	0.453604	2.725059	0.0134

R-squared	0.899205	Mean dependent var	1.675313
Adjusted R-squared	0.835544	SD dependent var	0.228176
SE of regression	0.092533	Akaike info criterion	-1.631308
Sum squared resid	0.162683	Schwarz criterion	-1.035853
Log likelihood	39.10093	Hannan-Quinn Criter.	-1.433932
F-statistic	14.12506	Durbin-Watson stat	2.316707
Prob(F-statistic)	0.000001		

*Note: p-values and any subsequent tests do not account for model selection.

The ARDL estimation results in table 4 show that the lag length using the Akaike Info Criterion (AIC) method produces ARDL (1, 0, 1, 2, 4). The figure shows the length of

the lag, where: 1) The variable Y_Roa is in first place with the number 1 indicating a lag length of 1; 2) The industrial production index variable (X1) is in second place with the number 0 indicating a lag length of 0; 3) he inflation variable (X2) is in third place with the number 1 indicating a lag length of 1; 4) The Third-Party Funds variable (X3) is in fourth place with the number 2 indicating a lag length of 2; 5) The size variable (X4) is in fifth place with the number 4 indicating a lag length of 4.

ARDL Short Term Regression Coefficients

After seeing the existence of cointegration between the variables studied, short-term ARDL estimation was carried out. This test was carried out to determine the short-term relationship between the independent variable and the dependent variable. Short-term ARDL estimation results usually only describe imbalance conditions. The results are obtained as follows:

Cointegrating Form

Variables	Coefficient	Std. Error	t-Statistics	Prob.
D(X1)	-3391.340099	0.001866	-1817154.170184	0.0000
D(X2)	-0.155915	0.101788	-1.531772	0.1421
D(X3)	-0.000017	0.000010	-1.640136	0.1174
D(X3(-1))	0.000048	0.000015	3.263746	0.0041
D(X4)	0.000015	0.000011	1.331794	0.1987
D(X4(-1))	-0.000046	0.000015	-3.133972	0.0055
D(X4(-2))	0.000001	0.000004	0.278580	0.7836
D(X4(-3))	0.000010	0.000004	2.755348	0.0126
CointEq(-1)	-0.980439	0.119730	-8.188715	0.0000

Cointeq = Y - (-3459.0029*X1 + 0.0550*X2 -0.0001*X3 + 0.0001*X4 + 1.2608)

Based on the results of the short-term model estimation output, the result is that the variable CointEq (-1) or what is called error correction, is an error in the previous period which has a negative and significant sign. So, the ARDL ECM model in this research is valid and indicates the existence of cointegration between variables. Variable X1 (industrial production index) with lag 1 has a significant negative effect at the 5% level. Variable X2 (inflation) has a negative and insignificant effect at the 5% level, From the short-term estimation results, it can be seen that the value of ect / CointEq = -0.3628 with a probability

of 0.000, meaning that cointegration occurs in the model. a negative value of beta cointEq indicates that the model will move towards equilibrium at a rate of 36.28 percent per month.

ARDL Long-Term Regression Coefficients

After carrying out the short-term ARDL test, the next step is the long-term ARDL test. This test is used to determine the long-term relationship between the independent variable and the dependent variable. The results are obtained as follows:

Long Run Coefficients

Variables	Coefficient	Std. Error	t-Statistics	Prob.
X1	-3459.002871	422.411857	-8.188697	0.0000
X2	0.054977	0.107140	0.513136	0.6138
X3	-0.000065	0.000018	-3.571216	0.0020
X4	0.000051	0.000014	3.651852	0.0017
C	1.260760	0.508179	2.480934	0.0226

Based on the results of the long-term model estimation output, the results obtained are that the variable X1_industrial production index has a significant negative effect at the 5% level, X2_inflation has an insignificant negative effect at the 5% level, %

Interpretation of the Short-Term ARDL Model

Connection of Industrial Production Index Variable on Return on Assets

The results of the analysis show that the Industrial Production Index variable has a significant negative influence on Return on Assets. This means that the increasing industrial production index variable will have an impact on decreasing return on assets. This research is in line with research conducted by Pertiwi, (2019) which concludes that the industrial production index variable has an influence on ROA. The asset component in ROA is important as an internal source for the company in generating company profits.

Relationship between variable inflation and return on assets

The results of the analysis show that the inflation variable has a negative and insignificant effect on Return on Assets. The results of this research mean that increasing the inflation variable does not have an impact on reducing return on assets. The results

of this study reject the results of previous research conducted by Saputra, (2019) who states that inflation affects ROA.

Connection of Third-Party Fund Variables on Return on Assets

The results of the analysis show that the third-party funds variable has a significant positive influence on Return on Assets. This shows that increasing the Third-Party Fund variable has a significant influence on increasing return on assets. If Third Party Funds (DPK) are successfully collected, it is likely that the amount of ROA obtained will be greater.

Connection of Size Variable on Return on Assets

The results of the analysis show that the size variable has a significant positive influence on Return on Assets. The results of this research mean that an increase in the variable size will have a positive effect on increasing return on assets. In general, the larger the company, the greater its activities. The company's economic scale is reflected in the decrease in production costs in line with the increase in production volume. The larger the size of the company, the greater the company's operational activities, which means the higher the company's ability to generate profitability.

Interpretation of Long-Term ARDL Models

Connection of Industrial Production Index Variable on Return on Assets

The results of the analysis show that the Industrial Production Index variable has a significant negative influence on Return on Assets. This means that the increasing industrial production index variable will have an impact on decreasing return on assets. This research is in line with research conducted by Pertiwi, (2019) who concludes that the industrial production index variable has an influence on ROA. The asset component in ROA is important as an internal source for the company in generating company profits.

Relationship between Variable Inflation and Return on Assets

The results of the analysis show that the inflation variable has a negative and insignificant effect on Return on Assets. The results of this research mean that increasing the inflation variable does not have an impact on reducing return on assets. In conditions of rising inflation, the exchange rate becomes low and causes the price of goods to rise,

in addition to that, the interest costs that must be incurred by companies that have foreign debt become greater. Artiani & Utami Puspita Sari, (2019) who concludes that the inflation variable has a significant negative effect on company share prices.

Connection of Third-Party Fund Variables on Return on Assets

The results of the analysis show that the Third-Party Funds variable has a significant positive influence on Return on Assets. This shows that increasing the Third-Party Fund variable has a significant influence on increasing return on assets. Third Party Funds (DPK) are one of the factors that support increasing ROA. This can be done by holding an attractive reward program, qualified sales people and service people, attractive savings sharing and a wide and easily accessible service network, in order to attract people's interest in saving their funds. The results of this research are in line with research conducted by Hidayat & Sunarsi, (2020) who states that third party funds have a positive and significant effect on profitability (ROA).

Connection of Size Variable on Return on Assets

The results of the analysis show that the size variable has a significant positive influence on Return on Assets. The results of this research mean that an increase in the variable size will have a positive effect on increasing return on assets. Company size describes the size of a company which can be expressed in terms of total sales. Company size reflects the level of operational activity of a company. Research result by Suprapto & Enjeliana, (2021) shows that firm size has a positive effect on ROA.

CONCLUSION

Based on the results of the research and discussions that have been carried out, it is concluded that the Industrial Production Index variable has a significant negative influence on Return On Assets, the inflation variable has an insignificant negative influence on Return On Assets, the third party funds variable has a significant positive influence on Return On Assets, the third party funds variable has a significant positive influence on Return On Assets, The size variable has a significant positive influence on Return On Assets.

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