

***ANALYSIS OF THE EFFECT OF CURRENT ACCOUNT SAVING ACCOUNT, OPERATING EFFICIENCY RATIO, AND FEE BASED INCOME ON PROFITABILITY IN FOREIGN EXCHANGE ISLAMIC BANKS PERIOD 2015 - 2019***

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**Abstract** - This study aims to examine whether the effect of Current Account Saving Account, Operating Efficiency Ratio, and Fee Based Income on Profitability, which is proxied by the Return On Asset (ROA) of foreign exchange Islamic commercial banks registered with the Financial Services Authority (OJK). The associative research strategy with the type of causality and the data analysis method used is multiple linear regression analysis with panel data using Eviews 10 software. The population of this study is all Islamic Commercial Banks (BUS) registered with the Financial Services Authority in 2015-2019. The sample is determined based on the purposive sampling method, in order to obtain a sample of 5 foreign exchange Islamic banks. The type of secondary data is the method of collecting documentation data through the official website of each sample of Islamic foreign exchange commercial banks. Based on the results of linear regression analysis of panel data with a significance level of 5%, the results of this study conclude that: (1) Partially Current Account Saving Account (CASA) has a positive and significant effect on Return On Assets, for Operating Efficiency Ratio (BOPO) has an effect significant negative, and Fee Based Income has no effect on Return On Assets. (2) Simultaneously Current Account Savings Account, Operating Efficacious Ratio, and Fee Based Income have a significant influence on Return On Asset. This means that the ups and downs of the independent variable will have an impact on changes in the dependent variable. If the Current Account Saving Account (CASA), Operating Efficacious Ratio (BOPO), and Fee Based Income have a good value, the value of Return On Asset (ROA) will be good or tend to increase bank profitability.

**Keywords:** Current Account Saving Account (CASA), Operating Efficiency Ratio (BOPO), Fee Based Income, Return On Asset (ROA).

## **I. PRELIMINARY**

### **1.1. Issue Background**

A bank is a financial institution that acts as a financial intermediary between interested parties, which functions to collect and channel public funds. The growth of a bank is strongly influenced by its ability to raise funds from the public, both on a small and large scale. In Indonesia, banks are divided into two types, namely conventional banks and Islamic banks. Conventional banks are banks whose main benefits come from bank interest (Kasmir, 2012), while Islamic banks whose business activities are not based on interest but on a profit sharing system and leave usury problems in accordance with the Al-Qur'an and Al-Hadist (Rusdianto, 2016: 50).

According to Law No.21 of 2008 concerning Islamic banking, it explains that Islamic banking is everything related to Islamic banks and sharia business units, including institutions, operational activities, and methods and systems for carrying out their operational activities. Sharia banking is a banking that forms of operational activities following sharia principles in accordance with Islamic economic law which is a fundamental difference from conventional banks.

The progress and progress of Islamic banking in Indonesia is capable enough to become a business competitor in conventional bank operations. According to data from the Financial Services Authority (OJK), the sharia banking market share in the banking industry has reached 6.01% or reached IDR 513 trillion. If you look at the traces back, this achievement is the biggest achievement in history and continues to increase from the beginning of 2019 to September 2019. This occurred due to the soaring growth of Islamic banking assets, namely Sharia Commercial Banks (BUS) and Sharia Business Units (UUS) by 10.15% per October 2019 on a year on year (yoy) basis to IDR 499.98 trillion.

In the news published by [Republika.co.id](http://Republika.co.id) (24/2/2020), the trend of Current Account Saving Accounts (CASA) in Islamic banking has continued to increase in the last two years. Sharia Financial Market Deepening Policy Analyst National Committee for Sharia Economics and Finance (KNKS) Bazari Azhar Azizi said that the significant increase was contributed by CASA. Bazari said that the increase was due to at least three things. First, Islamic banking digital services are starting to improve, so it is easier for customers to open new accounts only via the application. Second, there is a trend of hijrah that affects the increase in CASA. Starting from a lot of customers moving funds from conventional banks, and third, CASA in Islamic banks has increased because the Ministry of Finance has opened its access as a Salary Distribution Bank (BPG) in both private and government agencies.

According to Janakiraman (2018), the CASA or Current Account Saving Account ratio is the ratio of deposits in the form of current accounts and savings to total deposits. The CASA ratio is also known as the composition of low-cost funds to total deposits of Third Party Funds (DPK). An increase in the composition of low-cost funds will give rise to competitive pricing because the cost of funds spent on funds raised (cost of funds) will decrease, and with the increase in CASA, the net interest margin (NIM) of banks will also increase which indicates better bank operational efficiency and will contribute to increasing the profitability of Islamic banking.

The increase in market share was also followed by growth in the clean profit of Islamic banking. The Islamic banking industry received a net profit of IDR 5.1 trillion in early 2019, jumping 65.98% compared to the previous year's IDR 3 trillion. Sharia Banking Statistics data published by the OJK show that the net profit of Islamic banking is driven by better operational efficiency. This is indicated by an increase in operating income after distribution of profit sharing by 11.37% to Rp 23.4 trillion.

In [keuangan.kontan.co.id](http://keuangan.kontan.co.id) (20/01/2020) said that Islamic banking is more efficient, this is reflected in the operational efficiency ratio or what is known as BOPO which is increasingly stable with a downward trend. In early 2020, the BOPO of Islamic banking decreased by 0.88% from the previous year to 83.62%. According to Khaerul Umam (2013: 16), a low percentage of BOPO shows that banks are able to optimize revenue sources by minimizing costs. Conversely, if the

percentage of BOPO is high, the operational activities carried out are not efficient enough, so that the resulting operating income will be lower.

Digital developments that occur in Indonesia bring benefits to various business segments, one of which is the banking industry. Sharia banking continues to develop work in the technology sector which is expected to be able to change the way of work to be more agile and agile, and to advance a digital-based banking operational system, known as e-banking. The advantage of having a digital platform can handle the problem of distance and time. Customers can enjoy bank services for 24 hours, unlike public services with limited bank operations.

By providing convenience to its customers, banks are able to maximize other banking services. The more customers who use or switch transactions via e-banking, the higher the commission and fee-based income (Fee Based Income), which will be followed by an increase in bank operating income. According to Kasmir (2010: 129), fee-based income is the profit obtained from transactions in other bank services, such as (fees, fees, commissions, transfers, credit cards, etc.).

One of the parameters used to measure the performance of a company and measure the amount of profit so that it is used efficiently is to look at its profitability ratio. The profitability ratio is the company's expertise in generating net income from activities carried out in the accounting period. Hanafi and Halim (2016: 81) explain that there are three ratios used, namely Profit Margin, Return On Assets (ROA), and Return On Equity (ROE).

In profitability ratios, the most relevant ratio used in this study is to use Return On Assets (ROA) because it assesses the ability of bank management to gain overall profits. ROA also assesses the expertise of bank management in managing all assets owned to generate profits, so this ratio is the main concern of investors to see the company's long-term performance.

On the basis of the background of the problem above, the authors are interested in conducting research on "The Effect of Current Account Saving Accounts, Operating Efficiency Ratio, and Fee Based Income on Profitability at Islamic Foreign Exchange Commercial Banks for the Period 2015 - 2019".

## **1.2 The Formulation Of Problem**

Based on the background that has been described, the problems to be examined in this study include:

1. Does CASA affect ROA at Foreign Exchange Islamic Banks?
2. Does BOPO affect ROA at Foreign Exchange Islamic Banks?
3. Does Fee Based Income affect ROA at Foreign Exchange Islamic Banks?
4. Do CASA, BOPO, and Fee Based Income simultaneously influence ROA at Islamic Foreign Exchange Islamic Banks?

## **II. LITERATURE REVIEW**

### **2.1. Previous Research Review**

Research by Febriyanti, Afifudin, and Mawardi (2019) with research methods using statistical analysis, namely multiple linear regression analysis with secondary data. Based on data processing, the simultaneous test results for the independent variable CASA have implications for 12.5% of the dependent variable and 87.5% are not discussed, which indicates that the independent variable CASA has no significant effect on the profitability of Islamic banking listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period. .

Then the research conducted by Efendy and Fathoni (2019), the method used in this study is multiple linear regression analysis with the statistical tool software E-Views 9. The results in this study show a regression coefficient value of - 0.115254, while the significance level is 0, 0000 <0.05, which means that the OEI variable has a negative and significant effect on ROA at Islamic commercial banks in Indonesia.

Research conducted by Massie (2017) used the research method of multiple linear regression analysis. The calculation results for the effect of the fee-based income variable on profitability show that the regression coefficient value is 0.007, while the significance level is 0.182. So it can be stated that the fee-based income variable has no significant effect on profitability because  $\text{sig.} > 0.05$  in the Banking Industry on the Indonesia Stock Exchange

## **2.2. Theoretical Basis**

### **1. Sharia Commercial Bank**

According to Kasmir (2012), a bank is a financial institution under the law whose main activity is to collect funds from the public and channel these funds back to the public and provide other banking services. Karim (2013) states that a bank is a financial institution that has three main functions, including receiving money deposits, lending money, and providing services. In carrying out business activities, there are banks that carry out their business activities based on sharia principles. Banks in this context are called Islamic banks.

#### **Sharia Bank Functions**

Islamic banks have three main functions, including: (Yaya et al, 2016).

1. Raising funds from the public.

Islamic banks collect funds from the public. Islamic banks collect funds from the public in the form of deposits or savings using the al-wadi'ah contract and in the form of investments using the al-mudharabah contract.

2. Channeling funds to the community (user of funds).

The public can apply for and obtain financing from a Sharia (Islamic) Bank as long as they meet all the terms and conditions that have been set.

3. Providing banking services.

Islamic banking services are provided in an effort to meet the needs of the community in carrying out their activities. There are various types of service products provided by Islamic banks such as money transfer services, book-entry services, securities billing, clearing, letters of credit, collection, bank guarantees, and other bank services.

#### **Foreign Exchange Banks and Non-Foreign Exchange Banks**

In its type, banks are classified based on their status, namely foreign exchange and non-foreign exchange banks. A foreign exchange bank is a bank that has obtained a letter of appointment from Bank Indonesia to be able to conduct banking activities in foreign currency. Foreign exchange banks can offer bank services related to foreign currencies, such as transfers abroad, buying and selling foreign currencies, export and import transactions, and so on. Meanwhile, non-foreign exchange banks are banks that do not or have not received a license or letter of appointment from Bank Indonesia so that they are not yet able to carry out banking business activities in the form of foreign currency.

### **2. Current Account Saving Account (CASA)**

CASA is a source of funds from Third Party Funds (DPK). According to Kasmir (2012) what is meant by Third Party Funds (DPK) are funds collected by banks from the public, which consist of demand deposits, savings and time deposits. The existence of TPF has an important role in the banking world, including Islamic banks. In banking terms we often hear the terms cheap funds and expensive funds.

According to Narayanaswamy (2014), cheap funds or what is often called a Current Account Saving Account (CASA) are banking funds that come from savings and current accounts. It is called cheap funds because usually the interest given to these two banking products is relatively small, banks usually offer interest of around 2% - 5% per year. On the other hand, the

source of expensive bank funds is deposits. Banks offer higher deposit rates than savings and current accounts.

Meanwhile, according to Adiwarman Karim (2013), CASA is a source of funds originating from savings and current accounts, which offer lower financing margins than deposits. The advantage of CASA compared to deposits is that the transaction process is easier, so that people will be more interested in doing transactional banking. Banks also use CASA to suppress pricing, which has been an obstacle because Islamic bank pricing is considered expensive.

### **3. Operational Efficiency Ratio (BOPO)**

According to Rivail et al. (2013), the Operational Efficiency Ratio or more commonly known as Operational Cost to Operating Income (BOPO) is the proportion between operating costs and operating income in assessing the level of efficiency and expertise of a bank in carrying out its operational activities. The lower the proportion of BOPO illustrates the more efficient condition of bank operations. According to Khaerul Umam (2013), a low BOPO value indicates that banks can optimize revenue sources by minimizing costs. Conversely, if the BOPO ratio is high, the bank is less able to minimize the costs incurred in carrying out its operational activities.

Operational costs are costs incurred by a bank to finance all its main activities. While operating income is all income obtained from the results of carrying out the main activities of the bank. A bank that is able to reduce its operational costs can reduce losses due to the inefficiency of the bank in managing its operational activities, so that the profit earned will also increase. A high BOPO indicates a decline in bank performance in generating profits due to inefficient management of operational costs.

### **4. Fee Based Income**

According to Kasmir (2012), fee based income is the profit obtained from transactions that provide other bank services or spread based (the difference between deposit interest and loan interest). According to Kasmir, the term fee-based income in Islamic banking is *ujrah* (wages). *Ujrah* is tied to the benefits of banking services that can be used by the public (customers) in order to facilitate and accelerate people's economic activities.

In PSAK No.31 Chapter I letter A number 03, which explains that in conducting their business activities, banks are required to always maintain harmony between maintaining adequate liquidity and achieving normal profitability or capital adequacy according to the type of naming. This needs to be done because in carrying out its operations, banks carry out names in productive assets such as loans and securities, and provide other services classified as "fee based operations" or "off balance sheet activities".

### **5. Profitabilitas**

Sudana (2015: 25) says: "Profitability is a ratio used to measure a company's ability to generate profits by using company-owned sources, such as assets, capital or company sales. According to Sudana, there are several ways to measure the size of profitability, namely Profit Margin, Return on Assets (ROA), and Return On Equity (ROE). "

The reasons for using the ROA approach in this study can be concluded as follows:

1. Bank health assessment conducted by Bank Indonesia in terms of profitability is carried out using ROA as its parameter, this is stated in Bank Indonesia Regulation No. 13 / I / PBI / 2011 Article 2.
2. ROA ratio measures the expertise of bank management in generating profits by managing assets owned as a whole.
3. ROA value is also an important consideration for investors before making long-term investments, because it shows the soundness of the bank by describing the management's ability to manage all assets owned.

## **2.3. Relationship Between Research Variables**

### **1. Effect of CASA on ROA**

According to Narayanaswamy (2014), the current account saving account (CASA) is the funds collected by banks that come from savings and current accounts. A high CASA ratio indicates that the cost of funds that must be issued by banks is lower, because banks usually carry out a mudharabah contract with a lower ratio for savings and current accounts compared to deposits. If the proportion of deposits originating from these funds is greater, then the bank will get these funds with a relatively lower cost of funds.

Deposits of Third Party Funds collected from the public have the largest share, reaching 80% -90% of the total funds managed by banks and have a very strong influence on the company. In DPK, if it is dominated by CASA, in general it will reduce the cost of funds and increase the Net Interest Margin, which indicates the more efficient bank performance. And of course this has a big role in increasing profitability

### **2. The effect of BOPO on ROA**

According to Rivail, et al. (2013), the operational efficiency ratio is a balance between total operating costs and total operating income in assessing the level of efficiency and the ability of a bank to carry out its operational activities. This ratio also shows the bank's ability to cover operating expenses with the resulting operating income. With a more efficient bank, it will reduce losses that will arise from inefficiency in managing its operational activities. The more efficient the banking sector will increase profits, which of course will also increase the overall banking profitability. A low BOPO value indicates a more efficient bank performance in carrying out its operational activities, in other words, the OEOI ratio has the opposite relationship with bank profitability.

### **3. Effect of Fee Based Income on ROA**

Based on Kasmir (2012), fee-based income is the profit obtained from transactions provided in performing other bank services or spread based (the difference between deposit interest and loan interest). Besides relying on profits from financing, banks also carry out other service activities to get profit or fee based income. Bank management can develop and expand the types of transactions through e-channels. With the increase in transactions via e-channel, the fees charged for each transaction will contribute to an increase in fee-based income for the company. When fee based income increases, the company's profit will also increase, because fee based income is included in the income recognized in the income statement for the current year.

### **4. Simultaneous influence of CASA, OEOI, and Fee Based Income on ROA**

The CASA ratio is used to measure the proportion of deposits in the form of demand deposits and savings to total deposits. If the proportion of deposits originating from these funds is large, then the bank will issue a lower cost of funds, and be able to increase income which has an effect on the increase in company profitability (Narayanaswamy 2014). The BOPO ratio is used to assess the level of efficiency and ability of a bank in carrying out its operational activities. According to Khaerul Umam (2013) a low BOPO value describes the condition of bank management that is able to optimize operating income by reducing its operating costs.

Fee based income is the benefit obtained from providing services on transactions for other banking services (Kasmir 2012). Apart from relying on the profit from financing, banks also carry out other service activities to get benefits which are commonly referred to as fee-based income. This activity was further supported by advances in e-banking based banking technology. The more customers use e-banking to get services from banks, the more bank fee-based income will also increase.

Profitability is a parameter to assess the company's ability to generate profits. Profitability is the main goal of a company in carrying out its business activities. In addition, profitability is also

used to see the performance conditions of a business entity in running its business. The most commonly used indicator to describe profitability is ROA. Because ROA shows how much return is generated from managing the overall assets of the company that is owned, besides that the ROA value also shows the health level of the company. From the above statement, both CASA, BOPO, and Fee Based Income all affect ROA.

#### **2.4. Hypothesis Development**

H1: CASA has an effect on ROA on foreign exchange Islamic commercial banks.

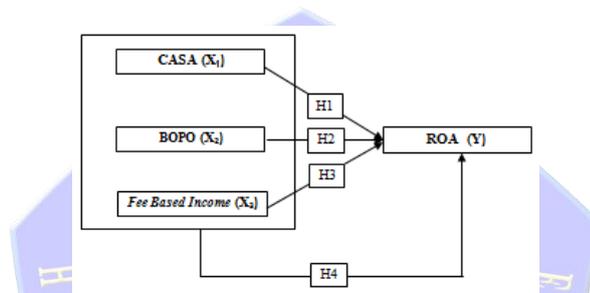
H2: BOPO has an effect on ROA on foreign exchange Islamic commercial banks.

H3: Fee Based Income has an effect on ROA on foreign exchange Islamic commercial banks.

H4: CASA, OEOL, Fee Based Income have a simultaneous effect on ROA at Islamic foreign exchange commercial banks.

#### **2.5. Research Conceptual Framework**

In order for this research to be more focused in accordance with the formulation of the problem and the research objectives to be achieved, a conceptual framework is built with pictures, as follows:



**Picture 1.** Research Conceptual Framework

### **III. RESEARCH METHOD**

#### **Research Strategy**

In this study using quantitative methods. Sugiyono (2018: 10) quantitative research method is a research method based on the philosophy of positivism, used to research on certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative / statistical, with purpose to test the hypothesis that has been set. The research strategy used is associative. According to Sugiyono (2018: 20), associative research is research that intends to describe and test the hypothesis of the relationship between two or more variables. The method used is *ex post facto*, this method was chosen because the research was carried out using past events. Then it is seen sequentially to determine the factors that caused the incident.

#### **Population and Sample**

The population used in this study are all Islamic Commercial Banks (BUS) registered in the Financial Services Authority (OJK) for the 2015-2019 period. The sampling technique in this study using non probability sampling techniques. The type of non-probability sampling used is purposive sampling, which is a sampling method based on certain considerations and must represent the population to be studied.

The sample criteria selected in this study are:

1. Islamic commercial banks that have become registered foreign exchange sharia commercial banks and have operated in the Financial Services Authority during the 2015-2019 research period.

2. Foreign exchange sharia commercial banks that publish quarterly reports during the research period, namely 2015-2019.
3. Foreign exchange sharia commercial banks that disclose data and information from CASA, BOPO, and Fee Based Income, as well as ROA.

From the data described above, there are 5 Islamic commercial banks that meet the criteria, including Bank Muamalat Indonesia, Bank Syariah Mandiri, Bank Mega Syariah, Bank BNI Syariah, and Bank Maybank Syariah. The data to be used in this study are the Quarterly Financial Statements of each foreign exchange Islamic bank in the 2015-2019 period.

### Research data

The type of data used in this study is Panel Data. Panel data types have two data characteristics, namely Time Series and Cross Section. It is said that the panel data in this study is because it uses quarterly report data from three Islamic foreign exchange banks, namely Bank Syariah Mandiri, BNI Syariah, and Bank Muamalat Indonesia in the 2015-2019 period.

### Data Collection Methods

Suwartono (2014: 41) defines that data collection is a method used to collect data, collect, retrieve or capture research data. In this study, using the documentation method, this method is one way to find and obtain data on matters relevant to research, in the form of notes, financial reports, transcripts, books, newspapers, and / or magazines. This study uses secondary data sourced from quarterly financial reports of foreign exchange Islamic commercial banks obtained from the official website of each bank.

### Data Analysis Methods

The analytical method used in this research is to use quantitative analysis that shows the numbers and in calculating them using the help of a system known as the E-Views application version 10.

## IV. RESULTS AND DISCUSSION

### 4.1. Partial Test Results (T Test)

Table 1. T test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.91201	4.324778	0.673332	0.0000
CASA	1.387714	0.380858	3.643648	0.0000
BOPO	-0.473287	0.73586	-0.643176	0.0000
<i>Fee Based Income</i>	0.008573	0.093089	0.092099	0.9225

Source : *Output Eviews, 2020*

Partial test or t test is done to test the effect of each independent variable on the dependent variable. Partial testing of the regression coefficient in this study uses the t-test at the 95% confidence level and the error rate in the analysis ( $\alpha$ ) 5% and the stipulation of degree of freedom (df) = n-k. The method used is to compare t count with t table at a certain significant level. If the resulting probability value is smaller than the sig value. 0.05, it shows that the independent variable has an individual effect on the dependent variable.

To see the relationship of these influences, it can be seen by the resulting coefficient value. If the coefficient value is less than zero, then the independent variable has a negative relationship to the dependent variable. As for the explanation of the results of the t test presented in table 4.10 above, it can be concluded that the effect of each independent variable on the dependent variable is as follows:

**1. CASA (X1)**

The first hypothesis proposed in this study states that H1: CASA has an effect on ROA on foreign exchange Islamic commercial banks. Based on the test results of panel data regression analysis, the t-count value is 3.643648, while for the t-table value with a level of  $\alpha = 5\%$  and  $df = (nk)$ ,  $df = 96$  is 1.98498 which means that the t-count is greater than t. -table ( $3.643648 > 1.98498$ ) with a significance value of  $0.0000 < 0.05$  then H1 is accepted, so it can be concluded that the CASA variable has a positive and significant effect on ROA at the 5% alpha level.

**2. BOPO (X2)**

The second hypothesis proposed in this study states that H2: OEOI has an effect on ROA on foreign exchange Islamic commercial banks. Based on the results of the tests that have been carried out, the t-value is -0.643176 with a significance level of 0.5219. The t-table value is 1.98498. This shows that the t-count is smaller than the t-table ( $-0.643176 < 1.98498$ ) besides that it is also seen with a probability value that is greater than the significance value ( $0.0000 > 0.05$ ) then H2 is accepted, so it can be concluded that the BOPO variable has a significant negative effect. against the ROA of foreign exchange Islamic commercial banks.

**3. Fee Based Income (X3)**

The third hypothesis proposed in this study states that H3: Fee Based Income has an effect on ROA at foreign exchange Islamic commercial banks. Judging from the test results, the t-value is 0.092099 and the significance value is 0.9225, this shows that the t-count value is smaller than the t-table ( $0.092099 < 1.98498$ ) with a probability value greater than the significance value ( $0.9225 > 0.05$ ) then H3 is rejected, so it can be concluded that the Fee Based Income variable has no effect on ROA at foreign exchange Islamic commercial banks.

**4.2. Simultaneous Test Results (Test F)**

**Table 2. F Test Results**

Cross-section fixed (dummy variables)			
R-squared	0.739987	Mean dependent var	-0.132378
Adjusted R-squared	0.717516	S.D. dependent var	1.387037
S.E. of regression	0.737199	Akaike info criterion	2.31367
Sum squared resid	44.02046	Schwarz criterion	2.537368
Log likelihood	-94.95833	Hannan-Quinn criter.	2.403837
F-statistic	32.93177	Durbin-Watson stat	0.809906
Prob(F-statistic)	0		

Source : *Output Eviews, 2020*

The F test is performed to determine whether the CASA, BOPO, and Fee Based Income variables together have an influence on the dependent variable. The level of significance in this study is 5%, with degree of freedom ( $df1$ ) = 3 ( $k-1$ ), degree of freedom ( $df2$ ) = 96 ( $n-k$ ) The basis for decision making is as follows:

If  $F \text{ count} \geq F \text{ table}$  or  $\text{Sig value} \leq 0.05$  then  $H_a$  is accepted and  $H_o$  is rejected, meaning that the independent variables together have a significant effect on the dependent variable. If  $F \text{ count} \leq F \text{ table}$  or  $\text{Sig value} \geq 0.05$  then  $H_a$  is rejected and  $H_o$  is accepted, it means that the independent variables together have no significant effect on the dependent variable.

Based on the results of the tests that have been carried out, the resulting probability value is smaller than the significance value ( $0.00000 < 0.05$ ), besides that, it can be seen from the F test that has been presented in table 4.10 above, explaining that the resulting F-count value is 32.93177

while for the value The F-table with a level of  $\alpha$  (0.05) is 2.70. thus the value of  $F\text{-count} > F\text{-table}$  ( $32.93177 > 2.70$ ), so it can be concluded that H4 is accepted. This shows that CASA, OEI, and Fee Based Income together have a significant effect on ROA in Islamic commercial banks.

### **4.3 Discussion**

#### **1. The Effect of CASA on ROA**

Hypothesis testing with the t test that has been done shows the results of the t-value is greater than the t-table ( $3.643648 > 1.98498$ ) and the probability value is smaller than the significance value ( $0.0005 < 0.05$ ) then H1 is accepted, so it can be concluded that current account savings account (CASA) has a positive and significant effect on return on assets (ROA) at Islamic foreign exchange commercial banks. This situation shows that when CASA increases, it will also be followed by an increase in ROA and vice versa if CASA has decreased then the ROA at foreign exchange Islamic banks will also decrease. This can be seen as in the data that has been presented, which shows that the ups and downs of CASA affect the ROA of foreign exchange Islamic banks in 2015-2019.

CASA is the proportion of savings and current accounts to third party deposits. If the proportion of CASA is large, then banks will get bigger profits because with the increase in CASA, the cost of funds that must be spent by banks is less because CASA itself includes savings with relatively low profit sharing. By reducing the cost that must be spent by the bank, the bank has a better net interest margin. Of course this will provide a sizeable injection of profit, and the bank's profitability will be even better.

In line with the research results, today Islamic banking continues to expand in low-cost funds to expand the market share of Islamic banking which has many positive impacts on bank profitability. The hijrah trend that is currently developing in Indonesia is one of the opportunities that banks are well taking to encourage customers to open new CASA accounts and leave conventional banks. For this reason, banks continue to make developments and innovations in increasing the proportion of CASA because it has been proven that CASA has a positive and significant effect on bank profitability.

#### **2. The Effect of BOPO on ROA**

From the results of the t-test that has been carried out, the BOPO variable shows the t-count is less than the t-table ( $0.643176 < 1.98498$ ) and the probability value is less than the significance value ( $0.0000 < 0.05$ ) it can be concluded that H2 is accepted, where the BOPO variable has a negative and significant effect. against ROA on foreign exchange Islamic banks. This condition shows that changes in the value of OEI have the opposite impact on changes in ROA in foreign exchange Islamic banks in 2015-2019.

The market share of the Islamic banking industry has reached a record high, which is driven by the company's operational efficiency which continues to make improvements. BOPO has a negative and significant relationship with company profitability, therefore banks continue to make efforts to be able to reduce BOPO value and reduce operating costs by utilizing all available resources so that the income generated from operational activities is optimal. A low BOPO value illustrates the management's ability to manage its operational activities to be more efficient, therefore banks continue to strive to reduce their company's BOPO ratio and increase the value of bank profitability.

Based on the standard used by Bank Indonesia, the BOPO ratio is 83% - 89%. Meanwhile, the average BOPO ratio in foreign exchange Islamic banks in 2015-2019 was 97% at the fifth level which indicates that the OEI condition is very unhealthy. The high level of operating efficiency ratio indicates that the performance of the bank management is less efficient in using the resources owned by the bank, which results in reduced profits which in turn will reduce the level of ROA. The high average BOPO in Islamic commercial banks for the 2015-2019 period was also a result of

the economic crisis that has hit Indonesia in the past few years. In addition, Bank Muamalat Indonesia is also experiencing an internal crisis in its company which is quite influential in the results of this study.

### **3. The Effect of Fee Based Income on ROA**

Based on the results of the hypothesis testing that has been done, it shows that Fee Based Income has no effect on ROA. This is evidenced by the results of the t-test statistical analysis, the t-count value is smaller than the t-table ( $0.092099 < 1.98498$ ) with a probability value greater than the significance value ( $0.926 > 0.05$ ), so it can be concluded that H3 is rejected. conditions like this indicate that the fluctuation of Fee Based Income has absolutely no effect on ROA on foreign exchange Islamic banks in 2015-2019.

Fee based income is an advantage that a bank gets in making transactions in other bank services, which means that if the bank is able to maximize revenue from this sector it will have an impact on the increase in the profit of Islamic banks. The results of this study indicate that fee-based income has no effect on ROA on foreign exchange Islamic banks, this indicates that banks have not maximized their efforts to earn profits from this sector. The absence of the influence of Fee Based Income can also be caused because Islamic banks only rely on income derived from financing. Islamic banks only focus on increasing profits from financing, so fee based income does not have much influence on bank profitability.

In addition, there was a gap in Fee Based Income in foreign exchange Islamic banks. Bank Syariah Mandiri and Bank BNI Syariah have very high Fee Based Income, while Bank Muamalat, Bank Mega Syariah, and Maybank Syariah have relatively low Fee Based Income values. This shows that there are still many Islamic banks that are lagging behind in utilizing their resources so that they have not been able to maximize the income derived from transactions of other banking services.

### **4. The Effect of CASA, BOPO, and Fee Based Income on ROA**

Based on the results of the tests that have been carried out, the resulting probability value is smaller than the significance value ( $0.00000 < 0.05$ ), besides that it is also seen from the F-count value which has a value greater than the F-table value ( $32.93177 > 2.70$ ), this shows that CASA, BOPO, and Fee Based Income together have a significant effect on ROA in Islamic commercial banks. The magnitude of the percentage influence of these three variables can be seen from the results of the coefficient of determination test. From the results of the tests that have been carried out, CASA, BOPO, and Fee Based Income have a joint effect of 71.75% on ROA, and the rest is influenced by other variables outside of this study.

This result is in line with the current condition of Islamic banking, where Islamic banks are competing to expand the CASA ratio, because it can increase company profits by reducing the cost of funds. Sharia banks are also currently trying to improve their operational performance, where at the end of 2019, the BOPO of Islamic banking in Indonesia has decreased and is increasingly effective, this shows that the performance of Islamic banks in Indonesia continues to make better developments.

Apart from these two things, Islamic banks are currently trying to increase their non-operating income, namely fee-based income by optimizing e-channel-based transactions. The hijrah trend that is currently developing in Indonesia is a golden opportunity for Islamic banking to increase corporate profits by increasing these technology-based transactions. so that the three variables above have a significant influence on the profitability of Islamic banking, for that Islamic banks continue to make improvements and developments for the sake of healthy profitability in the long term.

## **V. CONCLUSIONS AND SUGGESTIONS**

### **5.1. Conclusion**

As for the results of data analysis and the discussion that has been described, the following conclusions can be drawn:

1. Current Account Saving Account (CASA) affects Return On Asset (ROA). The results showed that the level of CASA can affect ROA in bank profitability. This means that if the CASA level is high, bank profits will tend to increase, because with a high CASA level the banking cost of funds will be lower, so that the net interest margin of banks will also increase and will be followed by an increase in bank profits.
2. Operating Efficiency Ratio (BOPO) affects Return On Assets (ROA). The results showed that the level of BOPO had a negative effect on ROA in bank profitability. This means that if the level of BOPO in the company is low, the company's ROA will be of high value. This occurs because banks are trying to reduce the BOPO value by minimizing operating costs to optimize the resulting operating income, which will have an impact on increasing bank profitability.
3. Fee Based Income has no effect on Return On Asset (ROA). The results in this study indicate that the measure of fee-based income does not affect ROA in bank profitability. This shows that the size or size of the fee-based income that the company receives has not been able to influence ROA in banking. This occurs because banks focus on the company's main income, namely financing, so that fee-based income does not contribute significantly to bank profitability.
4. CASA, BOPO, and Fee Based Income together have a significant effect on the ROA value. To that end, the banking industry continues to make improvements and developments on these variables, in order to be able to provide a bigger profit injection so as to increase profitability and have a healthy profitability value in the long term.

### **5.2. Suggestion**

Based on the results of the research that has been done, the authors try to provide some suggestions that might be useful, including:

1. Current Account Savings Account is proven to have a significant influence on profit growth, therefore it is recommended for banking management to maintain and increase the proportion of CASA in deposits of third party funds collected, by continuing to expand in low-cost funds and take advantage of the best possible opportunities, so that it will reduce the cost of funds that must be issued by the bank. This will increase the Net Interest Margin which will have an impact on the increase in net profit earned by banks, the goal of increasing bank profitability will be fulfilled.
2. Operating Efficiency Ratio, or better known as the BOPO ratio, reflects the condition of banking operational performance. From the results of the research, the average value of BOPO is in the unhealthy category and BOPO has a significant negative effect on profitability, so that Islamic banking is expected to be able to further reduce its operating costs by utilizing all available resources so that it can optimize operating income. A good BOPO ratio, apart from reflecting effective operational performance, is also able to increase the value of bank profitability.
3. Fee Based Income or income is actually able to increase and influence the ability of banks to generate profits. Therefore, bank management must be more focused and continue to innovate, as well as keep abreast of technological developments in improving other banking services to customers.
4. Since CASA, BOPO, and Fee Based Income are proven to have an effect on ROA, bank management must pay more attention to the growth factors of the three variables, so that both in terms of raising funds, operational performance, and income from other services

are able to contribute which is optimal for the increase in bank profits, so that the objective of maintaining and increasing bank profitability in the long term can be fulfilled.

### **5.3. Limitations and Further Research Development**

#### **1. Research Limitations**

This study has limitations in research, namely:

Access to reading sources as supporting material for the thesis is due to the limited schedule of library visits. Although a lot of material is obtained from e-journals and other supporting references, it still requires references from clear book sources. As a result of the factors above, this research is still far from perfect, for that the authors are happy to accept criticism and constructive suggestions for the perfection of this research.

#### **2. Further Research Development**

For the development of further research, researchers can suggest, namely:

1. Subsequent research is expected to be able to carry out further studies on other factors that can affect the profitability of banks, using a wider and more recent research method, variable and period.
2. Further research is suggested to carry out recent and more in-depth theoretical studies, in order to be able to provide broader and more informative insights for research users.

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