

ABSTRACT

Sharia Commercial Bank in Indonesia has great potential to grow and develop because Indonesia is known as the country with the largest Muslim population, therefore Indonesia should be the pioneer development in the field of sharia Therefore, it is necessary to improve the performance of Islamic banks in accordance with sharia principles. Islamic bank performance is valued by profitability ratios that are proxied by Return on Assets (ROA).

This study aims to examine the effect of Earning Assets Quality (KAP), Inflation, and Interest Rates on profitability that is proxied by Return on Assets (ROA) in Indonesian Islamic Commercial Banks for the period 2012-2016. The data used in this study were obtained from the financial statements of islamic Commercial Banks for the period 2012-2016.

The population in this study is Sharia Commercial Banks in Indonesia. The sample selection technique used was purposive sampling and obtained by five Islamic Commercial Banks with a study period in 2012-2016. The method of data analysis in this study is panel data regression analysis using Eviews version 9 software.

The results of the study show simultaneously the Earning Assets Quality (KAP), Inflation, and Interest Rates have a significant effect on profitability. While partially, Earning Assets Quality (KAP) has a significant negative effect on profitability, while Inflation and Interest Rates do not affect profitability.

From the results of this study, if Sharia Commercial Bank wants to increase profitability, then a Sharia Commercial Bank needs to improve the Productive Asset Quality (KAP) so that a Sharia Commercial Bank can be achieved which can improve its business continuity

Keywords: Earning Assets Quality, Inflation, Interest Rates, Return on Assets (ROA)