

## The effects of macro economic indicator and financial ratio on non performing financing of sharia commercial banking in Indonesia

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### Abstrak

#### **ABSTRACT**

This research aims to analyze the relationships and effects of macroeconomic indicator variable and financial ratio on non performing financing (NPF) of sharia commercial banks in Indonesia. Data used in this research is obtained from Bank Indonesia, Central Bureau of Statistics (BPS), and Financial Services Authority (OJK). This research uses time series data from January 2010 to August 2016. This research method uses quantitative method by VAR approach through eviews program. This research showed that there was no long-run equilibrium relationship between variables of NPF, inflation, exchange rate, FDR, CAR and OER. Besides, all independent variables simultaneously affected NPF variable. Based on variable contribution on NPF shock, macroeconomic indicator variables contributed on NPF shock were inflation and exchange rate, meanwhile financial ratio variables contributed on NPF shock were CAR and OER. Seen from NPF response, only CAR variable was responded positively in the early period, meanwhile other variables were responded negative and fluctuatingly. The effects of each variable on NPF were temporary since those effects would vanish after an over-five month period. Based on causality test, there was only a one-way relationship from FDR to OER.