



A Study on Financial Soundness at Indonesian Islamic Bank

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ABSTRACT

This study aims to investigate the soundness of Islamic Bank in Indonesia. Particularly at PT. Bank Muamalat Indonesia, Tbk through RGEC (Risk Profile, Good Corporate Governance, Earning, and Capital). This study is a quantitative study and employs multiple regression analysis to analyze the data from annual report of Bank Muamalat Indonesia. RGEC method was employed to measure the financial distress which includes components of Risk Profile, Good Corporate Governance, Earnings, and Capital. The Risk Profile is proxied by Non-Performing Finance (NPF) and Financing to Deposit Ratio (FDR). Earnings are proxied by Return on Assets (ROA), Return on Equity (ROE). Capital is proxied by the Capital Adequacy Ratio (CAR). The result of this study shows NPF, FDR, RoA, RoE, and CAR are partially and simultaneously influence financial distress of Islamic Bank especially in Bank Muamalat Indonesia. Particularly, NPF and RoE have a positive relationship with financial distress while FDR, RoA, and CAR have a negative relationship with financial distress.

ABSTRAK

Penelitian ini bertujuan untuk mengetahui tingkat kesehatan bank syariah di Indonesia. Khususnya pada PT. Bank Muamalat Indonesia, Tbk melalui RGEC (*Risk Profile, Good Corporate Governance, Earning, dan Capital*). Penelitian ini merupakan penelitian kuantitatif dan menggunakan analisis regresi berganda untuk menganalisis data dari laporan tahunan Bank Muamalat Indonesia. Metode RGEC digunakan untuk mengukur financial distress yang meliputi komponen *Risk Profile, Good Corporate Governance, Earnings, dan Capital*. Risk Profile diproksikan dengan Non Performing Finance (NPF) dan Financing to Deposit Ratio (FDR). Earnings diproksikan dengan Return on Assets (ROA), Return on Equity (ROE). Permodalan diproksikan dengan Capital Adequacy Ratio (CAR). Hasil penelitian ini menunjukkan NPF, FDR, ROA, ROE, dan CAR berpengaruh secara parsial dan simultan terhadap *financial distress* bank syariah khususnya pada Bank Muamalat Indonesia. Secara khusus, NPF dan RoE memiliki hubungan positif dengan *financial distress* sedangkan FDR, RoA, dan CAR memiliki hubungan negatif dengan *financial distress*.



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INTRODUCTION

Financial Distress is caused by the low ability of a company to generate profits or profits from its operating processes (Safiq et al., 2020). According to Habib et al (2020), Financial Distress is caused by an external slump or the failure of internal financial management. The impact caused by Financial Distress is bankruptcy and results in losses both on a large and small scale. Banks are an important medium for stabilizing the financial order and promoting industrial development. Banks have a major role in channeling funds for productive purposes because they make a fundamental contribution to economic development (Susilo et al., 2023).

Law Number 10 of 1998 concerning Banking states that what is meant by a bank is a business entity that collects funds from the public in the form of savings and distributes them back to the community in the form of credit and or other forms in order to improve the standard of living of the people at large (UU RI Nomor 10 Tahun 1998 Tentang Perbankan, 1998). The services provided by banks are currently more flexible, not only as a place to store funds for those who have excess but also as a source of funds for those who need funds (deficit funds). The variety of products and services offered by banks makes it easier for customers to transact. This is done in order to increase and attract as many customers as possible (Kaura et al., 2015).

The method to overcome concerns about economic instability is by monitoring the soundness of banks. Supervision of the bank is very necessary in order to monitor the operations and management in accordance with the bank (Santosa et al., 2020). Not only monitoring, supervision of banks is also carried out to determine the level of soundness and feasibility of the bank. Bank health is assessed as the ability of a bank to carry out normal banking operations and be able to fulfill all its obligations properly, in accordance with applicable regulations. Bank Indonesia issued Bank Indonesia Regulation No. 13/1/PBI/2011 regarding the soundness of banks as measured by using the Risk Based Bank Rating (RBBR) method (Nurwulandari et al., 2022).

Based on PBI No.13/1/PBI/2011 concerning Assessment of Bank soundness individually using the risk approach (Risk-Based Bank Rating) as referred to in Article 2 Paragraph (3), with an assessment coverage of 4 factors, these factors are: risk profile factor (bank risk), Good Corporate Governance (GCG) factor, earnings factor (profitability) and capital factor (capital) or called RGEC (Santosa et al., 2020). Each factor provides assessment results from various sides and points of view in Islamic banking. This can provide an overview of the overall banking condition from several aspects that are measured. In PBI No. 13/1/PBI/2011 concerning Commercial Bank Soundness Assessment Article 7 paragraph 1 Assessment of the risk profile factors referred to in article 6 letter a, namely: credit risk, market risk, liquidity risk, operational risk, legal risk, reputation risk, strategic risk, compliance risk. Each risk is measured using different methods and assessments. The four factors contained in the RGEC method can be assessed by comparing them with the standard or what is called the Composite Rating (PK) for each ratio.

In PBI 13/1/PBI/2011 Regarding Bank Soundness Level, the Composite Rating on bank soundness rating has five ratings, namely very healthy, healthy, fairly healthy, less healthy, and unhealthy. From this composite rating, it describes the soundness of a bank (Pratikto & Afiq, 2021). The health condition of the bank is not always stable and will have an impact on the condition of the bank. The role played by banks is very important in the implementation of the economy of a country where the existing economic system is increasingly complex. In general, banks in Indonesia consist of conventional banks and Islamic banks. Currently, many conventional banks are converting to Islamic banks. There are various reasons why conventional banks convert to Islamic banks, including because the majority of Indonesian people embrace Islam and have realized the prohibition of bank interest as advised by the MUI Fatwa. Islamic banks are also believed to be more profitable because they adhere to a profit-sharing system (Pernamasari, 2020).

In international terms, Islamic Banking is known as Islamic Banking or can be referred to as Interest-free banking. The term with the word Islamic cannot be separated from the origin of the Islamic banking system itself. The initial development of Islamic banks was initially a response from a group of Muslim economists who tried to accommodate the pressure from various parties who wanted the availability of transaction services that were in line with the moral values and principles of Islamic sharia (Nurwijayanti & Santoso, 2018). Due to the rapid development in the Islamic banking sector, this encourages the improvement of the health of Islamic banks themselves.

PT. Bank Muamalat Indonesia, Tbk (BMI) is the first Islamic bank established in Indonesia. Establishment of PT. Bank Muamalat Indonesia, Tbk on November 1, 1991 could not be separated from the role of the Indonesian Ulema Council (MUI) and the Indonesian Muslim Intellectuals Association (ICMI) who were late in preparing PT. Bank Muamalat Indonesia, Tbk as a legal entity and may be permitted to operate banking activities (Yusuf, 2017). The development of Islamic banking around 2000 brought changes to the banking world in Indonesia. The beginning of the emergence of PT. Bank Muamalat Indonesia, Tbk as the first Islamic Bank in Indonesia in 1991, has proven its existence, especially during the 1997 crisis. The number of Islamic banks from year to year has increased. Based on the 2021 Islamic banking statistics, currently there are 12 Sharia Commercial Banks, 2,813 offices. Meanwhile, based on 2015 Islamic banking statistics, there are 12 Sharia Commercial Banks, 1,990 offices (Otoritas Jasa Keuangan, 2022). The data shows that, in general, from 2015-2021 Islamic Commercial Banks in Indonesia have increased.

Several studies discussed on how soundness of bank being is able to influence the financial distress. Particularly, in Islamic bank Asutay and Othman (2020) found that the funding mix variable (financing/deposit ratio), the composition of deposits, alternative bank-specific variables and alternative funding mix variables are statistically significant. In contrast, none of the macroeconomic variables is found to have a significant impact on bank liquidity. In the final models, the variables that showed significant performance were selected as explanatory variables. The results of McFadden R-squared for both selected models showed an excellent fit to predict the Islamic banks' performance.

In the same line, Sari, Nofinawati, Batubara, Alfadri (2020) studied on how profitability ratios affects financial distress in Islamic commercial banks in Indonesia and found partially ROA and ROE has a has no significant effect on financial distress in 2014-2018. Meanwhile, simultaneously ROA and ROE affect the financial distress variable in 2014-2018. Furthermore, R² of this study is about 0.592051 means that 59 percent of financial distress is influenced by ROA and ROE while 41 percent is influenced by other variables excluded from this study.

On the same note, Asalm and Haron (2021) investigate the impact of corporate governance and other related factors on the risk-taking of Islamic banks. Risk-taking is defined according to credit risk, liquidity risk and operational risk. They found that board size and Shariah board are positively and significantly related to credit and liquidity risk. Board independence and CEO power are negative and significantly associated with credit and liquidity risk, but the audit committee has a mixed relationship with bank risk. Male CEOs take more risk compared to the female and more board meeting has an inverse relationship with Islamic banks risk. Bank size, however, does not influence the level of risk in Islamic banks, but leverage has an inverse relationship with bank risk.

Meanwhile, Syaepullah (2022) found that the financial ratio variables and corporate governance variables simultaneously affect financial distress conditions. The conclusion is the Board of Directors has no significant positive effect on financial distress conditions, but the Capital Adequacy Ratio and Current Ratio have a significant positive effect on financial distress conditions. While inversely proportional with the Operational Costs and Operational Income and the Board of Commissioners have a significant negative effect on financial distress.

Furthermore, during covid 19 financial distress occurs when bank is facing difficulties time. That led to bank bankruptcy, or merger of several banks. This is also occurring in Islamic bank which facing difficulties at covid 19 period. The case is many debitor are failed to fulfill their debts obligation. In the case of Islamic banking, a Shariah-based bankruptcy prediction model for apprehending the true bankruptcy prediction is over-sighted. It may further sour the existing uncertain situation for the Islamic banking industry with the additional unfavorable impact of Covid-19 (Mehreen et al., 2022).

Therefore, this study aims to investigate the soundness of PT. Bank Muamalat Indonesia, Tbk through RGEC (Risk Profile, Good Corporate Governance, Earning, and Capital)

RESEARCH METHOD

This study is descriptive research with a quantitative approach. Descriptive research is a method that aims to describe a company's situation in a systematic, actual and accurate manner by collecting data based on data that appears in the company or organization, where these facts are collected, processed, and analyzed so that further conclusions can be drawn and provide suggestions regarding analyzed banking companies (Sugiyono, 2011). While quantitative research is a process of finding knowledge that uses data in the form of numbers as a tool to find information about what we want to know (Ansori & Iswati, 2009).

The source of data used for this research is secondary data sourced from the Annual Report of PT. Bank Muamalat Indonesia, Tbk in the period 2012-2021 published through the official website <https://www.bankmuamalat.co.id/>. To analyze the data, the soundness of bank requires the RGEC method

which includes components of Risk Profile, Good Corporate Governance, Earnings, and Capital. The Risk Profile is proxied by Non-Performing Finance (NPF) and Financing to Deposit Ratio (FDR). Earnings are proxied by Return on Assets (ROA), Return on Equity (ROE). Capital is proxied by the Capital Adequacy Ratio (CAR). Meanwhile, analysis tool of this study is multiple linear regression analysis.

Meanwhile, to have a clear result of analysis hypotheses is required to be developed. First, it is clear that RGES method are useable to measure the soundness of the bank. Welly and Krisna (2018) found that Non Performing Finance (NPF) and Financing to Deposit Ratio (FDR). Earnings are proxied by Return on Assets (ROA), Return on Equity (ROE). Capital is proxied by the Capital Adequacy Ratio (CAR) are influences the soundness level of Islamic Bank. In the same line, Santoso and Nurwijayanti (2018) found that BNI Syariah (currently BSI) soundness level is positively influenced by the same risk profile of Bank. Meanwhile, Haq and Harto (2019) found that CAR has no effect on the soundness level of Bank through 2015-2017 of all Banks indexed in BEI. Meanwhile, Romdhoni, Samanto, & Hidayah (2020) justified that NPF, FDR, ROA, ROE, and CAR as financial distress measurement affect the soundness level of BRI syariah (currently BSI) on 2013-2018. Therefore, the hypotheses of this study can be developed as follow:

- H1: NPF positive effect on the potential for financial distress
- H2: FDR has a negative effect on the potential for financial distress
- H3: RoA has a negative effect on potential financial distress
- H4: RoE has a negative effect on potential financial distress
- H5: CAR has a negative effect on potential financial distress

Based on the hypotheses above, the framework of this study can be pictured as follow:

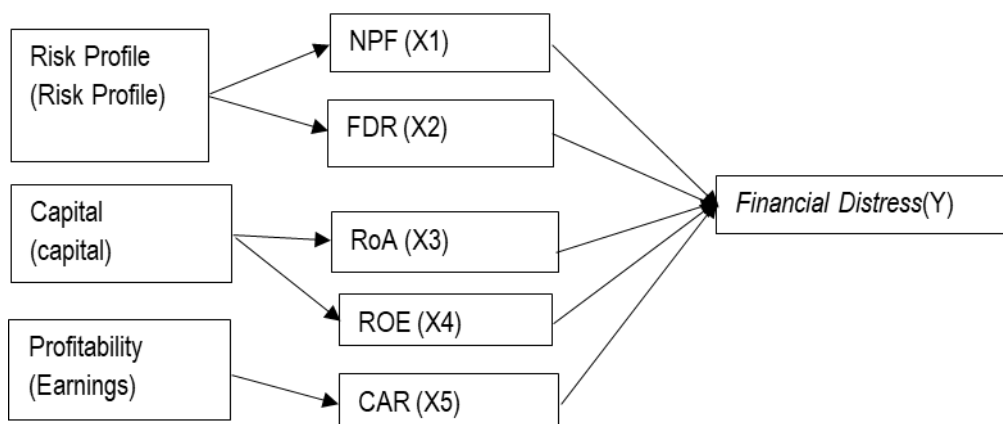


Figure 1. Framework of Study

The data analysis technique used in this research is the analysis of the soundness of banking with the RGEC method which includes components of Risk Profile, Good Corporate Governance, Earnings, and Capital. The Risk Profile is proxied by Non-Performing Finance (NPF) and Financing to Deposit Ratio (FDR). Earnings are proxied by Return on Assets (ROA), Return on Equity (ROE). Capital is proxied by the Capital Adequacy Ratio (CAR).

In this study, the multiple linear regression equation model was chosen because in this study it will use more than one independent variable, then whether the independent variable has a significant influence or not on the dependent variable Financial Distress (Y). Multiple Linear Regression equation models that exist in this study are:

$$Y = \alpha + \beta_1(X_1) + \beta_2(X_2) + \beta_3(X_3) + \beta_4(X_4) + \beta_5(X_5) + \varepsilon$$

Information:

Y =Financial Distress

α = Constant Regression Coefficient

X_1 =Non-Performing Financing (NPF)

X_2 =Financing to Deposit Ratio (FDR)

X_3 =Return on Assets (RoA)

X_4 =Return on Equity (RoE)

X_5 =Capital Adequacy Ratio (CAR)

ε = errors

RESULT ANALIYSIS

SOUNDNESS LEVEL ASESSMENT ON BANK MUAMALAT

From the financial report data of Bank Muamalat Indonesia for the 2012-2021 period, the results of the assessment of the soundness level of Bank Muamalat Indonesia are obtained as follows:

Table 1 Soundness Level of Bank Muamalat Indonesia

Component	2012			2013		
	Mark	Rating	Score	Mark	Rating	Score
NPF	1.81	1	5	0.78	1	5
FDR	94.15	3	3	99.99	3	3
ROA	1.54	1	5	1.37	2	4
ROE	29.16	1	5	32.87	1	5
CAR	11.57	2	4	17.27	1	5
Composite Value	22/25*100= 88 VERY HEALTHY			22/25*100= 88 VERY HEALTHY		
Component	2014			2015		
	Mark	Rating	Score	Mark	Rating	Score
NPF	4.85	2	4	4.2	2	4
FDR	84.14	3	3	90.3	3	3
ROA	0.17	4	2	0.2	4	2
ROE	2.13	4	2	2.78	4	2
CAR	14.15	1	5	12.36	1	5
Composite Value	16/25*100= 64 HEALTHY ENOUGH			16/25*100= 64 HEALTHY ENOUGH		
Component	2016			2017		
	Mark	Rating	Score	Mark	Rating	Score
NPF	1.4	1	5	2.75	2	4
FDR	95.13	3	3	84.41	3	3
ROA	0.22	4	2	0.11	4	2
ROE	3	4	2	0.87	4	2
CAR	12.74	1	5	13.62	1	5
Composite Value	17/25*100= 68 HEALTHY ENOUGH			16/25*100= 64 HEALTHY ENOUGH		
Component	2018			2019		

	Mark	Rating	Score	Mark	Rating	Score
NPF	2.58	2	4	4.3	2	4
FDR	73.18	1	5	73.51	1	5
ROA	0.08	4	2	0.05	4	2
ROE	1.16	4	2	0.45	4	2
CAR	12.34	1	5	12.42	1	5
Composite Value	18/25*100= 72 HEALTHY			18/25*100= 72 HEALTHY		
Component	2020			2021		
	Mark	Rating	Score	Mark	Rating	Score
NPF	3.95	2	4	0.08	1	5
FDR	69.84	1	5	38.33	1	5
ROA	0.03	4	2	0.02	4	2
ROE	0.29	4	2	0.2	4	2
CAR	15.21	1	5	23.76	1	5
Composite Value	18/25*100= 72 HEALTHY			19/25*100=76 HEALTHY		

Source: Data processed, 2023

Based on the table above, it can be concluded that the soundness rating of Bank Muamalat Indonesia is in accordance with the standards set by Bank Indonesia in 2012 and 2014 with a composite rating of 1 which is very healthy which shows that Bank Muamalat Indonesia is very capable of managing bank operations. Then, in 2014 to 2017 with a composite rating of 3, which is quite healthy which shows that it is quite capable of managing bank operations. Meanwhile, from 2018 to 2021 with a composite rating of 2, namely healthy, which shows that Bank Muamalat Indonesia is capable of managing its operations.

POTENTIAL OF FINANCIAL DISTRESS ASSESSMENT

Zmijewski method calculated the financial distress through a graph as follow:

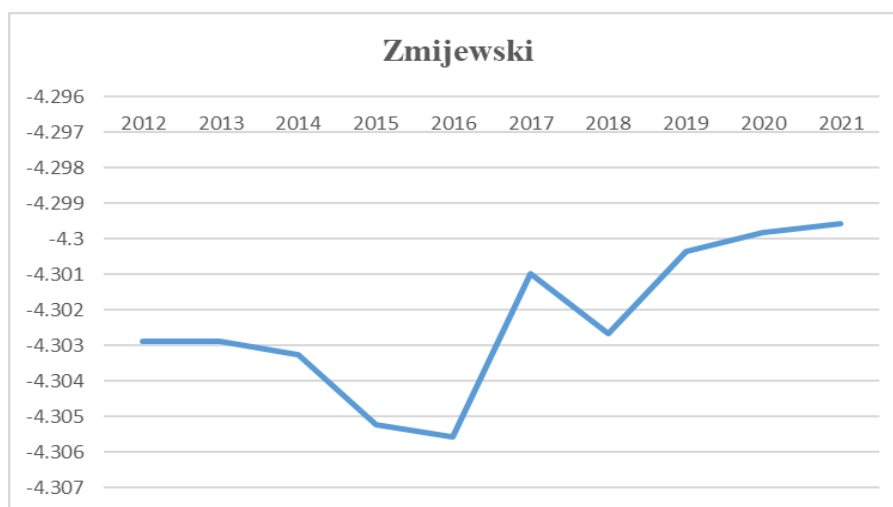


Figure 2. Results of Potential Financial Distress Assessment

Based on the results of the analysis of calculations using the Zmijewski method in the financial statements of Bank Muamalat Indonesia for 2012-2021 of -4,302 in 2012, -4,302 in 2013, -4,303 in 2014, -4,305 in 2015, -4,305 in 2016, -4.30 in 2017, -4.302 in 2018, -4.30 in 2019, -4.29 in 2020, and -4.29 in 2021 where these

results <0.5 indicate that in 2012 to 2021 Bank Muamalat Indonesia is categorized as in a state of stable and has no potential for bankruptcy.

HYPOTHESES TEST RESULT

Partial (t-Test) Result

This section is the main part of the research result article in which the “fix” results are served. The data analysis processes, such as statistical computing and hypothesis testing, are not necessary to be served. The materials reported are the analysis results and hypothesis testing results. In addition, tables and graphics are also can be showed to enunciate the verbal narration. Tables and images must be given a comment or discussion. The details of qualitative research written in some sub-topics which directly related to the focused category.

The t test was conducted to find out whether there is an influence of each independent variable namely Non-Performing Finance, Financing to Deposit Ratio, Return on Assets, Return on Equity and Capital Adequacy Ratio on the dependent variable namely Financial Distress which is tested by comparing the probability value with the error value or α (0.05)

Table 2. t-Test Result of partial relationship

Variable	coefficient	std. Error	t-Statistics	Prob
C	-4.289982	0.002114	-2029,215	0.0000
NPF	0.000365	0.000105	3.486398	0.0007
FDR	-0.000144	1.37E-05	-10.50321	0.0000
ROA	-0.005473	0.001727	-3.168602	0.0020
ROE	0.000342	8.15E-05	4.201142	0.0001
CAR	-0.000152	7.24E-05	-2.097290	0.0382

Source: Data processed by author

Based on the table 2 above, the variable Non-Performing Finance, Finance to Deposit Ratio, Return on Assets, Return on Equity, and Capital Adequacy Ratio has a probability value of less than 0.05 (prob. <0.05). This means that the variables Non-Performing Finance, Finance to Deposit Ratio, Return on Assets, Return on Equity and Capital Adequacy Ratio partially have a significant effect on financial distress. In the same table, it also shows the multiple regression equation from coefficient result.

$$Y = -4.289982 + 0.000365 (X1) - 0.000144 (X2) - 0.005473 (X3) + 0.000342 (X4) - 0.000152 (X5) + \epsilon$$

It also can be stated based on the equation above that, the constatnt value of financial distress (Y) is about -4.289982 if it not influenced by all independent variables (NPF, FDR, RoA, RoE, and CAR). Meanwhile, X1 value are about 0.000365 means if NPF are increase about 1-point financial distress would increase about 0.000365. Furthermore, X2 value are about -0.000144 means if FDR are increase by 1-point financial distress would decrease about -0.000144. Moreover, the value of X3 is about -0.005473 means if RoA increase about 1-point financial distress would decrease about -0.005473. Besides, X4 value is around 0.000342 which means if RoE increase about 1-point financial distress would increase about 0.000342. In addition, X5 value is about -0.000152 which indicates that if CAR value increase by 1 point financial distress would decrease about -0.000152.

F-Test Result

Simultaneously, the influence of NPF, FDR, RoA, RoE, and CAR on financial distress is shown on table below:

Table 3. F-Test Result

F-Statistics	46.1075
Prob (F-Statistic)	0.00000

Based on table 3 above, it can be summed up that simultaneously NPF, FDR, RoA, RoE, and CAR have a significant effect on financial distress. It is proven by the p-value which around 0.0000 that is less than 0.05.

R2 Coefficient Determination

The coefficient of determination (R-Square) is used in research to determine the relationship between the independent variable and the dependent variable and how much the independent variable can affect the dependent variable. In simple linear regression analysis, the value used to determine the coefficient of determination is the R-Square value. Whereas in multiple linear regression analysis, the value used to determine the coefficient of determination is the adjusted R-Square value. The greater the R-Square value, it can be concluded that the greater the influence of the independent variables on the dependent variable in a study.

The result of R2 in this study is about 0.669. This indicate that independent all variables (NPF, FDR, RoA, RoE, and CAR) explains financial distress about 66.9% in this study while the rest of it about 33.1% are explained by other variables excluded from this study. Based on the R2 result, it can be concluded that this study is strong enough since the R2 value is equal or above from 0.6.

DISCUSSION

Based on the data analysis result, it is can be concluded that all independent variables have a significant effect on financial distress. Yet, FDR (X2), RoA (X3) and CAR (X5) have a negative significant effect which is contrary to the NPF (X1) and RoE (X4) which have positive and significant effect on financial distress. Focusing on NPF and RoE on financial distress, this study shows that of Non-Performing Financing in predicting financial distress. Indeed, financial distress is influenced by Risk Profile factors which are proxied by Non Performing Financing. The Risk Profile which is proxied by the Non Performing Financing (NPF) ratio is a problematic financing that greatly influences the profits of Islamic banks (Rodoni & Yaman, 2018). This is due to the lower the non-performing financing, the lower the probability of bankruptcy of a bank (Hidayat et al., 2021).

In the same line, RoE positively influence financial distress in Islamic Bank (particularly Bank Muamalat Indonesia). Means, The higher the profit earned, the more likely there are idle funds or the company's funds are not used as needed, if this cannot be observed, it is certain that the company will experience financial difficulties (Asutay & Othman, 2020). RoE is an illustration of a bank's ability to optimize existing capital. Good capital management will be able to generate good profits and avoid the potential for financial distress (Akgün & Memiş Karataş, 2021). Because banks can fall into financial distress if they are unable to use capital to generate profits.

On the other hand, FDR have a negative significant effect on financial distress. Means, the size of the Financing to Deposit Ratio will affect a bank's income in obtaining profit sharing from disbursed financing, so that the amount of channeled financing can increase bank income, but there is an insignificant relationship because too high an FDR value will disrupt liquidity bank (Ichsan et al., 2021). The lower the FDR value indicates the bank's income is also lower due to poor financing distribution so that it will motivate the bank to carry out financial management by increasing profit sharing (Al-Dhamari et al., 2023).

Similarly, RoA also shows same negative impact on financial distress. Means, that the higher the value of the Return on Assets, the lower the possibility of a bank experiencing financial distress (Asyikin et al., 2018). Return on Assets that proxies Earning is a ratio related to profitability to measure a bank's ability to generate profits as a whole. If RoA shows a positive value, then a number of assets owned by sharia commercial banks are able to maintain conditions to continue to earn profits so that the possibility of getting smaller in financial distress conditions (Sitompul & Nasution, 2019). In connection with the existing theory that the higher the Return on Assets is able to show a positive number on a number of assets currently owned by a bank, the bank is able to maintain its condition and situation to earn profits. This research is also information for investors that a good Islamic commercial bank is a bank that is able to maintain all its profits so that it is far from a financial distress condition (Devi & Firmansyah, 2018).

The high or low income of a bank can be seen from the bank's RoA ratio. If the profit gain increases, then this shows that the operational performance of a bank is getting better, especially in running its business so that the banking profitability will also increase. The results of the analysis explain that the higher the RoA ratio, the greater the profit earned by the bank, the smaller the profitability of financial distress. This ratio measures the ability of a bank to use its assets to gain profit (Halteh et al., 2018).

In the same way, CAR in this study have a negative effect on financial distress. Means, the higher the Capital Adequacy Ratio, the lower the potential for financial distress of a bank (Ekadjaja et al., 2021). Capital proxied by the Capital Adequacy Ratio is the bank's ability to measure the adequacy of the bank's capital to support assets. If the CAR value is getting smaller, it indicates that the bank is still able to finance its short-term obligations and the company is likely to be able to avoid financial distress (El-Ansary et al., 2019). In accordance with the existing theory that the greater the value of a bank's CAR, the better the bank will be in preventing financial distress. Therefore, every bank is required to publish the results of financial reports, in order to provide a positive signal for investors (Amaroh, 2023).

CONCLUSION

To sum up, this study shows that, NPF, FDR, RoA, RoE, and CAR are partially and simultaneously influence financial distress of Islamic Bank especially in Bank Muamalat Indonesia. This study also found that, NPF and RoE have a positive relationship with financial distress while FDR, RoA, and CAR have a negative relationship with financial distress. Furthermore, the relationship of independent variables and dependent variables show on R² about 0.669 which indicates that financial distress (Y) is explained by NPF (X₁), FDR (X₂), RoA (X₃), RoE (X₄), and CAR (X₅) by 66.9% while the rest of it about 33.1% is explained by other variables excluded from this study.

However, this study has limitations which is only investigates on Bank Muamalat Indonesia as Islamic Bank. Meanwhile, there are another Islamic bank in Indonesia such as BSI, Bank Mega Syariah, Bank Aladin Syariah, Bank BCA Syariah, Panin Dubai Syariah Bank, Bank KB Bukopin Syariah, Bank BTPN Syariah, and Bank Victoria Syariah. Further research is aimed to investigate all Islamic bank on financial distress analysis.

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