

CHAPTER V

CONCLUSION AND SUGGESTION

A. Conclusion

Based on the research and data analysis, the result from regression model by using Multiple Linear Regression model aims to measure the relationship among inflation rate, exchange rate, and financing growth on bank performance which is represented by Return on Assets (ROA) in Islamic Banking. The conclusion can be seen in these following explanation:

1. Inflation rate has positive and not significant influence on the Return on Assets in Islamic banks, which is relevant with the research done by Suryanto and Kesuma (2012), inflation does not affect the Return on Assets. The high inflation rate will reduce Return on Assets, while the low inflation will cause economic growth slower. This indicates that although inflation has increased, profits of the company did not experience a significant decline and vice versa.
2. Exchange rate has negative and significant influence on the Return on Assets in Islamic banks, which is relevant with the research done by Rosanna (2007) states that exchange rate significantly influence the profitability on Islamic banks. Dwijayanthi and Naomi (2009) state that any impact of exchange rates on profitability, which the bank identified if the exchange rate appreciation or depreciation, it will have an impact on liabilities in foreign currency of bank upon maturity tempo.

3. Financing growth has positive and significant influence on the Return on Assets in Islamic banks, which is relevant with the research done by Fadholi (2015) states that financing significantly influence on the profitability on Islamic banks. It means that financing growth became positive signal to the banks to be more aggressive in increasing the financing and loans, so that the performance of Islamic banking can be increased.

B. Suggestion

The suggestions for several parties linked to the Inflation Rate, Exchange Rate, and Financing Growth will be mentioned, as follow;

1. To decrease the inflation rate, it needs to have a precise decision from Central Bank (BI) as a monetary decision maker. It needs an appropriate strategy to anticipate the inflation rate which is the Inflation Targeting Framework (ITF). The government should impose strict action on deciding which instrument to be used, to keep the stable price. And expected for Islamic banking to monitor the ratio of profit and margins offered to customers so value Return On Assets not impaired when the financial crisis caused by inflation and BI rate.
2. The bank is expected to pay attention on the exchange rate in increasing the the profitability of the company. Because exchange rate is one of the external factors that affect profitability of Islamic banks.
3. The positive influence of growth financing to increase the profitability in the Islamic bank, bank should increase the distribution of funding. Efficiency of Islamic bank on running its operationals is important on banks profitability. The more efficient the operation of Islamic banks in routine performing, the more increase the profits of Islamic Bank. Will be Islamic banks should implement the promotional activities or socialization to the public directly or indirectly to introduce sharia-complement products to the public, so that Islamic banks can add to prospective investors.

4. For further researchers, they need to use different variables which are not used in this research and add more contracts that available in Indonesian Islamic bank to know whether any other variables that theoretically affect on profitability.