Macroeconomic and Bank Specific on Profitability: The Case of Islamic Rural Bank in Indonesia.

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- **Abstract:** Purpose - The purpose of this study to investigate determinant Islamic Rural Bank's (BPRS) profitability in Indonesia. Factors that can affect profitability are economic growth, inflation, deposit to total assets, NPF, liabilities to total assets, and profitability. This study uses a quantitative method with multiple linear regression method. Data use is all Islamic Rural Bank in Indonesia with the period of this study are 2010- 2017 quarterly. The results of this research were Economic growth, deposit to total assets, NPF, and liabilities to total assets have partial significant effects on profitability. All independent variables have simultaneous effects on profitability with the value of R2 is 82.1%. BPRS are expected to improve their performance optimizations, especially in financing areas. Gathering third-party funds on BPRS are good enough but the distribution of financing is still not optimal due to the high level of congestion financing. The BPRS must be more cautious in conducting financing to produce an optical profit. In addition, BPRS are also expected to observe the macroeconomic state especially economic growth and can take the opportunity to increase its profitability. The existence of Islamic Rural Banks is indeed very helpful for small entrepreneurs, with a very easy process and also becoming a solution for the community. Islamic Rural Banks need to increase the performance to get greater profitability.
- Keywords: . Islamic Rural Banks, economic growth, entrepreneurs, financing