



The Effect of Capital Adequacy, Financing Risk, And Efficiency on Profit Distribution Management at Shariah Banks in Indonesia

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ABSTRACT: This research aims to examine the effect of capital adequacy, financing risk and efficiency on Profit Distribution Management in Islamic commercial banks in Indonesia. This research is a population study with the number of companies studied being 12 Sharia Commercial Banks for 5 years (2014-2018 observation period) and 1 Aceh Syariah Bank for 2 years (2016-2018 observation period) in Indonesia. This research uses multiple linear analysis of panel data to analyze the data to be studied. This research empirically finds that CAR, NPF, and BOPO have a positive and significant effect on profit distribution management in Islamic commercial banks in Indonesia.

KEYWORDS: Capital Adequacy Ratio, Efisiensi, Non Performing Financing, Sharia Bank.

PRELIMINARY

The development of the financial sector in banking or banking structures in Indonesia is very important for positive financial development for the national economy. This happens because financial institutions, especially in the banking sector, influence the Indonesian economy. Most researchers agree on the important role of the financial sector in real economic growth both at the national and international levels (Demirguc et al., 2004).

There are two types of banking operating in Indonesia, namely conventional banks and sharia banks. In terms of market share, Sharia Banks lag behind Conventional Banks in Indonesia. However, Indonesia with the largest Muslim population in the world has the largest sharia financial market, the fourth largest in the world after Iran, Malaysia and Saudi Arabia in the international Sharia industry (Yusof and Bahlous, 2013). When the global crisis occurred in 1997-1998, conventional banks were unable to survive the crisis, causing public confidence in conventional banks to decline. Interestingly, the newly emerged Islamic banks were able to survive in the midst of the global crisis so that they became the leading alternative choice for the community.

Sharia banking in Indonesia is currently under Law number 21 of 2008 as the legal basis for operating sharia banking institutions, causing intense competition among developing sharia banks. The number of sharia banks increased in 2009 with the issuance of new licenses for banking, namely Bank Bukopin Syariah, Bank Panin Syariah, and BRI Syariah (Nurhayati, 2015:05).

The development of the sharia banking system in Indonesia is carried out within the framework of a dual-banking system within the Indonesian Banking Architecture (API) framework to present increasingly complete alternative banking services to the Indonesian people. The sharia banking system and conventional banking synergistically support the wider mobilization of public funds to increase financing capacity for national economic sectors. The characteristics of a sharia banking system that operates based on the principle of profit sharing provides an alternative banking system that is mutually beneficial for the community and the bank, and emphasizes aspects of fairness in transactions, ethical investment, prioritizing the values of togetherness and brotherhood in production, and avoiding speculative activities in financial transactions. By providing a variety of banking products and services with more varied financial schemes, sharia banking has become a credible alternative banking system that can be enjoyed by all groups of Indonesian society without exception (Bank Indonesia, 2017).

Sharia banks operate with an umbrella system for profit and loss sharing. The key point in profit and loss sharing is to avoid debt financing and use equity financing by providing financial instruments called Mudharabah and Musyarakah.

Principles of equity-based investment contracts in Islamic banks in the form of mudharabah and musyarakah with distribution of profits through real business. However, in this practice, profit distribution cannot be separated from management flexibility to keep profit distribution stable. This practice is then called profit distribution management (Farook, Hassan and Clinch 2012). According to Bank Indonesia, profit distribution is the distribution of Islamic bank profits to depositors based on an agreed ratio each month. The profit sharing ratio is an important factor in determining one of the important internal company factors that can influence profit sharing in Islamic banks. Because the ratio aspect is an aspect that is mutually agreed between the two parties



carrying out the transaction (Muhammad, 2005). Apart from that, profit distribution management is an activity carried out by managers in managing the distribution of profits to fulfill sharia bank profit sharing obligations to their customers (Mulyo, 2012). When the bank's financial condition experiences a profit, the profit will be distributed to customers in accordance with the agreement agreed at the beginning. Likewise, when the bank experiences a loss, the loss will be shared together.

In Indonesia, Islamic bank managers carry out profit distribution management which refers to conventional bank interest rates. This is closely related to the type of depositor in Indonesia. Islamic bank depositors in Indonesia are divided into several market segments. Karim and Afif (2006) stated that in Indonesia three market segments were found, namely sharia loyalists (consisting of adherents of religious beliefs), floating segments (a combination of religion and market forces) and conventionalist loyalists. The survey results also stated that 70% of sharia banking depositors are depositors in the floating segment, which is sensitive to profit levels. This is reinforced by the findings of Yahya's (2011) study which concluded that saving behavior in Islamic banks is most influenced by the level of profit sharing (profit distribution).

The activities managed by the manager are carried out to prevent fund displacement, which is an incident where customers choose to move the funds they have to another bank. If the profit sharing rate provided by Islamic banks is very different from conventional interest rates, then customers prefer to save their funds in conventional banks. Sundararajan (2005) states that Islamic banks face cost competition which requires implicit contractual conditions between customers and banks to provide distributions similar to market-based deposit interest rates. The reduced collection of customer funds has resulted in sharia banks losing their main source of funds, which can affect the bank's function as an intermediation institution.

Competition with conventional banks requires sharia banks to encourage management to manage good profit distribution management, so that customers can be satisfied with the profit sharing obtained. In carrying out profit distribution management for sharia banking in Indonesia, it is necessary to pay attention to several factors that influence it, including capital adequacy, financing risk and efficiency.

One of the factors that influences profit distribution management is capital adequacy. Capital adequacy is the bank's ability to manage capital in order to maintain that capital so that it is sufficient to cover the risk of losses that may arise from investing funds in risky productive assets, as well as for financing fixed assets and investments. Capital adequacy is used as a basis for measuring the performance of a bank (Sakti, 2012). The measuring tool used to measure capital adequacy is the Capital Adequacy Ratio (CAR). This high ratio can protect customers and increase customer trust in the bank (Rahman, 2004). This high ratio makes managers brave in making profit distribution management decisions referring to interest rates.

Another factor that influences profit distribution management is financing risk. Financing risk is the risk posed by debtors (banks) who have failed to manage funds invested by customers. The level of profit sharing given to customers really depends on how effective and quality the funds distributed for bank financing activities are (Imawan, 2014). Even though banks do not channel customer savings as credit, banks are still obliged to provide interest on savings. On the other hand, the profits obtained by the bank are also not distributed to its depositors. No matter how large a conventional bank's profits are, depositors are only paid a percentage of their existing funds (Rini, 2000).

Financing risk can be measured by the Non Performing Financing (NPF) ratio. The distribution of collected depositor funds will be placed by sharia banks into productive business sectors (financing) that generate profits. If the business results obtained are higher, the greater the profits distributed by the bank to its depositors, while if the funds placed in financing are problematic it will affect the NPF. Managers will look at how large the NPF ratio. If the ratio is high it shows that the quality of financing is not good, while if the NPF ratio is small then the quality of financing is good. So managers in determining Profit distribution management are influenced by the quality of the NPF, because it affects the amount of bank profit.

Apart from capital adequacy and financing risk, efficiency is also one that influences profit distribution management. The measuring instrument used to measure efficiency is operational costs to operating income (BOPO). The BOPO ratio is a ratio that can be used to see the level of efficiency and ability of a bank to support its operational activities. Currently there are Islamic banks that have a ratio exceeding 100%, while the maximum limit allowed by Bank Indonesia is 90% to 100%. If we interpret it again, a bank that has a high BOPO ratio indicates that the bank has not been able to support its operational activities (Bank Indonesia, 2017). According to Arifin (2009a, 2009b), bank inefficiency is caused by the high operational costs incurred by banks compared to the income received from bank operations.

Research by Husnelly (2003) and Mangkuto (2004) also confirms that the factors that people consider when investing their funds in Islamic banks are capital requirements, profit sharing and financing risks that will be borne by customers. Based on the



findings from several studies, It implies that Islamic banks must pay attention to profit distribution management. According to Farook et al. (2009), Indonesia and three other countries, namely Bahrain, Pakistan and Saudi Arabia, are countries that carry out high profit distribution management on average. This is because customers currently prioritize the level of profits offered by sharia banks, so managers must be able to maintain the quality of the profit distribution produced.

There are a number of studies that reveal the influence of capital adequacy, financing risk and operational costs on operational income on profit distribution management. research by Mulyo and Mutmainah (2012) concluded that capital adequacy influences profit distribution management. Susilowati (2012) stated that capital adequacy and financing risk have a positive effect on profit distribution management, while operational costs and operating income have a negative effect on profit distribution management. Wibowo (2012) concluded that operational costs, operational income, influence the allocation of profit distribution management. In Muyassaroh and Bambang's (2015) research stated that capital adequacy and operational costs, operational income influence profit distribution management.

There are some research gaps from several studies. Mulyo and Mutmainah's research (2012) has the weakness of only measuring profit distribution management with Capital Adequacy, so this results in a picture of the performance of profit distribution management that cannot be seen as a whole because capital adequacy is only one of the factors that influence profit distribution management, whereas in the research Susilowati (2012) has the weakness of only looking at the risk of financing with bad financing that occurred during that period so that it does not describe how profit distribution management will be carried out by Islamic Commercial Banks. Meanwhile, research by Wibowo and Muyassaroh and Bambang (2015) only looked at profit distribution management with ROE, but in this study Profit distribution management was measured by asset spread, namely the absolute spread between return on assets (ROA) and average return on investment account holder (ROIAH) and Researchers observed over a period of years (2016-2018) so they could clearly describe the influence of each variable.

Based on the background description above, the author is interested in researching this issue with the title "The Influence of Capital Adequacy, Financing Risk, and Operational Costs on Operational Income on Profit Distribution Management in Sharia Commercial Banks in Indonesia".

THEORETICAL BASE

Sharia Commercial Banks and Sharia Bank Mechanisms

Sharia Bank is a bank that works using Islamic sharia principles which refer to the provisions of the Koran and Hadith. Law Number 21 of 2008 states that Sharia Banking is everything that concerns Sharia Banks and Sharia Business Units, including institutions, business activities, as well as methods and processes for carrying out business activities. Danupranata (2013) states that there are three ways to become a sharia bank, including:

- a. Establishing a sharia bank directly with a full sharia system such as Bank Muamalat.
- b. Convert from a conventional bank to a sharia bank. This method usually uses a full sharia system.
- c. Opening a sharia division, usually a conventional bank that intends to carry out sharia transactions. This was done by opening a sharia division using a dual banking system

The mechanism for earning income, namely interest and profit sharing, is a fundamental difference between conventional and Sharia financial systems. Based on Islamic law (fiqh), profit sharing is found in mudharabah and musyarakah. The financial agreement is considered to be a substitute for usury, which takes the form of interest. Interest and profit sharing both provide benefits for fund owners, but they have very real differences.

Muhammad (2010) states that the difference between interest and profit sharing are the determination of interest is made at the time of the contract with the assumption that there must always be a profit, while for profit sharing the determination of the ratio/profit sharing ratio is made at the time of the contract based on the possibility of profit and loss. If the interest rate is a percentage based on the amount of money (capital) lent. Meanwhile, the profit sharing ratio is based on the amount of profit obtained. Interest payments remain as promised without considering whether the project run by the customer makes a profit or a loss. Meanwhile, profit sharing depends on the profits of the project being carried out. If the business makes a loss, the losses will be shared by both parties. The amount of interest payments does not increase even if the amount of profit doubles or the economic situation is "booming" while the amount of profit distribution increases in accordance with the increase in the amount of income. and the existence of interest is doubted by all religions, including Islam, while no one doubts the validity of profit sharing.



As a financial institution with a financial intermediary or financial intermediary function, the Bank has the task of collecting public funds (funding), then channeling these funds back to the community (lending). Sharia banks must operate in accordance with applicable banking rules, mainly the rules of transactions, collection and distribution of funds according to Islam.

Profit Distribution Management

Profit distribution management is a mandatory activity based on Sharia Banking regulations by Bank Indonesia, namely the distribution of Islamic bank profits to depositors based on an agreed ratio each month. The calculation of the division of business between Shahibul Maal (funder) and Mudharib (fund manager) is carried out by Sharia Bank in accordance with the ratio agreed at the beginning of the contract. Profit distribution management is based on the product chosen by the depositor at the bank, as well as the ratio approval. Mawardi (2005) states that profit distribution is the distribution of business results, income distribution and profit sharing distribution (Antonio, 2001). According to Bank Indonesia, profit sharing distribution is the distribution of profits from sharia banks to savings customers based on an agreed ratio each month. So it can be concluded that profit distribution management is an activity carried out by managers in managing profit distribution to fulfill the profit sharing obligations of Islamic banks to their customers.

The profit ratio is one of the pillars that is typical in a mudharabah contract, which is not present in a sale and purchase agreement. Nisbah is the compensation received by both parties to the Mudharabah. Mudharib gets compensation for his work, while shahibul al-mal gets compensation for his capital investment. The profit ratio can play a role in preventing disputes between the two parties regarding how to share profits. The profit ratio must be expressed in the form of a percentage between the two parties, not expressed in a certain nominal value. The amount of the ratio is determined based on the agreement of each contracting party, but in practice in modern banking, bargaining on the ratio between capital owners (i.e. investors or depositors) and sharia banks only occurs for large depositors/investors, because they are has relatively high bargaining power (Antonio, 2001).

This is stated as a special ratio, whereas for small depositors bargaining cannot be done. Sharia banks will list the ratio offered, which can be approved by the depositor or not. If he agrees then he will continue saving, but if he doesn't agree then he can look for another sharia bank that offers a more attractive ratio. The difference between interest and profit sharing from sharia banks is based on the principle of profit and loss sharing (profit sharing and loss sharing). Sharia banks do not charge interest, but instead invite participation in the funded business fields. Depositors also share in the bank's profits according to a predetermined ratio. Thus, there is a partnership between Islamic banks and depositors on the one hand and between banks and investment customers as managers of depositors' fund sources in various productive businesses on the other hand (Antonio, 2001).

Islamic banks manage profit distribution management based on the strong relationship between market interest rates and the distribution of profit sharing for their customers in the research sample (Sundararajan, 2005). This is reinforced by the discovery of an insignificant relationship between asset returns and distribution to customers. Profit distribution management calculations which refer to interest rates can be done using the Asset spread.

Asset spread is the absolute spread between return on assets (ROA) and return on investment account holders (ROIAH), namely the average return for depositors' results. Profit distribution management which refers to commercial bank interest rates is based on the type of depositor in Indonesia. Karim and Afif (2006) stated that in Indonesia three market segments were found, namely sharia loyalists (consisting of adherents of religious beliefs), floating segments (a combination of religion and both) and conventional loyalists. The survey also stated that 70% of sharia banking customers are customers in the floating segment, which is sensitive to profit levels. Yahya's research (2011) has the main conclusion that saving behavior in Islamic banks is most influenced by the level of profit distribution. Profit distribution management, which refers to interest rates, can be calculated using Asset Spread with the following formula (Farook et al., 2009):

$Asset\ Spread = (ROA - Average\ ROIAH)$ (1)

$Average\ ROIAH = \frac{Income\ that\ must\ be\ shared}{Average\ balance\ of\ depositors'\ profit\ sharing\ instruments}$ (2)

Bank Indonesia revealed that ROA is a ratio used to measure bank management's ability to generate profits. ROA also describes the efficiency of the bank's performance in question. This ratio prioritizes the value of a bank's profitability as measured



by productive assets whose funds mostly come from third party funds. The greater the ROA of a bank, the greater the profits achieved by a bank and the better the bank's position in terms of asset use. As for calculating ROA, as shown below.

$$ROA = \frac{\text{profit before tax}}{\text{total assets}} \times 100\% \dots\dots\dots (3)$$

Effectiveness of Third Party Funds

The effectiveness of third party funds is the intermediation function of banks in channeling third party funds for financing (Mulyo and Mutmainah, 2013). The effectiveness of third party funds can be measured by the financing to deposit ratio (FDR). FDR is the ratio between the amount of credit given and the funds received by the bank (Antonio, 2011).

FDR is the ratio between the total financing disbursed and the total third party funds collected. FDR can be determined by using a comparison between the amount of financing provided and public funds collected, including current accounts, time deposits (deposits) and savings. FDR states how far a bank's ability is to repay withdrawals made by depositors by relying on the credit provided as a source of liquidity.

Bank Indonesia uses a standard FDR ratio of 80% to 110%. An FDR ratio below 80% (for example 60%) indicates that the bank can only distribute 60% of all funds collected. The main function of the bank is as an intermediary between parties who have excess funds and parties who lack funds, so with an FDR ratio of 60%, it means that 40% of all funds collected are not distributed to parties who need them, so it can be said that the bank is not running functions well. The bank's FDR ratio reached more than 110%, meaning that the total financing provided by the bank exceeded the funds collected. The funds collected from the public are small, so in this case the bank can also be said to not be carrying out its function as an intermediary (middleman) well. The higher the FDR indicates the riskier the bank's liquidity conditions, conversely the lower the FDR indicates the bank's lack of effectiveness in channeling financing. FDR can be calculated using the following formula:

$$FDR = \frac{\text{Total financing}}{\text{Total third party funds}} \times 100\% \dots\dots\dots 4)$$

Capital Adequacy

Capital Adequacy Ratio (CAR) is a capital adequacy ratio that functions to cover the risk of loss that may be faced by the bank. A higher CAR indicates that the bank's ability to bear the risk of any risky credit/productive assets is better. A high CAR value means the bank is able to finance operational activities and make a large contribution to profitability. Dendawijaya (2005:121) states that CAR is a ratio that shows the extent to which all bank assets containing risk (credit financing, investments, securities, claims on other banks) are financed from the bank's own capital funds in addition to obtaining funds from other sources. sources outside the bank, such as funds from the public, loans, etc. CAR can also be used as an indicator of a bank's ability to cover a decrease in its assets as a result of bank losses caused by risky assets. CAR can be calculated using the following formula:

$$CAR = \frac{\text{Modal Bank}}{\text{Total ATMR}} \times 100\% \dots\dots\dots (5)$$

The government determines that the minimum capital provision in assessing bank health can change according to needs. In 1999, the CAR level set by the government was a minimum of 8% and for 2001 a minimum of 12%. Basically, this CAR level is adjusted to CAR provisions that apply internationally, namely in accordance with standards issued by the Bank for International Settlements (BIS). This increase in CAR aims to improve performance and to ensure that banking principles of prudence are always guaranteed. According to Rivai (2013), the CAR element is an important factor for banks in order to develop their business and accommodate losses. In order to be able to develop and compete healthily, capital needs to be adjusted to international standards known as BIS standards.

Financing Risk

Financing risk is a risk caused by the failure of the counter party to fulfill its obligations. Financing risk can be determined by using the non-performing financing (NPF) ratio (Pransisca, 2014). According to Bank Indonesia, NPF is problematic financing consisting of financing that is classified as substandard. The indicator of credit quality and its characteristics according to Rivai



(2013) is Current Financing which consists of paying principal installments and/or profit sharing on time, having an active account and part of the financing guaranteed by cash collateral. The next indicator is special attention which consists of arrears in principal installments and/or profit sharing that have not exceeded ninety days. Sometimes there are overdrafts and relatively active account mutations, violations of contracts agreed upon and supported by new loans. substandard indicators, namely that there are arrears in principal installments and/or profit sharing, frequent overdrafts occur, the frequency of account mutations is relatively low, there are violations of contracts agreed for more than ninety days and there are indications of financial problems faced by debtors and weak loan documentation.

Then, for doubtful credit, there are arrears in principal installments and/or profit sharing, permanent overdrafts, defaults of more than 180 days, interest capitalization and weak legal documentation for both financing agreements and binding guarantees. Indicators of Loss include arrears in principal installments and/or profit sharing, operational losses are covered by new loans and from a legal perspective and market conditions, the collateral cannot be cashed out at fair value.

Financing risk can be calculated using a comparison between the amount of financing that is problematic because the return is not according to the agreed schedule and the total financing as a whole. In accordance with Bank Indonesia Circular Letter No.9/24/DPBS dated 30 October 2007 concerning the bank health assessment system based on sharia principles which is formulated as follows:

$$NPF = \frac{\text{Total financing problems}}{\text{Total financing}} \times 100\% \dots\dots\dots (6)$$

The increasingly high ratio indicates that the quality of sharia bank financing is getting worse. The better the quality of financing distributed by the bank, the smaller the NPF level. If the financing risk is greater, the profit sharing will be lower.

Efficient

One important factor so that the business being run can develop continuously is efficiency. Sutawijaya and Lestari (2009) state that there are three conditions for achieving efficiency, namely (a) if you use the same input you can produce a larger output (b) if you use a smaller input, the same output can be produced and (c) if you use the same input Large ones produce greater output. So companies must use costs appropriately in running their business so that the costs incurred do not increase. One measure of efficiency in banks that can be used is Operating Expenses and Operating Income (BOPO).

BOPO can be used to measure management's ability to control operational costs on bank operational income (Almilia and Herdiningtyas, 2005). Apart from that, the BOPO ratio can also be used to see the level of bank operational efficiency. The level of efficiency of a bank can influence banking performance. The BOPO ratio is one of the profitability ratios used to measure the level of efficiency and ability of banks in carrying out operational activities (Dendawijaya, 2003). An increase in BOPO shows that the level of efficiency and ability of the bank in carrying out its operational activities is getting worse, so the possibility of the bank being in trouble is greater. The decrease in BOPO shows that the more efficient the bank is in carrying out its business activities, the more profits earned by the bank will increase. The BOPO ratio in accordance with Bank Indonesia Circular Letter No.6/23/DPNP dated 31 May 2004, is formulated as follows:

$$BOPO = \frac{\text{Operating costs}}{\text{Operating income}} \times 100\% \dots\dots\dots (7)$$

Developmental Hypothesis

The Effect of Capital Adequacy on Profit Distribution Management

The bank's ability to maintain sufficient capital to cover the risk of losses that may arise from investing funds in productive assets that contain risks, as well as for financing fixed assets and investments can be referred to as capital adequacy. CAR can be used to measure capital adequacy in Islamic banks (Muhammad, 2010). Banks that have a good level of capital adequacy show indicators of being a healthy bank. This happens because the large amount of capital owned by the bank is able to cover the risk of losses arising from investing in productive assets.

Capital Adequacy is the bank's ability to maintain sufficient capital to cover the risk of losses that may arise from investing funds in productive assets that contain risk, as well as for financing fixed assets and investments. Capital adequacy is measured by the CAR ratio. This high ratio can protect customers and increase customer trust in the bank (Rahman, 2004).



Capital adequacy describes the bank's ability to maintain sufficient capital to cover the risk of losses that may arise from investing funds in productive assets that contain risks, as well as for financing fixed assets and investments. In calculating capital adequacy, the most appropriate indicator to use is CAR (Kartika & Adityawarman, 2012).

Investment in productive assets includes the principles of mudharabah, murabahah and ijarah. Losses arising from ijarah (rental) are in the form of damage to goods rented to customers, so that the bank has to pay maintenance costs. Losses from the mudharabah principle are entirely borne by the bank as the fund provider, when the business being run experiences losses. In murabahah, the loss received is in the form of non-payment for all goods that were given at the beginning of the contract. When investments in productive assets experience losses, capital is used to bear the risk (cost of losses incurred). The use of capital to cover risks means that the nominal income obtained from financing other than productive assets does not decrease, so that the profit sharing to customers does not decrease.

H1: Capital Adequacy, Financing Risk and Efficiency have a positive effect on Profit Distribution Management of Sharia Banks

H2: Capital Adequacy has a positive effect on Profit Distribution Management of Sharia Banks

The Effect of Financing Risk on Profit Distribution Management

The level of financing problems faced by Islamic banks can be measured using financing risk. Non Performing Financing (NPF) is used to measure Financing Risk. NPF is a ratio to measure a bank's ability to maintain financing risk. The better the quality of financing distributed by the bank, the lower the NPF level will be. The higher the NPF ratio, the worse the quality of financing. Good quality financing means the number of problematic financing is getting smaller. This makes the bank in good condition because the losses resulting from substandard financing are smaller (Arrumi, 2018)

A low NPF will result in a high opportunity for banks to obtain income from disbursed financing, thereby increasing profits/profitability. Increasing the opportunity to obtain income from financing will result in maximum profit sharing. Thus, financing risk has a positive effect on Profit Distribution Management.

H3: Financing Risk has a positive effect on Profit Distribution Management of Sharia Banks

The Effect of Efficiency on Profit Distribution Management

Operational costs to operational income can be used to measure the bank manager's ability to control operational costs to operational income. A smaller ratio indicates that the operational costs incurred by the bank are becoming more efficient. The level of efficiency of a bank in reducing its operational costs can reduce losses caused by the bank's inefficiency in managing its business so that it will increase the profits obtained. As company profits increase, the level of profit sharing given will be higher and vice versa. A high BOPO ratio indicates that the bank is not operating efficiently so that profits are reduced and the profit sharing received by customers is low. Thus, BOPO has a negative effect on profit distribution management.

H4: Efficiency has a positive effect on Profit Distribution Management of Sharia Banks

RESEARCH METHODS

Population and Sample

Population is all data that is the center of attention of a researcher within a predetermined scope and time. Population is related to data. If every human being provides data, then the size or number of the population will be the same as the number of people (Margono, 2004). The population studied in this research is all Sharia Commercial Banks that have been established in Indonesia for the 2014-2018 period, namely 13 Sharia Commercial Banks.

According to Arikunto (2002:105) The sample is a portion or representative of the population studied. The sampling technique used was purposive sampling. Purposive sampling is a non-random sample selection technique based on certain objectives (Indrianto and Supomo, 1999). The samples in this research were selected using the following criteria:

Table 1. Selection of Sharia Bank Samples

Criteria	Amount
Sharia Commercial Bank which was established in Indonesia 2014-2018	34
Sharia Commercial Banks which did not issue an Annual Report for 2014-2018	(17)



Bank Aceh Syariah which issued an Annual Report for 2017-2018	1
Sharia Commercial Banks that do not provide Profit Distribution Management (PDM), Capital Adequacy (CAR), Financing Risk (NPL) and Efficiency (BOPO)	(5)
Total research sample for 5 periods (12 x 5)	13
Total sampel penelitian selama 5 periode (12 x 5)	60
Total research sample for 2 periods (2x1)	2
Total research sample	62

So the samples in this research were 12 sharia commercial banks for 5 years and 1 Aceh Syariah Bank for 2 years. So 12 total research samples are 62 samples.

Table 2. Sample List of Sharia Commercial Banks in Indonesia

No	Bank Name	Number of Observations
1	PT. Bank Syariah Mandiri	5
2	PT. Bank Muamalat Indonesia	5
3	PT. Bank Syariah BNI	5
4	PT. Bank Syariah BRI	5
5	PT. Bank Syariah Mega Indonesia	5
6	PT. Bank Jabar dan Banten syariah	5
7	PT. Bank Panin Syariah	5
8	PT. Bank Syariah Bukopin	5
9	PT. Bank Victoria Syariah	5
10	PT. BCA Syariah	5
11	PT. Maybank Syariah Indonesia	5
12	PT. BTPN Syariah	5
13	PT. Bank Aceh Syariah	2

Notes: PT. Bank Aceh only converted to sharia on September, 19 (2017)

Operational Variables

Capital Adequacy

Capital adequacy is a banking company regulation agreed upon by the company in handling the capital they have. CAR is a capital ratio agreed upon by the bank in providing funds for business management companies and the risk of raising funds caused by the bank's operational volatility (Ali, 2004: 132). This variable is measured using a ratio scale, namely the percentage of capital and risk-weighted assets. The CAR ratio can be formulated as follows:

$$CAR = \frac{\text{Modal Bank}}{\text{Total ATMR}} \times 100\% \dots\dots\dots (8)$$

Financing Risk

Financing Risk is an event that a bank may experience. NPF is a comparison between the total problematic financing and the total financing provided. The NPF measurement formula is as follows (Tristingtyas and Mutaher, 2013):

$$NPF = \frac{\text{Total financing problems}}{\text{Total financing}} \times 100\% \dots\dots\dots (9)$$



Efficient

Efficiency is an indicator that is similar to the Bank's persuasive management in terms of operational costs and its operational foundations (Mokoagow and Fuady, 2015) . In the banking industry, medical differentiation uses the BOPO ratio (Sudiyatno and Suroso, 2010) . The BOPO ratio compares Operational Costs and Operational Pendant. The BOPO measurement formula is as follows:

$$BOPO = \frac{\text{Operating costs}}{\text{Operating income}} \times 100\% \dots\dots\dots (10)$$

Method Analysis

Data analysis is the activity of processing data that has been collected and then providing an interpretation of the results. The analytical method in this research uses multiple linear regression analysis of panel data. Gujarati (2005) said that the panel data multiple linear regression data model consists of the common effect model (CEM), fixed effect model (FEM) and random effect model (REM). To see the best model between CEM and FEM, the Chow Test is carried out, while to determine the best model for FEM and REM, the Housman Test is carried out. The general equations that can be compiled in this research are as follows:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + e_{it} \dots\dots\dots (11)$$

Notes:

- Y_{it} : Dependent variable
- α : Constant
- β₁, β₂, and β₃ : Correlation coefficients
- X₁, X₂, X_{3it} : Independent variables
- e_{it} : error term for observation i period t

Based on the model above, the empirical model can be written as follows:

Model I (Direct Model)

$$HS_{it} = \beta_0 + \beta_1 STD_{it} + \beta_2 LTD_{it} + \beta_3 INV_{it} + \epsilon_{it} \dots\dots\dots (12)$$

RESEARCH RESULTS

Descriptive Analysis

Descriptive analysis was carried out on all research variables consisting of 1 dependent variable Profit Distribution Management (PDM) (Y) and 3 independent variables; CAR (X1), NPF (X2), and BOPO (X3) to find out the descriptive picture including the average value (mean), standard deviation, minimum value and maximum value of research data as presented in the following table:

Table 3. Descriptive analysis

	X1	X2	X3	Y
Mean	0.264292	0.136103	0.974969	0.051523
Median	0.196	0.028	0.938	0.053
Maximum	1.64	1.07	2.17	0.077
Minimum	0.115	0.0002	0.581	0.014
Std. Dev.	0.268426	0.237114	0.273379	0.014103
Skewness	4.284378	2.325658	2.879515	-0.941867
Kurtosis	21.806921	8.102271	11.892950	3.497629
Jarque-Bera	1156.793941	129.100632	304.013134	10.281078
Probability	6.3883294	9.2502561	9.646874	0.005854
Sum	17.179000	8.846700	63.372999	3.349000
Sum Sq. Dev.	4.611387	3.598277	4.783133	0.012730
Observations	65	65	65	65



Table 3 shows that the average value of profit distribution management is 0.051523. The standard deviation of profit distribution management is 0.014103. The maximum value of profit distribution management is 0.077, namely PT. Bank Syariah Mega Indonesia in 2015. Meanwhile, the minimum profit distribution management value is 0.014, namely PT. Bank Panin Syariah in 2014. This could be due to the age of PT. Bank Panin Syariah which is still quite young, its coverage is not very broad.

The average CAR value is 0.264292 with a standard deviation of 0.268426. The lowest (minimum) CAR value is 0.115 owned by PT. Bank Panin Syariah in 2017, because PT. Bank Panin Syariah is one that has not spread throughout Indonesia so it has quite a lot of competition, so PT. Bank Panin Syariah is less popular, which causes the CAR value to be minimum among other UUS. The highest (maximum) CAR value is 1.64 owned by PT. Maybank Syariah Indonesia in 2019.

The average NPF value is 0.136103 with a standard deviation of 0.237114. The lowest NPF value is 0.0002 owned by PT. BTPN Syariah in 2018. The highest financing to NPF value was 1.07 owned by PT Bank Syariah Mandiri in 2019, because it has a relatively high CAR, which is in line with PT Bank Syariah Mandiri's high financing distribution.

The average BOPO value is 0.974969 with a standard deviation of 0.273379. The lowest BOPO value is 0.581 owned by PT. BTPN Syariah in 2019. The highest BOPO value is 2.17 owned by PT. Bank Panin Syariah Mandiri in 2017.

Regression results

The regression results of this research were obtained by carrying out multiple regression analysis (t test and F test). Before regression analysis was carried out, the data in this study had gone through a classic assumption testing process. Based on the model suitability test, the data was tested using multiple regression analysis using the Fixed-Effects model approach. The regression results are presented in Table 4.

Table 4. Regression Results (t test)

Dependent Variable: Y
 Method: Panel Least Squares
 Date: 02/26/21 Time: 10:38
 Sample: 2015 2019
 Periods included: 5
 Cross-sections included: 13
 Total panel (balanced) observations: 65

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.047419	0.004954	9.571878	0.0000
X1	0.009681	0.005825	1.662023	0.1035
X2	0.008316	0.012699	0.654811	0.5159
X3	0.000424	0.004242	0.100044	0.9208

The partial test results (t-test) in Table 4 show that CAR has a positive and significant effect on profit distribution management of sharia commercial banks. Thus, changes that occur, whether increasing or decreasing, in CAR will have an effect on increasing or decreasing PDM. This is because the CAR level of sharia commercial banks is at a level sufficient to cover the risk of losses that may occur from investing funds in productive assets as well as for financing in fixed assets and investments. This means that a high CAR value will have an impact/influence on management's decisions so that they will be bolder in implementing profit distribution management policies because capital adequacy conditions are relatively safe. If CAR increases, distribution management profits will also increase and vice versa. So the higher the CAR or lower the CAR of a sharia commercial bank can be a benchmark for increasing profit distribution management. The results of this research are in line with research conducted by Azmy (2009), Mulyo and Mutmainah (2012), and Septyana Bella (2012) which stated that CAR has a positive and significant effect on profit distribution management in Islamic commercial banks in Indonesia.

The results of the partial Non-Performing Financing (NPF) test (t-test) show that NPF has a negative and insignificant effect on profit distribution management. This shows that an increase or decrease in NPF during the study period does not significantly affect PDM. This is because the NPF fluctuates every year. So that increasing or decreasing NPF does not have a significant impact on profit distribution management policies. This means that if the NPF is getting smaller, so profit distribution management is getting higher, it cannot be used as a benchmark for activities to increase profit distribution management by the management of the bank concerned. The results of this research support previous research conducted by Nasrah Mawardi (2009)



and Showwan Azmy (2009) who also used the NPF variable to influence profit distribution management with partially insignificant results.

Partial test results (t-test) show that Operational Costs and Operational Income (BOPO) have a positive and significant effect on profit distribution management. This shows that an increase or decrease in BOPO during the research period significantly influences profit distribution management.

Dependent Variable: Y
 Method: Panel Least Squares
 Date: 02/26/21 Time: 11:44
 Sample: 2015 2019
 Periods included: 5
 Cross-sections included: 13
 Total panel (balanced) observations: 65

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.051779	0.006180	8.378839	0.0000
X1	0.008650	0.006366	1.358622	0.1793
X2	0.024780	0.006957	3.561793	0.0007
X3	-0.006066	0.006184	-0.981044	0.3304
R-squared	0.188816	Mean dependent var		0.051523
Adjusted R-squared	0.148922	S.D. dependent var		0.014104
S.E. of regression	0.013011	Akaike info criterion		-5.786471
Sum squared resid	0.010327	Schwarz criterion		-5.652662
Log likelihood	192.0603	Hannan-Quinn criter.		-5.733675
F-statistic	4.732913	Durbin-Watson stat		0.486810
Prob(F-statistic)	0.004933			

Based on Table 5, the results of the Simultaneous Test (F-Test) show that $F_{count} 4.7329 > F_{table} 2.74$ with a significance level of $0.000 < 0.05$. This shows that simultaneously CAR, NPF and BOPO have a positive and significant effect on profit distribution management in Islamic commercial banks in Indonesia.

CONCLUSION

Based on the results of data analysis and discussions that have been described in this research, it can be concluded that simultaneously, the factors that effect profit distribution management in Islamic commercial banks in Indonesia for the 2014-2018 period, consisting of CAR, NPF and BOPO simultaneously or simultaneously have positive effect and significant on profit distribution management in Islamic commercial banks in Indonesia. Then, partially the factors that influence profit distribution management in profit distribution management in Indonesia are CAR and NPF. CAR has a significant effect on profit distribution management in Islamic commercial banks in Indonesia. Meanwhile, NPF does not have a significant effect on profit distribution management of Islamic commercial banks in Indonesia.

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