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# BOOK OF PROCEEDINGS

# 6<sup>th</sup> SEABC 2020

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International Seminar and Conference

**“VUCA 2.0 :  
HOW TO SURVIVE THE UNSTEADY WORLD?”**

**November 18<sup>th</sup>-19<sup>th</sup>, 2020  
Faculty of Economics, Universitas Sriwijaya  
Palembang, Indonesia**



# 6th Sriwijaya Economics, Accounting, and Business Conference (SEABC) 2020

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## FOREWORD



### **Assalammualaikum Wr. Wb**

Welcome to the Sriwijaya, Economics, Accounting and Business Conference (SEABC). SEABC is scholarly activity consists of international seminar and conference that is expected to give contribution and identify national economic policy, especially in facing ASEAN economic community. In 2020, SEABC is running its sixth year and taking a theme of “VUCA 2.0 : How to Survive Unsteady World ?”.

The Faculty of Economics of Universitas Sriwijaya has organized this important seminar and conference. Many individuals have put that hard work to make this event becomes reality. The papers presented at this conference and included in this proceedings are expected to give contribution to research and technology development (IPTEK).

At last, we would like to thank for all the participants and the presenters that are willing to present their ideas and make this conference possible. We hope this proceedings can be a reference to build our nation and country.

### **Wassalammualaikum Wr. Wb**

**Prof. Dr. Mohamad Adam, S.E., M.E.**

Dean of Faculty of Economics  
Universitas Sriwijaya





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## FOREWORD



**Assalamualaikum Wr. Wb**

I am delighted to welcome you to the 6<sup>th</sup> Sriwijaya, Economics, Accounting and Business Conference (SEABC). SEABC is scholarly activity consists of international seminar and conference that is expected to give contribution and identify national economic policy, especially in facing ASEAN economic community. In 2020, SEABC is running its sixth year and taking a theme of “ VUCA 2.0 : How to Survive Unsteady World ?”.

The Economics Faculty of Universitas Sriwijaya have organized this important seminar and conference. This year is special. All of us can't predict this before, the pandemi of Covid – 19. That thing makes all seminar and confence activity do by online. The 6<sup>th</sup> SEABC conference papers were peer reviewed for technical and editorial content by a dedicated committee of referees. We accept nearly 90 papers for oral presentation from 10 countries. These papers were presented in 2 days, 4 sessions each day.

Finally, I would like to thank for all the presenters that are willing to present their ideas and make this conference possible. We hope this proceeding book can give contributes to research and technology development .

**Wassalamualaikum Wr. Wb**

**Agung Putra Raneo, S.E., M.Si**  
Chairman 6<sup>th</sup> SEABC  
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## EFFECT OF ISLAMICITY PERFORMANCE INDEX ON SHARIA PROFITABILITY (PROFIT MARGIN) IN ISLAMIC BANKING

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### Abstract

**Purpose:** This study aims to determine how the influence of the Islamicity Performance Index variable on the Sharia profitability variable (Profit Margin) in banking in Indonesia in 2014-2018.

**Research Methodology:** The type of data used in this study is secondary data in the form of panel data obtained from Islamic Commercial Banks in Indonesia, the sampling method used is purposive sampling. The analysis of this research uses quantitative and comparative analysis techniques. In quantitative analysis, the tool used is panel data regression analysis with the Estimated General Least Square (EGLS) method.

**Results:** Simultaneously, the regression results show that the IPI variables have a significant effect on Profit Margin.

**Limitations:** The object of this research is Islamic banking in Indonesia with certain criteria, where the annual report will be analyzed in depth according to the research variables. There are some incomplete data in the annual Islamic banking report, for example zakat, which is the zakat fund report which is very crucial for measuring the Zakat Performance Index on the IPI variable.

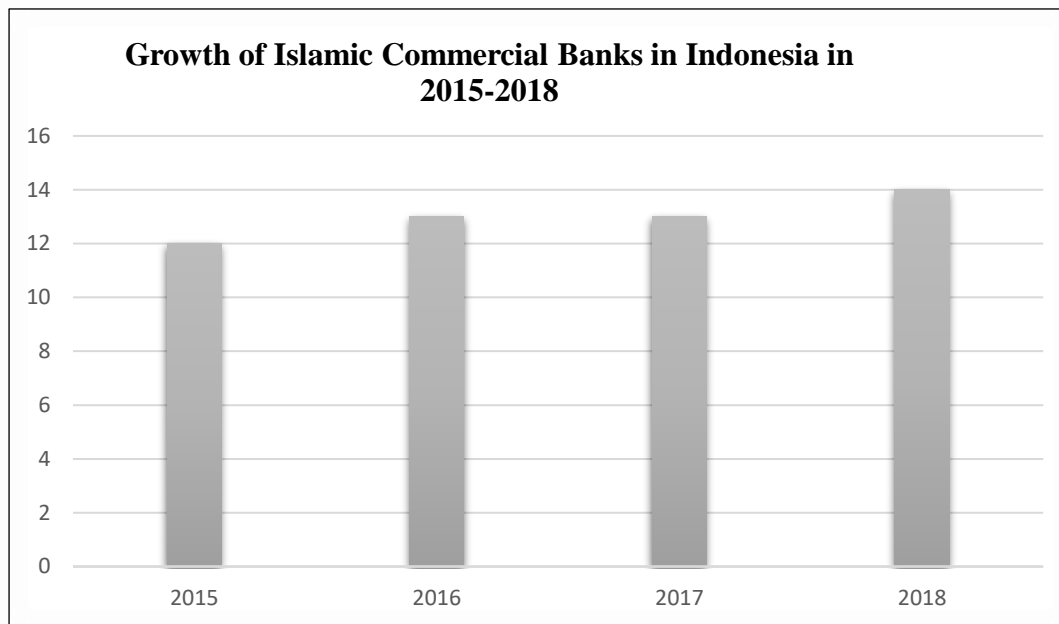
**Contribution:** This research can be applied to the Islamic banking sector in Indonesia, as a study material for Islamic accounting.

**Keywords:** *Islamicity Performance Index and Profit Margin*

### 1. INTRODUCTION

Banking is one of the important financial instruments in a country. In general, banking has three main functions, namely collecting funds, distributing funds, and service or service functions (Ismail, 2010). At present, there are two banking systems in operation in Indonesia, namely the conventional banking system and the Sharia banking system. The Islamic banking system was first introduced in 1991 with the establishment of Bank Muamalat as the first bank to adopt an Islamic economic system. At the beginning of its establishment, Muamalat bank was less attractive because it was considered unable to provide maximum profit. When the monetary crisis peaked in 1998, Muamalat bank was able to withstand the crisis that occurred while several other banks were declared to have collapsed (Nofinawati, 2015). Since then, the Sharia Banking system The growth of Islamic banking in Indonesia is an interesting phenomenon to discuss. The Indonesian Information Portal notes that the total population of Muslims in Indonesia is 207 million or 87.2 percent of the total population in Indonesia. Indonesia's population, which is predominantly Muslim, provides a large market share opportunity for the development of Islamic banking. The sharia-compliant financial system adopted in Islamic banking is of particular interest in society so that Islamic banking has experienced rapid growth in Indonesia, marked by the increase in the number of Islamic commercial banks from year to year. The increase in Islamic commercial banks can be seen in graph 1.1.





**Graph 1.1. Growth of Islamic Commercial Banks in Indonesia in 2015-2018**

Source: OJK processed data, 2018

Graph 1.1. describes the growth of Islamic commercial banks in Indonesia. In 2015, there were 12 Islamic commercial banks in Indonesia. Then in 2016, BPD Aceh Syariah carried out a spin off or status change from a sharia business unit to a sharia commercial bank, so that the number of Islamic commercial banks became 13 banks. The number of Islamic commercial banks did not increase in 2017. In 2018, BPD Nusa Tenggara Barat Syariah also carried out a spin off which made the number of Islamic commercial banks in Indonesia increase to 14 banks.

The rapid development of Islamic banking in Indonesia is inseparable from various challenges and problems. One of the main challenges of Islamic banking is how to create and maintain the trust of stakeholders. Stakeholders in question are all stakeholders, both direct stakeholders who feel the impact directly (board of commissioners, board of directors, employees) and indirect stakeholders who feel the impact indirectly (investors, government, and society).

This trust will be useful for Islamic banks in their efforts to continue to grow. Banks will be able to mobilize savings, channel financing, invest, expand job opportunities, help the government, finance the budget deficit, and properly accelerate economic development (Duantika, 2015). This happens because all financial institutions must accept the fact that the providers of funds and other stakeholders have expectations, and they will not invest if the conditions of the institutions are less convincing and are deemed incapable of meeting these expectations.

One aspect that concerns stakeholders before investing in a bank is the financial performance of the bank. Bank financial performance can be assessed based on several ratios. According to (Weston, 1990) the ratios in measuring financial performance basically have four categories, namely the liquidity ratio which is used to measure a company's ability to meet its obligations in the short term while measuring the ability of a company. solvency ratio is used in fulfilling obligations in the long term. Then to measure the effectiveness of the use of assets used activity ratios and finally to see the company's ability to generate profits used profitability ratios.

In these four financial performance measurement ratios, the profitability ratio is an important consideration for stakeholders in investing in banks. High profitability indicates a good bank prospect



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and increases stakeholder confidence so that it will increase the value of the bank (Sujoko and Soebiantoro, 2007).

Kasmir (2008) explains that there are four ratios that can be used to measure the profitability of a bank, namely Net profit margin, Composition of operating expenses (BOPO), Return on assets (ROA), and Return on equity (ROE). The four ratios are used to measure the profitability ratios of conventional banks and Islamic commercial banks. Alternative calculation of special financial ratios for Islamic banks was put forward by (Muhamad, 2015). These financial ratios are not much different from the financial ratios that apply to conventional banks, but there are several ratios that have different calculation methods. The specific financial ratio for Islamic banks is Profit Margin. The existence of measuring the financial performance of Islamic banks using the two measurement techniques above, of course, will be a consideration for stakeholders to put their trust in Islamic banks to invest their capital so that these Islamic banks can grow and carry out their operational activities.

Based on all interests in terms of maintaining stakeholder trust in Islamic banks, it can be accommodated by a social performance and financial performance assessment system. Social performance is quite closely related to the concept of Corporate Social Responsibility (Azita, 2018). This concept was developed so that the company has a high concern for the environment and its surroundings. Meanwhile, the bank's financial performance is a description of the bank's financial condition in a certain period, covering both the aspects of raising funds and channeling funds. Financial performance for Islamic banks can be represented in several variables in measuring the financial health of Islamic banks.

Alternative performance measurement for Islamic banking, namely using the Islamicity Indices pioneered by (Hameed et. Al., 2004) Islamicity Indices consists of two components, namely the Islamicity Disclosure Index and the Islamicity Performance Index. The Islamicity Disclosure Index is intended to test how well Islamic banks disclose useful information for stakeholders. The Islamicity Discloser Index is divided into three main indicators, namely sharia compliance indicators, corporate governance indicators, and social or environmental indicators (Wiyadi, 2016).

Meanwhile the Islamicity Performance Index is a method that can evaluate the performance of Islamic banks not only from a financial perspective but also able to evaluate the principles of justice, halalness and purification (tazkiyah) practiced by Islamic commercial banks (Hameed, 2004). There are six financial ratios measured from the Islamicity Performance Index, namely profit sharing ratio, zakat performance ratio, equitable distribution ratio, directors-employee welfare ratio, Islamic investment vs non-Islamic investment ratio, Islamic income vs non-Islamic income. The variables of profit sharing ratio, zakat performing ratio, equitable distribution ratio, directors-employee welfare ratio and Islamic income vs non-Islamic income are taken as benchmarks for the influence on Islamic banking financial performance because the data required is quantitative and can be measured, while the Islamic investment vs. non-Islamic investment ratio is related to the performance of the Sharia Supervisory Board (DPS) (Khasanah, 2016).

Based on the explanation above, an assessment of the financial performance of a bank is an important matter to be traced and analyzed as a form of accountability to stakeholders. The dependent variable used in this study is the profitability of sharia, namely Profit Margin (PM), then tested to see how much the Islamicity Performance Index affects these variables, then as a reference for banks to take the next step and become a consideration for stakeholders. Therefore, the authors are interested in conducting research under the title "The Effect of the Islamicity Performance Index on Sharia Profitability (Profit Margin) in Islamic Banking".

## 2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### 2.1. *Syariah Enterprise Theory (SET)*

A company operates to produce goods or services needed by the community, but of course there are externalities that are felt by the surrounding environment such as the presence of waste, be it water



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waste, air waste or sound waste. Enterprise theory is considered more relevant to solve the above problems because enterprise theory realizes that companies running and growing are caused by direct and indirect stakeholders in obtaining profits. However, this theory is still capitalist in nature, so (Triyuwono, 2009) adds the highest stakeholder so that this theory is in accordance with sharia. The highest stakeholder is God. This opinion is in line with what was said (Haniffa, 2002) in his research that a Sharia entity must have three relationships, namely the relationship between humans and God, humans and humans, and humans with nature. The development of enterprise theory in accordance with sharia is called the Sharia Enterprise Theory.

Sharia Enterprise Theory is a theory that places Allah SWT at the center of everything. Allah SWT is the center of the return of humans and the universe and humans here are only His representatives (Khalifatullah fil ardh) who have the consequences of obeying all the laws that Allah SWT has established. The function of determining Allah as the highest stakeholder is solely to use sunnatullah as the basis for the construction of Sharia accounting, which means that the accounting system is only built and implemented in accordance with Allah's rules or laws (Triwuyono, 2009).

Sharia Enterprise Theory places Allah as the main mandate. Resources that are owned by stakeholders are a mandate from Allah which is attached with a responsibility in it to be used in the manner and purpose set by the Supreme Giver of the Trust. According to (Mulawarman, 2011) Allah SWT is the highest stakeholder so that Islamic accounting still aims to raise awareness of the Godhead of its users. Human as if binding a contract with God. The contact revealed that God as The Ultimate Principal assigns humans to spread grace or prosperity in the form of economy, social, spiritual, political and other to other humans (stakeholders) and nature (Mulawarman, 2011).

The second stakeholder of SET is human. Humans are divided into two groups, namely Direct Stakeholders and Indirect Stakeholders. Direct Stakeholders are parties who contribute directly to the company, both in financial and non-financial contributions, namely shareholders, employees, creditors, government, suppliers, customers and others (Triyuwono, 2009). With this contribution, they are entitled to receive welfare from the company concerned. Meanwhile, Indirect Stakeholders are parties who do not contribute to the company, but according to Sharia, they are the parties who have the right to benefit from the company, namely the general public (especially mustahiq) and the natural environment (in the sense of protecting, improving and preserving nature), Triyuwono (2001). The last stakeholder group is Nature. Nature is the party that contributes to the survival of the company as well as the part of God and Man. Basically all production activities are carried out on earth and use natural energy contained in the earth. However, nature does not want the distribution of welfare from companies in the form of money or material but in the form of company concern for nature preservation, prevention of pollution, and others (Triyuwono, 2009).

### 2.2 Sharia Banking Financial Performance

Performance is a measuring tool for the company's operational success in achieving predetermined targets. This is because performance reflects the company's ability to manage and allocate its resources in an effort to achieve predetermined targets. Assessment of company performance is very important for management, government, shareholders, and all parties with an interest in the company because the distribution of welfare from these parties depends on the performance of the company (Haq, 2015).

Bank financial performance is a description of the bank's financial condition in a certain period, where information on financial position and financial performance in the past is often used as a basis for predicting the company's financial position, planning and performance in the future. Assessment of bank financial performance can be assessed using the financial ratio analysis approach of all reported financial statements in the future (Hameed et al., 2004).

Performance measurement is a method in measuring company achievement based on predetermined targets. This measurement is part of control measures that can assist the company in improving future



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performance as long as it identifies operating deficiencies for operating activities in one period. Having a good and precise performance measurement system is very important for a company, especially for companies in a world without borders like now (Hameed et al., 2004).

Based on the description above, it can be concluded that performance measurement is a measurement of company activities that have been carried out periodically based on the performance measurement standards used. The results of these measurements will be used as a tool, determining policies, considerations and strategies that will be carried out by the company in the future. The ratios used in analyzing financial performance include liquidity, solvency, activity and profitability. Alternative measurement of profitability ratios for Islamic banking was proposed (Muhamad, 2015). These financial ratios are not too different from the profitability ratios that apply to conventional banks, there are only differences in the calculation method in some ratios. The profitability ratio of the Islamic bank is the profit margin

### 2.2.1 Profit Margin

Profit Margin is the ratio used to measure how much sales can generate profits (Prastowo and Juliaty, 2008). Meanwhile, according to (Darsono and Ashari, 2014) Profit margin is a ratio that describes the amount of net profit a bank gets for every financing activity it does. If a company's sales increase, it tends to increase bank profitability. Conversely, if the sales of a company decrease, it tends to decrease the profitability of the bank (Harahap, 2011). The profit margin ratio can be calculated using the following formula:

Profit Margin = (Net profit before tax) / (Total income)

### 2.3. Islamicity Performance Index

Measuring the performance of an organization can be done through various indexes. There have been many types of indexes used to measure organizational performance, but not many have been compiled to measure the performance of Islamic financial institutions. Therefore, measuring the financial index for Islamic financial institutions is considered important. The existence of performance measurement of Islamic financial institutions can be a means to carry out activities based on the concept of sharia enterprise theory which upholds the values of justice, truth, honesty, trust and accountability both to stakeholders and to Allah SWT.

Two indexes developed by (Hameed, 2004) can be used in calculating or assessing the performance of Islamic financial institutions, namely the Islamicity Disclosure Index and the Islamicity Performance Index. The Islamicity Disclosure Index is an index used to see how well an organization discloses information that may be of use to stakeholders. Meanwhile the Islamicity Performance Index is a performance measurement tool that apart from being able to reveal the materialistic values of Islamic Financial Institutions, it is also able to reveal the Islamic values that exist in the Islamic Financial Institution. The Islamicity Performance Index is also one of the methods used to evaluate the performance of an Islamic financial institution in terms of both justice and halalness. Referring to the weighting model for calculating the financial health of Islamic banks, the weighting for performance is arranged as follows:

**Table 2.1. Islamicity Performance Index Assessment Standards**

<b>Aspek</b>	<b>Bobot</b>
<i>Profit Sharing Ratio</i>	30%
<i>Zakat Performance Ratio</i>	35%
<i>Equitable Distribution Ratio</i>	35%
<i>Directors-Employees Welfare Ratio</i>	30%
<i>Islamic Income vs Non Islamic Income</i>	30%

Source: Luhur Prasetyo, 2014



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Performance measurement using the Islamicity Performance Index is expected to be an analytical model that can measure the extent to which the level of achievement of sharia objectives has been achieved by Islamic Financial Institutions and the extent to which the quality of Sharia values is applied in the sustainability of the Sharia Financial Institution's activities. Until now, the Islamicity Performance Index is still used to help assess the performance of a Sharia Financial Institution. The Islamicity performance index consists of ratios which are a reflection of the performance of Islamic banks as follows:

### 2.3.1. Profit Sharing Ratio (PSR)

The profit sharing ratio is used to identify profit sharing as a measurement of how far an Islamic bank has succeeded in achieving its goals of existence (Marliana, 2018). Income from profit sharing can be obtained through two contracts, the first is *mudharabah*, namely investment from the owner of the capital (*Shohibul mal*) to the fund manager (*Mudharib*) to carry out certain business activities with the distribution based on profit and loss sharing. The second contract is *musyarakah*, which is an agreement between two or more capital owners who mix their capital in a certain business with profit sharing and according to the agreement and losses are borne by all owners of capital based on the share of capital of each owner of capital (Karim, 2006).

Profit sharing is calculated in the Islamicity Performance Index to see how much financing through *mudharabah* and *musyarakah* contracts Islamic banks have in an effort to implement the profit sharing principle which is the main principle of Islamic banks. The following is the profit sharing ratio (PSR) formula:

$$PSR = \frac{Mudharabah + Musyarakah}{Total Financing}$$

### 2.3.2. Zakat Performance Ratio (ZPR)

Zakat is a commandment in Islam. Therefore, the performance of an Islamic bank must be based on the amount of zakat paid by Islamic banks to replace conventional performance indicators, namely the ratio of earnings per share (earnings per share). Bank wealth should be based on net assets (net assets) rather than net profit (net profit). Therefore, if the net assets of Islamic banks are higher, of course, the payment of zakat will also be high (Marliana, 2018).

According to PSAK 101, zakat management activities are presented in the zakat funds report in Islamic financial reports. Presentation of information on zakat fund management is a form of concern for Islamic banks in fulfilling social obligations to society. This shows that Islamic banks also carry out their sharia activities in the form of distributing zakat to their recipients, not just running their business activities. Zakat distribution is also calculated in the Islamicity Performance Index to see how much effort Islamic banks have in improving people's welfare. The formula for Zakat Performance Ratio (ZPR) is as follows:

$$ZPR = \frac{Zakat}{Net Asset}$$

### 2.3.3. Equitable Distribution Ratio (EDR)

Apart from activities that focus on profit sharing, Islamic accounting also seeks to ensure equal distribution among all parties. Therefore, this Equitable Distribution ratio basically tries to explain how the income earned by Islamic banks is distributed among various interested parties. These parties include shareholders, the community, employees, and the company itself (Marliana, 2018). This ratio is represented by the amount of funds spent on *qardh* and benevolence, employee wages and others. Each item will be calculated the amount distributed from the total income after deducting zakat and taxes. The Equitable Distribution Ratio (EDR) formula is:

$$EDR = \frac{Average\ distribution\ for\ each\ stakeholders}{Total\ Revenue}$$





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### 2.3.4. Directors-employees welfare ratio

This ratio aims to measure whether the salary received by the director is greater than the employee. Islam has taught that to always be fair in everything, especially in terms of wages. The wages received by workers must be in accordance with the contribution they make to production, while the employer will get a profit that matches his contribution and proportion of his capital. So the high and low wages of a person in doing a job return to their respective contributions (Marliana, 2018).

This indicator explains the comparison between the welfare obtained by the director and the welfare of his employees. The DEWR formula is as follows:

$$DEWR = \frac{\text{Average director salary}}{\text{Average welfare of permanent employees}}$$

### 2.3.5. Islamic income vs non-Islamic income ratio

This ratio measures the income that comes from halal income sources. If an Islamic bank earns income from transactions that are not halal, then information such as the amount, source, how to determine and what procedures are available to prevent the entry of transactions that are prohibited by the Islamic bank must be disclosed (Marliana, 2018). This ratio aims to measure how much income comes from halal sources. The resulting value is a measure of the halalness and success of implementing the basic principles of Islamic banking. The formula for Islamic income vs non-Islamic income ratio is:

$$IIR = \text{income} / (\text{halal income} + \text{non-halal income})$$

$$IIR = \frac{\text{Income}}{\text{non-halal income}}$$

## HYPOTHESIS DEVELOPMENT

According to Maisaroh (2015), Dewanta et.al (2016), Khasanah (2016), Bustamam et.al (2016) and Rahma (2018) examined the effect of the Islamicity Performance Index on the Profitability of Islamic Banking in Indonesia using the Return on Assets (ROA) proxy. ). Based on research by Maisaroh (2015) & Rahma (2018), it is revealed that the variables that affect profitability are the Zakat Performance Ratio (ZPR) and Directors-Employees Welfare Ratio (DEWR). Meanwhile, Profit Sharing Ratio (PSR), Equitable Distribution Ratio (EDR) and Islamic Income Vs Non-Islamic Income (IIR) had a positive and insignificant effect on profitability. In this research, the ROA variable is changed with the Profit Margin (PM) variable to find out whether IPI can be identified through sharia profitability, namely PM, then the provisional hypothesis is:

H1: There is a significant positive effect of the Islamicity Performance Index on Profit Margin

## 3. RESEARCH METHODOLOGY

Table 3.1. Research Population

No.	Bank Umum Syariah	Website
1.	PT. Bank Muamalat Indonesia	<a href="http://www.bankmuamalat.co.id">www.bankmuamalat.co.id</a>
2.	PT. Bank Syariah Mandiri	<a href="http://www.syahiahmandiri.co.id">www.syahiahmandiri.co.id</a>
3.	PT. Bank BRI Syariah	<a href="http://www.brisyahiah.co.id">www.brisyahiah.co.id</a>
4.	PT. Bank BNI Syariah	<a href="http://www.bnisyahiah.co.id">www.bnisyahiah.co.id</a>
5.	PT. Bank Mega Syariah	<a href="http://www.megasyahiah.co.id">www.megasyahiah.co.id</a>
6.	PT. Bank BCA Syariah	<a href="http://www.bcasyahiah.co.id">www.bcasyahiah.co.id</a>
7.	PT. Bank Bukopin Syariah	<a href="http://www.syahiahbukopin.co.id">www.syahiahbukopin.co.id</a>
8.	PT. Bank Panin Syariah	<a href="http://www.paninbanksyahiah.co.id">www.paninbanksyahiah.co.id</a>
9.	PT. Maybank Syariah Indonesia	<a href="http://www.maybanksyahiah.co.id">www.maybanksyahiah.co.id</a>
10.	Pt. Bank Victoria Syariah	<a href="http://www.bankvictoriasyahiah.co.id">www.bankvictoriasyahiah.co.id</a>
11.	PT. Bank Jabar Banten Syariah	<a href="http://www.bjbsyahiah.co.id">www.bjbsyahiah.co.id</a>
12.	PT. BTPN Syariah	<a href="http://www.btpnsyahiah.co.id">www.btpnsyahiah.co.id</a>
13.	PT. Bank Aceh Syariah	<a href="http://www.bankaceh.co.id">www.bankaceh.co.id</a>
14.	PT. NTB Syariah	<a href="http://www.bankntbsyahiah.co.id">www.bankntbsyahiah.co.id</a>

Source: OJK, data processed in 2018



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To test the hypothesis in this study, using a quantitative approach. The data collection method used in this research is the documentation method. The data used in this study are secondary data obtained through publications conducted by Islamic banks. The data is in the form of panel data from the annual report (annual report) on Islamic Commercial Banks in Indonesia in 2014-2018. The data analysis technique used panel data regression analysis. The techniques used to collect data were documentation and literature study.

The data used in this study is a combination of time series and cross section data. Estimates made by combining the two types of data are called pooling data or panel data. In this study, to test the comparison used the Independent Sample T-Test.

Panel data is a combination of two different types of data, namely cross section and time series data and the model used to analyze this type of data is called a panel data model (Rosadi, 2012). The panel data regression model used in this study is as follows:

$$PM_{it} = \alpha + \beta_1 PSR_{it} + \beta_2 ZPR_{it} + \beta_3 EDR_{it} + \beta_4 DEWR_{it} + \beta_5 IIR_{it} + \varepsilon_{it}$$

Panel data regression models were estimated with several approaches, namely the Common Effect (Ordinary Least Squares), Fixed Effect Model (Fixed Effect, Random Effect Model). The data panel was analysis can be done using three tests, namely the F statistical test (chow test) the Hausman Test, and The Lagrange multiplier tests. The data to be examined, before being processed with linear regression, was first tested with the classical assumption test. The classical assumption test consisted of normality test, heteroscedasticity test, autocorrelation test, and multicollinearity test. Hypothesis testing was done using the partial t test and f test, simultaneously.

### 3.1. Population and Sample

The population in this study are all Islamic commercial banks (BUS) in Indonesia that operate nationally and are registered with the Financial Services Authority (OJK). Table 3.1 presents the study population.

Based on the pre-determined sampling criteria, of the total population of Islamic Commercial Banks, there are 9 Islamic Commercial Banks that meet the predetermined criteria. Table 3.2 presents the sample selection process based on the criteria set in this study.

**Table 3.2. Sample Selection Process**

No.	Sampling Criteria	Number
1.	Sharia Commercial Bank that has been registered with the Financial Services Authority (OJK) and is in accordance with banking laws and regulations.	14
2.	Sharia Commercial Banks that have not published complete financial reports in accordance with applicable standards, namely Islamic PSAK No. 101.	(3)
3.1.	Bank Umum Syariah yang belum beroperasi dan menerbitkan Sharia Commercial Banks that are not yet operational and publish annual financial reports in a row and published on the websites of each of these Islamic banks in the period 2014 to 2018.	(2)
The total sample used		9

Source: Processed data, 2019

Sharia Commercial Banks (BUS) which were not sampled in this study were 5 banks, namely Maybank Syariah, BTPN Syariah, Bank NTB Syariah, Bukopin Syariah and Bank Aceh Syariah. Bank Aceh Syariah and Bank NTB Syariah were not sampled because these banks only operated nationally in Indonesia in 2016, while the other three banks were not sampled because they did not



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have investment management related to zakat funds and had not started zakat fund management activities until the end of 2018. .

### 3.2. Variable Operational Definition

#### 3.2.1. Profit Margin (PM)

The profit margin ratio is a comparison between the net profit before tax and the total revenue of Islamic commercial banks in Indonesia for 2014-2018, which results in a ratio.

#### 3.2.2. Profit Sharing Ratio (PSR)

The profit sharing ratio is a comparison between mudharabah financing plus musyarakah financing and divided by the total financing of Islamic commercial banks in Indonesia for 2014-2018, which results in a ratio.

#### 3.2.3. Zakat Performance Ratio (ZPR)

Zakat performance ratio is a comparison between zakat and the net assets of Islamic commercial banks in Indonesia for 2014-2018, which results in a ratio.

#### 3.2.4. Equitable Distribution Ratio (EDR)

Equitable distribution ratio is a comparison between the average income distribution to each stakeholder with the total income of Islamic commercial banks in Indonesia for 2014-2018, which results in a ratio.

#### 3.2.5. Islamic income VS non-Islamic income (IIR)

Islamic income VS non-Islamic income is a comparison between income and halal income plus non-halal income at Islamic commercial banks in Indonesia in 2014-2018, which results in a ratio.

#### 3.2.6. Directors employee welfare ratio (DEWR)

Directors employee welfare ratio is a comparison between the average salary of directors and the average welfare of permanent employees at Islamic commercial banks in Indonesia for 2014-2018, which results are in the form of ratios.

## 4. RESULTS AND DISCUSSIONS

### 4.1 PROFIT MARGIN STATISTICS (PM)

Table 4.1 presents the PM calculation results for 9 Islamic Commercial Banks in Indonesia from 2014-2018.

**Table 4.1. PM Calculation Results**

NAMA BANK	2014	2015	2016	2017	2018
BCA SYARIAH	0.08	0.09	0.03	0.13	0.14
BJB SYARIAH	0.03	0.01	-0.57	0.53	0.03
BNI SYARIAH	0.11	0.13	0.13	0.13	0.15
BRI SYARIAH	0.01	0.07	0.09	0.05	0.05
BANK MEGA SYARIAH	0.02	0.02	0.22	0.15	0.10
BANK MUAMALAT	0.02	0.02	0.02	0.02	0.01
PANIN DUBAI SYARIAH	0.18	0.11	0.04	-1.24	0.04
SYARIAH MANDIRI	-0.47	6.28	6.72	6.68	10.61
VICTORIA SYARIAH	-0.17	-0.22	-0.23	0.04	0.04

Source: Data processed, 2020

Profit Margin (PM) is a ratio used to measure how much sales can generate profits (Prastowo and Juliaty, 2010). The results of the formula indicate the profit margin assessment as can be seen in table 4.1. Based on the results of the calculation of profit margin, it can be seen that of the nine banks sampled, only Bank BNI Syariah has increased every year. Bank BJB Syariah, BRI Syariah, BCA Syariah, Bank Mega Syariah, Bank Muamalat, Panin Dubai Syariah, Syariah Mandiri and Victoria Syariah have fluctuated during the period 2014-2018.



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Based on table 4.4, it can be seen that the bank with the highest profit margin value is Islamic Mandiri bank with a value of 10.61 percent in 2018. The lowest profit margin value is Panin Dubai Syariah bank with a value of -1.24 percent in 2017.

### 4.2 INDEPENDENT VARIABLE CALCULATION RESULTS

After calculating each dependent variable, namely Profit Sharing Ratio (PSR), Zakat Performing Ratio (ZPR), Equitable Distribution Ratio (EDR), Directors Welfare Employee Ratio (DEWR), and Islamic Income vs Non Islamic Income (IIR), the results obtained are as follows:

#### 4.2.1. Profit Sharing Ratio (PSR) Statistics

Table 4.6 presents the PSR calculation results for 9 Islamic Commercial Banks in Indonesia from 2014-2018.

**Table 4.2. PSR Calculation Results**

NAMA BANK	2014	2015	2016	2017	2018
BCA SYARIAH	0.32	0.35	0.48	0.49	0.55
BJB SYARIAH	0.29	0.22	0.19	0.18	0.27
BNI SYARIAH	0.16	0.19	0.20	0.23	0.28
BRI SYARIAH	0.37	0.37	0.36	0.34	0.38
BANK MEGA SYARIAH	0.83	12.00	0.64	0.74	0.84
BANK MUAMALAT	0.51	0.54	0.54	0.50	0.51
PANIN DUBAI SYARIAH	0.87	0.90	0.84	0.85	0.93
SYARIAH MANDIRI	0.22	0.26	0.29	0.34	0.36
VICTORIA SYARIAH	0.49	0.84	0.68	0.52	0.41

Source: Data processed, 2020

Profit Sharing Ratio is a ratio that compares financing with a profit sharing contract with the total financing provided by Islamic banks as a whole. Based on the results of calculations for the profit sharing ratio for Islamic Commercial Banks (BUS) in Indonesia in table 4.2, it can be seen that Bank BCA Syariah, BNI Syariah, and Bank Syariah Mandiri have increased from year to year. Meanwhile, Bank BJB Syariah, BRI Syariah, Bank Mega Syariah, Bank Muamalat, Panin Dubai Syariah, and Victoria Syariah continued to fluctuate in the period 2014-2018.

Through the calculation of the Profit Sharing Ratio in table 4.2, it can be seen that the bank with the lowest financing ratio is the BNI Syariah bank with a ratio value of 0.16 percent in 2014. The highest value is owned by Bank Mega Syariah with a ratio value of 12 percent in 2015.

#### 4.2.2. Zakat Performing Ratio (ZPR) Statistics

Table 4.3 shows the results of the ZPR calculation for 9 Islamic Commercial Banks in Indonesia from 2014-2018.

**Table 4.3. ZPR Calculation Results**

NAMA BANK	2014	2015	2016	2017	2018
BCA SYARIAH	0.00083	0.00087	0.0011	0.00083	0.00079
BJB SYARIAH	0.02116	0.0028	0.0066	0.0019	0.00023
BNI SYARIAH	0.055	0.055	0.055	0.527	0.049
BRI SYARIAH	0.034	0.017	0.025	0.028	0.018
BANK MEGA SYARIAH	0.060	0.018	0.034	0.049	0.037
BANK MUAMALAT	0.036	0.021	0.023	0.024	0.018
PANIN DUBAI SYARIAH	0.013	0.053	0.026	0.008	1.00
SYARIAH MANDIRI	0.075	0.044	0.028	0.028	0.028
VICTORIA SYARIAH	0.0053	0.0069	0.0020	0.0027	0.00077

Source: Data processed, 2020



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Zakat Performance Ratio is a ratio used to measure the amount of zakat issued by a bank which must be based on net assets. The results of this formula indicate the zakat performance ratio assessment as can be seen in table 4.3. Based on the calculation of zakat performance ratio, it can be seen that none of the nine banks sampled has increased every year. So in other words, the zakat value of the performance ratio of all banks has fluctuated during the 2014-2018 period.

Based on the table above, it can be seen that the bank with the highest zakat performance ratio is Panin Dubai Syariah with a value of 1 percent in 2018. Meanwhile, for the zakat value the lowest performance ratio is Bank BJB Syariah with a value of 0.00023 percent in 2018.

### 4.2.3. Equitable Distribution Ratio (EDR) Statistics

Table 4.4 presents the EDR calculation results for 9 Islamic Commercial Banks in Indonesia from 2014-2018.

**Table 4.4. EDR Calculation Results**

NAMA BANK	2014	2015	2016	2017	2018
BCA SYARIAH	9.26	7.58	10.00	8.74	8.56
BJB SYARIAH	20.9	6.47	-11.58	-8.83	9.36
BNI SYARIAH	13.62	12.33	12.07	10.61	12.55
BRI SYARIAH	7.38	8.68	8.97	7.38	5.59
BANK MEGA SYARIAH	7.85	14.66	14.73	11.36	10.56
BANK MUAMALAT	5.97	6.39	6.85	7.97	8.60
PANIN DUBAI SYARIAH	82.90	54.34	22.60	-20.93	1.00
SYARIAH MANDIRI	0.22	2.37	2.61	2.61	2.65
VICTORIA SYARIAH	1.39	-0.86	0.61	5.86	5.63

Source: Data processed, 2020

Equitable Distribution Ratio (EDR) is a ratio used to measure the percentage of bank income distributed to stakeholders. Based on table 4.4, the results of the calculation of the Equitable Distribution Ratio show that Panin Dubai Syariah Bank is the bank with the largest percentage of revenue allocation value, namely 82.90 percent in 2014. Panin Dubai Syariah Bank is also the bank with the lowest income allocation percentage value of -20.93 percent at in 2017.

The calculation of the Equitable Distribution Ratio in table 4.4 also explains that there are two banks that have a percentage value of the Equitable Distribution Ratio which continues to increase every year, namely Bank Muamalat and Bank Syariah Mandiri. The Equitable Distribution Ratio value of the seven other banks fluctuated during the 2014-2018 period.

### 4.2.4. Statistics for Directors Employee Welfare Ratio (DEWR)

Table 4.5 shows the results of the DEWR calculation for 9 Islamic Commercial Banks in Indonesia from 2014-2018.

**Table 4.5. DEWR Calculation Results**

NAMA BANK	2014	2015	2016	2017	2018
BCA SYARIAH	15.0	12.8	13.6	14.1	15.6
BJB SYARIAH	3.80	2.86	4.70	5.06	6.37
BNI SYARIAH	1.70	1.60	0.94	1.25	1.68
BRI SYARIAH	1.86	2.53	3.22	4.17	4.48
BANK MEGA SYARIAH	1.88	0.88	2.42	2.92	3.49
BANK MUAMALAT	4.60	2.68	2.37	2.41	2.45
PANIN DUBAI SYARIAH	30.29	31.46	27.21	24.54	25.76
SYARIAH MANDIRI	38.40	32.74	32.39	38.05	41.69
VICTORIA SYARIAH	33.17	52.15	37.69	28.52	31.01

Source: Data processed, 2020





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Directors Employee Welfare Ratio is the ratio between the director's salary and the employee's welfare money in a company where the purpose of the measurement is to measure the salary received by the director, which is greater than the employee.

The results of the calculations in table 4.5 show the magnitude of the gap between the director's salary and the employee's welfare. The biggest gap occurred in Bank Victoria Syariah in 2015. Meanwhile, the smallest gap was shown in Bank Mega Syariah in the same year.

### 4.2.5. Islamic Income vs Non Islamic Income (IIR) Statistics

Table 4.6 presents the results of IIR calculations for 9 Islamic Commercial Banks in Indonesia from 2014-2018.

**Table 4.6. IIR Calculation Results**

NAMA BANK	2014	2015	2016	2017	2018
BCA SYARIAH	1.00094	1.00087	1.00094	1.00101	1.00111
BJB SYARIAH	72.90	80.62	91.86	100.15	94.30
BNI SYARIAH	1.80	1.16	1.31	1.01	1.11
BRI SYARIAH	1.0012	1.0005	1.0002	1.0006	1.0013
BANK MEGA SYARIAH	1.13	1.95	630.63	-30.84	1.62
BANK MUAMALAT	1.048	1.047	1	1	1.078
PANIN DUBAI SYARIAH	0.999	1	1.001	1.001	1.001
SYARIAH MANDIRI	0.999	0.999	0.999	1	0.999
VICTORIA SYARIAH	0.06	0.10	0.13	0.0004	0.12

Source: Data processed, 2020

Islamic Income vs Non-Islamic Income (IIR) is a ratio that compares halal income to the total income obtained by Islamic banks which consists of halal and non-halal income. This ratio can be used to see the successful implementation of the basic principles of Islamic banks that are free from ribawi elements.

The calculation results in table 4.6 show how much Islamic banks allocate their halal income. The highest value of the ratio of Islamic Income vs Non-Islamic Income was in Bank Mega Syariah in 2016, amounting to 630.63. This value has decreased significantly in the following year to -30.84 which is the smallest value of the ratio of Islamic Income vs Non-Islamic Income.

Table 4.6 also shows the development of the value of Islamic Income vs Non-Islamic Income at each bank that was the research sample. The calculation result of 4.6 shows that the bank that has an increasing value of the Islamic Income vs Non-Islamic Income ratio is Bank Panin Dubai Syariah. Meanwhile, the ratio of Islamic Income vs Non-Islamic Income in other Islamic banks fluctuated in the 2014-2018 period.

### 4.3 REGRESSION MODEL DETERMINATION

This study uses panel data regression analysis techniques. There are three models used in panel data regression, namely the Common Effect Model, Fixed Effect Model, and the Random Effect Model. It is necessary to determine the best model to be brought into the research being carried out. Determination of the best model is done by using several tests, including the Chow test, Hausman test and LM test.

#### Model Fit Test: Chow Test

The model suitability test in the regression model using the Chow test can be seen in Table 4.7

**Table 4.7. Results of Model Selection Using the Chow Test**

Variabel	Cross-Section Chi Square
Dependen	Prob.
ROA	0,0000
PM	0,0000



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AT	0,0015
BOPO	0,0000

Source: processed data, 2020

Table 4.7 shows the probability value of the Chi Square Cross-section obtained from the Chow test results. Looking at the results in the table, it can be seen that in the Regression model with ROA as the dependent variable, the Chi Square Cross-section probability value is 0.0000. This value is less than the probability of 0.05, which means that for the regression model with the ROA variable as the dependent variable, the Fixed Effect Model is used. This also applies to the other three regression models where the Chi Square Cross-section probability value shows a value less than 0.05, which means that the Fixed Effect Model is the best model to use based on the chow test.

### Model Fit Test: Hausman Test

The model suitability test in the regression model using the Hausman test can be seen in Table 4.8.

Variabel Dependen	Cross-Section Random Prob.
ROA	0,0121
PM	0,8323
AT	0,8103
BOPO	0,0202

Source: processed data, 2020

Table 4.8 shows the probability value of the Random Cross-section obtained from the Hausman test results. Looking at the results in the table, it can be seen that in the Regression model with ROA and BOPO as the dependent variable, the probability value of Random Cross-section is 0.0121 and 0.0202. This value is less than the probability of 0.05, which means that for the regression model with the ROA and BOPO variables as the dependent variables, the Fixed Effect Model is used. Meanwhile, for the dependent variable PM and AT, the results of the Hausman test show that the Random Cross-section numbers are 0.8323 and 0.8103, respectively. This value is more than the probability value of 0.05. Therefore, it can be concluded that the best model for use in PM and AT research as the dependent variable is the Random Effect Model.

This study uses panel data regression analysis techniques. There are three models used in panel data regression, namely the Common Effect Model, Fixed Effect Model, and the Random Effect Model. It is necessary to determine the best model to be brought into the research being carried out. One of the methods used to determine the best model is to compare the R2 value in each estimation result of the panel data model.

Table 4.9. shows the R2 value of each panel data model estimate.

**Table 4.9. R2 value in panel data estimation**

Variabel Dependen	Nilai R <sup>2</sup>		
	Common	Fixed	Random
ROA	0.5892	0.8053	0.5692
PM	0.0711	0.7272	0.0446
AT	0.557	0.7825	0.1744
BOPO	0.4309	0.7164	0.4471

Source: Processed data, 2020

R2 of each panel data estimate can be seen in table 4.9. This value will be used to determine the best model to be used in the research. In the regression model with ROA as the dependent variable, it can be seen that the R2 value in the Fixed Effect Model is higher than the R2 value in the other models, which is 0.8053. Therefore, it can be concluded that in the regression with ROA as the dependent variable, the model brought into research is the Fixed Effect Model. The same thing applies to the regression model with PM, AT and BOPO as the dependent variable where the R2 value in the Fixed Effect Model is higher than the R2 value in the other models, namely 0.7272 for PM, 0.7825 for



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AT, and 0.7164 for BOPO. Thus it can be concluded that the model brought into research with PM, AT, and BOPO as dependent variables is the Fixed Effect Model.

### Model Estimation

The results of the calculation of multiple linear regression estimates using Panel Data analysis techniques are carried out using the Eviews 9 program can be seen in table 4.10.

**Table 4.10. Model estimation with PM as the dependent variable**

Dependent Variable: PM  
 Method: Panel EGLS (Cross-section weights)  
 Date: 02/15/20 Time: 03:37  
 Sample: 2014 2018  
 Periods included: 5  
 Cross-sections included: 9  
 Total panel (balanced) observations: 45  
 Linear estimation after one-step weighting matrix  
 White cross-section standard errors & covariance (d.f. corrected)  
 WARNING: estimated coefficient covariance matrix is of reduced rank

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.460338	0.085862	5.361379	0.0000
PSR	-0.008928	0.003691	-2.418744	0.0216
ZPR	0.087882	0.032188	2.730281	0.0103
EDR	0.009915	0.003588	2.763314	0.0095
DEWR	0.008488	0.004985	1.702786	0.0986
IIR	0.000129	6.23E-05	2.063973	0.0475

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.727207	Mean dependent var	1.657799
Adjusted R-squared	0.612810	S.D. dependent var	2.172403
S.E. of regression	1.310193	Sum squared resid	53.21479
F-statistic	6.356861	Durbin-Watson stat	2.424874
Prob(F-statistic)	0.000012		

Unweighted Statistics

R-squared	0.709266	Mean dependent var	0.676222
Sum squared resid	65.12439	Durbin-Watson stat	1.215377

Source: Processed data, 2020

Based on the results of data processing in table 4:10, the regression equation model can be obtained as follows:

$$PM = 0.4603 - 0.0089PSR + 0.0878ZPR + 0.0099EDR + 0.0084DEWR + 0.0001IIR$$

The estimation result of table 4.10 shows that the ROA value is 0.4603 if it is assumed that the independent variable is fixed (*ceteris paribus*). An increase in PSR by one percent with the assumption that other independent variables have a fixed value will decrease the ROA value by 0.0089 percent. Meanwhile, a one percent increase in the ZPR value will increase the ROA value by 0.0878 percent. If the EDR value increases by one percent, it will increase the ROA value by 0.0099 percent. An increase in the DEWR value by one percent will increase the ROA value by 0.0084



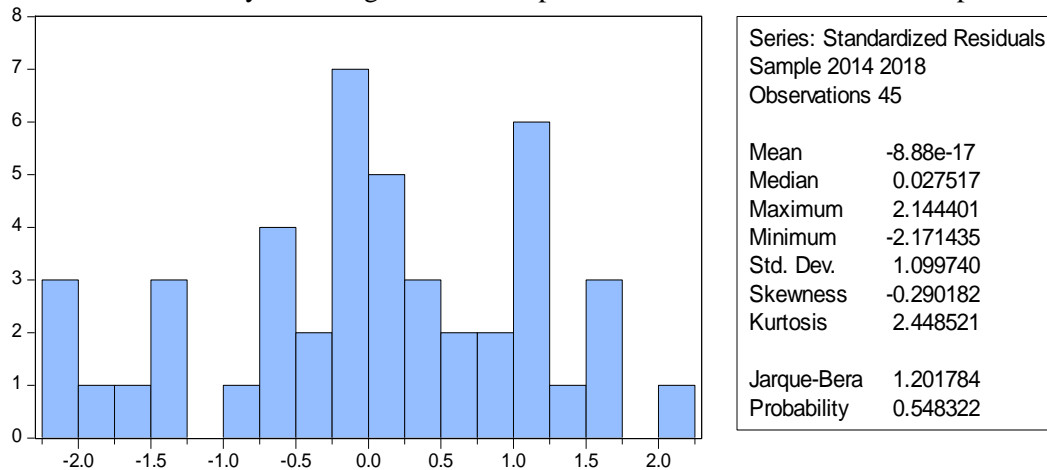
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percent. Meanwhile, a one percent increase in the IIR value will increase the ROA value by 0.0001 percent, assuming that the other independent variables are constant.

## 4.4 CLASSIC ASSUMPTION TEST

### Normality test

The results of the normality test using PM as the dependent variable can be seen in Graph 4.3.



Source: processed data, 2020

**Graph 4.1. Normality test using PM as the dependent variable**

Based on Graph 4.1, it can be seen that the Jarque-Bera probability value is  $0.548322 > 0.05$ . That is, the Jarque-Bera probability value is greater than the significant level of 0.05 with a significant level of 95 percent ( $\alpha = 5$  percent), so it is stated that the residual data in the study with PM as the dependent variable is normally distributed.

### Multicollinearity Test

The results of the multicollinearity test in this model can be seen in Table 4.11.

**Table 4.11. Panel Data Multicollinearity Test Results**

	PSR	ZPR	EDR	DEWR	IIR
PSR	1.000000	-0.009773	0.093787	-0.098007	-0.035341
ZPR	-0.009773	1.000000	-0.047138	0.025325	-0.051314
EDR	0.093787	-0.047138	1.000000	0.020849	0.005167
DEWR	-0.098007	0.025325	0.020849	1.000000	-0.183562
IIR	-0.035341	-0.051314	0.005167	-0.183562	1.000000

Source: processed data, 2020

Based on Table 4.11, it can be seen that the correlation value between the PSR and ZPR variables is  $-0.009773 < 0.8$ , the correlation value between PSR and EDR is  $0.093787 < 0.8$ , the correlation value between PSR and DEWR is  $(0.098007)$ , the correlation value between PSR and IIR is  $(0.035341) < 0.8$  which indicates that there is no multicollinearity problem. The correlation value between ZPR and EDR is  $(0.047138) < 0.8$ , then the correlation value between ZPR and DEWR is  $0.025325 < 0.8$ . The correlation value between ZPR and IIR is  $(0.051314)$ . The correlation value between the EDR and DEWR variables is  $0.020849 < 0.8$ , and the correlation value between EDR and IIR is  $0.005167 < 0.8$ . The correlation value between DEWR and IIR is  $(0.183562) < 0.8$ . The results of the correlation value between variables concluded that all independent variables in the study were less than 0.8. Therefore, it can be concluded that there is no multicollinearity problem in the independent variables in the study.



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## Autocorrelation Test

### Autocorrelation test results with PM as the dependent variable

Durbin-Watson stat	2.424874
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Source: processed data, 2020

Table 4.21 shows that the D-W test value is 2.424874 with a dU value of 1.7762 and a dL value of 1.2874 ( $dU < D-W < 4-dL$ ). Based on these results, the D-W value is greater than dU and less than 4-dL, it can be concluded that there is no autocorrelation disorder in the estimation model in this study.

## 4.5 HYPOTHESIS TESTING

### F-Test Results

#### Panel data F-test results with PM as the dependent variable

F-statistics	6,356861
Prob(F-statistics)	0,000012

Source: processed data, 2020

Based on the results of the estimation and F-test in Table 4:26, the profitability value is  $0.000012 \leq 0.05$ , so  $H_0$  is rejected and  $H_a$  is accepted. That is, it can be concluded that simultaneously Profit Sharing Margin, Zakat Performing Finance, Equitable Distribution Ratio, Directors-employees Welfare Ratio, and Islamic income VS non-Islamic income have a significant effect on Profit Margin at Islamic commercial banks in Indonesia.

The results of hypothesis testing separately using the t-test with PM as the dependent variable can be seen in table 4.30.

**Table 4.12. Panel Data t-test results with PM as the dependent variable**

Variabel	Coefficient	t-Statistics	Prob.
PSR → PM	-0,008928	-2,418744	0,0216
ZPR → PM	0,087882	2,730281	0,0103
EDR → PM	0,009915	2,763314	0,0095
DEWR → PM	0,008488	1,702786	0,0986
IIR → PM	0,000129	2,063873	0,0475

Source: processed data, 2020

Based on Table 4.30, the results of the t-test between each independent variable on the dependent variable PM at Islamic commercial banks in Indonesia. The PSR variable has a variable probability value of  $0.0216 < 0.05$ , with a significant level of 95 percent ( $\alpha = 5$  percent), so  $H_0$  is rejected and  $H_a$  is accepted. The regression coefficient for PSR is -0.008928. So, it can be concluded that partially the PSR has a significant effect on PM in Islamic commercial banks in Indonesia.

The ZPR variable has a variable probability value of  $0.0103 < 0.05$ , with a significant level of 95 percent ( $\alpha = 5$  percent), so  $H_0$  is rejected and  $H_a$  is accepted. The regression coefficient for ZPR is 0.087882. So, it can be concluded that partially ZPR has a significant effect on ROA in Islamic commercial banks in Indonesia.

The EDR variable has a variable probability value of  $0.0095 < 0.05$ , with a significant level of 95 percent ( $\alpha = 5$  percent), so  $H_0$  is rejected and  $H_a$  is accepted. The regression coefficient for EDR is 0.009915. So, it can be concluded that partially EDR has a significant effect on PM in Islamic commercial banks in Indonesia.

The DEWR variable has a variable probability value of  $0.0986 < 0.1$ , with a significant level of 10 percent ( $\alpha = 10$  percent), so  $H_0$  is rejected and  $H_a$  is accepted. The regression coefficient for DEWR





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is 0.008488. So, it can be concluded that partially DEWR has a significant effect on PM in Islamic commercial banks in Indonesia.

The IIR variable has a variable probability value of  $0.0475 < 0.05$ , with a significant level of 95 percent ( $\alpha = 5$  percent), so  $H_0$  is rejected and  $H_a$  is accepted. The regression coefficient for IIR is 0.000129. So, it can be concluded that partially IIR has a significant effect on PM in Islamic commercial banks in Indonesia.

### Result of the Coefficient of Determination (R<sup>2</sup>)

#### R<sup>2</sup> test with PM as the dependent variable

R-Squared	0,727207
Adjusted R-Squared	0,612810

Source: processed data, 2020

Based on the results of the R<sup>2</sup> test in table 4.34, the coefficient of determination is 0.727207, which means that the PM variable is determined by the variation of the PSR, ZPR, EDR, DEWR, and IIR variables of 72.72 percent. Meanwhile, 27.28 percent is determined by other variables outside the regression model used in the study.

### 4.6 DISCUSSION

Based on the results of panel data regression using the estimated general least square (EGLS) method, the PSR variable has a negative and significant effect on PM. The probability value of 0.0216 with a coefficient of 0.0089 means that an increase in the PSR value of 1 percent will decrease the PM value by 0.0089 percent. Based on the theory, the profit sharing ratio should have a significant positive effect, where the financing made by Islamic banking will increase the amount of net profit obtained. The higher the financing, in this case, the mudharabah & musharaka are able to contribute to the profits of the company. If the profit margin ratio is high enough in Islamic banking, it will make it easier for management to determine future steps for Islamic banking, especially in implementing a sales strategy with pricing. High profit margins make Islamic banking more productive because they are able to control operational costs. In addition, profit margins can attract investors. However, the results of the study show an opposite relationship, this happens because the PSR instruments namely mudharabah, musyarakah, and total financing in 8 of the 9 research banks tend to decline. The decline in financing has a negative effect on the profit margin variable.

The regression results using the panel data regression method showed that the ZPR variable had a positive and significant effect on PM. The coefficient value of ZPR of 0.0878 means that an increase in the ZPR value of one percent will increase the PM value by 0.0878 percent. Zakat is a form of purification (tazkiyah) of wealth in Islam. The income that is generated in a good and lawful way even though on their own efforts, still has to be disbursed because there are other people's rights. This is because zakat is one of the sharia accounting principles that must be paid by sharia entities so that it has become an obligation of sharia banking which is then disclosed in reports on the sources and use of zakat funds. The greater the zakat paid, the higher the profits obtained by Islamic banking, because the assets obtained must be sanctified, one of which is by paying zakat. The results show that ZPR has a significant positive effect on profit margins, this shows that banks have implemented business according to Islamic concepts.

Based on the regression results using the panel data regression method, the EDR variable has a significant positive effect on PM. The coefficient value of the EDR is 0.0099. This means that an increase in the EDR value of one percent will increase the PM by 0.0099 percent. A high profit margin indicates a high level of profit, meaning that the distribution of income to stakeholders will be higher. This is evidenced by the increase in profit margins in each Islamic bank during the last five years, namely 2014-2018. Triyuwono (2009) states that in Islamic accounting, the goal of Islamic



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economics is equal distribution of welfare for all people. Islamic principles emphasize justice, so even in the distribution of income, each stakeholder has the right to receive his share fairly. The results of the research which shows that EDR has a significant positive effect on PM proves that the stakeholders have received their rights in an appropriate portion, this is shown in the EDR table in the last five years in each Islamic banking on average has increased.

Based on the panel data regression results that have been carried out in this study, it can be seen that the DEWR variable has a positive and significant effect on PM. The coefficient value of DEWR is 0.0084, which means that an increase in the DEWR value of one percent will increase the PM value by 0.0084 percent. Based on the calculation ratio, it shows that the average Islamic banking allocates benefits to directors and employees fairly. The distribution of welfare to stakeholders is one of the concepts promoted in the shariah enterprise theory in which employees are one of these stakeholders. Aspects of justice are needed to eliminate exploitative values that lead to a loss of balance, Chapra (2000). The goal of Islam is to create a healthy balance between individual and societal interests according to the principles of the Prophet.

The results of this hypothesis test support research conducted by Maisaroh (2015) which reveals that directors employee welfare ratio has a positive effect on bank profitability. general of sharia in Indonesia. This means that Islamic Banking, in this case, has distributed welfare fairly and according to their respective parts, both employees and directors as managers and stakeholders who are directly related to banking operational activities. Fair distribution of salaries will improve the performance of employees and directors, then this performance increase will increase the profit margin (PM) in Islamic banking. Fair distribution also shows that Islamic banking has carried out its mandate, namely in the form of horizontal accountability as khalifatullah fil ardh which carries the mission of creating and distributing welfare for all humans and nature (Triyuwono, 2009).

In the panel data regression results, it can be seen that the IIR variable has a positive and significant effect on PM at Islamic commercial banks in Indonesia. The coefficient of the IIR variable is 0.0001. This means that an increase in the IIR value by one percent will increase the PM value by 0.0001 percent. Profit margin is an indicator of Islamic banking to measure the net profit of a certain period. Operating income will affect the financial performance of Islamic banking. Halal income is one of the components of banking operating income, which activities must be in accordance with the core business of sharia. So if halal income increases, it will increase the IIR value of Islamic banking. The positive influence given by IIR is in line with the increase in halal income of Islamic banking during 2014-2018. The increase in IIR value will increase the profit margin.

### 5. CONCLUSION

Based on the estimation results using the Estimated General Least Square (EGLS) method regarding the Comparison of the Effect of the Islamicity Performance Index on Sharia Profitability and Conventional Profitability at Islamic Commercial Banks in Indonesia 2014-2018, it can be concluded that simultaneously, the Islamicity Performance Index (IPI) has a significant influence on Profit Margin. Partially, all IPI variables have a significant effect on Profit Margin in Islamic commercial banks in Indonesia for the 2014-2018 period.

### LIMITATION AND STUDY FORWARD

#### Limitation

The results of this study only apply to the nine sample Sharia Commercial Banks so that they are unable to describe the overall level of BUS profitability. This study only uses five of the six variables of the Islamicity Performance Index (IPI), so further research is needed that is able to describe the effect of IPI on the dependent variables.

#### Study forward

This research takes a vulnerable time of 5 years and the banks that were tested were only 9 banks. This study only uses five of the six variables of the Islamicity Performance Index (IPI), so further



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research is needed that is able to describe the effect of IPI on the dependent variables. Further research is also needed to get a clear picture of the comparison of Islamic financial performance measurement tools.

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