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Analysis of the Health of Sharia Banks with Approach to Rentability Factors (Earning)

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Abstract

The level of health of Islamic banks is a measure that States that an Islamic banking institutions have good qualifications in terms of liquidity, solvency and profitabiltias, in addition to being able to run the function and role of intermediary institutions as well. This research aims to analyze the extent of the influence of the ratio of the supporting factors in the assessment of earning or earning ratios that in proxy by the Return On Asset (ROA) as the variable X 1, the ratio Retun on Equity (ROE) as the variable X 2 and the ratio of Assets that can generate revenue (IGA) as the variable X3 in contributing the main factor ratio rentabiltias at the level of health of bank syariah i.e. Net Operating Margin (NOM) as the variable Y. The sample in this research is the entire population of the study i.e. the National Islamic Bank which has provided a bank statement on the financial services authority (OJK) for the period January 2013 until December 2017. Model analysis of the multiple linear regression model using and being estimated using OLS (Ordinary Least Square). Based on the research results obtained value R Square of 0,406. The figure indicated that the ability of the independent variable (the ratio of ROA, ROE ratio and the ratio of IGA) in explaining his independe variables (ratio of NOM) amounted to 40.6% while the rest is affected by other variables.

Keywords: bank, earning health levels, return on assets, return on equity, the ratio of assets that can generate income, net operating margin

1. Introduction

Based on data from the Financial Services Authority, in 2013-2017 Sharia Banking nationally experienced consistent downturn and growth both in terms of total assets, depositor's fund, and in terms of financing. Based on data from the Financial Services Authority, in 2013-2017 Sharia Banking nationally experienced consistent downturn and growth both in terms of total assets, depositor's fund, and in terms of financing. In term of total assets Sharia Banking nationally remain slowdown since 2013 achieve 24,23% yoy of total assets and start declining on the next year with only 12.41% in 2014 and

only 8.78 in 2014. the performace rebound in 2015 wich able to reach growth 20.33% in 2016 and back sliding to 18.98% in 2017.

From data on third party funding, in the year there has been a consistent growth since 2014 with an average growth of 23.7% in the last four years. Although in terms of national savings market share, the amount of deposits was only 5.59% in 2017. In terms of profitability in Islamic banks nationally in 2017 reached an aggregate of profit of 3,096 billion rupiahs, the figure was quite impressive compared to 2016 which only reached 2,096 billion rupiahs or grew by 47.7%. The profit growth gives great hope for stakeholders to be more enthusiastic in developing activities and business in Islamic banks. The profit growth also illustrates the ability to provide profits and profit sharing that is good for shareholders and depositors of Islamic banks.

Based on the data above, it can be said that the growth and development of Islamic banking in Indonesia experienced a slowdown. This slowdown can be caused by many factors ranging from macroeconomic factors, community preference factors and can also be influenced by the inability of Islamic banks.

This study will focus on the discussion of earnings risk factors that will discuss the relationship of support ratios such as Return On Assets (ROA), Retun on Equity (ROE) and Assets That Can Generate Income (IGA) to its main ratio, namely Net Operating Income (Net Operating Margin - NOM). Furthermore, it will be examined the extent of the relationship between the supporting ratio to its main ratio and the contribution of each supporting ratio to the main ratio.

For this study formulate the relationship between variables that is the ratio of supporting rentabilty factors at the level of soundness of Islamic banks consisting of Return On Assets (ROA) as a variable X1, Retun on Equity (ROE) as a variable X2 and Asset Ratio That Can Generate Income (IGA) as an X3 variable. Whereas for the dependent variable is the ratio of the main rentabilty factors on the level of health of Islamic banks, namely the Net Operating Margin (NOM) as a variable Y.

Based on the background stated above, the problems raised in this study can be formulated as follows: "What is the level of health of Islamic banks with an approach to earning factors?"

2. Research Methods

The method used in this research is associative method (*Associative research*). The aim is to create a systematic, factual and accurate description, description or painting of the facts and relationships between the phenomena investigated (Nazir. 1999:63).

3. Operationalization of Variables

3.1. Return on asset (ROA) as X_1 variabel

ROA is one measure of the group profitability ratio that serves to measure the capacity and ability of a company in order to generate profit through maximization using all assets owned after deducting capital costs, namely the costs used to fund assets. A positive ROA indicates that the company is able to provide profits by forcing the total assets used for operations.

$$\text{Formula: ROA} = \frac{\text{EAT}}{\text{Total Asset}} \times 100\%$$

TABLE 1: Rating Criteria of ROA.

Rating 1	ROA > 1,5%
Rating 2	1,25% < ROA $\leq$ 1,5%
Rating 3	0,5% < ROA $\leq$ 1,25%
Rating 4	0% < ROA $\leq$ 0,5%
Rating 5	ROA $\leq$ 0%

Sumber: SE Bank Indonesia No.9/24/DPbS tahun 2007

3.2. Retun on equity ratio (ROE) as X_2 variabel

Return on equity (ROE) is one of measurement of financial performance which form calculation by dividing net income with equity. Because shareholder equity is equal to the company's assets less debt, ROE can be considered as a return on net assets.

$$\text{ROE} = \frac{\text{net income}}{\text{share holder equity}}$$

TABLE 2: Rating Criteria of ROE.

Rating 1	ROE > 15%
Rating 2	12.5% < ROE $\leq$ 15%
Rating 3	5% < ROE $\leq$ 12.5%
Rating 4	0% < ROE $\leq$ 5%
Rating 5	ROE $\leq$ 0%

Sumber: SE Bank Indonesia No.9/24/DPbS tahun 2007

3.3. Asset ratio that can generate income (IGA) as X_3 variabel

IGA is the Asset Ratio that can generate income (IGA). This ratio is obtained from comparing the number of earning assets in the current category divided by the total assets in the same period. Current Earning Assets Coverage is earning assets with current collectability and special attention (DPK) as referred to in the applicable Bank Indonesia provisions concerning Asset Quality Rating for Commercial Banks Conducting Business Activities Based on Sharia Principles. The greater the ratio obtained, the better the ranking shows that if the high ratio shows that the quality of productive assets owned by the company is very good and able to provide maximum income to the company.

$$\text{Formula: IGA} = \frac{\text{Performing Prductive Asset}}{\text{Total Asset}}$$

Meanwhile for the dependent variable is the ratio of the main rentabilitas factors on the level of health of Islamic banks, namely the Net Operating Margin (NOM) as a variable Y.

$$\text{Formula: NOM} = \frac{\text{Operating Profit}}{\text{Average Productive Asset}}$$

The independent variable (Y), namely the Net Operating Margin (NOM) is the main ratio which is the key to assessing the soundness of earning factors in Islamic banks. The amount of the Net Operating Margin (NOM) that must be fulfilled has been determined as a parameter for the assessment of the level of severity as determined by Bank Indonesia in Bank Indonesia Circular number 9/24 / DPbS dated 30 October 2007 concerning the Rating System for Commercial Banks Based on Sharia Principles.

4. Types and Data Sources

The types and sources of data needed to support this research are secondary data, namely data that already exists and is systematically arranged and is the result of research or summary of company documents and other literature such as books, magazines, newspapers, papers and websites

4.1. Population dan samples

Population, the population in this study were all National Islamic Banks in Indonesia which included Islamic Commercial Banks (BUS) and Sharia Business Units (UUS) with a total of 34 Banks.

Samples, in this study researchers took samples using purposive sampling technique. Arikunto (2010: 183) explains that purposive sampling is done by taking a subject not based on strata, random or regional but based on the existence of a specific purpose. Criteria in sampling include:

1. Is a BUS and UUS registered at Bank Indonesia in the 2013 to 2017 research period.

2. BUS and UUS that have submitted Commercial Bank Reports (LBU) to Bank Indonesia in the range of the 2013 to 2017 research period.

3. BUS and UUS that have complete data related to all variables used in this study are:Net Profit, Operating Profit, Earning Assets, Total Assets,Total Equity.

4.2. Data collection technique

To collect data about the object of research used data collection methods by Documentation.

4.3. Data analysis technique

Qualitative method, presents data obtained by grouping, tabulating, and providing explanations. Implementation includes data collection, data preparation, interpretation of the meaning of the data. Quantitative methods, carried out with statistical tools that use the SPSS application (Statistical Product and Service Solutions). The data used in this study is quantitative numerical data. To be able to answer the formulation of the problem, some statistical test tools are used, namely the validity and reliability test, multiple regression tests and classical assumption test.

5. Research Result

The multiple linear regression statistical model resulting from the relationship between the variables ROA (X1), ROE (X2) and IGA (X3) in national Islamic banking on the fulfillment of NOM (Y) is obtained the relationship of the equation as follows:

$$Y = a + b1X1 + b2X2 \ldots bnXn + e$$

$$Y = 21,097 + 3,105X1 + 2,888X2 - 1,643X3$$

The multiple regression equation above can be explained as follows;

TABLE 3: Coefficient Model.

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.041	.627		-.065	.949
	ROA	.612	.099	.934	6.179	.000
	ROE	-.037	.009	-.611	-4.089	.000
	IGA	.008	.007	.133	1.131	.263
a. Dependent Variable: NOM						

1. The constant value of -0.41 has the meaning if ROA (X1), ROE (X2), and IGA (X3) are in zero condition or in other words the value is 0 then the amount of NOM (Y) value is -0.41%. This condition can be explained that when the total performance of the financial ratio which is the main component of the assessment of Islamic banking eraning at 0%, the NOM will experience a minus of -0.41%.

2. The ROA (X1) variable regression coefficient of 0.612 has a meaning if the other independent variables have a fixed value and the amount of ROA has increased 1%, then the amount of NOM (Y) will increase by 0.612%. Coefficient is positive means there is a positive relationship between ROA ratio and NOM ratio, the greater the value of the ROA ratio, the higher the percentage of the NOM ratio obtained by Islamic banking.

3. The ROE (X2) variable regression coefficient of -0.037 means that if another independent variable has a fixed value and the ROE ratio has a 1% increase, then the amount of NOM (Y) will experience a decrease in ratio of -0.037%. Negative coefficient means that there is a negative relationship / trade off between the ROE ratio and the NOM ratio, the higher the ROE ratio obtained, the lower the NOM ratio of Islamic banking.

4. IGA variable regression coefficient (X3) of 0.008% has the meaning that if other independent variables are fixed and Islamic receivables have a 1% increase, then the magnitude of the NOM ratio (Y) will increase by 0.008%. Coefficient is positive means that there is a positive simultaneous relationship between the IGA ratio and the NOM ratio, the greater the IGA ratio, the higher the NOM ratio of Islamic banking.

From the results of the regression analysis as the results in table 4, the R figure is 0.637. This figure indicates that there is a correlation between the ROA ratio, ROE ratio

Table 4: Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.637a	.406	.374	.29578	.431
a. Predictors: (Constant), IGA, ROE, ROA					
b. Dependent Variable: NOM					

and IGA ratio to the NOM ratio. Furthermore, from the same table, the R2 (R Square) is 0.406 or (40.6%). This figure shows that the percentage contribution of the influence of the independent variables (ROA, ROE and IGA) to the dependent variable (NOM) is 40.6%. Or variations in the independent variables used in the model (ROA, ROE and IGA) can explain 40.6% variation of the dependent variable (NOM). While the remaining 59.4% is influenced or explained by other variables not included in this research model.

5.1. Discussion of statistical test results

Based on the results of statistical tests above, a conclusion is drawn that simultaneously there is a strong relationship between independent variables (ROA ratio, ROE ratio, and IGA ratio) to the dependent variable (NOM). The strength of the relationship is indicated by the value of R which reaches 63.7% and the R2 value is 40.6%. Furthermore, each partially can also be concluded that each independent variable has an influence on the dependent variable in a different relationship pattern.

The ROA ratio of sharia banking as an independent vaiable (X1) in the study period shows an indication of the positive influence of NOM in Islamic banking so that if there is an increase in the ROA ratio it will contribute significantly to the increase in NOM. The ROE ratio of sharia banking as independent variable (X2) in the study period shows that there is an indication that there is a negative influence on NOM in Islamic banking so that if there is an increase in the ROE ratio, it will contribute continuously to NOM. The IGA ratio of Islamic banking as independent variable (X3) in the study period shows an indication of the positive influence of NOM in Islamic banking so that if there is an increase in the IGA ratio it will contribute significantly to the increase in NOM.

5.1.1. Analyze the relationship between ROA ratio with NOM Islamic banking

In analyzing the company's financial statements, to determine the level of profitability of a business activity in the eyes of management, the ROA ratio as a proxy is used. The

ROA ratio provides an illustration of how much the company's ability to maximize its resources as realized in total assets in order to achieve optimal corporate income. The greater the total assets of the company will provide greater revenue potential.

For Islamic banking the ROA ratio is fundamentally also used to measure the level of profitability, where the higher the ROA ratio will indicate a better company performance. If an Islamic bank is able to generate a higher ROA ratio compared to its peer group, then it is certain that the Islamic bank has better performance and profitability compared to the average peer group.

The increase in ROA ratio can generally be caused by a higher growth in Islamic banks compared to the growth of total assets. In other words, Islamic banks are able to achieve higher income assuming total assets in a relatively fixed condition. Another possibility that occurs is that the Islamic bank's income level remains while total assets decrease, but this condition is very difficult to occur except in certain conditions which are usually indicative of catastrophic events.

ROA ratio growth indicated by growth in income level indicates that the NOM ratio also experienced growth. Thus theoretically the growth of ROA and NOM ratios will occur simultaneously. This condition is also strengthened by the results of this study which indicate a significant relationship that is marked by a positive coefficient value means that there is a positive relationship between ROA ratio and NOM ratio, the greater the ROA ratio, the higher the percentage of NOM ratios obtained by Islamic banking.

5.1.2. Analyze the relationship between ROE ratio with NOM Islamic banking

Not much different from the ROA ratio, the ROE ratio provides an overview of the company's profitability to the total equity. But the viewpoint is a little different considering that the ROE ratio looks more at the profitability of investors (shareholders). The greater the ROE, the more effective a company, with another understanding from the shareholder side, the higher the ROE will provide faster return on capital expectations, which means that shareholders will immediately gain profits and recovery of faster capital investments.

ROE and ROA ratios have the same nature, where the ROE ratio should have a significant positive relationship with NOM in Islamic banks. In this study statistically obtained results that indicate a significant negative relationship between the ROE ratio with NOM. The negative value coefficient indicates that there is a negative / trade off

relationship where the higher the ROE ratio is obtained, the lower the NOM ratio of Islamic banking.

In the study of further data on the main data source from Bank Indonesia regarding the data of paid-up capital by each Islamic bank, additional information is obtained that the Sharia Business Unit which is cumulatively included in the aggregate Sharia Banking Statistics does not have a capital deposit, considering its only as a business unit of a conventional bank. As a result of these data differences, there was a slight distortion which later changed the nature of the positive relationship pattern to be negative, but conceptually it can be ascertained that the ROE ratio has a significant influence on NOM Islamic banking in Indonesia.

5.1.3. Relationship analysis between IGA ratio with NOM Islamic banking

In principle, the IGA ratio is the ratio of earning assets but more specifically only calculated on productive assets that have current qualifications. It means that IGA describe big portofolio of productive asset or more closely described as omzet of bank's productive assets. Thus this ratio is very specific in assessing the ability of Islamic banks to manage their productive assets in contributing to income for the company. The high IGA ratio shows that Islamic banks are able to manage the distribution of their funds in a good and healthy manner.

It can be accepted weather IGA ratio some time doesnot related with NOM ratio because on common sense some time total porfolio (total of stock) will not affecting price of product. The IGA ratio is closely related to the income potential of Islamic banks, where if the higher the IGA ratio will indicate a higher potential income because Islamic banks do not bother with the incidence of non-performing loans. Conversely, if the low IGA ratio means that there are management problems associated with non-performing loans, where the non-performing loans cause a decrease in income from two sides, namely the low income coming from financing disbursement (both profit sharing, rent, etc.) and the second is additional costs that must be incurred for the purpose of Earning Assets Backup.

6. Conclution

Based on the results of this study, it can be concluded several things regarding the relationship between the main ratio in the Sharia Bank Soundness Level on earning

factors, namely the NOM ratio in relation to its supporting ratios, among others, ROA, ROE and IGA ratios as follows:

1. From the results of the regression analysis obtained the number R is 0.637 and the number R2 (R Square) is 0.406. This figure indicates that there is a significant simulant effect between indepandent variables (ROA ratio, ROE ratio and IGA ratio) on the independent variables (NOM ratio) in Islamic banking nationally.

2. There is a partial significant influence between the independent variable ROA ratio (X1) which is positive for the independent variable NOM ratio (Y) in Islamic banking nationally.

3. There is a partial significant effect between the independent variable ROE ratio (X2) which is negative with the independent variable NOM ratio (Y) in Islamic banking nationally.

4. There is a non partial significant effect between the independent variable IGA ratio (X3) which is positive for the independent variable NOM ratio (Y) in Islamic banking nationally.

The above conclusions reinforce the theoretical concepts formulated in determining the Sharia Bank Health Level primarily on earning factors.

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