

The Effect of Islamic Corporate Governance, Sharia Compliance, Islamic Social Responsibility on the Profitability of Sharia Banks

Suci Romadhonia

Universitas Hayam Wuruk Perbanas Surabaya, Indonesia
suciromadhonia09@gmail.com

Sri Lestari Kurniawati

Universitas Hayam Wuruk Perbanas Surabaya
lestari@perbanas.ac.id

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Abstract

The purpose of this study was to analyze the effect of Islamic Corporate Governance, Sharia Compliance and Islamic Social Responsibility on the profitability of Commercial Bankings (BUS) in Indonesia. This study uses a quantitative approach with samples of 12 BUS in the 2017-2020 period. The model used as an analytical tool is multiple regression analysis. Data processing in this study using SPSS 16.0. The results of this study indicate that simultaneously the variables Islamic Corporate Governance, Sharia Compliance (IsIR, PSR and ZPR) and Islamic Social Responsibility have a significant effect on Profitability (ROA) of SUB in Indonesia, while partially Islamic Corporate Governance has a negative and significant effect on Profitability (ROA), Sharia Compliance as measured by PSR has a positive and significant effect on Profitability, Sharia Compliance as measured by IsIR and ZPR has no significant effect on Profitability, and Islamic Social Responsibility has no significant effect on Profitability.

Keywords: *islamic corporate governance, sharia compliance, islamic social responsibility & profitability*

Abstrak

Tujuan penelitian ini adalah untuk menganalisis pengaruh Islamic Corporate Governance, SC dan Islamic Social Responsibility terhadap Profitabilitas (ROA) BUS di Indonesia. Penelitian ini menggunakan pendekatan kuantitatif dengan populasi seluruh BUS di Indonesia dalam periode 2017-2020. Teknik pengambilan sampel dengan metode purposive sampling. Sampel yang memenuhi kriteria sebanyak 12 BUS dari total 14 BUS di Indonesia. Model yang digunakan sebagai alat analisis adalah analisis regresi berganda. Pengolahan data dalam penelitian ini menggunakan alat bantu SPSS 16.0 Hasil penelitian ini menunjukkan bahwa secara bersama-sama variabel Islamic Corporate Governance, Sharia Compliance (IsIR, PSR dan ZPR) dan Islamic Social Responsibility berpengaruh signifikan terhadap Profitabilitas pada BUS di Indonesia, sedangkan secara parsial Islamic Corporate Governance berpengaruh negatif dan signifikan terhadap Profitabilitas (ROA), Sharia Compliance yang diukur dengan PSR berpengaruh positif dan signifikan terhadap Profitabilitas, Sharia Compliance yang diukur dengan IsIR dan ZPR tidak berpengaruh terhadap Profitabilitas dan Islamic Social Responsibility tidak berpengaruh terhadap Profitabilitas.

Kata Kunci: *islamic corporate governance, sharia compliance, islamic social responsibility & profitability*

Introduction

Indonesia experienced a decline in financial performance in 1997, which hurt the Indonesian economy, especially financial business and caused a decline in banking performance in Indonesia.¹ However, the conditions of the financial crisis did not affect the Sharia Bank, as evidenced by the Muamalat Bank (the first Sharia Bank in Indonesia operating under the Islamic system).²

Bank Muamalat Indonesia (BMI) is a pioneer in developing sharia banks in Indonesia. Bank Muamalat Indonesia stood on May 1st, 1992, which was established to the desire of the Muslim community that the banking industry could be run according to the sharia system, such as avoiding *Maysir* (gambling and speculative), *Gharar* (uncertainty), and pay attention to the halal rules in banking operations. It encourages the government to foster sharia banks by making guidelines that Indonesia adheres to a dual financial framework (dual banking system). The existence of these guidelines encourages conventional banks to participate in developing their business by forming a sharia business unit.³ So, until 2020 recorded in the OJK report, there were 14 Sharia General Banks and 34 Sharia Business Units operating in Indonesia.

The increase in the number of Sharia Banks shows the development of Sharia Banks in Indonesia. In addition, the development of the Sharia Bank in Indonesia can be seen from the achievement of profits (Profitability) which consistently shows improvement. These

profitability developments (ROA) can be shown in the table below:

Table 1. Return on Asset (ROA) Sharia General Banks, year 2016-2021

	2016	2017	2018	2019	2020	Jan-2021
ROA %	0,63	0,63	1,28	1,73	1,40	1,79

Source: Otoritas Jasa Keuangan, 2021

The table above proves that the Profitability (ROA) of the Sharia General Bank in Indonesia shows consistent growth. In 2016 and 2017, the ROA level was the same at 0.63%, which shows that the profits obtained by the Sharia General Bank have not increased or decreased. In 2018 there was a relatively high increase in ROA levels of 0,63% to 1.28%, and in 2019 it continues to increase to a ROA level of 1.73%. Meanwhile, in 2020 ROA decreased from 1.73% to 1.40%. After a decline in 2020, the Sharia General Bank again showed significant development in January 2021, i.e. from 1.47 % to 1.79 %

High awareness of Muslim communities about sharia rules brings the progress of sharia banks quickly. The community considers that good governance of sharia banks, the level of compliance of sharia banks in sharia business ethics, and the responsibility of sharia banks to the current social environment can affect the financial performance of sharia banks, especially Profitability. Several variables can influence Profitability: Islamic Corporate Governance (ICG), Sharia Compliance, and Islamic Social Responsibility (ISR).⁴

¹ Jielend Ariandhini, 'Pengaruh Corporate Governance Terhadap Profitabilitas Bank Umum Syariah (BUS) Indonesia Periode 2011-2016', *Falab: Jurnal Ekonomi Syariah*, 4.1 (2019), 98 <<https://doi.org/10.22219/jes.v4i1.8742>>.

² Arry Eksandy, 'Pengaruh Good Corporate Governance Terhadap Kinerja Keuangan Pada Perbankan Syariah Indonesia', *Jurnal Akuntansi*, 5.1 (2018), 1–10 <<https://doi.org/10.30656/jak.v5i1.498>>.

³ Lenny Mardiani, Wiwin Yadiati, and Eddy Jaenudin, 'Islamic Corporate Governance Dan Kinerja Keuangan Unit Usaha Syariah (UUS) Periode 2013-2017', *Jurnal Akuntansi: Kajian Ilmiah Akuntansi (JAK)*, 6.2 (2019), 128–42 <<https://doi.org/10.30656/jak.v6i2.1411>>.

⁴ Ananda Anugrah Nasution, Ade Fatma Lubis, and Khaira Amalia Fachrudin, 'Sharia Compliance and Islamic Social Reporting on Financial Performance of the Indonesian Sharia Banks', 292 (2019), 640–44.

Islamic Corporate Governance (ICG) is a system that includes structures and processes for directing, managing and controlling business transparently that refers to Islamic principles.⁵ Good governance will avoid conflicts between stakeholders. DPS and the Board of Directors, as well as stakeholders in the sharia bank, with good governance, DPS and the Board of Directors will carry out their respective duties and responsibilities properly, as DPS in the Sharia Bank has a role in overseeing the running of the sharia bank following the ethics of the sharia business. At the same time, the Board of Directors is tasked with implementing the management of the sharia bank, which is oriented towards achieving profits.⁶ Good governance can avoid risk because management actions tend to benefit themselves. Good governance will create a control system to prevent misuse of Resource resources so that good growth will be created, which will have an impact on improving the profit performance of the sharia bank, namely Profitability. The results of Farag et al.'s study (2018) correspond to the above statement, which proves that the application of ICG positively affects Profitability.⁷ In contrast, research by Umiyati et al. (2020) proves that ICG harms the

Profitability of the Sharia General Bank in Indonesia.⁸

Sharia Compliance is an embodiment of a sharia bank on sharia principles with characteristics, credibility and integrity.⁹ According to Mulazid (2016), people's trust and beliefs in sharia banks see from the implementation of Islamic legal principles in the operational activities of sharia banks,¹⁰ that is, when the Sharia Bank applies sharia compliance in its operational activities, the Sharia Bank will gain the trust of the community so that it influences their decision on the use of sharia banking services which can affect financial performance Sharia banks, financial performance in this case namely the profitability of sharia banks will experience an increase.¹¹ The results of Nasution et al.'s study (2019) correspond to the above statement, proving that Sharia Compliance positively affects profitability.¹² In contrast, research conducted by Djuwita et al. (2019) proves that Sharia Compliance negatively influences the profitability of the Sharia General Bank.¹³

Islamic Social Responsibility (ISR) is a corporate social obligation with the economic dimensions of Islam, Islamic ethics and Islamic philanthropy based on the values of Islam that are recorded in the Quran and Hadith.¹⁴ The

⁵ Mardiani, Yadiati, and Jaenudin.

⁶ Surepno and Minoto, 'Peran Good Corporate Governance Terhadap Profitabilitas Perbankan Syariah', *AKTSAR: Jurnal Akuntansi Syariah*, 1.1 (2018), 131–42.

⁷ Hisham Farag, Chris Mallin, and Kean Ow-Yong, 'Corporate Governance in Islamic Banks: New Insights for Dual Board Structure and Agency Relationships', *Journal of International Financial Markets, Institutions and Money*, 54 (2018), 59–77.

⁸ Umiyati, Laila Maisyarah, and Mustafa Kamal, 'Islamic Corporate Governance and Sharia Compliance on Financial Performance Sharia Bank in Indonesia', *AL-IQTISHAD: Jurnal Ilmu Ekonomi Syariah (Journal of Islamic Economics)*, 12.1 (2020), 33–50.

⁹ Diana Djuwita, Nur Eka Setiowati, and Umi Kulsum, 'The Influence of Sharia Compliance and Islamic Corporate Governance on Financial Performance of Sharia Commercial Bank', *Al-Ammal: Jurnal Ekonomi Dan Perbankan Syari'ah*, 11.2 (2019), 205–20.

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¹⁰ Ade Sofyan Mulazid, 'Pelaksanaan Sharia Compliance Pada Bank Syariah (Studi Kasus Pada Bank Syariah Mandiri, Jakarta)', *Madania*, 20.1 (2016), 37–54.

¹¹ Khairatun Hisan, Riski Syahpitri, and Zulkarnaini Zulkarnaini, 'Determinants of Financing Disbursed by Islamic Rural Banks (BPRS) in Indonesia', *EKONOMIKA SYARIAH: Journal of Economic Studies*, 5.1 (2021), 50–58; Hesi Eka Puteri, Baginda Parsaulian, and Heru Aulia Azman, 'Potential Demand for Islamic Banking: Examining the Islamic Consumer Behavior as Driving Factor', *International Journal of Social Economics*, 49.7 (2022), 1071–85 <<https://doi.org/10.1108/IJSE-10-2021-0614>>.

¹² Nasution, Lubis, and Fachrudin.

¹³ Djuwita, Setiowati, and Kulsum.

¹⁴ Afandi Aprilian Ahamad, Supaijo, and Ningsih Nur Wahyu, 'Pengaruh Islamic Corporate Social Responsibility Terhadap Reputasi Perusahaan (Studi Empiris Bank Umum Syariah Di Indonesia Yang Terdaftar Di Otoritas Jasa Keuangan Indonesia Periode Islamic Corporate Governance....

implementation of ISR will create a good image for sharia banks.¹⁵ A good corporate image will increase customer confidence; the customer will be happy to place funds in the sharia bank to increase revenue, thereby increasing the level of profitability of the sharia bank. Santika's research results (2019) follow the above statement, which proves that Islamic Social Reporting positively affects the profitability of the Sharia General Bank in Indonesia.¹⁶ In contrast to research conducted by Zara & Erinoss (2020) which proves that ISR harms the profitability of Sharia Banks.

Literature Review

Profitability

Profitability is the ability of the bank to assess the significant profits it receives, both from operational activities and from non-operational activities.¹⁷ So basically, this ratio is used to show company efficiency. If the level of profitability is high, the better the company's ability to obtain company profits.¹⁸ According to the Bankers of Indonesia Bond (2018), the ratio of Sharia Bank Profitability can be measured using four ratios, namely:

1. Return on Asset

The ROA ratio is used to measure bank management's ability to obtain net income after deducting taxes related to asset management. ROA can be calculated using the following formula:

$$ROA = \frac{\text{Profit Before Tax}}{\text{Average Total Asset}} \times 100\%$$

2. Return on Equity

The ROE ratio is the ratio used to measure the ability of bank management to obtain net income after deducting taxes with owned capital. The ROE ratio can be calculated using the following formula:

$$ROE = \frac{\text{Profit After Tax}}{\text{Equity Average}} \times 100\%$$

3. NIM

The NIM ratio is the Profitability ratio used to measure gross profit margins by comparing net margin income to the average productive asset. The NIM ratio can be calculated using the following formula:

$$NIM = \frac{\text{Net Margin Income}}{\text{Average Productive Assets}} \times 100\%$$

4. BOPO

The BOPO ratio is the Profitability ratio used to measure net profit margins by comparing total operating expenses to total operating income. BOPO ratios can be calculated using the following formula:

$$BOPO = \frac{\text{Total Operating Expenses}}{\text{Total Operating Income}} \times 100\%$$

The Profitability Variables used in this study were measured using ROA (Return on Asset). The ROA ratio is the ratio used to demonstrate the ability of bank management to obtain the Bank of Sharia's net profit.

2014-2017', *Adzkiya*, 07. *Jurnal Hukum dan Ekonomi Syariah* (2019), 38–58.

¹⁵ Mega Karunia Rosdwianti, Moch. Dzulkrirom, and Zahroh, 'Pengaruh Corporate Social Responsibility (CSR) Disclosure Terhadap Profitabilitas Perusahaan (Studi Pada Sektor Industri Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia Periode 2013-2014)', *Jurnal Administrasi Bisnis (JAB)*, 38.2 (2020), 16–22.

¹⁶ Ana Santika, 'Pengaruh Islamic Social Reporting Terhadap Profitabilitas (Return on Asset Dan Return on Equity) Pada Bank Umum Syariah Di Indonesia', *Falah: Jurnal Ekonomi Syariah*, 4.2 (2019), 119–32.

¹⁷ Lidia Desiana, Mawardi, and Sellya Gustiana, 'Pengaruh Good Corporate Governance Terhadap

Profitabilitas (Roe) Pada Bank Umum Syariah Di Indonesia Periode 2010-2015', *I-Finance*, 2.2 (2016), 1–20.

¹⁸ Fauziah Nur Hutauruk, 'Ukuran Perusahaan Sebagai Pemoderasi Dalam Hubungan Profitabilitas Dan Likuiditas Terhadap Struktur Modal Bank Umum Syariah', *EKONOMIKA SYARIAH: Journal of Economic Studies*, 4.2 (2020), 136–46; Heliyani Heliyani, 'Peran Non Performing Financing Terhadap Profitabilitas Bank Pembiayaan Rakyat Syariah Dengan Inflasi Sebagai Variabel Moderasi', *EKONOMIKA SYARIAH: Journal of Economic Studies*, 4.1 (2020), 111–22.

Islamic Corporate Governance

ICG is a system that includes structures and processes used to direct, manage and control business transparently and refer to Islamic principles.¹⁹ ICG measurements use the 2011 KNKG GGBS Index with a total indicator of 25.

Table 2. Measurement of ICG

Dimension	Indication	Total
Structure & Mechanism of DPS work	1. DPS member name	4
	2. Number of DPS meetings	
	3. Number of DPS attendance	
	4. DPS performance mechanism	
Structure & Mechanism of work of the Directors	5. Name of member of the directors	11
	6. Board of Directors	
	7. The functions of the members of the directors	
	8. Decision making	
	9. Delegation of authority	
	10. Number of directors' meetings	
	11. Number of directors' attendance	
	12. Directors' performance mechanism	
	13. Risk control	
	14. Surveillance system	
	15. Internal audit	
Sharia business ethics	16. Vision	10
	17. Mission	
	18. Company value	
	19. Majority shareholders	
	20. DPS remuneration & directors	
	21. Transactions with conflicts of interest	
	22. Results of GGBS implementation	
	23. Zakat & CSR payments	
	24. Implementation of ZISWAF	
	25. Extraordinary events that affect performance	
Total	25	

Source: Mardiani, 2019

If in the annual report (annual report) the item has been disclosed, then the score is "1", but if in the annual report (annual report) it is not disclosed, sub items will be given a score

of "0". The formula used in ICG disclosures is to determine how large the level is as follows:

$$ICG = \frac{\text{Number of items disclosed}}{\text{Maximum score amount (25)}} \times 100\%$$

Sharia Compliance

An essential part of the sharia financial institution industry is Sharia Compliance (Sharia Compliance), especially in terms of management and operation of the Sharia Bank. One aspect of law in the sharia financial industry is regulation about Sharia Compliance (Sharia Compliance). The regulation is supported by a policy that every sharia-based financial institution must have a Sharia Supervisory Board (DPS) tasked with overseeing company activities following sharia business ethics.²⁰

Sharia banks that do not comply with sharia compliance will lose public trust because sharia compliance is at the core of the integrity and credibility of the Sharia Bank. Communities will feel lost the privilege of the Sharia Bank they are looking for, which will affect their choice to choose or continue to use the services of the Sharia Bank.²¹ There are 3 (three) indicators for measuring Sharia Compliance that is Islamic Income Ratio (IsIR), Profit Sharing Ratio (PSR) and Zakat Performance Ratio (ZPR).²²

Islamic Income Ratio

Islamic Income Ratio is used to assess the level of Islamic income received by sharia banks from all total income earned by sharia banks, halal income or bank income obtained as mudharib and non-halal or income derived from non-halal transactions, i.e. interest income. Islamic Income Ratio can be calculated using the formula:

$$IsIR = \frac{\text{Halal Revenue}}{\text{Halal Revenue} + \text{Non-Halal Revenue}} \times 100\%$$

¹⁹ Mardiani, Yadiati, and Jaenudin.

²⁰ Luqman Nurhisam, 'Kepatuhan Syariah (Sharia Compliance) Dalam Industri Keuangan Syariah', *Jurnal*

Hukum IUS QULA IUSTUM, 23.1 (2016), 77-96 <<https://doi.org/10.20885/iustum.vol23.iss1.art5>>.

²¹ Mulazid.

²² Mardiani, Yadiati, and Jaenudin.

Profit Sharing Ratio

Profit-Sharing Ratio is used to show how the sharia bank reaches its existence by sharing the results obtained from the total financing provided to the customer,²³ which includes profit sharing transactions, rent, sell and buy, and borrow to borrow. The profit-Sharing Ratio can be calculated using the formula:

$$PSR = \frac{Mudharabah + Musyarakah}{Total Financing} \times 100\%$$

Zakat Performance Ratio

Zakat Performance Ratio, the calculation based on the large zakat that a sharia bank must issue, is proportional to the assets or net worth owned by the sharia bank.²⁴ Based on AAOIFI standards, sharia financial institutions must pay zakat based on net assets owned by sharia banks. So, if the net assets owned by the sharia bank are high, the zakat that the sharia bank must pay is also getting higher. Zakat Performance Ratio can be calculated using the formula:

$$ZPR = \frac{Zakat}{Profit Before Tax and Zakat} \times 100\%$$

The Sharia General Bank, as an Islamic financial institution, is required to issue zakat and based on its function, zakat is very important in empowering the economy of the people, with zakat expected to empower the economy of the people from economic nothing, social and moral and empower less able people. As contained in the surah At-Taubah/9:103

حُدِّ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا وَصَلَّ عَلَيْهِمْ

إِنَّ صَلَاتَكَ سَكَنٌ لَهُمْ وَاللَّهُ سَمِيعٌ عَلِيمٌ

Meaning:

²³ Djuwita, Setiowati, and Kulsum.

²⁴ Djuwita, Setiowati, and Kulsum.

²⁵ Afandi Aprilian Ahamad, Supaijo, and Ningsih Nur Wahyu.

“Take zakat from their possessions, cleanse and purify them, and pray for them. Truly your prayer (growing) the peace of the soul for them. Allah is All-Hearing, All-Knowing.”

Based on PSAK 101, the Sharia Bank does not merely carry out its principal business activities regarding zakat management activities. However, it continues to carry out sharia activities by channelling zakat to parties entitled to receive zakat.

Islamic Social Responsibility

ISR is a concept of the responsibility of the sharia bank to the social environment with the economic dimensions of Islam, Islamic law, Islamic ethics and Islamic philanthropy based on Islamic values contained in the Qur'an and hadith.²⁵ ISR measurements in this study based on reporting standards based on AAOIFI are five disclosure themes: funding and investment themes, employee themes, community themes, environmental themes, and governance issues.²⁶

Table 3. Measurement of ISR

Theme	Item ISR
Funding and Investment	Activities containing usury (interest expense and interest income)
	Activities that contain obscurity (Gharar) like hedging, future non delivery trading/ margin trading, arbitrage well done spot or forward Zakat
Employees	Policy on late payment of receivables and the inability of clients to pay receivables / write off uncollectible debt
	Value added statement
	Employee work hours
	Holidays and leave
Employees	Other benefits received by employees (employee benefits)
	Employee remuneration
	Employee education and training (development of human resources)
	Equality of rights between employees

²⁶ R Othman, A M Thani, and E K Ghani, 'Determinants of Islamic Social Reporting Among Top Shari ' a-Approved Companies in Bursa Determinants of Islamic Social Reporting Among Top Shariah -Approved Companies in Bursa Malaysia', 12 (2009), 4–20.

Theme	Item ISR
	Employee involvement in management discussions, decision making and company operational activities)
	Work health and safety of employees
	Work environment
	Employees from other special groups (physical disability, ex-convicts, or former drug users)
	High-ranking officials / top-level employees in the company carry out worship together with middle and low-level managers / employees
	Muslim employees are allowed to run worship
	Adequate places of worship for employees
Public	Shadaqah/granting donations for charitable activities or social activities
	Waqf
	Qardhul Hasan
	Employee voluntary activities
	Granting school scholarships
	Recruitment of school / college graduates
	Development of young shoots
	Improved quality of life of the community
	Concern for children
	Sponsoring public health activities, culture
Environment	Environmental conservation
	Activities that do not create environmental pollution
	Education about the environment
	Environmental audit / certification
	Environmental management system
Governance	Sharia compliance status
	The company's goal to achieve barakah
	Details of the name and profile of the board of directors
	Share ownership structure
	Prohibited activities, business fraud practices
	Anti-corruption policy

Source: Othman, 2009

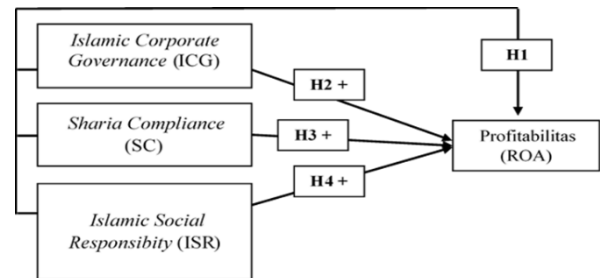
If the item has been disclosed in the annual report (annual report) will then be scored "1", but if the sub-item is not disclosed, it will be given a score of "0". The formula used in the

disclosure of the ISR index is to determine how significant the level is as follows:

$$IsIR = \frac{\text{Number of sub-items disclosed}}{\text{Maximum Score Amount (39)}} \times 100\%$$

Research Framework

The following are the research frameworks that can be compiled in this study:



Source: processed

Graphic 1. Research Framework

The hypothesis based on the problem and description above was formulated in this study:

- H1: Islamic Corporate Governance (ICG), Sharia Compliance, and Islamic Social Responsibility (ISR) together have a significant effect on Profitability at Sharia General Banks in Indonesia.
- H2: Islamic Corporate Governance (ICG) partially significantly affected the profitability of the Sharia General Bank in Indonesia.
- H3: Sharia Compliance partially significantly affected the profitability of the Sharia General Bank in Indonesia.
- H4: Islamic Social Responsibility (ISR) partially influences significantly the profitability of the Sharia General Bank in Indonesia.

Method

This type of research is quantitative research. Quantitative research is research conducted to examine populations or specific samples based on the philosophy of

positivism.²⁷ This study used secondary data obtained from www.bi.go.id (www.ojk.go.id), and refer to the annual report contained in each Sharia General Bank in Indonesia from 2017 to 2020. The population in this study is the Sharia General Bank in Indonesia period 2017 to 2020. Populasi pada penelitian ini yaitu Bank Umum Syariah di Indonesia periode 2017-2020. The criteria for sample selection in this study are:

- 1) The Sharia General Bank in Indonesia, which has information about ICG, is measured using the 2011 GGBS KKNK Indicator with a total indicator of 25.
- 2) Sharia General Bank in Indonesia, which has data on SC, is measured using three indicators viz Islamic Income Ratio (IsIR), Profit Sharing Ratio (PSR), and Zakat Performance Ratio (ZPR).
- 3) The Sharia General Bank in Indonesia, which has data on ISR, is measured by the ISR disclosure index, which contains five (5) themes, namely funding and investment themes, employee themes, community themes, environmental themes, and corporate governance.

The technique used in sampling this study uses purposive sampling; then, based on purposive sampling, there are 12 Sharia General Banks out of 14 Sharia General Banks that meet the current research criteria. A reduction in the number of samples occurred because sharia banking did not have financial statements related to research during the study period, so there were two Sharia General Banks that were not selected. The following Sharia General Banks in Indonesia are included in the sample criteria and are subject to research:

Table 4. Sample List of Sharia General Banks in Indonesia

No.	Name of Sharia General Bank
1	Aceh Sharia Bank
2	Bank Muamalat Indonesia
3	Bank BRI Sharia
4	Bank Jabar Banten Sharia
5	Independent Sharia Bank
6	Bank BNI Sharia
7	Mega Sharia Bank
8	Panin Dubai Sharia Bank
9	Bukopin Sharia Bank
10	BCA Sharia Bank
11	Sharia BTPN Bank
12	MayBank Sharia Indonesia

Source: Processed Data

The analytical methods used in this study are descriptive analysis and statistical analysis. Statistical analysis used in this study is the classic assumption test (normality test), and multiple regression analysis with profitability bound variables (ROA) and free variables Islamic Corporate Governance (ICG), Sharia Compliance (IsIR, PSR, and ZPR), and Islamic Social Responsibility (ISR). The multiple regression equation is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_i$$

Remarks:

Y = Profitability (ROA)

α = Constants

$\beta_1 - \beta_3$ = Regression Coefficient

X_1 = ICG

X_2 = IsIR

X_3 = PSR

X_4 = ZPR

X_5 = ISR

e_i = The intruder variable is outside the model

²⁷ Sugiyono, 'Metode Penelitian Kuantitatif, Kualitatif Dan R&D', in *Ke-26*, 2018.

Results and Discussion

Descriptive Analysis

Descriptive analysis is used to explain the data used in research descriptively based on values mean, standard deviation, and maximum and minimum values.²⁸

Table 5. Descriptive Analysis

	N	Min	Max	Mean	Std. Deviation
ICG	48	0,840	0,960	0,910	0,0417
IsIR	48	0,884	1,000	0,992	0,0271
PSR	48	0,000	0,998	0,345	0,2851
ZPR	48	0,000	0,685	0,039	0,1167
ISR	48	0,718	0,872	0,824	0,0326
ROA	48	-0,113	0,122	0,014	0,0413
Valid N	48				

Source: Processed data, 2022

The minimum ICG value of 0.84 in Table 5 above explains that the ICG disclosures recorded in the annual report The Sharia General Bank obtains a score value of 0. In contrast, the maximum ICG value of 0.96 means that the ICG disclosure recorded is in the annual report. Many Sharia General Banks have received score 1. Value means ICG is 0.9100 while standard deviation ICG of 0.04167; regardless of the mean ICG is more significant when compared to values standard deviation, it can be concluded that the data is homogeneous.

The minimum IsIR value of 0.88 in Table 5 explains that the Sharia Bank has not been able to maximize the revenue sourced from its total income. In contrast, the maximum value of IsIR is 1.00, meaning that the Sharia Bank has maximized the source income from its total income. The value means IsIR is 0.9919, whereas the standard deviation IsIR of 0.02705. Value means IsIR is more significant when compared to values standard deviation, and it can be concluded that the data is homogeneous.

The minimum PSR value of 0 in Table 5 explains that the Sharia Bank has a low level of channelling of oil and mudharabah financing

to produce a minimum value. In contrast, the maximum PSR value of 1.00 means that the Sharia General Bank has maximized the distribution of financing for the results of *musyarabah* and *mudharabah*. Value means PSR of 0.3450 while standard deviation PSR of 0.28511. Regardless of whether the value means PSR is more significant compared to values standard deviation, it can be concluded that the data is homogeneous.

The minimum ZPR value of 0 in Table 5 explains that there is still low management of zakat originating from its net assets because the Sharia General Bank does not issue resourceful zakat from its net assets but from external banks. In contrast, the maximum ZPR value of 0.69 means that the Sharia General Bank has maximized zakat management, which is sourced from its net assets. The value means ZPR is 0.0399 while the standard deviation ZPR is 0.11669; regardless of the mean ZPR being smaller compared to the value standard deviation, it can be concluded that the data is heterogeneous.

The minimum ISR value of 0.72 in Table 5 shows that ISR disclosures made by the Sharia General Bank are still little expected to many who obtain the score of 0. In contrast, the maximum ISR value of 0.87 means that the disclosure of ISR made by the Sharia General Bank has been maximized. Value means ISR is 0.8253 while standard deviation ISR of 0.03289; regardless of the value mean ISR is more significant when compared to values standard deviation, it can be concluded that the data is homogeneous.

The minimum ROA value of -0.11 in Table 5 shows that the management of the Sharia General Bank's assets in generating profits is still low. In contrast, the maximum ROA value of 0.49 means the management of the Sharia General Bank's assets in generating

²⁸ Imam Ghozali, *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 23* (Semarang: Badan Penerbit Universitas Diponegoro, 2016).

good profits and value mean ROA is 0.0406 while standard deviation ROA of 0.10094, regardless of value mean ROA is smaller when compared to values standard deviation so that data deviations occur broadly or it can be said that the data is heterogeneous.

Classic Assumptions

The purpose of the classic assumption test is to provide certainty that the regression equation obtained has estimation accuracy and is unbiased and consistent. This study uses a classic assumption test, the normality test. The Normality Test is used to test the error of the regression model formed has been normally distributed. Results of significance Kolmogorov- Smirnov Test > 0.05 then residual research data is normally distributed.

Table 6. Normality Test Results

	Unstandardized Residual
Asymp. Sig. (2-tailed)	0.762
a. Test distribution Normal.	

Source: Data processed, 2022

Table 6 above shows the value *Asymp. Sig.* (2-tailed) $0.762 > 0.05$, it can be concluded that residual data is normally distributed.

Statistical Analysts

Statistical analysis in this study used multiple regression analysis, F test, and t-test. The following statistical analysis is used in current research:

1) Multiple Regression Analyst

A multiple regression analyzer is an analysis used to find out the relationship or influence linearly between ICG, SC (IsIR, PSR, and ZPR) and ISR as free variables (X) with Profitability that is proxied with ROA as bound variables (Y).

Value sig. Used is 0.05 ($\alpha = 5\%$); here are the results of multiple regressions that can be shown in the Table as follows:

Table 7. Results of Multiple Regression Analysis

No	Variable	Coefficient	t-count	Sig.
1	Constants	1,197	1,380	1,380
2	ICG	-1,025	-2,802	-2,802
3	IsIR	-0,275	-0,486	-0,486
4	PSR	0,124	2,407	2,407
5	ZPR	-0,113	0,939	0,939
6	ISR	0,015	0,034	0,034

Source: Data processed, 2022

Based on Table 7 shows the equation of the research model as follows:

$$Y (\text{ROA}) = 1,197 - 1,025 \text{ ICG} - 0,275 \text{ IsIR} + 0,124 \text{ PSR} - 0,113 \text{ ZPR} + 0,015 \text{ ISR} + e_i$$

Each coefficient from the equation above can be explained as follows:

- 1) Constants of 1,197
It shows that if the ICG, IsIR, PSR variables, ZPR, and ISR are constant or equal to zero (0), then Profitability has a value of 1,197.
- 2) ICG regression coefficient of -1,025
It indicates that if each ICG rises by one unit, Profitability will decrease by 1,025 units assuming other variables are constant.
- 3) IsIR regression coefficient of -0,275
It indicates that if each IsIR rises by one unit, then Profitability will decrease by 0.275 units assuming other variables are constant.
- 4) PSR regression coefficient of 0,124
It indicates that if each PSR rises by one unit, Profitability will increase by 0.124 units assuming other variables are constant.
- 5) ZPR regression coefficient of -0,113
It indicates that if each ZPR rises by one unit, the Profitability will decrease by 0.113 units assuming other variables are constant.
- 6) ISR regression coefficient of 0,015
It indicates that if each ISR rises by one unit, then Profitability will increase by 0.015 units assuming other variables are constant.

T-Test

To see the magnitude of the influence of the ICG, SC (ISIR, PSR, ZPR) and ISR variables partially on the ROA t-test. This t-test tests the effect of each free variable on the bound variable.²⁹

Table 8. Result of t-test

Var	Coe	Std. Er	t-Stat	Sig
ICG	-1,025	0,366	-2,802	0,008
IsIR	-0,275	0,567	-0,486	0,629
PSR	0,124	0,051	2,407	0,021
ZPR	-0,113	0,120	0,939	0,353
ISR	0,015	0,432	0,034	0,973

Source: Data processed, 2022

Table 8 above, ICG has t-counts of $-2,802 < 1,682$. In addition, it can be seen that level sig. ICG of $0.008 < 0.05$ ($\alpha = 5\%$), so the conclusion is that ICG partially negatively and significantly influences Profitability (ROA). Sharia bank governance is increasingly causing a decrease in profitability, and this is faced with increased disclosure of corporate governance that has not been able to improve the company's financial performance precisely; this will make profitability decrease because the Sharia General Bank will incur more costs to be able to manage its company properly.³⁰ Pratiwi's research results (2016) are consistent with this study's results, proving that Islamic Corporate Governance has a negative and significant effect on Profitability (ROA).³¹

sIR has a t-count of $-0.486 < 1,682$. In addition, it can be seen that level sig. ICG of $0.629 > 0.05$ ($\alpha = 5\%$), so that it can be concluded that IsIR partially has no effect on Profitability (ROA). So, the conclusion is that the high level of IsIR does not affect achieving the profitability of the Sharia General Bank. It is due to the principle of sharia banking that strongly favours halal transactions and prohibits

transactions containing *usury*, *Maysir*, *Gharar*, and gambling. The practice of non-halal income is still found in the annual report of Sharia banking. Non-halal income occurs under conditions that cannot be avoided, so it has been regulated in OJK regulations that Sharia Banks may only receive a maximum non-halal income of 10 %.³² Non-halal income is included in the virtue fund. The orientation of non-halal income is channelled to the community but not oriented towards increasing profitability, so the conclusion IsIR has no effect on increasing the profitability of the Sharia General Bank. The results of Umiyati et al. (2020) research are consistent with this study, proving that Islamic Income Ratio does not affect profitability (ROA).³³

PSR has a t-calculate of $2,407 > 1,682$. In addition, it can be seen that level sig. ICG of $0.021 < 0.05$ ($\alpha = 5\%$), so it can be concluded that PSR partially influences positive and significant profitability (ROA), so the conclusion is that the higher the PSR increases profitability. The income earned by the bank results from the distribution of musyarakah and mudharabah financing referred to as bank income as *mudharib*. Hence, the more of the level of profit-sharing obtained by sharia banks shows that sharia banks can show their existence in society. It can also show that when revenue sharing increases, it is in line with the income of the Sharia Bank. Increased income indicates an increase in profits. Increased profits, in this case, namely the profitability of the Sharia Bank, increased. The results of Nasution et al.'s study (2019) correspond to the results of this study which prove that Profit Sharing Ratio has a positive and significant effect on profitability.³⁴

²⁹ Ghozali.

³⁰ Mulazid.

³¹ Aliah Pratiwi, Nafisah Nurulrahmatia, and Puji Muniarty, 'Pengaruh Corporate Social Responsibility (CSR) Terhadap Profitabilitas Pada Perusahaan

Perbankan Yang Terdaftar Di BEP', *Riset & Jurnal Akuntansi*, 4.1 (2020), 95–103.

³² Andika and Aldi, 'Berinvestasi Di Produk Pasar Modal Syariah, Dijamin Kesyariaannya'.

³³ Umiyati, Maisyarah, and Kamal.

³⁴ Nasution, Lubis, and Fachrudin.

ZPR t-count $0.939 < 1,682$. In addition, it can be seen that level sig. ICG of $0.353 > 0.05$ ($\alpha = 5\%$), so it can be concluded that ZPR partially does not affect Profitability (ROA). The results of the ZPR calculation are seen in each Sharia General Bank studied, and the majority have zakat expenditure levels below 2.5%. In contrast, the nisab for issuing zakat in Islam is 2.5%. The ZPR calculation results show that the amount of zakat issued by the Sharia General Bank is not proportional to the number of net assets owned by the Sharia General Bank. It proves that the focal point for the distribution of zakat for Sharia General Banks can be sourced from outside banks and not based on the net assets owned by sharia banks. It results in the amount of zakat distribution not affecting the Profitability of the Sharia General Bank. The results of Nurdin & Suyudi's study (2019) are consistent with the results of this study which proves that the Zakat Performance Ratio has no effect on Profitability at the Sharia General Bank in Indonesia.³⁵

ISR has a t-count of $0.034 < 1.682$. In addition, it can be seen that level sig. ICG of $0.973 > 0.05$ ($\alpha = 5\%$), so that it can be concluded that IsIR partially has no effect on Profitability (ROA). Information disclosed by the Sharia General Bank related to ISR on the annual report not much is associated with activities to obtain profits derived from the use of assets, such as providing health assistance to the community, providing assistance to disadvantaged communities, education assistance, development assistance, disaster unemployment. The ISR activities carried out by the Sharia General Bank are not oriented towards what brings profits. Therefore ISR does not affect Profitability. The results of Zara & Erinoss (2020) research follow current

research, which proves that Islamic Social Responsibility has no effect on Profitability at the Sharia General Bank in Indonesia.³⁶

F-Test

An F test is carried out to see the magnitude of the influence of the ICG, SC (ISIR, PSR, ZPR) and ISR variables together on Profitability. Test F is used to know that free variables affect variables bound to a level sig. 0.05.³⁷ If the calculation results of the value $F >$ value F according to the table, all free variables together have a significant effect on the bound variable.

Table 9. Simultaneous Test Results (Test F)

Model	Mean Square	F _{hit}	Sig.
Regression	,023	2,604	,039 ^a
Residual	,009		
Total			

Source: Data processed, 2022

Based on Table 9 above, it can be known that the value of F-calculate (2.60) $>$ F-table (2.44) and level sig. of $0.039 < 0.05$ ($\alpha = 5\%$). It shows that variables ICG, IsIR, PSR, ZPR and ISR significantly influence the bound variable, namely Profitability (ROA)

Conclusion

Based on an explanation of the analysis results and discussion above, it can be concluded that ICG, Sharia Compliance (IsIR, PSR, and ZPR) and ISR together significantly influence the Profitability of the Sharia General Bank in Indonesia 2017-2020.

Based on the test results, t proves that Islamic Corporate Governance has a significant negative effect on Profitability. So, it can be concluded that when sharia banks' governance is improving, it causes a decrease in Profitability. Sharia General Bank in Indonesia 2017-2020.

Sharia Compliance those proxied using IsIR and ZPR based on the results of the t-test prove not to affect Profitability. So, it can be

³⁵ Sabri Nurdin and Muhammad Suyudi, 'Pengaruh Intellectual Capital Dan Islamicity Performance Index Terhadap Kinerja Keuangan Perbankan Syariah Di Indonesia', *Jurnal Akuntansi Multi Dimensi (JAMDI)*, 2.2 (2019), 119–27.

³⁶ Chintya Zara Ananda and Erinoss, 'Pengaruh Islamic Corporate Governance Dan Islamic Corporate Social Responsibility Terhadap Kinerja Perbankan Syariah', *Jurnal Eksplorasi Akuntansi*, 2.1 (2020), 2065–82.

³⁷ Ghozali.

concluded that the low level of IsIR and ZPR does not affect achieving the Profitability of the Sharia General Bank in Indonesia from 2017-to 2020.

Islamic Social Responsibility does not affect Profitability. So, it can be concluded that the high level of ISR does not affect achieving the Profitability of the Sharia General Bank in Indonesia from 2017- 2020.

The Sharia General Bank is expected to maintain and maximize the distribution of results-oriented financings, such as financing with the *Mudharabah* and financing with the *Musyarakah*, because it is evident in the research that has now been carried out that PSR has a positive and significant effect on the Profitability (ROA) of the Sharia General Bank in Indonesia, meaning when the Sharia General Bank can maximize and increase the distribution of financing that has an orientation on profit sharing such as financing with the *mudharabah* and financing with the *musyarakah* then share the results obtained from financing that has been channelled into contributing income to sharia banks so that the income of sharia banks will continue to increase and can optimize the Profitability of the Sharia General Bank.

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