DETERMINANTS OF PROFIT GROWTH IN SHARIA BANKING COMPANIES IN INDONESIA

Maya Sari [1]
Maysarah Nabila [2]
Jufrizen [3]

[1] Faculty of Economics and Business, University of Muhammadiyah North Sumatra , Indonesia, (E-mail: mayasari@umsu.ac.id)
[1] Faculty of Economics and Business, University of Muhammadiyah North Sumatra , Indonesia, (E-mail: maysarah@umsu.ac.id)
[3] Faculty of Economics and Business, University of Muhammadiyah North Sumatra , Indonesia, (E-mail: jufrizen@umsu.ac.id)

Abstract: *The purpose of this study was to determine whether company size affects profit growth in Sharia banking companies, to find out whether NPF (Non Performing Financing) affects profit growth in Sharia banking companies to determine whether company size, NPF (Non Performing Financing) affects growth profit in Sharia banking companies. In this study, the author uses the nature of research with quantitative data, quantitative data is data in the form of numbers or data that is numbered. The results obtained are for the size of the company obtained tcount 6.637. Because tcount (6.637) > ttable (1.672) then Ha is rejected so that it can be concluded that company size has a partial effect on profit growth. For NPF obtained tcount 2.203. Because tcount (2.203) > ttable (1.672) then Ha is accepted so that it can be concluded that NPF has a partial effect on profit growth. From the results of the regression test using SPSS 18.0. The value of the coefficient of determination is 0.462, indicating that profit growth is influenced by firm size and NPF of 46.2%, while the rest is influenced by other variables/factors not included in this study..*

Keywords: *Company Size, Non Performing Financial, Profit Growth*

Introduction

A company can be said to be healthy if the company can survive in any economic conditions, which can be seen from its ability to fulfill financial obligations and carry out its operations in a stable manner and can maintain the continuity of its business development from time to time. The general public basically measures the success of the company based on the company's capabilities as seen from the performance of management. The performance of a company is the result of a series of processes at the expense of various resources . Achieved progress banking sharia the more fast. Companies that cannot choose a strategy will not be able to outperform the competition in growth and profit and will not be able to survive in the business life cycle for a long period of time. In addition, management also does not evaluate its financial performance per period. Then the company's decline will gradually occur. This is due to a decrease in financial values, such as a decrease in total assets, a decrease in capital, a decrease in current assets, a decrease in profit, and an unstable increase in total debt and current debt.

To analyze and assess this financial condition, a tool to analyze the company's finances is needed. One of the most frequently used financial analysis tools is financial ratios. Financial ratios are a comparison of numbers from the estimates contained in the balance sheet and income statement. Comparison between one estimate with another estimate must be interconnected so that the results can be interpreted to determine the financial condition or performance of the company. To find out whether the company's financial condition and performance are good, the results of the calculation of financial ratios must be compared with the previous year.

One of the factors that play a role urgent in development of Islamic banking is pattern interest public to culture keep money in form investment. Communities who have interest keep the money at the bank on basic hope security fund or for get profit (rate Flower at conventional banks and for results in Islamic banks). This matter is what you believe as wrong one motivating factor public in keep the money at the bank.

The first factor that affects the level of profit sharing can be seen through the level of financing by measuring the size of the company is one indicator of the soundness of a bank that describes the level of efficiency in the implementation of the bank's function as an intermediary institution as an institution that collects funds and allocates funds. The second factor that affects the rate of profit sharing is *Non Performing Financing* (NPF). NPF occurs when there are loans that have difficulties in repayment, caused by intentional elements and can also be caused by things beyond the control of the borrower that cannot be handled by the borrower. The size of the NPF shows the performance of a bank in managing the disbursed funds. If the portion of non-performing financing grows, then this will ultimately reduce the income earned by the bank , Arfiani, (2017) .

Regarding the ability of banks to channel financing, of course, Islamic banks face supporting factors and inhibiting factors that come from internal and external sources. One of the influencing external factors is macroeconomic conditions.

Literature Review

Islamic Bank

Islamic banks in Indonesia were born in 1992. The first Islamic bank in Indonesia was Bank Muamalat Indonesia. From 1992 to 1999, the development of Bank Muamalat Indonesia was still relatively stagnant. However, since the monetary crisis that hit Indonesia in 1997 and 1998, bankers saw that Bank Muamalat Indonesia (BMI) was not too affected by the monetary crisis. The bankers think that BMI, the only Islamic bank in Indonesia, is resistant to the economic crisis. In 1999, an independent sharia bank was established which was a conversion from Susila Bakti bank. Bank Susila Bakti is a conventional bank which was purchased by Bank Dagang Negara, then converted into Bank Syariah Mandiri, the second Islamic bank in Indonesia.

Islamic banks have an operational system that is different from conventional banks. Islamic banks provide interest-free services to their customers. In the operational system of Islamic banks, interest payments and withdrawals are prohibited in all forms of transactions. Islamic banks do not recognize the interest system, either interest earned from customers who borrow money or interest paid to depositors of funds in Islamic banks.

Islamic sharia banks as intermediary institutions between investors who invest their funds in banks and then sharia banks channel their funds to other parties who need funds.

Islamic banks are banks whose activities refer to Islamic law, and in their activities they do not charge interest or pay interest to customers. The rewards received by Islamic banks and those paid to customers depend on the contract and agreement between the customer and the bank. Agreements (contracts) contained in Islamic banking must be subject to the terms and pillars of the contract as stipulated in Islamic sharia , Ismail (2011).

Sharia Bank Institutions

Islamic banks are not just interest-free banks, but also have an orientation towards achieving prosperity. Fundamentally, there are several characteristics of Islamic banks: Soemitra (2009).

a. the abolition of usury.
b. Service to the public interest and realize the socio-economic goals of Islam.
c. Islamic banks are universal in nature which is a combination of commercial banks and investment banks.
d. Islamic banks will conduct a more careful evaluation of financing applications oriented to equity participation, because Islamic commercial banks apply profit and loss sharing in consignment, venture, business or industry.
e. Profit sharing tends to strengthen the relationship between Islamic banks and entrepreneurs.
f. The framework was built to help banks overcome their liquidity difficulties by utilizing Islamic interbank money market instruments and sharia-based central bank instruments.

Islamic banks have several objectives including: Abdurrahman (2011)

a. Directing the economic activities of the Muslim converts, especially those related to banking in order to avoid usury practices or other types of business or that, apart from being prohibited in Islam, has also had a negative impact on the people's economic life.
b. To create a justice in the economic field by distributing income through investment activities, so that there is no wide gap between the owners of capital and those who need funds.
c. To improve the quality of life of the people by opening up greater business opportunities, especially the poor, which are directed at productive business activities towards the creation of business independence.
d. To reduce poverty which is generally the main program of developing countries. The efforts of Islamic banks in alleviating poverty are in the form of customer development that is more prominent in the nature of togetherness from a complete business cycle, such as the producer entrepreneur development program, intermediary trader development program, consumer development program, working capital development program and joint business development program.
e. To maintain economic and monetary stability. With the activities of Islamic banks will be able to avoid economic warming due to inflation, avoid competition between financial institutions.

Sharia Commercial Bank Institutions

Rules regarding Islamic commercial banks after the issuance of Law No 2008 concerning Islamic banking is PBI No. 11/3/PBI/2009 concerning Islamic Commercial Banks (BUS). In this PBI it is explained that the process of establishing a sharia bank is carried out through principle approval, namely approval to prepare for the establishment of a bank, and a business license, namely a license granted to conduct bank business activities after the preparation of bank establishment on principle approval is fulfilled. The paid-up capital for establishing a sharia commercial bank is Rp. 1 trillion and for establishments through a spin-off from a commercial bank with a UUS of 500 billion. BUS can be established by Indonesian citizens or Indonesian legal entities, Indonesian citizens or Indonesian legal entities partnering with foreigners or foreign legal entities. BUS is formed with a limited liability company. To establish a sharia bank, both sharia commercial banks and BPRS must obtain approval in principle and a business license submitted by the bank founder to Bank Indonesia which will be processed by the BI Board of Governors UP Sharia Banking Bureau. That the requirements are at least regarding the composition of: organizational structure and management, capital, ownership, expertise in sharia banking, and business feasibility as regulated in Bank Indonesia regulations.

Performance Finance

Performance finance is description condition finance company on something period certain good about aspect collector fund nor distribution funds, which are usually be measured with indicators of capital adequacy , liquidity, and profitability. Performance finance company is achievements achieved company in something period certain reflecting level health company the. Performance finance is something analysis carried out for see to what extent company has doing with use the rules implementation finance by good and correct. Performance company is something description about condition finance something analyzed company with tools analysis finance, so that you can known about good bad state finance something company that reflects achievement work in period certain. This matter very it is important that the source power used optimally in face change environment.

Performance finance company related close with measurement and evaluation performance. Measurement performance (performing measurement) is qualification and efficiency as well as effectiveness company in operation business During accounting. As for destination measurement performance finance company is : Sudarsono (2003).

a. Ratio liquidity
   Ratio liquidity is ratio that describes ability company in fulfil obligation (debt) term short. Used for describe how much liquid something company as well as ability company for complete obligation period short with use assets fluent. In other words, the ratio this used for measure ability company for pay immediate obligation due date.
b. Ratio solvency
   Ratio solvency is ratio used for measure so far where assets company financed with debt. It means how much debt burden is used in the company compared to its assets. In a broad sense it is said that the solvency ratio is used to measure the company's ability to pay all obligations, both short term and long term if the company is dissolved (liquidated).
c. Ratio profitability
   Profitability or company show ratio between profit listen assets or capital that generates profit the. Profit the. In other words, profitability is ability something company for produce profit During period certain.

Company Size

Company size is a certain condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, namely since the company was founded until now. Increasing the size of the company is an achievement, which is in accordance with the wishes of the owners, because as the size of the company increases, the welfare of the owners will also increase. According to Mardiyanto (2008, p. 182) states that: "Company size is the current size of a series of cash inflows that will be generated by the company in the future". Meanwhile, according to Husnan (2006, p. 5) states that: "Company size is a number of costs that prospective buyers are willing to pay if the company is sold, while for companies that have *gone public* the size of the company can be seen from the size of the shares in the capital market" .

Then according to *Bringham* and *Houston,* (2012, p. 6) stated that: "Company size is a measure that depends on its opportunities to grow, where this opportunity depends on its ability to attract capital". A high company size is the desire of company owners, because a high size indicates high shareholder prosperity. The wealth of shareholders and companies is represented by the market price of shares which is a reflection of investment decisions, financing (*financing*), and asset management. Based on some of these references, the authors can conclude that company size is an investor's perception of the company which is often associated with stock prices, as well as being one of the benchmarks or indicators used by investors to see the performance of a company every year.

Company size in this study was measured by using the market ratio *Price Book to Value* (PBV). The size of the company indicated by a high *Price Book to Value* (PBV) is the hope of business company owners at this time, because *Price Book to Value* (PBV) which has a high market price can increase the prosperity of shareholders. According to Anoraga and Pakarti (2008, p. 59) stated that: "the market price is the selling price from one investor to another which states the ups and downs of a stock. *Price Book to Value* (PBV) is the result of a comparison between stock prices and book size. Companies with high returns on equity usually sell their shares at a higher book size than other companies with low returns.

Method

The research approach is a way of looking at an object or problem, a way to observe or understand the world of questions (Martono, 2010) . This research approach uses a quantitative research approach. According to (Hasan, 2006) quantitative research is research that uses quantitative analysis tools. The population in this study are all There are 39 sharia banking companies listed on the Indonesia Stock Exchange (IDX), where these companies publish their financial reports to the general public. The period in this study is the year 201 6 -20 20 . Population is the subject of research (Suharsimi, 2010) . The research sample is 15 banking companies. The sampling technique used in this research is the *purposive sampling method* , namely the sample is drawn using considerations. Data collection techniques in this study using the method of documentation. The analytical technique used in this research is descriptive statistics, multiple linear regression analysis, partial test, and determinant test.

Results and Discussion

Result

a . Partial Regression Test Results (t test)

The t-statistical test basically shows how much influence each independent/independent variable has on the dependent or dependent variable. To determine whether or not there is a significant effect of the independent variables (NPF and) on profit growth, the t-test is used, with the following hypothesis:

H_0 : partially NPF and has no effect on profit growth

H_a : no effect on profit growth

H_a : NPF has an effect on profit growth

To accept or reject a hypothesis using the following criteria:

1) If the Probability (research sig) > 0.05, then Ho cannot be rejected (accept Ho)
2) If profitability (research sig) < 0.05, then Ho is rejected and accepts H a

The value of 0.05 is a significant level of 5% (0.05). A summary of the results of testing the effect of the independent variable on the dependent is presented in the following table:

Table 1. t-Test Results Statistics

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-2.833	.609		-4.651	.000		
	X1 Company Size	.508	.077	.645	6.637	.000	1,000	1,000
	X2 NPF	.094	.043	.214	2.203	.032	1,000	1,000

a. Dependent Variable: Y Profit Growth

Based on the table above, it can be concluded that the partial hypothesis testing of each independent variable on the dependent variable is as follows:

1) The effect of company size on profit growth

With dk = n – 2 = 60-2 = 58, the $t_{\text{table is}}$ 1.672. For the size of the company obtained t_{count} 6.637. Because t_{count} (6.637) > t_{table} (1.672) and sig value 0.583 > 0.05, Ha is rejected so that it can be concluded that firm size has a positive and partial effect on profit growth.

Decision making criteria:

Ho is accepted if $-t_{\text{table}}$ 1.672 < t_{count} 6.637 < t_{table} 1.672

Ha is accepted if t_{count} 6,637 > t_{table} 1,672

2) The effect of NPF on profit growth

For NPF obtained t_{count} 2.203. Because t_{count} (2,203) > t_{table} (1,672) then Ha is accepted so that it can be concluded that NPF has a partial and positive effect on profit growth.

Decision making criteria:

Ho is accepted if $-t_{\text{table}}$ 1.672 < t_{count} 2.203 < t_{table} 1.672

Ha is accepted if t_{count} 2.203 > t_{table} 1.672

b . Simultaneous Test Results (F-Test)

The results of the F statistic basically show whether all the independent variables included in the model have a joint or simultaneous effect on the dependent or dependent variable. To determine whether or not there is a significant effect of NPF and (simultaneously) on profit growth, the F test is used, with the statistical hypothesis as follows:

H_0 : Simultaneously NPF and no effect on profit growth

H a : Simultaneously NPF and no effect on profit growth

To accept or reject a hypothesis using the following criteria:

1). if the probability (research sig) > 0.05, then $H_{0\text{ is}}$ accepted and Ha is rejected

2). If the probability(sig research) < 0.05, then $H_{0\text{ is}}$ rejected and H a is accepted

The value of 0.05 is a significant level of 5% (0.05). After testing using the help of the SPSS 18.0 computer application.

Table 2. F test results Statistics

ANOVA [b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.103	2	.051	24,438	.000 [a]
	Residual	.120	57	.002		
	Total	.223	59			

a. Predictors: (Constant), X2 NPF, X1 Company Size

b. Dependent Variable: Y Profit Growth

Based on the calculation results, the significance number (sig) in the ANOVA table is 0.000. And based on the provisions above, 0.000 > 0.05 then H a is accepted and $H_{0 \text{ is rejected}}$, so it can be concluded that the firm size and NPF variables simultaneously or simultaneously affect profit growth. So Ho is rejected and Ha is accepted, meaning that simultaneously company size and NPF have an influence on profit growth. With dk1 = 58, dk2 = 2, the F table value is 3.938. Because $F_{arithmetic}$ (7.764) < F_{table} (3.938) it can be concluded that firm size and NPF simultaneously or simultaneously affect profit growth.

Decision making criteria:
Ho is accepted if $-F_{table}$ 1.672 < F_{count} 6.818 < F_{table} 3.938
Ha is accepted if F_{count} 6.818 < F_{table} 3.938
c. Coefficient of Determination (R^2)

The coefficient of determination (R2) essentially measures how far the model's ability to explain variations in the dependent variable is. The value of the coefficient of determination is between zero and one (0 < R < 1). The greater the coefficient of determination, the greater the variation of the independent variable affecting the dependent variable. And the lower the number, the weaker the relationship.

Table 3. Coefficient of determination test

Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.679 [a]	.462	.443	.04586	2.054

a. Predictors: (Constant), X2 NPF, X1 Firm Size

b. Dependent Variable: Y Profit Growth

Based on these results, this study uses adjusted R Square data. From the results of the regression test using SPSS 18.0. the value of the coefficient of determination is 0.462 shows that profit growth is influenced by company size and NPF of 46.2% while the rest is influenced by other variables/factors not included in this study.

From statistical tests, either partially or simultaneously, it can be explained that the effect of the NPF ratio and on profit growth can be described as follows:

1. The effect of company size on the profit growth of Islamic Bank Indonesia

Company size is a certain condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, namely since the company was founded until now. Increasing the size of the company is an achievement, which is in accordance with the wishes of the owners, because as the size of the company increases, the welfare of the owners will also increase.

The hypothesis states that company size has a partial effect on the level of profit sharing in Islamic banking companies. The results showed that for the size of the company obtained t_{count} 6.637. Because t_{count} (6.637) > t_{table} (1.672) then Ha is rejected so that it can be concluded that company size has a partial effect on profit growth.

According to Kasmir (2012, p. 271), firm size has an effect on profit growth . The results showed that the size of the company has an effect on profit growth. Thus, it can be concluded that the better the size of the company, the better the profit growth.

2. The influence of NPF on the profit growth of Islamic Banks in Indonesia

Non-Performing Financing (NPF) is a loan that has difficulty repaying due to intentional and external factors, namely an event beyond the control of the creditor. Financing risk arises when banks are unable to recover their claims for loans made or investments being made.

The hypothesis proposed in this study is that NPF has an effect on profit growth. The results showed that for the NPF obtained t_{count} 2.203. Because t_{count} (2,203) > t_{table} (1,672) then Ha is accepted so that it can be concluded that NPF has a partial effect on profit growth. According to Kasmir (2012, p. 238), NPF has an effect on profit growth .

From the results of this study, the NPF has a significance value of 0.873. This value is greater than the significance level of 0.05, which means that partially the NPF variable has an effect on profit growth. Thus, it can be concluded that the better the NPF, the better the profit growth.

3. The effect of firm size and NPF on the profit growth of Indonesian Islamic Banks

With dk1 = 58, dk2 = 586, the F table value is 3.938. Because $F_{arithmetic}$ (7.764) < F_{table} (3.938) it can be concluded that firm size and NPF simultaneously or simultaneously affect profit growth . The first hypothesis proposed in this study is that firm size and NPF simultaneously affect profit growth. From the results of this study obtained a significance value less than 0.05, which is equal to 0, 000 . Based on the results of the data analysis, it can be concluded that the independent variables studied, namely firm size and NPF can be used together to predict profit growth. Thus, it can be concluded that the better the size of the company and the NPF, the better the profit growth.

Conclusion

Based on the results of research and discussion, the following conclusions can be drawn:

1. The size of the company has a partial effect on profit growth.
2. NPF has a partial effect on profit growth.
3. Profit growth is influenced by firm size and NPF

References

Andri Soemitra, *Islamic Financial Institution Bank* (Jakarta: Kencana, 2011)

Arifin Zaenal, *Fundamentals of Islamic Banking Management* (Jakarta, Salemba Four, 2009)

Arfan Iklas, Muhyarsyah, et al, *Business Research Methods* (Bandung, Cipta Library Media, 2014)

Ascarya, *Sharia Product Contract* , (Jakarta: PT Raja Grafindo, 2006)

Azuar Juliandi and Irfan, *Quantitative Research Methods* (Bandung, Citra Pustaka Pioneering Media, 2013)

Azuar Juliandi, and Irfan, et al, *Business Research Methods* (Medan, UMSU PRESS, 2014)

Dewi Rohma Fadhila" *Effect of Profit Sharing and Interest Rates on Mudharabah Savings* "Secretary of the Faculty of Economics

Heri Sudarsono, *Islamic Financial Institution Bank Second Edition* (Yogyakarta 2003)

Ismail, *Islamic Banking* (Jakarta Kencana 2011)

Isa Abdurahman, Al-Muamalat Al Hadith Wa Ahkama *Basics of Economics Islam*, (Solo: PT Era Adicitra Intermedia, 2011)

Karim, Adiwarman, *Islamic Banks and Fiqh and Financial Analysis* (PT. Raja Grafindo, Persada, Jakarta 2004)

Lukman, Dendawijaya, *Banking Management, Second Edition* (Ghalia Indonesia,

Jakarta: 2009)
Muhammad, *Islamic Bank Management,* (Yogyakarta: 2002)
Rijal Yaya, et al, *Islamic Banking Accounting* (Jakarta 2009)
Rozalimda *Islamic Economics Fiqh* (Jakaarta, Rajawali 2016)
Sugioni *Quantitative, Qualitative Research Methods* (Bandung 2016)