

An Analysis of Maqashid Syariah Devotion to the Profit of Syariah Commercial Banks in Indonesia

1st Sumarto

Department of Economics University of
Trunojoyo
Madura, Indonesia
sumarto.ep1987@gmail.com

2nd Sutikno

Department of Economics University of
Trunojoyo
Madura, Indonesia

3rd Kristina

Department of Economics University of
Trunojoyo
Madura, Indonesia

Abstract—This study aims to analyze how the effects of Fair Return, Interest-Free Product, Profit Ratio (as Maqashid Syariah variable), as well as Total Assets, Financing, and Third Party Funds (common variable) to Profit Sharia Banking in Indonesia. This type of research is a quantitative analysis. The data used is secondary data, sourced from the annual report of each official website of Sharia Commercial Bank. The analysis technique uses panel data regression to the selected variable based on data availability in annual report of each Sharia Commercial Bank. The results of the analysis show that there are four variables in this study that significantly influence the Profit of Islamic Commercial Banks in Indonesia, namely Fair Returns, Profit Ratio, Total Assets, and Third Party Funds. Of the four variables that influence the Sharia Commercial Bank Profit, the Profit Ratio variable is the most dominant. Testing of variables in this study shows that the fair return variable has been fulfilled by Sharia Commercial Banks in Indonesia. Where a fair return relationship with profit should be negative.

I. INTRODUCTION

Economically, sharia banking was developed as a solution to the incapacity of rural economic system so far in facing the increasingly complex and economic problems. Moreover, the main objective of the sharia banking system is to achieve and realize the welfare of people in the world and the hereafter. With reference to this main objective, the Maqashid Syariah becomes the main backdrop in every operational development and products that exist in sharia banks. However, in reality, many critics are addressed to sharia banks that tend to orientate to profit rather than based on social goals if viewed from the perspective of Maqashid Shariah [1].

Sharia banking should have performance measurement that is also based on sharia and based on the Islamic economic paradigm, especially must be free from *riba* (interest), *maysir* (speculation) and free from *gharar* (excessive uncertainty) in all its operations. So far, the performance evaluation model of sharia banks has not fully taken into account the uniqueness of sharia banks, even impressed copy paste performance evaluation model used by the conventional banking industry. This is evidenced by the measurement used in terms of economic performance or from the financial side based on the ratio of financial ratios as set forth in Bank Indonesia Regulation Number 9/1 / PBI / 2007 concerning the Rating System of Commercial Banks Based on Sharia Principles. This PBI explains that the health

of Islamic banks is determined by the factors of CAMELS (Capital, Asset, Management, Earning, Liquidity, Sensitivity of Market Risk), and of course oriented to the fulfillment of financial performance is profit.

There is a discrepancy in the use of conventional bank performance measures with the broader objectives of syariah banks. So that the stakeholder of sharia bank can not see clearly the difference between syariah bank and conventional bank [2]. Sharia bank performance should be evaluated based on Islamic normative framework [3]. For example, measurement of Shariah compliance (syariah compliance), measurement of social performance, or measurement in terms of sharia objectives (maqashid syariah). So it can be seen that the conformity of Islamic banking performance is the activity of muamalah with the aim of sharia in general.

Allah promised on Surah Ath-Thalaaq:2-3 :

"And whoso feareth Allah is He will open a way out for him. And He gave him sustenance from an unexpected direction."

In the above verse, Allah explains that the people who realize their devotion will be rewarded by God with two things. First, Allah will open the way for him which means Allah will save him from every trouble of the world and the hereafter. Second, Allah will give him sustenance from an unexpected direction. That is, Allah will give him sustenance that was never expected and envisioned.

Based on the above background, the formulation of the problem in this research is how the influence of Fair Return, Interest Free Product, Profit Ratio (Measurement Performance of Maqashid Syariah), Total Assets, Financing, and Third Party Funds to Sharia Bank Profit?

II. METHOD

This research uses quantitative research is research that aims to get the results of data processing in the form of numbers and analysis using statistics [4]. The data used in this study is secondary data taken from the annual financial statements and sourced from the official website of each banking. As for the bank that is used as the object of research is a sharia commercial bank that has published financial statements of at least five years.

Sampling technique in this research use purposive sampling that is technique of determination of sample with

certain consideration / criterion [5]. Sample criterion in this research is sharia commercial bank which publishes financial report which has been audited by independent auditor for period ending on 31st December during year 2013-2017 consistently. The sample of this research is 10 (ten) syariah bank, namely: BNI Syariah, BRI Syariah, Bank Muamalat, Bank Panin Syariah, Bank Bukopin Syariah, Bank Syariah Mandiri, BTPN Syariah, Bank Victoria Syariah, BCA Syariah and Maybank Syariah.

The analysis technique used in this research is regression of panel data. Panel data is a combination of cross-sectional data with time series data [6]. Widarjono [7] stated that there are several methods commonly used in estimating regression model with panel data, is pooling least square (Common Effect), Fixed Effect approach, Random Effect approach.

Determination of the best model between common effect, fixed effect, and random effect using three model estimation techniques. These three techniques are used in panel data regression to obtain the right model in estimating panel data regression.

First, Chow test is used to choose between common effect model or fixed effect [8]. The hypothesis formed in the Chow test is as follows:

H0: Common Effect Model

H1: Fixed Effect Model

H0 is rejected if P-value is less than α . Conversely, H0 is accepted if the P-value is greater than the value of α . The value of α used is 5%.

Secondly, Hausman test is used to choose between fixed effect or random effect model that is best in estimating panel data regression. The hypothesis formed in Hausman test is as follows:

H0: Model Random Effect

H1: Fixed Effect Model

H0 is rejected if P-value is less than α . Conversely, H0 is accepted if the P-value is greater than the value of α . The value of α used is 5%.

Third, Langrange Multiplier Test is an analysis conducted in order to determine the best method in panel data regression, whether to use common effects or random effects. The conclusions are as follows:

If LM counts > Chi Squared Table, the best model is RE

If LM counts < Chi Squared Table, then the best model is CE.

in summary can be seen the following figure:

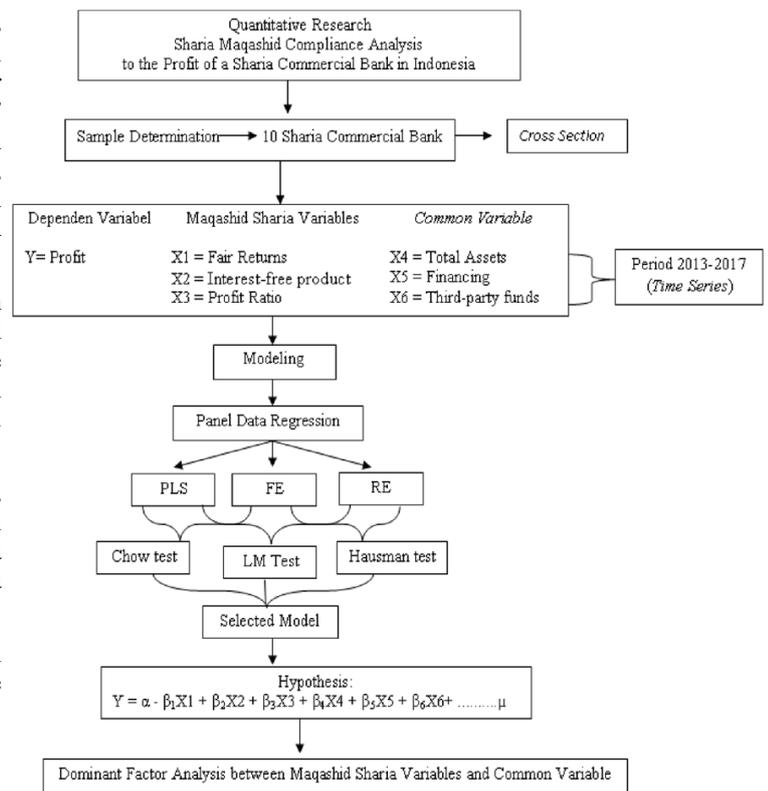


Figure 1. Research Flow

III. RESULT AND DISCUSSION

In *Maqashid syariah index* is a model of performance measurement of sharia banks based on sharia objectives (*maqashid syariah*) developed by Muhamad, et al [9]. The basic foundation in the development of *Maqashid syariah index* as a measure of the performance of Islamic banks is the concept of *Maqashid Syariah* Abu Zahrah thought that has 3 (three) objectives, namely: educate the individual, uphold justice, and maintain the benefit.

The three sharia objectives are then transformed into ten performance ratios in the Maqashid Syariah namely: Education Grants / total income (Education Grants), Research Costs / total cost (Research), Training Costs / total cost (Training), Publicity Cost / total cost (Publicity), Profit / total revenue (Fair Return), Bad Debt / Total Investment (Affordability), Non-Interest Income / Total Income (Interest Rate), Net Income / Total Assets (Profit Ratio), Zakah / Net Income (Personal income), Spend for Investment / total disbursement (Investment Ratio in Real Sector).

This study uses three performance ratios: Fair return (X1), Free Interest (X2), and Profit Ratio (X3) which represents the performance measure of *Maqashid Syariah* due to availability of data in annual report of each sharia commercial bank. As a comparison, the researcher uses common variables commonly available in the reports of conventional banks and sharia banks: Total assets (X4), Financing (X5), and Third Party Fund (X6). All of these variables are then analyzed to determine what variables affect the profit of Sharia banks.

Social In this research will be analyzed and discussed about how the integration of Fair Return, Interest Free

Product, Profit Ratio, Total Assets, Financing, and Third Party Fund to the profit of sharia bank. This analysis uses the Linear model with the computer program aids Eviews 9.0. The results of the model selection test (Chow test, Hausman test and Languages Multiplier Test) using the P_value and Value comparison a. The value of a used is 1%, 5%, 10%. Then the chosen model is the Random Effect with the following results:

Variable	Coefficient	Std. Error	t-statistic	Prob.
X1	-6.531769	3.268953	-1.998122	0.0521
X2	-1.233928	1.760070	-0.701067	0.4870
X3	97.28055	15.25730	6.376001	0.0000
X4	-0.185889	0.104085	-1.785940	0.0812
X5	0.021333	0.034345	0.621138	0.5378
X6	0.247689	0.105659	2.344243	0.0238
C	-0.233589	3.288550	-0.071031	0.9437

Figure 1. Regression Panel: Random Effect Model

From the results of the data processing shows the fair return value has a negative and significant effect on profit, while the value of the interest-free product has no effect on profit. Earnings ratio has a positive and significant effect on profit, asset value has a negative and significant effect on profit, financing does not affect profit, and third party funds have a positive and significant effect on the profit of Sharia Commercial Banks in Indonesia.

First, the Fair Return Ratio has a negative and significant effect on the Sharia Commercial Bank Profit at the level of 10%. The magnitude of the effect of the Fair Return Ratio is -6.531769 means that when the Fair Return Ratio increases 1% it will decrease the Profit of the Sharia Commercial Bank by Rp. 6.531769.

Second, the Free Product Ratio does not significantly affect the Profit of Sharia Commercial Banks. The regression results show the probability value 0.4870 (48%) exceeds the maximum threshold of the specified α (alpha) value of 10%.

Third, the Profit Ratio has a probability value of 0.0000 and a coefficient value of 97.28055, where the Profit Ratio has a significant effect on the level of 1% of the Profit of Sharia Commercial Banks. The interpretation is that if the Profit Ratio variable rises by 1 percent then Profit will increase by Rp. 97,28055.

Fourth Total Assets, the probability value is 0.0812. Where $0.0812 < 0.10$ (significant at α 10%) means that the variable Total Assets has a significant effect on the Profit variable. The magnitude of the effect of the variable Total Assets on Profit is -0.185889. This means that the Total Asset variable has a negative effect on Profit. The interpretation is that if the Total Asset variable rises by Rp 1 then Profit will decrease by Rp. 0.185889.

Fifth, Financing does not affect the Profit of Sharia Commercial Banks. The probability value shows the number 0.5378 (53%) or greater than the alpha value of 10%.

The Sixth Third Party Fund, the probability value is 0.0238. Where $0.0238 < 0.05$ (significant at α 5%). This means that the Third Party Fund Variables affect the profitability of Islamic banks in Indonesia. The magnitude of the effect of the variable Third Party Funds on Profit is 0.247689. This means that the Third Party Fund variable has a positive effect on Profit. The interpretation is that if the Third Party Fund variable rises by Rp 1 then the Profit will increase by Rp. 0.247689.

IV. CONCLUSION

The Based on the results of the analysis conducted then there are some conclusions that can be taken in this study, among others as follows:1) There are four variables in this study that significantly influence the Profit of Sharia Commercial Banks in Indonesia, namely Fair Returns, Profit Ratio, Total Assets, and Third Party Funds. 2) Profit Ratio is the dominant variable affecting the Profit of Sharia Commercial Banks in Indonesia. 3) The testing of variables in this study shows that the fair return variable has been fulfilled by Sharia Commercial Banks in Indonesia. Where a fair return relationship with profit should be negative. 4) Interest-free product variables, profit ratios, total assets, financing and third party funds can have an effect or no effect and can affect positively or negatively. This is because the principle of obedience is the main thing and profit is the impact of compliance, where profit can also take the form of non-material rizki.

References

- [1] Mohammad, Mustafa Omar and Shahwan, Syahidawati. 2013. *The Objective of Islamic Economic and Islamic Banking in Light of Maqasid Al-Shariah: A Critical Review*, Middle- East Journal of Scientific Research 13 (Research in Contemporary Islamic Finance and Wealth Management): 75-84
- [2] Mohammed, Mustafa Omar, dkk. 2008. *The Performance Measures of Islamic Banking Based on The Maqasid Framework*, paper, presented at the IJUM International Accounting Conference (INTAC IV) held at Putra Jaya Marroitt, hal. 1-29
- [3] Sanrego, Djameluddin, Yulizar. 2015. *Maqashid Index Untuk Bank Syariah*. Posted on 08 Februari 2016. Kategori: Ekonomi Islam.
- [4] Sugiono. 2011. *Metodologi Penelitian Kuantitatif Kualitatif dan R&D*. Bandung: Alfabeta
- [5] Sugiyono. 2008. *Metode Penelitian Bisnis (Pendekatan Kuantitatif, Kualitatif dan R&D)*. Bandung: Alfabeta
- [6] Kuncoro, Mudrajad. 2011. *Metode Kuantitatif: Teori dan Aplikasi untuk Bisnis dan Ekonomi*. Yogyakarta: UPP STIM YKPN.
- [7] Widarjono, Agus. 2009. *Ekonometrika Pengantar dan Aplikasinya. Edisi Ketiga*. EKONISIA: Yogyakarta.