BANK HEALTH RATIO, THE PROFITABILITY AND CSR DISCLOSURE IN INDONESIA ISLAMIC BANK

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Abstract: Bank Health Ratios are financial ratios which are indicators of the health of a bank that can affect stock returns, including Capital Adequacy Ratio (CAR), Operational Costs per Operating Income (BOPO), Non Performing Financing (NPF), and Financing to Deposite Ratio (FDR). These financial ratios should be an effort for Islamic financial institutions to set a goal that is not just profit-oriented. The objective of this research is to find out the influence of bank health ratio indicator to profitability at Islamic commercial bank in Indonesia and Malaysia. Dependent variable used in this research is ROA. While the independent variables in this study include CAR, BOPO, NPF, and FDR. Research population is Islamic commercial banks in Indonesia and Malaysia. Using purposive sampling technique, there were 14 syariah banks in both countries for 5 years which became the object of this research. The results showed that BOPO and FDR variables with moderated CSR have an effect on ROA. While for CAR and FDR variables with moderated CSR has no effect on ROA. The implication of this research is Islamic bank must have goals which really must be achieved beside profit that is good health level. Therefore, it is necessary for Islamic banks to have a real goal to be achieved. Thus, it is necessary for a purpose for Islamic banks to apply a conceptual framework that refers to the health of Islamic banks. In addition, this research can be a benchmark for Islamic banking to pay more attention to bank health because it can affect the profitability of Islamic bank.

Keywords: capital adequacy ratio, operational cost per operating income, non performing financing, financing to deposite ratio, return on asset.

INTRODUCTION
Banks are one of the financial institutions that have an important role in the economy of a country (McCauley et al, 2019; Jimenez & Diaz, 2019). The bank functions as a Financial Intermediary, which is an institution that has a role to bring together parties who have excess funds (surplus units) with those who need funds (deficit units). Islamic banking was officially introduced to the public in 1992 as an effort to increase the mobilization of public funds that have not been fully served by the conventional banking system and to accommodate the need for banking services that are in accordance with Islamic principles (Kamarudin et al, 2017; Kamarudin, Sufian & nasir, 2016; Ariff, 1988). In order to achieve a sound, strong, and efficient banking system, the Indonesian Central Bank conducted a consolidation process with banks in Indonesia. The banking consolidation process was accelerated by Bank Indonesia with the aim of improving banking resilience and health in the long term, creating financial system stability and promoting sustainable national economic growth, as well as increasing protection for the public given the role of banks as a trust institution. In the process of accelerating the consolidation, Bank Indonesia stated about the bank's minimum capital obligation, which stipulates that the capital adequacy ratio (CAR) must reach 8%. So that banks are required to maintain the availability of capital because any increase in bank activities, especially those that lead to consideration of activities, must be balanced with an increase in capital income of 100: 8 (Bankirnews, May 2011).

Bank health is the ability of a bank to carry out banking operations normally and be able to fulfill its obligations properly, in ways that comply with applicable banking regulations (Peters et al, 2018; Sridhar, Winters & Strong, 2017; Winters &
Sridhar, 2017). The soundness of the bank can be assessed from several indicators. One of the main indicators used as the basis of the assessment is the financial statements of the bank concerned (Suzuki, 2018). Based on financial statements, the number of financial ratios that are commonly used as a basis for assessing bank soundness can be calculated. The results of financial analysis will be able to help interpret various key relationships and trends that can provide a basis for consideration of the potential success of the company in the future (Almilia & Herdiningtyas, 2005).

Financial statement analysis can help business people and users of financial statements to assess banking financial conditions (Jan, Marimuthu & Bin, 2019; Hall, 2011; Abubakar, 2014). To assess banking financial performance, generally five aspects of assessment are used, namely CAMEL (Capital, Assets, Management, Earning and Liquidity). Capital aspects include CAR, asset aspects include NPF, earnings aspects include NIM and BOPO while liquidity aspects include FDR (eg Dincer et al, 2011; Rich, 2001; Barker & Holdsworth, 1993). These aspects are assessed using financial ratios. This shows that financial ratios are useful in assessing the financial condition of a banking company.

Although in general CAMEL is relevant for all banks, the weight of each factor will be different for each type of bank. On this basis, the use of CAMEL factors in the health assessment of Islamic banks. The weight of each CAMEL factor for Islamic banks is capital with a weight of 25%, the quality of earning assets with a weight of 30%, management quality with a weight of 25%, profitability with a weight of 10% and liquidity with a weight of 10.

Profitability is the most appropriate indicator to measure the performance of a bank. The measure of profitability used is Return On Assets (ROA) (S Rostami, Z Rostami & Kohansal, 2016; Mousavi et al, 2010). in Islamic banking ROA focuses the company to obtain earnings in the company's operations. So that in this study ROA is used as a measure of profitability of Islamic Commercial Banks, while bank health can be seen from bank financial ratios such as Capital Adequacy Ratio (CAR), Non Performing Financing (NPF), Operational Costs per Operational Income (BOPO), Financial Deposit Ratio (FDR) (Sarker, 2006; Hirtle & Lopez, 1999) which was then moderated by Corporate Social Responsibility (CSR).

CSR is an application in the form of corporate concern in setting aside some of its profits for the benefit of human development and the environment, CSR is carried out sustainably based on appropriate and professional procedures (She & Michelon, 2018; Zhou et al, 2015; Unerman & Bennett, 2004). Corporate Social Responsibility (CSR) as part of its strategic business.

Research Basalamah & Jermais (2005) in Wirakusuma et al (2008) shows that one of the reasons management does social reporting is for strategic reasons. Islamic banks are also permitted to carry out social functions, namely receiving funds from zakat, infaq, charity or other social funds and distributing them to zakat distribution organizations, money waqf, and CSR funds. In addition to very rapid development, it is important to note that in its implementation there are many challenges that must be faced so that Islamic banking is able to maintain its quality stability and stand firm.

Several studies have been conducted to analyze financial performance and bank profitability, as done by Ali, Sabir & Habbe (2012) which analyzes the effect of bank health ratio on the performance of islamic commercial banks and conventional banks in Indonesia indicating that CAR does not have a significant effect on ROA. BOPO has a significant negative effect on Return On Assets (ROA), Non Performing Financing (NPF) has no effect on Return On Assets (ROA) and Financing to Deposite Ratio (FDR) has a positive effect on Return On Assets (ROA). Eng (2013) also said that in his research BOPO had a negative effect on ROA. In addition there have been many studies on Shari’ah banks (eg Kamarudin et al, 2017; Hassan & Aliyu, 2018; Narayan & Phan, 2019; Boubaki et al, 2019; Hassan, Khan & Paltrinieri, 2019). In general, the research focused on rules, financial management, governance and implementation in various countries. There are not many studies that analyze financial performance and profitability with Islamic banks. The study of the relationship between financial performance and CSR in Islamic banks was conducted by Farag, Mallin & Ow-Yong (2014), but did not include profitability for analysis. The new contribution of this study, which concerns CSR which is used as a moderating variable to strengthen the relationship of financial performance to profitability.

**Research Model in Indonesia**
RESEARCH DESIGN AND METHODOLOGY
The type of research used in this research is explanatory research. Explanatory research is a study to explain, explain to strengthen or test even reject a proposed theory or hypothesis. The approach used in this study is a quantitative approach. This research is also a causality research that is a change in the dependent variable caused by a change in the independent variable.

Research Samples
Based on the criteria using purposive sampling, the number of samples used in this study are 14 Islamic public banks in Indonesia that have been recognized on a large scale by the FSA. The samples in this study were 14 Islamic public banks in Indonesia including Bank Mega Syariah, Bank Muamalat, Bank Bukopin Syariah, Bank Jabar Banten Syariah, BNI Syariah, Panin Syariah Bank, BRI Syariah, Victoria Syariah, BCA Syariah, Maybank Islamic, Bank Syariah Mandiri, BTPN Syariah, Bank Aceh Syariah, BPD Syariah West Nusa Tenggara which issued successive Annual Reports and also carried out CSR disclosures in annual reports during 2014-2018.

Data Source
This research uses secondary data, namely data that has been collected by a particular agency and published to the public or data users. Indicators of bank health ratios which include Capital Adequacy Ratio (CAR), Revenue Cost per Operational Income (BOPO), Non Performing Financing (NPF), and Financing to Deposit Ratio (FDR) in this study were obtained from Islamic banking statistics found on the website every Islamic bank. Data on Corporate Social Responsibility (CSR) measured by the proxy of Islamic Social Reporting (ISR) used in this study were obtained from each annual report. All variable data used in this study are the average data for the last 5 years during the study period. Namely January 2014 until December 2018.

Method of Collecting Data
This research uses secondary data, namely data that has been collected by a particular agency and published to the public or data users. Indicators of bank health ratios which include Capital Adequacy Ratio (CAR), Income Cost per Operational Income (BOPO), Non Performing Financing (NPF), and Financing to Deposit Ratio (FDR) in this study are obtained from Islamic banking statistical data contained in each Islamic Bank website. Data on Corporate Social Responsibility (CSR) measured by the proxy of Islamic Social Reporting (ISR) used in this study were obtained from each annual report. All variable data used in this study are annual data taken every last month of each year during the study period. Namely January 2014 to December 2018.

Data analysis method
The method of data analysis in this study is multiple regression. Regression analysis is an analysis of the dependence of one or more independent variables on one dependent variable, with the aim of predicting or predicting population averages based on the value of the independent variable. Then the multiple regression equation in this study are:
\[ Y_1 = a + b_1 \text{CAR} + b_2 \text{BOPO} + b_3 \text{NPF} + b_4 \text{FDR} + \epsilon_1 \]
\[ Y_2 = a + b_1 \text{CAR} + b_2 \text{BOPO} + b_3 \text{NPF} + b_4 \text{FDR} + b_5 (\text{CAR.CSR}) + b_6 (\text{BOPO.CSR}) + b_7 (\text{NPF.CSR}) + b_8 (\text{FDR.CSR}) + \epsilon_2. \]
Keterangan :
\[ Y_1, Y_2 = \text{ROA} \]
\[ a = \text{Intercept (Konstanta)} \]
\[ b_1-b_8 = \text{Koefisien Regresi} \]
\[ \epsilon = \text{Nilai residu} \]

RESULT AND DISCUSSION
Descriptive analysis is done to be able to provide an overview of the objects used in the study as well as the variables used in the study. It was found that the smallest CAR ratio of Islamic commercial banks in Indonesia, namely Bank Muamalat of 12.92%, then obtained the results that the smallest BOPO ratio in Indonesian Islamic commercial banks namely BPD West Nusa Tenggara Islamic was 72.15% then the results were obtained that the ratio The smallest NPF in an Indonesian Islamic commercial bank, namely BCA Syariah of 0.39%, then obtained the result that the smallest FDR ratio in Indonesian Islamic banks, namely Bank Aceh Syariah amounted to 80.49%, then obtained the result that the lowest ROA ratio in banks general syariah Indonesia namely Maybank Islamic amounting to -5.47%. The following are the results of t-test calculations on Islamic commercial banks in Indonesia:

<table>
<thead>
<tr>
<th>Tabel 1: Coefficients BUS in Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unstandardized Coefficients</td>
</tr>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>Konstanta</td>
</tr>
<tr>
<td>CAR</td>
</tr>
<tr>
<td>BOPO</td>
</tr>
<tr>
<td>NPF</td>
</tr>
<tr>
<td>FDR</td>
</tr>
</tbody>
</table>

Source: Results of data processing (attachments)

ROA = 7,083 – 0,059CAR – 0,091BOPO – 0,273NPF + 0,051FDR

The results of the analysis show that partially the CAR variable gives a coefficient value of –0.059 with a significance probability of 0.068, which means there is a negative and not significant effect.
between CAR and ROA, the findings are not in line with Rizkita, Era & Keykal (2013) which states that CAR is influential negative significant to ROA, but the findings are in line with the research of Mawardi (2004) which states that CAR does not affect ROA. The BOPO variable gives a coefficient value of -0.091 with a significance probability of 0.157, which means that BOPO has a significant negative effect on ROA. Likewise, Adi (2009) said in his research that NPF has a significant negative effect on ROA. The results of the analysis show that partially the FDR variable gives a coefficient value of -0.011 with a significant probability of 0.378, partially FDR variable provide a coefficient value of -0.115 with a significance probability of 0.378. Then in the table it is also known that the CAR variable when moderated by CSR gives a coefficient of 3.496 with a significance probability of 0.590. Then the BOPO variable moderated by CSR gives a coefficient of 0.011 with a probability significance of 0.324 and the last FDR variable with CSR moderated gives a coefficient of -0.001 with a significance probability of 0.612.

### Table 2: Comparison of R Square Results Before Being Moderated by CSR and After Being Moderated by CSR In Indonesia Islamic Commercial Banks

<table>
<thead>
<tr>
<th>Variable</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR</td>
<td>0.305</td>
</tr>
<tr>
<td>BOPO</td>
<td>0.939</td>
</tr>
<tr>
<td>NPF</td>
<td>0.864</td>
</tr>
<tr>
<td>FDR</td>
<td>0.485</td>
</tr>
<tr>
<td>CAR*CSR</td>
<td>0.301</td>
</tr>
<tr>
<td>BOPO*CSR</td>
<td>0.685</td>
</tr>
<tr>
<td>NPF*CSR</td>
<td>0.832</td>
</tr>
<tr>
<td>FDR*CSR</td>
<td>0.412</td>
</tr>
</tbody>
</table>

Source: Results of data processing (attachments)

Based on the table it is known that the CAR variable when not moderated CSR has a R Square value of 0.305, which when moderated by CSR the R Square value drops to 0.301. There is a decrease in the value of R Square which means that the CSR variable weakens the influence of CAR on ROA, the BOPO variable when not moderated by CSR has a R Square value of 0.939, which when moderated CSR the R Square value drops to 0.685. There is a decrease in the value of R Square which means that the CSR variable weakens the influence of BOPO on ROA, the NPF variable when not moderated by CSR has a R Square value of 0.864, which when moderated CSR the R Square value drops to 0.832. There is a decrease in the value of R Square which means that the CSR variable weakens the effect of NPF on ROA, the FDR variable when not moderated by CSR has a R Square value of 0.485, which when moderated CSR the value of R Square rises to 0.412. There is a decrease in the value of R Square which means that the CSR variable weakens the effect of FDR on ROA.

### ROA = 6,622 - 0,072CAR - 0,116BOPO - 0,919NPF + 0,115FDR + 3,496CAR*CSR - 0,000BOPO*CSR + 0,011NPF*CSR - 0,001FDR*CSR

The results of the analysis show that partially the CAR variable gives a coefficient value of -0.072 with a significance probability of 0.054, partially the BOPO variable gives a coefficient value of -0.116 with a significant probability of 0.283, partially the NPF variable gives a coefficient of -0.919 with a significance probability of 0.157, partially FDR variable provide a coefficient of -0.115 with a significance probability of 0.378. Then in the table it is also known that the CAR variable when moderated by CSR gives a coefficient of 3.496 with a significance probability of 0.590. Then the BOPO variable moderated by CSR gives a coefficient of 0.011 with a probability significance of 0.324 and the last FDR variable with CSR moderated gives a coefficient of -0.001 with a significance probability of 0.612.

### Unstandardized Coefficients

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Konstanta</td>
<td>6,622</td>
<td>0.019</td>
</tr>
<tr>
<td>CAR</td>
<td>-0,072</td>
<td>0.054</td>
</tr>
<tr>
<td>BOPO</td>
<td>-0,116</td>
<td>0.283</td>
</tr>
<tr>
<td>NPF</td>
<td>-0,919</td>
<td>0.157</td>
</tr>
<tr>
<td>FDR</td>
<td>0,115</td>
<td>0.378</td>
</tr>
<tr>
<td>CAR*CSR</td>
<td>3,496</td>
<td>0.590</td>
</tr>
<tr>
<td>BOPO*CSR</td>
<td>0,000</td>
<td>0.806</td>
</tr>
<tr>
<td>NPF*CSR</td>
<td>0,011</td>
<td>0.324</td>
</tr>
<tr>
<td>FDR*CSR</td>
<td>-0,001</td>
<td>0.612</td>
</tr>
</tbody>
</table>

*Sig < 0.05
RECOMMENDATIONS
The conclusions of the research results are as follows:
1. Capital Adequacy Ratio has no significant negative effect on Return On Assets. Corporate Social Responsibility weakens the influence of the Capital Adequacy Ratio on Return On Asset in Islamic Commercial Banks in Indonesia for the past 5 years.
2. BOPO has a significant negative effect on Return On Assets. Corporate Social Responsibility weakens the influence of BOPO on Return On Asset in Islamic Commercial Banks in Indonesia for the past 5 years.
3. Non Performing Financing has a significant negative effect on Return On Assets. Corporate Social Responsibility weakens the influence of Non Performing Financing on Return On Asset in Islamic Commercial Banks in Indonesia for the past 5 years.
4. Financing to Deposite Ratio has a significant positive effect on Return On Assets. Corporate Social Responsibility weakens the effect of Financing to Deposite Ratio on Return On Asset in Islamic Commercial Banks in Indonesia over the past 5 years.

In this study the authors acknowledge that there are many limitations that can interfere with the results of research including:
1. This study only uses variable indicators such as Capital Adequacy Ratio, Operating Costs per Operating Income, Non Performing Financing, and Financing to Deposite Ratio. While there are still many other variables that can explain and measure bank health ratios so that research results can be better.
2. Observation of research only uses the website so that the number of samples that can be accessed is limited to 30 observation points in the Indonesian Islamic Commercial Bank and 30 points on the Bank.

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