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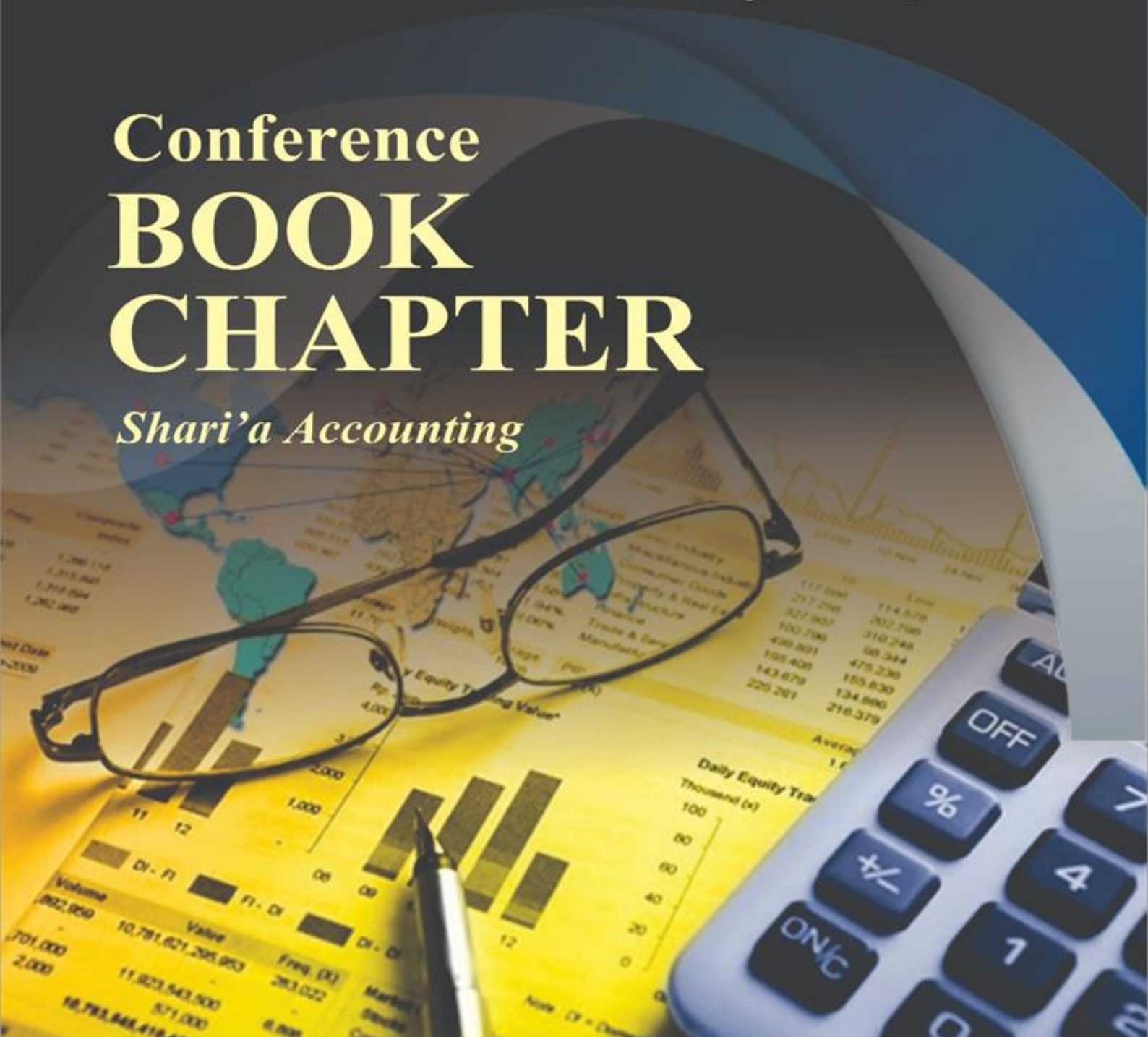
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*"Multiparadigm Perspective on
Accounting, Finance and Tax"*

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Conference BOOK CHAPTER

Shari'a Accounting



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**THE 1st – 2023 INTERNATIONAL ACCOUNTING STUDENTS
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FINANCE AND TAX**

THEME: SHARIAH ACCOUNTING

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FOREWORD AND OPENING REMARK

In the name of Allah, The Most Gracious the Merciful
Assalamu'alaikum Wr. Wb.

Heartiest Greeting from Indonesian Accounting Lecturer Association (ADAI) - Indonesia,
to you All in all over the World

Honourable Keynote Speaker. Respectable, all presenters for this **THE 1st INTERNATIONAL ACCOUNTING STUDENTS CONFERENCE (IASC)**. Beloved committee, students, participants, ladies and gentlemen My Name is Arfan Ikhsan Lubis as Chairman of the Asosiasi Dosen Akuntansi Indonesia (Association of Indonesian Accounting Lecturers/ADAI), it is such an honor for me to welcome you all to our **THE 1st INTERNATIONAL ACCOUNTING STUDENTS CONFERENCE (IASC)** in keynote speakers' session and parallel sessions with lecturers, researchers and students worldwide. This is our 1st International Accounting Students Conference Talk with the theme: **MULTIPARADIGM PERSPECTIVE ON ACCOUNTING, FINANCE AND TAX**.

Dear Brothers and Sisters

Through the introduction of this Forum, we can learn about the strengths/ weaknesses of students and give them the opportunity to learn through their strengths. Students have the opportunity to explore the world, develop their own skills and develop their own abilities. Accounting, Finance and Tax is a process that provides appropriate information from an entity not limited to financial data to stakeholders to ensure that the entity continues to carry out its operations within legal limits and achieve its socio-economic goals.

The fundamental role of accounting is as a provider of information and a source of answers for all matters related to corporate finance. You can use reports that contain complete and accurate information to stabilize and even improve your company's performance. Therefore, you should immediately compile your books and update them regularly so that your company's finances can be neatly arranged. You can use accounting software or digital accounting services to make your accounting work easier. In addition, this step aims to prevent human errors that occur in manual recording, which can impact the company's performance.

INTERNATIONAL ACCOUNTING STUDENTS CONFERENCE (IASC) is a series program for students. International conferences are an important thing for Indonesian and international students to attend, by attending international conferences, students can express opinions effectively. Academic benefits that can be obtained by participating in international conferences, namely international conferences will be a place for students to meet experts in various fields, so that these students feel they can expand their networking and also gain new knowledge from professors, speakers, and scientists from around the world, by participating in international conferences.

Ladies and gentlemen, That's the end of my opening remark, thank you very much for your kind attention.

Best regard,

Dr. Arfan Ikhsan Lubis

Chairman of the Association of Indonesian Accounting Lecturers (ADAI)

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IMPLEMENTATION OF AAOIFI (ACCOUNTING AND AUDITING FOR ISLAMIC FINANCIAL INSTITUTION) IN ISLAMIC BANKING INDONESIA

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ABSTRACT

Islamic banking currently provides comprehensive products and services like conventional banks, but with different Islamic principles. Therefore, the purpose of this paper is to analyze the extent to which Indonesian Islamic banking has adopted AAOIFI (Accounting and Auditing for Islamic Financial Institution) standards in its financial reporting. This study uses the annual reports of Islamic banking in Indonesia for 2020-2022 obtained from 12 Islamic banks in Indonesia and sampled. This study aims to measure the suitability of 3 Islamic banking products in Indonesia, namely murabahah, mudharabah and musyarakah. The data collection method in this research is library research. The data analysis used is descriptive statistics. This study found that Islamic banking disclosures related to murabahah, mudharabah and musyarakah are still relatively low. There is no difference in the level of alignment between 2020-2022, with murabahah having the highest average level of difference among the three Islamic banking products.

Keywords: *Murabahah; Mudharabah; Musyarakah; Islamic Banking; AAOIFI (Accounting and Auditing For Islamic Financial Institutions)*

INTRODUCTION

The Islamic Financial Services Board (IFSB) in 2018 released data regarding the market share of Islamic banks in several countries in ASEAN. Malaysia has a market share of 24.9% of Malaysian banking assets. Indonesia has a market share of 5.4% of total national banking assets. Brunei Darussalam experienced an increase in its market share for Islamic banks to 61.8% of Brunei Darussalam's total banking assets. Singapore and Thailand as Muslim minority countries have a market share of under 1% of total banking assets in the country.

Research on the application of AAOIFI standards in Islamic banks has been carried out in several countries around the world. Ullah (2013) examined compliance with AAOIFI guidelines regarding presentation and disclosure in the financial statements of Islamic banks registered in Bangladesh. This study examines seven Islamic banks listed on the Bangladesh Stock Exchange and includes 203 compliance items. Ullah (2013) concluded that the level of compliance was relatively low because only 91 out of 203 items were disclosed. Therefore, he suggested that Islamic banks in Bangladesh increase the level of standardized disclosure in their financial statements.

Nadzri (2009) tested the effectiveness of AAOIFI in handling the accounting and disclosure of zakat and usury at IFIs. By using content analysis and including 25 IFIs that are members of AAOIFI, researchers conclude that the level of disclosure is lower than the requirements of AAOIFI. Another study was also conducted by Husainey (2016) who examined the level of compliance with AAOIFI standards in MENA countries (Bahrain, Yemen, Qatar, Syria, Palestine, Sudan, Oman and Jordan). Based on the results of this study, the average compliance level

of financial accountability based on AAOIFI standards is 73%. This study replicates research conducted by Al-Sulaiti et al (2017) who tested disclosure compliance with AAOIFI accounting standards related to Islamic financing products at Islamic banks in Bahrain and Qatar during the 2012-2015 period. The study found that compliance with AAOIFI murabahah, mudharabah and musyarakah disclosures by Islamic banks in Bahrain and Qatar was relatively high in the 2012-2015 period.

In this study, researchers focused on disclosing three sharia financing products, namely murabaha, mudharabah and musyarakah. Research was conducted on the three financing products because these three financing products were the most widely applied by Islamic banks (Vinnicome, 2012).

LITERATURE REVIEW

Sharia Accounting

Napier (2017) states that Islamic accounting is a field of accounting that emphasizes 2 (two) things, namely accountability and reporting. Accountability is reflected in monotheism, namely by carrying out all economic activities in accordance with Islamic provisions. Reporting is a form of accountability to God and humans. Meanwhile, Karim (2010) states that Islamic Accounting is often also called Islamic Accounting, which is a new field in accounting studies, in principle this accounting is developed on the basis of values, ethics and Islamic sharia.

Islamic Bank

According to Law Number 21 of 2008 concerning Islamic banking, what is meant by Islamic banks is everything related to Islamic banks and Islamic business units, including institutions, business activities, as well as procedures and processes in carrying out their business activities. Basically, Islamic banks are the same as commercial banks, namely companies engaged in the financial sector, meaning that banking activities are always related to the financial sector. So, talking about banks is inseparable from financial problems.

Accounting and Auditing Organizations for Islamic Financial Institutions (AAOIFI)

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) is an international non-profit organization responsible for the development and issuance of accounting, auditing, governance, ethics and governance standards for international Islamic finance. AAOIFI was formed in Bahrain on March 27, 1991. AAOIFI carries out these objectives in accordance with Islamic sharia teachings which represent a comprehensive system for all aspects of life, in accordance with the environment in which Islamic financial institutions have developed. This activity is intended to increase the confidence of users of the financial statements of Islamic financial institutions in the information generated about these institutions, and to encourage users to invest or deposit their funds in Islamic financial institutions and use their services (AAOIFI, 2018).

Disclosure

The word disclosure means not covering or not hiding (Ghozali and Chariri, 2007). When associated with disclosing information, disclosure implies that disclosing such information must provide sufficient explanation and be able to represent the actual situation in the company. Thus, information must be complete, clear, accurate and reliable in accordance with the conditions currently being

experienced by the company, both financial and non-financial information, so that no party will be harmed.

Sharia Accounting Standard Disclosure (SAS)

The fundamental thing in the presentation of sharia accounting financial reports is the obligation to disclose sharia aspects, which is intended so that financial reports can truly comply with sharia provisions and not deviate from sharia accounting principles. Sharia Accounting Standards (SAS) is a Statement of Sharia Financial Accounting Standards (PSAK) which is intended for entities that carry out sharia transactions, both Islamic institutional entities and non-Sharia institutions (IAI, 2019).

RESEARCH METHODS

This research is quantitative research where this type of quantitative research explains the facts of the object under study by analyzing numerical data using statistical methods through hypothesis testing. The data used is secondary data/secondary sources. This study uses content analysis in disclosing the AAOIFI sharia accounting standards in Islamic banks in Indonesia with the unit of analysis of Islamic bank annual reports. Content analysis is an observational research method used to systematically evaluate the contents of an information.

Data Sources and Data Collection Techniques This research uses secondary data sources. Data collection in this study uses documentation techniques. The data in this study is in the form of data on Financial Reports of Islamic Banks in Indonesia for the 2020-2022 period.

Population and Sample The population in this study are 13 Islamic banks in Indonesia and 16 Islamic banks in Malaysia. In determining the sample, researchers used a purposive sampling technique. According to Sugiyono (2010), purposive sampling technique is a technique for determining research samples with certain considerations that aim to make the data obtained later be more representative. The sample in this study are 12 Islamic commercial banks in Indonesia.

RESEARCH RESULT

Results of Interpretation of AAOIFI Standard Disclosures in Indonesia

Based on the data in table 4.1, it shows that the sharia principle most disclosed by banks in Indonesia is Murabaha with an average company disclosing 42.19% in the annual reports it publishes in 2020 and 2022. Furthermore, on mudharabah accounting principles, sharia banking only discloses 31.67% in the annual reports published in 2020 and 2022. Then in musyarakah, Islamic banking only discloses 27.38% in 2020 and 2022. The musyarakah principle is the least disclosed by Islamic banks compared to the other two Islamic principles.

Banking and Disclosure

Based on the data, it can be seen that Indonesian banks have disclosed at most 18 items out of a total of 45 items issued by AAOIFI, at a percentage of 40%. Where the bank that makes the most disclosures is Bank Panin Syariah. Meanwhile, the bank that made the least disclosures was Bank BTPN Syariah with 7 items or 16%.

CONCLUSION

Based on data analysis and interpretation regarding the disclosure of AAOIFI sharia accounting standards in the annual reports of Islamic banks in Indonesia, the following conclusions can be drawn:

1. The level of disclosure by Indonesian Islamic banking, the average disclosure by Indonesian Islamic banking is 41.25% for murabaha, 28.00% for mudharabah, and 25.71% for musyarakah.
2. The highest disclosure is in murabaha sharia principles, where in Indonesian sharia banking a maximum value of 43.75% is obtained.
3. There has not been any increase in the disclosure of murabaha, mudharabah and musyarakah during 2020 to 2022 in Islamic banking.

Based on the items observed, banks tend to disclose sharia musyarakah principles that are general in nature and directly related to activities that can affect banking finances and tend not to disclose matters related to agreements made with other parties or matters that can damage the good name of the bank in the eyes of the public

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IMPLEMENTATION OF NON-PROFIT ORGANIZATION GOVERNANCE: THEORETICAL REVIEW

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ABSTRACT

This study examines governance implementation in non-profit organizations based on stewardship theory and Sharia enterprise theory. The research method used in this study is a literature review. The research object on implementing the theory that will be used as a research topic consists of Zakat Management Organizations (ZMO), Pesantren, and Orphanages. The research identified how the two theories were applied to Zakat Management Organizations, Islamic Boarding Schools, and Orphanages. Stewardship theory emphasizes service. ZMO, Islamic boarding schools, and orphanages must be able to provide services, maintain integrity, and be responsible for managing resources as a form of accountability to stakeholders. Meanwhile, the Sharia Enterprise Theory balances the interests of others and God. ZMO, Islamic boarding schools, and orphanages manage resources by forming character and morals following Islamic principles.

Keywords: *non-profit organization, governance, theory*

INTRODUCTION

Non-Profit Organizations (NPO) are entities whose implementation is not intended to generate profits but to achieve social, humanitarian, or environmental goals (Muallief Umar, 2021). NPO has different characteristics from business companies in general because the primary purpose of a non-profit company is to serve the community. One example of this organization is engaged in the management of Zakat Management Organization (ZMO) in Indonesia has developed since 1943, which was marked by the establishment of the Baitul Maal for the first time. The development of ZMO has been going very fast until now because of the high public awareness of paying zakat. However, ZMO sometimes faces various internal and external problems in its journey.

The triggers for these problems include regulations and political will that are less supportive, *muzakis* distrust of existing zakat management institutions, both private and state institutions, especially the government, to internal problems of zakat management organizations themselves, such as lack of accountability, lack of transparency, and managerial problems. (Nature, 2018). This problem is caused by failing to fulfill organizational governance according to standards. Organizational governance is a system that aims to regulate and control the relationship between management (managers) and all interested parties (slake/more expansive) to the organization regarding their rights and obligations (Widayati, 2018). Therefore, good governance is essential to ensure that a non-profit organization can achieve its goals effectively and efficiently.

In order to achieve good governance, many theories and concepts have been developed. The theory will later serve as a basis for correlating an organization run by guidelines. This literature review will discuss two theories: stewardship theory

and Sharia enterprise theory. Stewardship theory aims to create effective and efficient governance by prioritizing sound management principles and appropriate policies, while Sharia enterprise theory aims to apply Sharia principles in company management.

In its implementation, stewardship theory experiences several problems, such as difficulty measuring manager performance, conflicts of interest, limited access to information, lack of incentives, and dependence on individuals. Not all companies are compatible with this theory. In implementing Sharia enterprise theory, several problems arise due to the difficulty of interpreting Sharia principles, not following market needs, difficulty finding appropriate resources, not consistently producing maximum financial benefits, and requiring adaptability for all companies.

The problems above are one of the reasons for the need for further study of the two governance theories. This literature review will discuss implementing stewardship and Sharia enterprise theories that can be applied in managing non-profit organizations. This is important to learn because non-profit companies have different goals from business companies, and a different approach is needed in the management process. Thus, this literature review can provide a clearer view of the implementation of stewardship theory and Sharia enterprise theory in the governance of non-profit organizations.

LITERATURE REVIEW

Non-Profit Organizations (NPO)

Non-profit organizations can be interpreted as organizations engaged in the social, charitable, humanitarian, and environmental fields and do not aim to generate financial benefits for owners or investors. The unique characteristics that underlie these differences, according to PSAK No. 45, lie in how non-profit organizations obtain the resources needed to carry out their various operational activities. Not-for-profit organizations obtain resources from benefactors who do not expect repayment or return of economic benefits in proportion to the resources provided (Institute of Indonesia Chartered Accountants, 2012) (Ismatullah, 2018).

Good Corporate Governance

Good Corporate Governance (GCG) is a concept related to how a company is managed and run ethically, transparently, and accountable to create long-term value for all stakeholders. (Sektiono, 2016).

Stewardship Theory

Stewardship is a perspective where people work not only to maximize their utility, but they can be more responsible together in achieving organizational goals. Organizational theory and corporate policies have shifted towards stewardship theory, which focuses on information, transparency, accountability, and aspects that are collective or together, partnership, empowerment, long-term goals, performance improvement, and trust. (Jefri et al., 2018).

Sharia Enterprise Theory

SET has the three most important values, which are in the form of vertical and horizontal accountability. The intended vertical responsibility is responsibility to God, while horizontal accountability is accountability to humans and the environment (Hikmaningsih & Scouts, 2020). SET theory is known to be concerned with the owner and other parties. From this, SET has a great sense of responsibility

to the stakeholders. The responsibility in SET referred to is a responsibility to God, humans, and nature. According to Irawan and Muarifah (2020), God is the highest stakeholder because God is the highest party and is the sole purpose of human life. By placing God as the highest stakeholder, the connecting link so that shari'ah management continues to aim at creating awareness of God for its users is guaranteed.

RESEARCH METHODS

This study uses a literature review. A literature review is a research method that aims to collect, review, evaluate, and synthesize information from literary sources or references related to the research topic being studied (Crisnaldy, 2021). The object of research is the implementation of the theory in Zakat Management Organizations (ZMO), Pesantren, and Orphanages.

RESULTS AND DISCUSSION

Stewardship Theory in Non-Profit Organizations

Stewardship theory refers to management responsibility entrusted to individuals or groups within an organization to manage organizational resources accountable and transparently. This concept focuses on the responsibility of leaders to maintain organizational resources and carry out their duties correctly (Budiarsi et al., 2021).

Zakat Management Organization (ZMO)

As a non-profit organization responsible for managing zakat, ZMO must demonstrate accountability and transparency in using zakat funds following Islamic principles and providing optimal societal benefits.

Pesantren

As traditional Islamic educational institutions, Pesantren can also be associated with stewardship. As an educational institution, Islamic boarding schools are responsible for managing the mandate in the form of religious knowledge, morals, and ethics entrusted to them by society. Islamic boarding schools must be able to account for managing their resources, whether in the form of donations or other assets, by prioritizing the public interest and a balance between responsibility and power. As a non-profit organization responsible for managing zakat, ZMO must demonstrate accountability. Furthermore, transparency in using zakat funds follows Islamic principles and provides optimal societal benefits.

Orphanages

As an institution responsible for providing services to needy children, orphanages must uphold the principles of trust, integrity, and responsibility in managing their resources. Orphanages must be able to be accountable for managing their resources, whether in the form of donations or other assets, by prioritizing the public interest and a balance between responsibility and power. Orphanages must maintain a balance between the academic and moral development of the children they care for and provide maximum benefits for society and the country.

Sharia Enterprise Theory in Non-Profit Organizations

In managing non-profit organizations, SET emphasizes the importance of active participation from the community in decision-making and the development of social programs. This can increase the sense of community ownership and involvement in the non-profit organization.

Zakat Management Organization (ZMO)

ZMO applies Sharia principles in decision-making and actions. In the context of zakat management organizations, the principle of compliance with sharia is applied in the collection, management, and distribution of zakat following sharia

provisions. ZMO must also maintain public trust and ensure that all zakat management is carried out by prioritizing good values and benefits for the community.

Pesantren

The main objective of pesantren is to educate and guide students to become a generation beneficial to religion and society. SET theory underlies the management of Islamic boarding schools based on Islamic Sharia values by prioritizing the concept of sustainability.

Orphanages

In the context of SET, organizational management must be carried out by considering the values of goodness and benefits for society. This aligns with the primary objective of establishing an orphanage: to provide protection, care, and maintenance for neglected or underprivileged children. In addition, SET also emphasizes the importance of compliance with Sharia principles in decision-making and organizational actions based on Islamic Sharia values.

CONCLUSION

In implementing the stewardship theory, the three non-profit organizations (ZMO, pesantren, and orphanages) are entrusted by stakeholders to manage their resources by prioritizing shared interests in a balanced manner. Management is carried out with integrity, fair distribution, development of a balanced moral-intellectual aspect, and providing benefits to members. Meanwhile, in implementing the Sharia Enterprise Theory, the three organizations are responsible to each other and God. So that resource management is carried out on an economic, mental, and spiritual level. Forming character and morals in implementing Islamic principles for stakeholders, especially members, is directed as a service to God.

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ANALYSIS OF THE PROFITABILITY RATIO OF SHARIA COMMERCIAL BANKS IN INDONESIA DURING THE COVID-19 PANDEMIC IN 2021

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ABSTRACT

This study aims to analyze the profitability ratio of Sharia Commercial Banks in Indonesia during the pandemic in 2021. This study uses quantitative methods to collect and analyze data from the financial statements of Sharia Commercial Banks registered in Indonesia. The data collected includes the Return on Assets (ROA) profitability ratio, which is an important indicator in measuring the efficiency of asset use and the ability of banks to generate profits from assets owned. This research involves collecting financial data from various Islamic Commercial Banks taken from the 2021 annual report or financial statements published by these banks. The data analyzed used statistical methods to identify trends and changes in profitability performance during the pandemic. The results of this study show that the profitability of BUS in Indonesia during the 2021 Pandemic experienced a low average level due to factors such as the impact of the pandemic, which made companies have to carry out various policies to maintain their business continuity.
Keywords: Profitability Ratio, Sharia Commercial Bank, COVID-19

INTRODUCTION

In December 2019, the world community faced a global challenge, namely the COVID-19 pandemic. This phenomenon has caused significant multidimensional impacts. The COVID-19 pandemic was triggered by infection with the SARS-CoV-2 virus that first appeared in Wuhan City, Hubei Province, China (Ihsan & Hosen, 2021). In the economic field, the COVID-19 pandemic has caused a global crisis with disruptions to supply chains, decreased industrial activity, and job cuts. *Lockdown* policies and mobility restrictions implemented have resulted in severe economic contractions, triggered recessions, and created instability in financial markets.

The first COVID-19 case in Indonesia was confirmed on March 2, 2020 (Ikmal & Noor, 2022). Due to the high transmission rate and demographic factors with a large population in Indonesia, this virus is spreading rapidly. Over time, the spread of this virus shows an exponential trend, where the number of new cases increases significantly daily. On March 11, 2020, the government designated COVID-19 a national disaster. Therefore, the government is trying to break the chain of spread of COVID-19 by enforcing various policies such as the implementation of WFH (*Work From Home*), social distancing, *3M campaigns* (*wearing masks, washing hands, and maintaining distance*), *vaccinations*, *PSBB* (*Large-Scale Social Restrictions*), *PPKM* (*Enforcement of Restrictions on*

Community Activities), *lockdown* and others (Ikmal & Noor, 2022). This policy was taken as an effort to control the spread of the virus and protect public health.

COVID-19 has had a significant impact on society. The economic impact is very complex and multidimensional. Restrictions on the movement of goods and people affect production, distribution, and trade activities. Many companies have been forced to stop or reduce their operations, resulting in decreased revenue and increased risk of bankruptcy. Disruptions to the supply chain can also lead to limited availability of goods and increased prices. The micro, small, and medium enterprises (MSMEs) sector was also severely affected. MSMEs that rely on direct sales to consumers are forced to close or face a significant decrease in demand. Limited access to markets and declining consumer purchasing power exacerbate this situation. Many workers working in the informal sector are also affected by the loss of livelihoods. The employment sector was also affected. Many companies are forced to make layoffs or reduce working hours to reduce operational costs. The high unemployment rate and limited new job opportunities are challenges for people looking for work. Financials are experiencing instability, with falling stock values and currency fluctuations. Investors have become hesitant to make long-term investments due to economic uncertainty caused by the pandemic.

Most researchers and economists consider that this outbreak triggered the most severe global financial crisis compared to the Asian financial crisis of 1997 and 1998 or the *subprime mortgage* crisis of 2008. This pandemic has had a much broader and deeper impact on the global financial system, including the economies of developed and developing countries (Habibah, Nisa, & Risqi, 2020). The outbreak has caused severe economic shocks and extended to all sectors, including banking, stock markets, and international trade (Diana et al., 2021). A drastic decline in global economic growth, a sharp recession, and high volatility in financial markets marked the crisis. Regarding its impact on the financial sector, the COVID-19 pandemic has led to an increase in credit risk, a decrease in credit demand, and an increase in bad loans in most financial institutions. Limited liquidity and market volatility have also led to instability in the global financial system. In previous financial crises, such as the Asian financial crisis of 1997 and 1998 and the *subprime mortgage crisis* of 2008, the impact was limited to certain geographic regions or sectors. However, the COVID-19 pandemic has had a global impact and involved almost all sectors of the economy, including tourism, transportation, manufacturing, and others.

Many countries are facing economic recession due to a continued contraction in economic growth from the previous quarter, characterized by negative growth. The government and economic authorities implement various fiscal and monetary policies to overcome this situation to encourage consumption, investment, and production. In line with global economic conditions, the domestic economy contracted by -5.32% in the second quarter of 2020, which is a significant decrease compared to growth of 2.97% in the previous quarter. This decline occurred in all types of expenditures, especially declining consumption due to weak purchasing power that affected demand and investment related to business activities that have not fully recovered due to the implementation of the transitional PSBB (Febrianto & Hidayati, 2021).

In difficult economic conditions due to COVID-19, analyzing the profitability ratio of Islamic commercial banks in Indonesia is very important. The profitability ratio is a tool used to measure a bank's efficiency and ability to make a profit (Diana et al., 2021). This analysis will provide deeper insights into the financial performance of Islamic commercial banks amid the COVID-19 pandemic. This

analysis aims to evaluate the impact of the COVID-19 pandemic on the profitability performance of Islamic commercial banks in Indonesia in 2021. The profitability ratio consists of Return on Assets (ROA), *Return on Equity* (ROE), *Net Profit Margin* (NPM), and *Gross Profit Margin* (GPM) (Viaranti & Handri, 2021). These ratios will help us understand how Islamic commercial banks in Indonesia can deal with the challenges presented by this pandemic (Diana et al., 2021). In addition, this analysis will also discuss the factors that affect the profitability performance of Islamic commercial banks in Indonesia during the pandemic. This analysis will focus on factors such as increased credit risk, changes in customer behavior, interest rate cuts, and government policies. Understanding these factors will help us identify the challenges and opportunities Islamic commercial banks face in Indonesia. Through this analysis, valuable insights into the profitability performance of Islamic commercial banks in Indonesia in 2021 are expected. The results of this analysis can provide guidance and recommendations for Islamic commercial banks in Indonesia to overcome the challenges faced and improve their performance in the future. Based on this description, this study aims to analyze the profitability ratio of Islamic commercial banks during the COVID-19 pandemic in 2021.

LITERATURE REVIEW

Sharia Commercial Bank

Sharia Commercial Bank is a bank that carries out business activities based on Sharia principles in its activities to provide services in payment traffic (Riyadi et al., 2015). Islamic banks adopt Islamic economic principles prohibiting *riba* (interest), speculation, and unethical activities. The main objective of Sharia Commercial Banks is to provide financial products and services following Sharia principles to its customers. Sharia Commercial Banks offer various products and services, such as Sharia financing, savings, investment, and other banking services based on Sharia principles. In Islamic financing, this Bank does not provide loans with interest but applies a profit-sharing scheme or *mudharabah*. Sharia Commercial Banks also apply the principle of *musharakah* in the form of Islamic investment, where customers and banks share risks and benefits proportionally.

The development of Islamic banking performance in February 2021 showed positive results despite the COVID-19 pandemic. It can be seen from the growth of bank assets and third-party funds (DPK) of Sharia Commercial Banks (BUS), which is relatively higher than the growth that occurs in conventional banks (Ihsan & Hosen, 2021). In February 2021, Islamic banks experienced significant asset growth. This shows that Islamic banks can maintain and increase their asset portfolios, despite the challenging conditions due to the impact of the pandemic. In addition, the growth of third-party funds (DPK) at Islamic banks also increased higher than conventional banks (Ihsan & Hosen, 2021). Deposits reflect funds placed by customers in banks, such as savings, time deposits, and other deposits. The increase in deposits at Islamic banks shows the high public confidence in utilizing Islamic banking products and services.

The successful growth of Islamic bank assets and deposits can be attributed to factors such as increasing public awareness of Sharia-based finance, innovating products and services following Sharia principles, and Sharia banks' efforts to improve the quality of service to customers. In conclusion, despite the COVID-19 pandemic, Islamic banking achieved good performance development with relatively higher growth in bank assets and deposits compared to conventional banks. This demonstrates the potential and excellence of Islamic banking in facing

global economic challenges and positively contributing to a sustainable economic recovery.

Profitability Ratio

Profitability is the final net result of various policies and decisions taken by a company. This ratio serves as a pen toolmaker to evaluate the company's ability to generate profits from each unit of sales currency (Widarjo & Setiawan, 2009). The profitability ratio is a metric used to measure a company's or financial institution's profit performance. This ratio shows the company's ability to generate profits based on its revenue and assets. The higher the profitability, the better the company's financial performance (Sholihah & Sriyana, 2014). The profitability ratio evaluates a bank's ability to generate profits over a certain period. In addition, this ratio also aims to measure the level of management effectiveness in running company operations (Diana et al., 2021). To assess the level of profitability of a company, the ratios used include Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE) (Viaranti & Handri, 2021). This study only shows the profitability ratio from *Return on Assets* (ROA) on Sharia Commercial Bank companies in Indonesia in 2021.

Return on Assets (ROA) Ratio

Return on Asset (ROA) ratio is a profitability indicator that describes the relationship between the profit generated by a bank and its total assets. This ratio reflects the level of efficiency in asset management by the Bank concerned (Rina & Rofiuddin, 2021). This ratio measures how efficient the company is in generating profits from its assets. The higher this ratio, the better the profitability performance of the company. The ROA formula is as follows:

$$ROA = \frac{Net\ Income}{Total\ Asset} \times 100\%$$

These profitability ratios provide important information in analyzing the financial performance of a company or financial institution, including Islamic Commercial Banks. Analysts can use these ratios to evaluate the level of efficiency and profit the Bank generates.

RESEARCH METHODS

In this study, the data analysis method used was a quantitative analysis method with a descriptive approach. Quantitative descriptive research is a research method that describes, researches, and explains something studied conventionally and draws conclusions from observable events using numbers (Agustin & Lestari, 2022). According to Arikunto, quantitative research requires numbers, starting from data collection and interpretation of the data, as well as the appearance of the results (Suharsimi, 2010). Researchers use quantitative descriptive methods to collect quantitative data, namely data in the form of numbers or numbers depicted in a table. Researchers interpret the data to provide a concrete picture of the state of Islamic Commercial Banks (Shabrina, 2019). The quantitative data used in this study is Return on Asset (ROA) profitability ratio data at Sharia Commercial Banks in Indonesia. The data to be analyzed is 2021 data.

RESULTS AND DISCUSSION

Financial Report of Sharia Commercial Bank (BUS)

Sharia Commercial Bank (BUS) financial statements are reports that contain financial information about the financial performance of Islamic banks. The report can serve as an evaluation tool for the financial performance of Islamic banks in terms of financial and social performance (Azita, 2018). BUS financial statements can be taken from secondary data such as BUS financial statements for a certain period.

While financial statements that provide information about a measurement of an opera's success The company during a certain period is called an income statement, financial statements can describe the company's financial condition in a certain period so that the resulting report can contain information about the weaknesses and strengths that the company has in the financial field. The company can consider the information obtained when making policies for the next period of improvement (Iswandi, 2022).

Table. 1 Net Income and Total Asset Data of BUS in 2021

No.	Bank Syariah Indonesia	Year	Net Income (Rp)	Total Assets (Rp)
1	PT. Bank Muamalat Indonesia, Tbk	2021	8.927.051. 000	58.899.174. 319.000
2	PT. Bank Mega Syariah	2021	537.707.206.000	14.041.750. 908.000
3	PT. Bank Syariah Bukopin	2021	232.283.491.422	6.220.221.221.378
4	PT. Bank Panin Dubai Syariah, Tbk	2021	818.112.377.000	14.426.004. 879.000
5	PT. Bank Victoria Sharia	2021	119.063.497.000	24.947.143. 045.000
6	PT. BCA Syariah	2021	87.442.212.976	10.642.337. 798.588
7	PT. Bank Jabar Banten Syariah	2021	21.898.773.000	10.358.849. 568.000
8	PT. Bank Aladin Syariah	2021	121.275.000.000	2.173.162.000.000
9	PT. Bank Tabungan Pensiunan Nasional yariah	2021	1.465.005. 000.000	18.543.856. 000.000
10	PT. Bank Aceh Syariah	2021	392.127.034.310	28.170.825. 805.198
11	PT. BPD West Nusa Tenggara Sharia	2021	138.349.258.121	11.215.180. 007.793
Minimum			-818.112.377.000	
Maximum			1.465.005.000.000	
Average			123.702.015.453	

Here is the table. 1 is a summary of financial statement data inIt is necessary to calculate the profitability ratio: On the table. 1 above, it can be seen that the highest value of BUS's net income in 2021 was 1.5 trillion obtained by PT. Bank Tabungan Pensiunan Nasional Syariah. This achievement is stated in its annual report that the improvement in the Bank's operational efficiency has reduced operating expenses to operating income to support net profit achievement. While

the lowest net income occurred at PT. Bank Panin Dubai Syariah, Tbk, has a value of -818 billion. This is due to the impact of write-offs carried out by the company.

When viewed from the total assets of BUS in 2021, PT. Bank Muamalat Indonesia, Tbk, is the BUS with the highest total asset value of 58 trillion. The Bank said that this achievement came from a significant increase in investment in 2021 and public trust in Bank Muamalat, which succeeded in increasing fundraising. Then PT. Bank Aladin Syariah is the BUS with the lowest total asset value of 2.17 trillion. This is because the company does not have subsidiaries, associated entities, or joint ventures compared to another BUSs. BUS's average net income and total assets in 2021 were 123 billion and 18 trillion, respectively.

From the data in the table. 1, the *Return on Asset* (ROA) Ratio can be obtained as follows:

Table. 2 Return on Asset (ROA) Calculation Results

No.	Bank Syariah Indonesia	Year	ROA
1	PT. Bank Muamalat Indonesia, Tbk	2021	0,02
2	PT. Bank Mega Syariah	2021	3,83
3	PT. Bank Syariah Bukopin	2021	-3,73
4	PT. Bank Panin Dubai Syariah, Tbk	2021	-5,67
5	PT. Bank Victoria Sharia	2021	-0,48
6	PT. BCA Syariah	2021	0,82
7	PT. Bank Jabar Banten Syariah	2021	0,21
8	PT. Bank Aladin Syariah	2021	-5,58
9	PT. Bank Tabungan Pensiunan Nasional Syariah	2021	7,90
10	PT. Bank Aceh Syariah	2021	1,39
11	PT. BPD West Nusa Tenggara Sharia	2021	1,23
Minimum			-5,67
Maximum			7,90
Average			-0,01

Performance of Sharia Commercial Banks (BUS) Based on Profitability

Profitability in this study was measured using *Return on Assets* (ROA). This ratio describes the extent of the company's ability to generate profits seen from the total assets owned by the company.

The higher the company's profitability, the better the company's state. Based on the results percent on, table. 2 shows that the highest level of ROA BUS in 2021 was 7.90% obtained by PT. Bank Tabungan Pensiunan Nasional Syariah. This means that the Bank has a high profitability value where the company's condition shows very good even though it is in the Covid-19 Pandemic. This is due to the increasing level of efficiency of the company.

The company with the lowest ROA value compared to other BUS is PT. Bank Panin Dubai Syariah, Tbk, which has a ROA value of -5.67%. This shows that the company is in a very unhealthy state. The low ROA rate is caused by the company's policy towards write-off financing, which needs fixing.

When viewed from the average *return on assets* of BUS in 2021 of -0.01%, it means that the net loss obtained is 0.01% of total assets. So, from the analysis, the performance of Sharia Commercial Banks in Indonesia in 2021 based on the average return on assets is considered very unfavourable. However, companies below the average ROA level are still less than companies above the average even

though they have a low ROA rate, namely four banks below the average and seven banks above the average.

This, the analysis results found that BUS is in bad condition, with the average profitability of BUS in Indonesia in 2021. This happens because many factors can affect the Bank. Among them is the impact of the Covid-19 Pandemic, where banks face various challenges. Banks must also maintain sustainability by making various policies to maintain liquidity against external parties.

CONCLUSION

Sharia Commercial Bank (BUS) financial statements are reports that contain financial information about the financial performance of Islamic banks (Iswandi, 2022). In comparison, financial statements that describe information explanation of a measurement of the success of a company's operations during a certain period is called the income statement.

Based on ROA data owned by BUS, the average profitability of BUS in Indonesia in 2021 is in bad condition. This happens because many factors can affect the Bank. Among them is the impact of the Covid-19 Pandemic, where banks face various challenges. Banks must also try to maintain sustainability by making various policies to maintain liquidity against external parties.

In this case, it is expected to provide a better understanding of the profitability performance of Islamic commercial banks in Indonesia during the Covid-19 pandemic. This information can be useful for regulators, decision-makers, and the Islamic banking industry to identify relevant policies and appropriate strategies in dealing with crises such as the Covid-19 pandemic.

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IMPLEMENTATION OF PSAK NO.109 CONCERNING FINANCIAL REPORTING FOR ZAKAT, INFAQ, SADAQAH AT LAZISMU ACEH

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ABSTRACT

The Aceh Amil Zakat Infaq and Sadaqoh Muhammadiyah Institution (LAZISMU) is a non-governmental organization engaged in the non-profit public sector. LAZISMU, which has earned the trust of the community in carrying out its activities, collects and distributes ZIS according to PSAK109, as a form of responsibility to the community. This study aims to determine the financial reports prepared by LAZISMU starting from measuring and recording both receipts and distribution to produce financial reports that can be trusted. In this study, researchers used qualitative research methods, namely collecting data by conducting interviews and collecting documentation. The results of this study indicate that LAZISMU's financial statements include statements of financial position, cash flow reports, and reports of changes in funds. However, the financial statements according to PSAK 109 consist of a statement of financial position, a statement of cash flows, a report on changes in funds, a report on changes in assets under management, and notes to financial statements. while the report on changes in assets under management is very important in the financial statements to assess the assets under management at LAZISMU, both current assets and non-current assets. and notes to financial statements are also important elements for presenting a narrative explanation, or a detailed list of other financial statements.

Keywords: *Statement of Financial Accounting Standards No. 109, Financials Reporting for Zakat, Infaq, Alms, Lazismu Aceh*

INTRODUCTION

In Indonesia, zakat is one of the great potentials besides taxes, therefore the government and community institutions continue to make it easier for the community to distribute zakat so that it can be distributed to those who are entitled to receive it. The only official zakat agency established by the government based on RI Presidential Decree No. 8 of 2001 is the National Amil Zakat Agency (BAZNAZ) which has the duties and functions of collecting and distributing zakat, infaq and alms (ZIS) at the national level.

One of the Amil Zakat Institutions that was established in Aceh among them is the Muhammadiyah Amil Zakat Institution (LAZISMU) which is a national level institution that is dedicated to community empowerment through zakat, infaq, waqf and other generosity from individuals, institutions, companies and other agencies. The Muhammadiyah Zakat Amil Institute (LAZISMU) was founded by PP. Muhammadiyah in 2002, was subsequently confirmed by the Minister of Religion of the Republic of Indonesia as the National Amil Zakat Institution through Decree No. 457/21 November 2002.

LITERATURE REVIEW

Amil Zakat Institution (LAZ)

The Amil Zakat Institution is a zakat management institution that was fully formed on the initiative of the community and by the community engaged in da'wah, education, social and benefit of Muslims. The Amil Zakat Institution is confirmed, fostered and protected by the government. LAZ inauguration is carried out by the government at the suggestion of LAZ that has met the requirements. The inauguration is carried out after first conducting a requirements study. Inauguration can be cancelled if the LAZ no longer meets the requirements.

After obtaining the inauguration of the Amil Zakat Institution (LAZ) they have the following obligations:

1. Immediately carry out activities according to the work program that has been made.
2. Prepare reports including financial reports.
3. Publish audited financial reports through the mass media.
4. Submit a report to the government.

There are three special Characteristics which distinguishes *the Amil Zakat Institution* (LAZ) from non-profit organizations others, namely:

1. Bound by the rules and principles of Islamic *sharia*. This is inseparable from the existence of funds which are the main source *of the Amil Zakat Institution* (LAZ) which has been regulated in the Al-Qur'an and hadith.
2. Sources of funds are *zakat, infaq, shadaqah and endowment funds*.
3. Usually has a *Syari'ah Council* in its organizational structure.

The concept of Zakat, Infak and Sadaqah **Zakat**

Zakat is a mandatory worship carried out by a Muslim by setting aside a portion of his assets to be handed over to people who are entitled to receive it according to sharia provisions. The person who pays zakat is called muzakki while the recipient is called mustahiq.

Infak and Sadaqah

Infak according to syara' is to spend part of the assets or income/income for an interest that is commanded by Islamic teachings (Wahyuddin, 2006). Sadaqah in Islamic law has the same meaning as infak, but in terms of scope it is different, if infak is more towards material understanding, while alms has a broader scope regarding matters that are material and immaterial (Wahyuddin, 2006).

Amil Zakat Financial Report Components

In accordance with PSAK 109, the components of a complete financial report from Amil consist of:

1. Statement of Financial Position. Amil entities present items in the balance sheet (statement of financial position) by taking into account the provisions in the relevant PSAK, which include, but are not limited to:
 - i. Asset
 - Cash and cash equivalents
 - Financial instruments
 - accounts receivable
 - Fixed assets and accumulated depreciation
 - ii. Obligation

- Accrued cost
 - Employee benefit obligations
 - iii. Fund balance
 - Zakat Fund
 - Infaq/alms fund
 - Amil fund
 - Non-halal funds
2. Report on changes in funds. Amil presents reports on changes in zakat funds, infaq/alms funds, and amil funds. Presentation of a report on changes in funds includes, but is not limited to the following items:
- i. Zakat Fund
 - Receipt of zakat funds
 - ii. Distribution of zakat funds
 - Amil
 - Mustahiq
 - iii. Initial balance of zakat funds
 - iv. Final balance of zakat funds
 - v. Infaq/alms fund
 - Receipt of infaq/alms funds:
 - o Bonded infaq/alms (muqayyadah)
 - o Infaq / alms are not bound (mutlaqah)
 - Distribution of infaq/alms funds:
 - o Bonded infaq/alms (muqayyadah)
 - o Infaq / alms are not bound (mutlaqah)
 - The initial balance of infaq/alms funds
 - Final balance of infaq/alms funds
 - vi. Amil Fund
 - Receipt of amil funds:
 - The amil portion of the zakat fund
 - The amil portion of the infaq/alms fund
 - Another reception
 - Use of amil funds
 - Amil fund initial balance.
 - Amil fund ending balance.
3. Report on changes in assets under management. Amil presents a report on changes in assets under management which includes, but is not limited to:
- i. Assets under management which include current assets and accumulated allowances.
 - ii. Assets under management which include non-current assets and accumulated depreciation.
 - iii. Addition and subtraction
 - iv. Beginning balance
 - v. Ending balance
4. Cash flow statement. Amil presents a statement of cash flows in accordance with PSAK 2:
- i. statement of cash flows and the relevant PSAK. A cash flow statement is a report that describes cash inflows and cash outflows for a certain period. The purpose of preparing this report is to present information regarding the organization's cash receipts and disbursements in a certain period

which is divided into three, namely cash flows from operating activities, from investing activities, and from financing activities.

5. Notes to Financial Statements. Amil presents notes to financial statements in accordance with PSAK 101: presentation of Islamic Financial Statements and relevant SAK.

RESEARCH METHODS

Research sites

This research was conducted at the Representative Office of the Amil Zakat Muhammadiyah Institute (LAZISMU) Aceh which is located at Jl. KHA Dahlan No. 7 Banda Aceh. Telephone 0651-24840.

Types of research

This research uses comparative qualitative research methods, qualitative research is research that describes data by presenting words instead of summaries of numbers arranged in the form of expanded text.

Data collection technique

Interview

The interview technique is a process of interaction and communication to obtain information by asking the respondent directly. This technique is implemented to determine the internal condition of the Muhammadiyah Zakat Amil Institute (LAZISMU) in implementing PSAK 109.

Documentation

According to Sutrisno Hadi (1998:67) documentation techniques are data collection by taking data that has been recorded in documents. Documentation techniques are carried out to obtain data, collect data, study documents. PSAK Financial Report No. 109 Concerning Zakat, Infaq and Sadaqah Financial Reporting.

Data analysis method

To answer the formulation of the problem in this study, in describing and analyzing the application of PSAK No. 109 regarding the accounting of zakat, infaq and alms at the Amil Zakat Muhammadiyah Institute of the Aceh Branch, the authors used Descriptive-Comparative analysis techniques, namely describing the reality in the field and comparing with theory from existing references and draw conclusions.

Data Validation Techniques

In fulfilling the validity of the data in this study, tests were carried out using reference materials. What is meant by reference material is the existence of supporters to prove the data that has been found by researchers. (Sugiyono, 2013: 375).

RESULTS AND DISCUSSION

Confession

At LAZISMU zakat, infaq/alms are recognized when cash or non-cash assets are received. Zakat received from muzakki is recognized as an addition to zakat funds in the amount received if it is in the form of cash, and at fair value if it is in the form of non-cash. This is in accordance with PSAK 109. If the muzaki

determines the mustahik who receives zakat distribution, then there is no amil portion of the zakat received. This is also in accordance with PSAK 109.

Zakat distributed to mustahik is recognized as a deduction from zakat funds as well as infaq/alms. Funds channeled to amil are recognized as additions to amil funds. This is in accordance with PSAK 109

Presentation

LAZISMU presents reports on zakat funds, infaq/alms funds and amil funds separately in financial reports. This is in accordance with PSAK 109.

Reporting

The components of LAZISMU's financial statements to date consist of a cash flow statement, a report on changes in funds and a statement of financial position. Whereas in PSAK 109 the components of Islamic financial statements consist of a statement of financial position, a report on changes in funds, a report on changes in assets under management, a cash flow statement, and notes to financial statements.

PSAK 109 is a guideline that regulates the recognition, measurement and financial reporting. PSAK 109 regulates how a transaction is recognized or recorded, when it should be recognized, how to measure it, and how to disclose it in the financial statements. The conformity of the presentation of the financial statements of the Amil Zakat Muhammadiyah Institution with PSAK 109 can be seen in the following table:

Table 4.1 Conformity of Presentation of LAZISMU Aceh Financial Statements with PSAK 109

No	Financial Reporting according to PSAK 109	Financial Reporting at LAZISMU	
		Applied	Not Applied
1	Confession		
	Zakat receipts are recognized when cash/other assets are received	√	
	Incoming cash is recognized as additional zakat and infaq/alms funds	√	
	if in the form of cash, it is recorded at the amount received	√	
	if non-cash is recorded at fair value	√	
	Outgoing cash is recognized as a deduction from zakat and infaq/alms funds	√	
	Fee income as additional amil funds	√	
2	Presentation		
	amil presents zakat funds, infaq/alms funds and amil funds separately in financial statements.	√	
3	Disclosure		
	Zakat and infaq/alms distribution policy	√	
	Zakat and infaq/alms distribution policies for amil and non-amil mustahik	√	
	Fair value determination method	√	
	Details of the amount of distribution of funds for each mustahik	√	
	The existence of non-halal funds	√	

No	Financial Reporting according to PSAK 109	Financial Reporting at LAZISMU	
		Applied	Not Applied
4	Components of Financial Statements		
	Statement of Financial Position	√	
	Report on Changes in Funds	√	
	Report on Changes in Assets Under Management		√
	Cash flow statement	√	
	Notes to Financial Statements		√

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the results of the research that has been done, it can be concluded that:

- i. Muhammadiyah Amil Zakat, Infak/Sedekah Institutions in the aspects of measurement, presentation and disclosure have fully implemented PSAK No. 109, and continue to improve to implement PSAK 109 more perfectly.
- ii. The components of the financial statements of Amil Zakat, Infak/Sedeqah Institutions only apply a statement of financial position, a report on changes in funds and a cash flow statement, whereas in PSAK 109 the components of the financial statements for Institutions Zakat, Infak/Sedeqah consist of 2 more reports, namely a report on changes in assets under management, and notes on financial reports.

Suggestion

To the Amil Zakat, Infak/Sedekah Muhammadiyah Institutions to be able to immediately add components to financial reports which consist of reports on assets under management and notes on financial reports fund section, it is better for the management of the Muhammadiyah Amil Zakat, Infak/Sedeqah Institution (LAZISMU) to take amil rights to be included as an addition to amil funds so that there is no deficit in amil funds.

For financial reports published on the LAZISMU website, it should be published more quickly before entering the next period, so as to make it easier for those who need it.

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**VILLAGE AND GOOD BMT GOVERNANCE (FENOMENOLOGY STUDY
AT BAITUL MAL WA TAMWIL (BMT) KELOMPOK USAHA BERSAMA
(KUBE) SEJAHTERA 008 SRIKUNCORO VILLAGE CENTRAL
BENGKULU REGENCY)**

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ABSTRACT

Srikuncoro Village is one of the strategic villages in Central Bengkulu Regency. It is located close to the capital city of Bengkulu province. Apart from that, this village is also traversed by an alternative route that is directly connected to the national highway. Regarding the potential it has, in 2022, according to the Central Statistics Agency (BPS), when viewed from its status, Srikuncoro Village, Central Bengkulu Regency, is included in the category of Independent Villages that have adequate availability and access to basic services, adequate infrastructure, accessibility/transportation which is not difficult, good public services, and administration of government that is already very good. As one piece of information, in Srikuncoro Village there is also Baitul Mal Wa Tamwil (BMT) Kelompok Usaha Bersama (KUBE) Sejahtera 008. What is quite unique about this BMT is that although there are many financial institutions that are more up to date, their presence in Srikuncoro Village is still increasing. exist. As one of the proofs is the completion of the construction of a permanent office for this BMT. So based on this phenomenon, it should be suspected that the management of the Baitul Mal Wa Tamwil (BMT) Kelompok Usaha Bersama (KUBE) Sejahtera 008 leads to organizational governance based on the application of the principles of Good Corporate Governance. It will also be interesting how the principles of Good Corporate Governance are applied by this sharia-based entities. What underlies the principles of Good Corporate Governance can be implemented? Certainly, the existence of the Baitul Mal Wa Tamwil (BMT) Kelompok Usaha Bersama (KUBE) Sejahtera 008 in Srikuncoro Village, Central Bengkulu Regency can be a phenomenon that needs to be studied more deeply.

Keywords: *Village, Baitul Mal Wa Tamwil (BMT) dan Good Governance*

INTRODUCTION

Srikuncoro Village, Central Bengkulu Regency, is one of the special villages in Bengkulu Province. How could it not be, the geographical location, which is close to the Capital City of Bengkulu Province, makes Srikuncoro Village, Central Bengkulu Regency have a role and function as a buffer zone. In fact, for future predictions, these roles and functions will further develop, making Srikuncoro Village, Central Bengkulu Regency, an alternative strategic area to balance the role of Bengkulu City.

This reality certainly encourages Srikuncoro Village, Central Bengkulu Regency to have more character and quality. In order for this to be manifested, Srikuncoro Village, Central Bengkulu Regency, must utilize all its potential and

resources. As one of the potentials and resources owned by Sri Kuncoro Village is the Baitul Mal Wa Tamwil (BMT) Joint Business Group (KUBE) Prosperous 008. Even though this entity is purely owned by the community, the existence of the Baitul Mal Wa Tamwil (BMT) Group the Prosperous Joint Venture (KUBE) 008 also carries the name Sri Kuncoro Village, Central Bengkulu Regency. According to Westriningsih (2016) Baitul Mal Wa Tamwil (BMT) is an economic business entity that is democratically organized, autonomously participatory, and has a social character whose operational activities apply the principles of moral ethics and pay attention to the halal and haram of a business being carried out as taught in Islam.

Sharia cooperative business includes all business activities that are lawful, good and beneficial (*thayyib*) and profitable with a profit-sharing system without usury, gambling or obscurity (*gharar*). Apart from that, Idri (2015) explains that the purpose of Baitul Mal Wa Tamwil (BMT) is to prosper the economy of its members in accordance with Islamic norms and morals and create brotherhood and justice among members.

What's interesting about the existence of the Baitul Mal Wa Tamwil (BMT) Joint Business Group (KUBE) Prosperous 008 in Sri Kuncoro Village, Central Bengkulu Regency is regarding its durability. The spectrum of these entities is of course small, because they are only in the range of villages. Meanwhile, it is not difficult for villages to become targets for business expansion from banks and other financial institutions that are larger in terms of capital and financing. On this basis, it is necessary to know how the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village designed its durability. Of course, the closest possible assumption to answer this is related to Good Corporate Governance. Considering that Good Corporate Governance is a reference for business entities to be able to measure themselves.

If viewed from the Regulation of the state minister for State-Owned Enterprises Number: Per - 01 / Mbu / 2011, it explains that Good Corporate Governance, are the principles that underlie a process and mechanism for managing a company based on laws and regulations and business ethics. Good Corporate Governance principles include:

- i. *Transparency*, namely openness in carrying out the decision-making process and openness in disclosing material and relevant information about the company.
- ii. *Accountability*, namely the clarity of functions, implementation and accountability of the Organs so that the management of the company is carried out effectively.
- iii. *Responsibility*, namely compliance in the management of the company with laws and regulations and sound corporate principles.
- iv. *Independence*, namely a condition in which the company is managed professionally without conflict of interest and influence/pressure from any party that is not in accordance with laws and regulations and sound corporate principles.
- v. *Fairness*, namely fairness and equality in fulfilling the rights of stakeholders that arise based on agreements and laws and regulations.

Furth-ermore, the National Committee on Governance Policy (KNKG) (2011) explained that from the four SHIFAT units (Shiddiq, Fathonah, Amanah, and Tabligh) Rasulullah SAW can be derived into the Principles of Sharia Business Good Governance (GGBS) which generally apply in the business world, namely

TARIK: Transparency, Accountability, Responsibility, Independence and Fairness and Equality.

According to Miftah and Panguik (2019) that the principles adopted by Good Corporate Governance in Baitul Mal Wa Tamwil (BMT) come from 7 (seven) cooperative principles, namely:

1. *Membership is voluntary and open. Each member voluntarily provides their own capital to be combined as a joint venture based on the principle of kinship and membership is open, that is, it is open to anyone who wants to become a member of the cooperative. Cooperative membership implies that being a member of a cooperative cannot be forced by anyone. Voluntary nature also implies that a member can resign from the cooperative in accordance with the conditions specified in the cooperative's articles of association. While the nature of openness means that in membership there are no restrictions or discrimination in any form.*
2. *Management is carried out in a democratic manner, because each member of the cooperative is free of opinion, but what is meant by freedom of opinion must use clear rules based on cooperative principles as a people's economic movement based on the principle of kinship in order to realize and develop the national economy which is a joint effort based on the principle of kinship.*
3. *The distribution of the remaining operating results (SHU) is carried out fairly in accordance with the amount of business services of each member, the remaining operating results (SHU) are the services of each member and the capital of each member, so the distribution of the remaining operating results (SHU)) each member must be paid in cash because here each member is an investor for capital services, besides investors, cooperative members are service owners as customers. The rest of the results of operations (SHU) is also the right of every member of the cooperative. The distribution of the remaining business results to members is carried out not solely based on the capital owned, but also based on the balance of the members' business services to the cooperative. This provision is the embodiment of the values of kinship and justice.*
4. *Provision of remuneration is limited to capital, the provision of remuneration within cooperative members is limited by the amount of available capital. If the capital is small, the purchase remuneration is also small and vice versa, so it can be seen from the size of the member's own capital. Therefore, the remuneration for capital provided to members is also limited, and is not based solely on the amount of capital provided. What is meant by limited is reasonable in the sense that it exceeds the interest rate prevailing in the market.*
5. *Independence, each member has their own roles, duties and responsibilities for each business itself. In addition, cooperative members are required to play an active role in efforts to enhance quality and be able to manage the cooperative and the business itself.*
6. *Cooperative education, this cooperative education provides the ability of cooperative organs and members, through cooperative education efforts and member participation is highly valued and encouraged in cooperative life, besides that through cooperative education everyone can meet their individual needs.*
7. *Cooperation between cooperatives, there is a cooperative relationship between cooperatives with one another to realize and develop the national economy which is a joint effort and with cooperation between cooperatives can realize the welfare of cooperatives in Indonesia. It is very important to improve*

capabilities, broaden members' insights, and strengthen solidarity in realizing cooperative goals.

However, despite various research and explanation related to *Good Corporate Governance*, there is a more important phenomena to be researched on. The phenomena are on what separate Good Corporate Governance if implemented on the *Baitul Mal Wa Tamwil* (BMT), the *Kelompok Usaha Bersama* (KUBE), *Sejahtera 008 Desa Sri Kuncoro Kabupaten Bengkulu Tengah*? These are questions require more priority to be answered.

RESEARCH RESULT

This research was conducted using the phenomenological method. According to Hadi et al (2021), phenomenology is a philosophical approach that investigates human experience. Phenomenology means a method of thinking to acquire new knowledge or develop existing knowledge with logical, systematic, critical steps, not based on a priori/prejudice and not dogmatic.

Good BMT Governance

Dimensions of Good Corporate Governance in Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency:

- i. Democracy, for this dimension emphasizes that the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency has provided the widest possible opportunity for its members to contribute to making effective and appropriate decisions. targets at the Annual Member Meeting (RAT). Screening for aspirations is carried out at the Annual Members' Meeting (RAT), with the management first starting the collection of aspirations and brainstorming and usually responding immediately to other members of the cooperative. As for routine aspirations, they are usually related to the Remaining Results of Operations (SHU) and Profit Margin mechanisms that will apply to BMT. In addition to aspirations and suggestions, there is also acceptance of criticism from members of cooperative management, for example, regarding the amount of financing, why is it that when compared to outsiders it can provide more while Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Desa Sri Kuncoro Central Bengkulu Regency cannot.
- ii. Human Resources (HR), for this dimension emphasizes that the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency has always paid attention to the competencies, capacities and capabilities of the administrators and managers. Of course, through various training, education and experience that administrators and managers must have. Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency has a Sharia Supervisory Board (DPS) of 4 people, 3 administrators, and 3 employees. The Sharia Supervisory Board (DPS) has not yet been certified by MUI but is seen as fulfilling from a scientific point of view of fiqh regarding sharia business mechanisms. In addition, employees have always been the main focus in developing their Human Resources competencies by participating in various cooperative training programs conducted by the Provincial Government of Bengkulu, Central Bengkulu Regency. However, for the education and training, the majority are still on an unpaid basis and according to invitations from the organizers. As additional

information, Information and Technology (IT)-based work support facilities are not yet available. This is because the capital is still minimal to accommodate this. However, even though it is still manual, it can still be circumvented with the help of the Assisting Coordinator (BMT Supervisor) who especially helps to routinely make monthly BMT financial reports.

- iii. Transparency, for this dimension confirms that the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency has prioritized openness in providing various information needed by stakeholders and shareholders. BMT financial reporting is carried out routinely every month to the BMT Supervisor, the Cooperative Office of Central Bengkulu Regency and Bengkulu Province. In addition, at every Annual Member Meeting, Financial Reports are always presented to all Members.
- iv. Accountability, for this dimension confirms that the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency has prioritized accountability functions for various kinds of resources that have been used economically, efficiently and effectively. The evidence of this accountability is through a transparent financial reporting mechanism.
- v. Responsibility, for this dimension emphasizes that the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency has always managed entities that are healthy and comply with various applicable regulations. An example of this is the rules relating to savings and margin standards from the Cooperative Service which are the reference for the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency.
- vi. Independency, for this dimension confirms that Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency has been free from various kinds of influences from parties that can affect the professionalism and performance of this entity. The Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency, has several times refused capital participation and assistance that has other intentions behind this assistance which can affect the professionalism of the organization.
- vii. Fairness, for this dimension confirms that the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency has prioritized aspects of equality and justice for the common welfare and prosperity of its members. An example is in providing financing without looking at the background of the member's contribution but really looking at the ability of the cooperative's capital and the character of the customer in need.

Relationship Between Baitul Mal Wa Tamwil (BMT) Sejahtera Joint Business Group (KUBE) 008 and Sri Kuncoro Village, Central Bengkulu Regency Starting from the Underprivileged Village Survey by the Ministry of Social Affairs of the Republic of Indonesia and based on the trust from the Cooperative Service for the character and culture of the Sri Kuncoro Village community, in 2005 Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 was established with Initial Capital and Participation Capital of Rp. 225,000,000 from the Ministry of Social Affairs of the Republic of Indonesia, then added Special

Principal Savings (SIMPOKSUS) of Rp. 10,000,000 from the founders. Until 2023, the core capital owned by Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village has almost reached IDR 1,000,000,000.

The development of core capital experienced ups and downs in 2012 & 2015 due to declining agricultural commodity prices. Considering that the majority of members of the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency, are farmers.

It is acknowledged that the development of the Baitul Mal Wa Tamwil Capital (BMT) Joint Business Group (KUBE) Sejahtera 008 Desa Sri Kuncoro is categorized as slow, but this entity has good durability for its organizational management. This is due to the role of the local wisdom of the Sri Kuncoro Village Community which prioritizes family values and morality. An example is when collecting arrears of financing, the Baitul Mal Wa Tamwil (BMT) Joint Business Group (KUBE) Sejahtera 008 Sri Kuncoro Village will use a more family approach and non-repressive methods. So that through this approach it can have an impact on the emergence of trust from members and the community in the professionalism of performance and organizational management of the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Desa Sri Kuncoro.

In addition, the relationship between the Sri Kuncoro Village Government and the Baitul Mal Wa Tamwil (BMT) Sejahtera 008 Joint Business Group (KUBE) is in a good category. Even the Village Government has planned to provide Equity Participation assistance, but it is still not possible due to the large number of Village Development needs. However, as a form of mutualism symbiosis, the Baitul Mal Wa Tamwil (BMT) Joint Business Group (KUBE) Prosperous 008 also routinely provides Business Profits (SHU) to the Village Government as a form of contribution to Village Development.

CONCLUSION

The dimensions of Good Corporate Governance in the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village, Central Bengkulu Regency are in accordance with its essence. The implementation of the Good Corporate Governance Dimension can also be realized due to the role of local wisdom values owned by the people of Sri Kuncoro Village. So that with the combination of the Implementation of Good Corporate Governance Dimensions with the local wisdom values of the village community, the Baitul Mal Wa Tamwil (BMT) Prosperous Joint Business Group (KUBE) 008 Sri Kuncoro Village has the durability to always be the choice of members and related communities. fulfillment of his needs.

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**THE EFFECT OF LEVERAGE AND COMPANY SIZE ON SUKUK
RATING WITH PROFITABILITY AS AN INTERVENING VARIABLE
(EMPIRICAL STUDY ON COMPANIES ISSUING SUKUK LISTED IN
JAKARTA ISLAMIC INDEX)**

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ABSTRACT

This study aims to examine the effect of leverage and company size on sukuk rating with profitability as an intervening variable in companies issuing sukuk in 2018-2021. The sample in the companies that issue sukuk listed in the Jakarta Islamic Index 2018 – 2021 as many as 7 companies selected using the purposive sampling method. The data analysis methods used are classical assumption tests, path analysis tests and sobel tests using SPSS (Statistical Package for the Social Science) as an analytical tool. The type of data used in this study is secondary data. The results showed that Leverage affects the sukuk rating of Sukuk Issuing Companies Listed on the Jakarta Islamic Index with a beta coefficient (β) of -0.048. Company size affects the sukuk rating of Sukuk Issuing Companies Listed in the Jakarta Islamic Index with a beta coefficient (β) of 1.937. Leverage affects profitability in Sukuk Issuing Companies Listed on the Jakarta Islamic Index with a beta coefficient (β) of 0.078. Company size affects profitability In Sukuk Issuing Companies Listed on the Jakarta Islamic Index with a beta coefficient (β) of 0.632.. Profitability affects the sukuk rating on Sukuk Issuing Companies Listed on the Jakarta Islamic Index with a beta coefficient (β) of 0.033. Leverage can mediate sukuk ratings through profitability In Sukuk Issuing Companies Listed on the Jakarta Islamic Index with a calculated t value of 16.7091. Company size cannot mediate sukuk rating through profitability In Companies Issuing Sukuk Listed in the Jakarta Islamic Index with a calculated t value of 0.0746. The conclusion in this study is that leverage and company size affect sukuk rating. Leverage and company size affect profitability. Profitability affects sukuk rating. Leverage affects the rating of sukuk through profitability. The size of the company has no effect on the sukuk rating through profitability.

Keywords: *Leverage, Company size, Sukuk rating, Profitability*

INTRODUCTION

Referring to the fatwa of the national sharia council no. 32/DSN-MUI/IX/2002 Sukuk or sharia bonds are long-term securities based on sharia principles issued by issuers to sharia bondholders who require issuers to pay income to sharia bondholders in the form of profit sharing / margin / fees and pay back bond funds at maturity. Sukuk is a security in the form of asset securitization that meets the principles of sharia principles in the capital market.

According to Sangga, A (2018) Sukuk rating or sukuk rating is given to sukuk which will be issued based on the capital market authority. The Sukuk is required to have a rating when it is declared that it can be issued and sold to the capital market. Sukuk rating is a standardization provided by rating agencies that reflects the ability of sukuk issuers and their willingness to pay agreed obligations.

In Indonesia, bonds are rated by PT. PEFINDO which was established on December 21, 1993 and PT. KASNIC Creding Rating. All sukuk that have been issued must be given a rating or rating so that investors can know and approximately how much risk will be borne. However, in reality, bonds that have a good rating, for example AAA, do not guarantee that they will run smoothly in paying them off, so this rating is only a reference for investors based on significant risk elements in calculating sukuk.

The Jakarta Islamic Index (JII) divides sukuk ratings into two categories, investment grade and non-investment grade. Investment grade sukuk is a sukuk that has low credit risk so that it has a high rating. Generally, those classified as investment grade have sukuk ratings: AAA, AA, A and BBB, while non-investment grade is a sukuk rating that has high credit risk so that it has a low rating. Those classified as non-investment grade have sukuk ratings: BB, B, CCC, and D. Generally, negative signs (-) and positive (+) are added to inform their relative strength.

According to February, S. (2016) the leverage ratio is a ratio that describes how much proportion of debt is used for company investment compared to own capital. This ratio measures how much of a company's investment is funded with debt. The use of large debts will indicate that the company's financial condition is not good so that the company will have difficulty in paying off overdue loan loans so that the company's ability to pay off its obligations is lower.

The second factor is Company Size, Company Size is one of the measuring devices that shows the size of the company. The size of the company can be measured using total assets, sales and equity. The size of the company has more risk than small companies. The assets owned by the company are relatively more bearish in number so that these assets can be used to guarantee paying sukuk. Therefore, large companies are assumed to have the ability to pay off sukuk obligations so that the sukuk rating becomes better (Nuridah, S 2022).

The last factor is Profitability, Profitability is a fundamental aspect of the company, this is because in addition to providing attractiveness for investors who want to invest also as a measure of efficiency and effectiveness of using all existing resources in the company's operating process. Profitability Ratio is a ratio used to measure the company's ability to earn profits by utilizing all the company's capabilities. (Risiyati, N2022).

Profitability is the company's ability to earn profits / profits in relation to sales, total assets and own capital, Profitability is a ratio to assess how much the company's ability to make a profit in a certain period.

LITERATURE REVIEW

The first study by February (2016) entitled the effect of profitability ratio, liquidity ratio, leverage ratio and interest income on corporate sukuk rating for the period 2010-2013 This study aims to provide empirical evidence on the factors affecting corporate sukuk ratings in Indonesia. This study examines the role of financial ratios which include profitability ratio, liquidity ratio, leverage ratio, and interest income from the company. This research method uses purposive sampling, with the following criteria: 1) the company has an annual report 2010-2013, 2) the company at the time to publish the annual report, 3) the company's Sukuk rating, published from PT. PEFINDO 2010-2013. This study used ordinal logistic regression (PLUM) to test the hypothesis. The results of this study showed a significant leverage ratio of 5% and the liquidity ratio had a significant effect on sukuk rating. And a significant 10%, profitability ratio and

interest income have a significant effect on sukuk rating. Simultaneously, the variables have a significant effect on the prediction of sukuk rank.

The first research was conducted by Adi Wira Pinanditha et al (2016) with the title The Effect of Profitability, Solvency Ratio, Company Size and Auditor Reputation on Bond Ratings in the Banking Sector periode 2012-2015. The population of this study is banking companies listed on the Indonesia Stock Exchange for the period 2012-2015 totaling 54 companies. The sampling technique used was purposive sampling, so that 18 samples of banking sector companies were obtained. The data collection method used in this study was non-participant observation. The data needed in this study is observational data obtained from www.idx.co.id. The data analysis technique used is a logistic regression analysis test with the help of the SPSS 13 for windows application. The results of the analysis show that partially profitability and solvency ratio have a significant negative effect on bond ratings, company size has a significant positive effect on bond ratings, and auditor reputation has a significant negative effect on bond ratings.

Furthermore, research from Kusumo, C. Y et al (2018). With the title the effect of working capital turnover, company size, and diversification on profitability (Study on food and beverage companies listed on the IDX for the period 2013–2016). The data used in this study is secondary data obtained from the www.idx.co.id site. Sample selection using purposive sampling, there were 16 companies registered in the food and beverage sector but only 14 companies were selected, the other 2 were not eligible to be sampled. This study used multiple linear regression analysis model. The results showed that working capital turnover did not have a significant effect on profitability. However, the size of the company and diversification have a significant effect on the direction of the positive relationship to profitability. While simultaneously working capital turnover, company size and diversification have a significant effect on profitability.

Then a study by Ka'a, D et al (2020) entitled The Effect of Profitability Ratio, Liquidity Ratio, and Company Size on Sukuk Rating. This study was conducted to analyze and determine the effect of profitability ratio, liquidity ratio, and company size on sukuk rating. The research was conducted based on companies engaged in the financial sector and non-financial sector listed on the Indonesia Stock Exchange and included in the rating conducted by PT Pefindo for the 2014-2018 period. A total of 70 samples were selected using the purposive sampling method. The source of data in this study is secondary data in the form of the company's annual financial statements. The data analysis methods used are multiple linear regression analysis and hypothesis testing. The results of the study partially and simultaneously show that profitability ratio, liquidity ratio, and company size have an influence on sukuk rating.

Relationship Between Leverage And Sukuk Rating

According to February, S. (2016) The leverage ratio is a ratio that describes how much the proportion of debt used for company investment compared to own capital. The use of large debts will indicate that the company's financial condition is not good so that the company will have difficulty in paying off maturing loan loans so that the company's ability to pay off its obligations is getting lower.

Relationship Between Company Size and Sukuk Rating

According to Lestari, B.I (2021) company size is a measurement of the size of the company. A large company indicates that the company has a large amount of assets and sales so that it will have the potential to generate greater profits, then the company is able to pay its obligations so that the risk of default of small companies and will result in the company's sukuk rating increasing. The size of the company has a significant positive effect on the sukuk rating.

Relationship Between Leverage and Profitability

Large leverage will result in greater financial obligations that must be fulfilled by the company. This will have an impact on declining profitability because some of its revenue is used to pay debts and interest. A high level of profitability may indicate the company's ability to go concern and repay obligations.

Relationship Between Company Size and Profitability

The size of the company is a measurement of the size of the company. The size of the company can be measured using total assets, sales and equity. Larger companies usually have better access to resources and capital such as loans or stock issuances. Greater access can increase long-keep profitability.

Relationship Between Profitability and Sukuk Rating

ROA is one ratio that shows the company's financial performance or the company's ability to use all the assets it has to generate optimal profits. This can affect the rating of the sukuk to be higher which in turn can increase the attractiveness of the sukuk investment for investors.

Relationship Between Leverage and Sukuk Rating Through Profitability

In the explanation above, it says that large leverage will result in greater financial obligations that must be fulfilled by the company. This will have an impact on declining profitability because some of its revenue is used to pay debts and interest. So, in this study which discusses the effect of profitability as a mediating indirect relationship between leverage and sukuk rating in researchers who found from various sources.

The Relationship Between Company Size and Sukuk Rating through Profitability

The size of a company can affects a company's profitability (ROA) assuming that as the size of the company increases or total assets, it is easy to access more financial resources leading to lower cost of capital and higher profits. With the high profit received by the company, the company is able to pay off its obligations.

Based on Signal Theory shows how a company can signal to all users in financial statements. Signal theory explains that signaling is done by administrators to reduce information asymmetries that occur when investors receive the right information to explain the true state of the company. Company information is very influential for investors because it can provide an overview of the company's current and future health. (Anatasya Arasi, 2020).

The relationship between signaling theory and sukuk rating is that a good sukuk rating can be a positive signal and vice versa a bad sukuk rating can be a negative signal, this is due to investor motivation.

CONCLUSION

Based on the results of the analysis of test data that has been carried out on the problems that have been formulated in the research hypothesis, the following conclusions can be drawn:

1. Leverage has a negative and significant effect on the sukuk rating of companies issuing sukuk in 2018-2021.
2. Company size has a positive and significant effect on the sukuk rating of companies issuing sukuk in 2018-2021.
3. Leverage has a positive and significant effect on profitability. in companies that issued sukuk in 2018-2021.
4. Company size has a positive and significant effect on profitability in companies issuing sukuk in 2018-2021.
5. Profitability has a positive and significant effect on the sukuk rating of companies issuing sukuk in 2018-2021.
6. Leverage affects sukuk rating through profitability in companies issuing sukuk in 2018-2021.
7. Company size does not affect the sukuk rating through Profitability in companies that issue sukuk in 2018-2021.

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THE DETERMINANT OF DEBT BASED FINANCING VOLUME ISLAMIC BANKS IN INDONESIA

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ABSTRACT

The purpose of this study is to determine the impact of Cost Efficient (Operational Cost Efficiency Ratio), Profitability (ROA), and Inflation (INFL) on Debt Financing (MRF) Islamic Bank in Indonesia. The population under study consisted of Islamic banks registered with the Indonesian Financial Services Authority (OJK). This study's sample consists of 14 institutions that were chosen using a method of purposive sampling. The relationship between financial performance and Debt Financing or Sale-Purchase (SP) Financing was examined using a panel data approach. In addition, monthly Islamic bank data from 2018 through 2022 was analyzed using multiple regression. This research indicates that Cost Efficiency and ROA have a positive impact on MRF. In contrast, INFL have a negative effect on MRF.

Keywords: *Cost Efficiency, Profitability, Interest, Inflation, Debt Financing, Islamic Bank.*

INTRODUCTION

The growth in Islamic banking financing, which reached IDR 508.08 trillion in 2022, an increase of 19.93% compared to 2021, demonstrates that the development of Islamic banking in Indonesia is becoming increasingly favourable. In periodic reports published by the Financial Services Authority, it is noted that consumption-based financing continues to dominate Islamic bank financing, with total financing reaching IDR 261.62 trillion, an increase of 23.35 percent year-over-year. Working capital financing grew, but not as quickly as consumption-based financing, which increased 11.28% yoy to 131.28 trillion Rp, while investment financing increased 23.15% yoy to 113.04% (Asmaasyi, 2023; Financial Services Authority, 2023).

The doubling of Murabahah financing compared to other categories of financing in Islamic banking is directly attributable to the increasing needs of the community in Indonesia following the COVID-19 pandemic (Ilhami & Thamrin, 2021). In addition, Murabahah financing has gained popularity in the community as a result of the perception that its operational scheme is straightforward to comprehend and implement, similar to credit schemes in conventional institutions (Wiroso, 2005). Murabahah is a contract of sale and purchase of certain goods, where the seller clearly states the goods being traded, including the purchase price of the goods to the buyer, then he requires a certain amount of profit or profit. Another opinion states that Murabahah is a form of sale and purchase that must be subject to the general legal rules of sale and purchase applicable in Muamalah Islam (Manangin et al., 2020).

Numerous studies have investigated the determinants of Murabahah financing, particularly in Indonesian banking. Cost efficiencys, ROA, which are internal factors derived from the performance of Islamic banks, and inflation,

which are external factors derived from government policies, influence the level of murabahah financing in Islamic banks (Ekawati & Shofawati, 2019; Febrianti & Rani, 2022; Hayati & Hasibuan, 2021; Mauluddi et al., 2020).

This study aims to examine the factors influencing the murabahah margin rate of Islamic Commercial Banks in Indonesia, particularly for the period 2018-2022. Using data from the Financial Services Authority from 2018 to 2022, this article will analyze the impact of Cost Efficiency, ROA, and Inflation on Islamic banking debt financing in Indonesia.

HYPOTHESIS DEVELOPMENT

H₁: Cost Efficiency has a positive effect in Debt Financing

Costs incurred by a bank in order to obtain funds from third parties are known as operating expenses (Fahmi, 2018). The lower the cost efficiencies, the more efficiently the bank spends money, and the more effectively the bank manager fulfils his regulatory and managerial responsibilities (Mustikawati & Fikri, 2021).

H₂: Return on Asset has a positive effect in Debt Financing

ROA is a measure of the efficiency with which a bank manages funds to generate profits (Fahmi, 2018). Therefore, upper management always uses ROA to improve the numerous business units of a multinational business entity. If a company's ROA value is high, the company's performance in generating profits is superior. However, if the company's ROA value is low, the company's performance will not be satisfactory. (Putri & Wirman, 2021).

H₃: Inflation has a negative effect in Debt Financing

Inflation is the condition in which the prices of certain products increase. This condition occurs when the value of the rupiah decreases, resulting in an increase in the cost of products (Sukirno, 2011). The relationship between inflation theory and murabaha margin income is that inflation causes an increase in commodity prices, which in turn influences the decline in murabaha interest (Mustikawati & Fikri, 2021; Sukirno, 2011).

METHOD

This type of research is associative research with quantitative methods. Associative research aims to determine the influence or relationship between two or more variables (Sugiyono, 2017). The population in this study are Islamic banks in Indonesia that have been listed on the Financial Services Authority for the period 2018 -2022. The relationship between financial performance and Debt Financing or Sale-Purchase (SP) Financing was examined using a panel data approach. In addition, monthly Islamic bank data from January 2018 through December 2022 was analyzed using multiple regression using Eviews 12.

RESEARCH RESULT

Panel Data Regression Analysis

Table 1. Fixed Effect Method

Dependent Variable: MURABAHAH
 Method: Least Squares
 Date: 06/01/23 Time: 21:16
 Sample: 1 5
 Included observations: 5

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BOPO	11415.17	7341.819	1.554815	0.03639
ROA	98534.06	67279.54	1.464547	0.03814
INFLASI	-20764.66	12996.19	-1.597749	0.03560
C	10959.80	7000.592	1.565553	0.03619
R-squared	0.932259	Mean dependent var		187.1284
Adjusted R-squared	0.929038	S.D. dependent var		27.42500
S.E. of regression	14.27582	Akaike info criterion		8.145573
Sum squared resid	203.7990	Schwarz criterion		7.833124
Log likelihood	-16.36393	Hannan-Quinn criter.		7.306989
F-statistic	4.587400	Durbin-Watson stat		2.754373
Prob(F-statistic)	0.327606			

Based on table 1 the equality form of determinant of debt financing in Islamic Banks in Indonesia is as follows:

$$Y = \beta_0 + \beta_1 \text{ Cost Efficiency} + \beta_2 \text{ ROA} + \beta_3 \text{ Inflation} + e$$

$$Y = 10959.80 + 11415.17 \text{ Cost Efficiency} + 98534.06 \text{ ROA} - 20764.66 \text{ Inflation}$$

From Table 1 see value Adjusted R-Square formed in this study amounted to 0.929038 which indicates that the ability of the independent variable (Cost Efficiency, Return on Assets and Inflation) in explaining the dependent variable (Debt Financing/ Murabahah) is 92.90%, while the remaining 1.81% is explained from other variables not included in this study. The significance value of the independent variable is below 0.05 so it can be concluded that the independent variable has an effect on the dependent variable. Then H₀ rejected or H_a accepted, so it can be concluded that the hypothesis H_a received.

The test results of Each variable can be explained as follows:

H₁: Cost Efficiency has a positive effect in Debt Financing

Based on the results of the partial test (t test) it can be interpreted that Cost Efficiency has a positive effect on Debt Financing in Islamic Banks, indicated by

a significance value of $0.036 < 0.05$, while the coefficient value is 11415.17. Then H_0 rejected and H_a accepted, so it can be concluded that the hypothesis that Cost Efficiency has an effect in Debt Financing or H_1 received.

Cost Efficiency have a positive effect on murabahah margin income, so any increase in cost efficiencys will result in a rise in murabahah margin income (Fahmi, 2018; Mustikawati & Fikri, 2021). In accordance with the murabaha theory, it is permissible to charge fees in order to facilitate banking operations. The greater the operational costs incurred, the higher the murabahah margin income as a result of the higher cost of murabahah financing (Karim, 2007). This study is in line with previous research conducted by several studies such as (Musaroh et al., 2020; Mustikawati & Fikri, 2021; Vini et al., 2021) about the effect of cost efficiency on debt financing or Murabahah in Islamic Bank especially in Indonesia.

H₂: Return on Asset has a positive effect in Debt Financing

Based on the results of the partial test (t test) it can be interpreted that Return on Asset (ROA) has a positive effect on Debt Financing in Islamic Banks, indicated by a significance value of $0.038 < 0.05$, while the coefficient value is 98534.06. Then H_0 rejected and H_a accepted, so it can be concluded that the hypothesis that Return on Asset (ROA) has an effect in Debt Financing or H_2 received.

Increasing ROA indicates an increase in the percentage of *murabaha* financing, as well as a decrease in both *mudharabah* and *musharaka* financing (Sudarsono et al., 2021). Therefore, Islamic banks tend to be more conservative in channeling financing. This study is in line with previous research conducted by several studies such as (Ilhami & Thamrin, 2021; Putri & Wirman, 2021; Sudarsono et al., 2021) about the effect of ROA on debt financing or Murabahah in Islamic Bank especially in Indonesia.

H₃: Inflation has a negative effect in Debt Financing

Based on the results of the partial test (t test) it can be interpreted that Inflation has a negative effect on Debt Financing in Islamic Banks, indicated by a significance value of $0.035 < 0.05$, while the coefficient value is -20764.66. Then H_0 rejected and H_a accepted, so it can be concluded that the hypothesis that Inflation has an effect in Debt Financing or H_3 received although the effect was negative.

According to Fisher's quantity theory (1911), if the amount of money circulating in a society exceeds the number of products and services available, then inflation can occur (Sukirno, 2011). People will prioritize their daily requirements (transactions) over investing their money in banks for financing (making a profit) (Yanti & Khotimah, 2022). Obviously, this has a significant impact on the total financing that Islamic banks can do. This study is in line with previous research conducted by several studies such as (Azka et al., 2018; Musaroh et al., 2020; Sudarsono et al., 2021) about about the negative effect of inflation on debt financing or Murabahah in Islamic Bank especially in Indonesia.

CONCLUSION

Based on this research, it can be concluded that Cost Efficiency and ROA are the independent variables that have a positive impact on non-performing financing, whereas inflation has a negative effect on murabaha financing. Based on the variables that influence debt financing, the government and banking

institutions must pay greater attention and maintain stability to ensure that the risk of non-performing financing remains in line with the expected calculations. In order for future research to be more comprehensive, it is suggested that macroeconomic variables, such as GDP and exchange rates, and internal variables, such as company size, FDR, and NPF, be added to the independent variables that analyze non-performing financing.

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ANALYSIS OF ISLAMIC SOCIAL REPORTING DISCLOSURE INDICATORS IN ISLAMIC BANKING

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ABSTRACT

This study aims to analyze the disclosure indicators of Islamic Social Reporting in Islamic banking in Indonesia. The research method used in this study is a quantitative-descriptive approach. The population in this study is Islamic banking sector companies in Indonesia. The sampling method in this study used nonprobability sampling with purposive sampling technique and obtained 29 Islamic banks in Indonesia. The data used is secondary data obtained from annual reports of Islamic banking. The results found that the product and service indicators were the highest disclosure in 2019 and the environmental indicator was the indicator with the lowest level of disclosure in 2021.

Keyword: *Islamic Social Reporting Disclosure Indicators; Islamic Banking*

INTRODUCTION

Islamic financial institutions, such as Islamic banking in Indonesia, are increasing. Islamic banking is a financial sector that is important to economic growth. Economic activities that have existed since the Prophet Muhammad SAW are still experiencing development from time to time. Since the issuance of Law No. 21 of 2008 concerning Islamic Banking, there has been an even faster growth spurt. The Ministry of Religion of the Republic of Indonesia, at the end of 2022, recorded data that as many as 276,534,400 people embraced Islam, or around 87% compared to other religions. As a country with the largest Muslim population, Indonesia deserves huge potential for expanding Sharia banking products. However, the development of Islamic banking still needs to catch up to the development of conventional banks.

Simultaneously the increase in public demand for Sharia banking services or products has stimulated the growth of the number of Sharia banks in Indonesia. Based on the Indonesian Sharia Financial Development Report (LPKSI) issued by the Financial Services Authority (OJK), from 2019-2021, Islamic banking institutions experienced fluctuating growth; they believe that the number of Sharia Business Entities (BUS) will decrease in 2021 by two banks. This happened because, on January 27, 2021, there was a merger of 3 banks, in contrast to the Sharia Business Units (UUS) and Sharia People's Financing Banks (BPRS), which experienced an increase in the number of each by one bank from the previous year, namely in 2020. Growth also occurred in the number of Islamic banking offices, BUS, UUS, and BPRS each year.

Sharia principles require Islamic banking to operate under the Al-Quran and Hadith guidelines. Therefore, Islamic banking must provide religious information, including transparency in disclosing social responsibility to the environment (Suryadi & Lestari, 2018). Disclosure of good information and transparency is crucial in creating trust and maintaining good relations between Islamic banks and external and internal stakeholders. Muslims believe that it is

important that disclosures can be presented under Sharia principles to achieve spiritual satisfaction.

The company's attention to the environment and society, both internally and externally, is known as Corporate Social Responsibility (CSR). (Umiyati & Danis Baiquni, 2018). Currently, the CSR index is used to measure CSR disclosure. However, this index is considered unable to represent Sharia disclosure due to a lack of spiritual considerations, which can further interfere with judgment in decision-making for a Muslim. In connection with fulfilling demands for interested parties in which Islam is the principle they believe, disclosure can be made through information presented in annual reports (annual reports) with the concept of Islamic Social Reporting (ISR). ISR is a concept based on Islamic principles implemented in the form of responsibility, where the first is to Allah SWT as the owner of the universe, the second is to fellow human beings, and the third is to the environment. (Utami et al., 2022).

In Indonesia, the practice of disclosing Islamic Social Reporting (ISR) in Sharia companies has yet to show much development. Research conducted by Prihatiningtias et al. (2022) stated that companies that are members of the Jakarta Islamic Index (JII) show an ISR disclosure rate in Indonesia of 69% from 2016-2018. It can be assessed that ISR disclosure is not high enough, possibly because ISR is still voluntary and there is still a lack of company awareness to provide information breadth for stakeholders, especially Muslims. Islamic Social Reporting (ISR), which is still voluntary in its implementation, makes disclosures different for each company.

Disclosure of Islamic Social Reporting is important for Islamic banking and investors because it can help understand how financial entities manage assets that can affect society and the environment.

Theoretical Basis

Disclosure

In accounting terms, disclosure means presenting and disclosing a company's financial statements. Disclosure in the financial reporting process is an analysis of the activity model to summarize, organize, and reveal the interrelationships between activities and to see a site image or map of the company (Mais & Alawiyah, 2020). Disclosure is divided into two types, namely the first mandatory disclosure (Mandatory disclosure) means disclosure required by applicable standards and is coercive. Second, voluntary disclosure is voluntary without the demands of existing regulations or standards.

Islamic Social Reporting (ISR)

Islamic Social Reporting (ISR) was first coined in 2002 by Roszaini Haniffa in her journal work entitled "Social Reporting Disclosure: An Islamic Perspective," which is a development of the Sharia framework (The sharia framework) which was previously initiated by Haniffa and Hudaib (2002), in where this sharia concept is the basic reference for the formation of a comprehensive ISR. Rohana Othman, and Azlan Md, further developed Islamic Social Reporting Thani and Erlane K. Ghani in 2009 in Malaysia. From the Sharia framework, material, moral, and spiritual aspects will be produced in the company's ISR index.

According to Haniffa, Islamic Social Reporting is an extension of social reporting, which is not only in the form of people's expectations of the company's role in the economy but is related to a spiritual perspective. The obligation to tell

the truth, is an important point in Islam and applies to every business and individual (Amyulianthy et al., 2020). Al-Quran explains this obligation in QS. Al-Baqarah Verse 42 means, "And do not mix the truth with falsehood and (do not) hide the truth, while you know it." God does not need people or effort to show Him what has been done. Because God already knows what humans are doing, are doing, and will be doing in the future. However, because accountability to God implies accountability to society, the obligation to reveal the truth is to others and God. Therefore, accountability and transparency are important elements in Islamic Social Reporting.

Disclosure of Islamic Social Reporting is measured using the ISR Index. The ISR index is an item in the disclosure used as an indicator for reporting social performance in Sharia entities (Mais & Alawiyah, 2020). Haniffa compiled five disclosure themes for the ISR Index, which was developed by Othman et al. by adding one disclosure theme. The ISR disclosure theme is as follows:

i. Funding and Investment

This item includes indicators related to sources of funds for investment and financing activities that are free from elements of usury, gharar, and transactions that Islam forbids, as well as items regarding organizational policies for dealing with problem customers.

ii. Products and Services

Friends of products and services consist of items related to environmental issues, which are disclosures of customer complaints, the halalness of the products, and details of each product offered.

iii. Employee

The indicators for this item include worker characteristics, education and training, and equal opportunity based on Islamic principles.

iv. Community Social

The community theme is closely related to social responsibility—these community social items such as sadaqah, waqaf, qard hassan, and other charitable activities.

v. Environment

Items on this theme are related to emphasizing the principles of balance, simplicity, and responsibility in protecting the environment.

vi. Corporate governance

This theme contains all disclosure items related to illicit transactions.

RESEARCH METHODS

In this research, the object is the disclosure of Islamic Social Reporting. Then the subject of this research is Islamic banking in Indonesia for the 2019-2021 period. The method used is a quantitative-descriptive approach. The population determined is 14 Islamic Commercial Banks (BUS) and 21 Islamic Business Units (UUS) in Indonesia for 2019-2021. In this study, sampling using nonprobability sampling with a purposive sampling technique. So that 29 samples of Islamic banking, or 87 samples, were obtained during the observation year 2019-2021.

The method content analysis measures the disclosure of Islamic Social Reporting. The ISR index consists of 6 themes that serve as measurement indicators: funding and investment, products and services, employees, social

society, environment, and corporate governance. The indicators were developed into 60 question items (Abadi et al., 2020). The scoring method is assessed with the following conditions:

- Score 0 for each item that is not disclosed
- Score 1 for each item disclosed

RESULTS AND DISCUSSION

Table 1 below is the result of measuring the disclosure of Islamic Social Reporting based on the indicators of each theme in Islamic banking in Indonesia for the 2019-2021 period.

Table 1. Results of Measurement of Disclosure Indicators of ISR in Indonesia

Indicator	Year	MIN (%)	MAX (%)	AVRG (%)
Funding and investment	2019	50	100	85.06
	2020	50	100	85,63
	2021	50	100	87.93
Products and services	2019	66,67	100	88.51
	2020	33,33	100	87,36
	2021	66,67	100	86,21
Employee	2019	38,46	92.31	72,15
	2020	30,77	92.31	72,41
	2021	46,15	92.31	69.50
Community Social	2019	18,18	100	67,40
	2020	27,27	100	68,34
	2021	9.09	100	67.08
Environment	2019	0	100	67,59
	2020	0	100	70,34
	2021	0	100	47,59
Corporate governance	2019	50	95.45	80.09
	2020	54.55	95.45	81.50
	2021	50	90,91	81.50

Based on table 1, the results of the research analysis on Islamic Social Reporting disclosure indicators in Islamic banking in Indonesia are as follows.

Funding and Investment Indicators

The average indicator for disclosing funding and investment in Islamic banking in Indonesia from 2019-2020 has increased, although not significantly. In 2021 the disclosure of this indicator is 87.93%. This disclosure can be considered quite high, meaning that most Islamic banks have disclosed activities related to investment and financing that are free from elements of usury, gharar, and transactions that are forbidden by Islam, the information of which is presented in the entity's annual report.

There are many Islamic banks that have disclosed funding and investment indicators above average or even in full; there are also Islamic banks that have a low level of disclosure, namely in 2019, PT BPD Jambi and PT BPD Kalimantan Barat only reached 50%. In 2020, with the same achievement, there will be an increase in the number of sharia banks with the lowest disclosure, namely PT BPD DKI and the two banks in the previous year. Then in 2021, PT BPD Jambi

will come out of the lowest disclosure list, and the two banks in the previous year are still included in the lowest disclosure.

Product and Service Indicators

In terms of product and service indicators, the average consistent disclosure has decreased from 2019-2021 by 88.51%, 87.36%, and 86.21%, respectively. The lowest indicator disclosure occurred in 2020, which was achieved by PT BPD Sumatera Barat (PT. Bank Nagari) at 33.33%, meaning that the bank is still low in disclosing information in its reports regarding products and services, both product halalness or information regarding details of each the resulting product.

Employee Indicator

This employee indicator requires a lot of companies to disclose related to the rights that can be received by employees. When viewed from the measurement results, this indicator has not yet achieved full disclosure from 2019-2021. The highest disclosure of 92.31% is consistent every year, and the lowest disclosure occurs in 2020 at 30.77%, namely at PT BPD DKI. This low disclosure is because banks have not disclosed information in their annual reports regarding the rights of employees, such as education and training activities, or in a sharia perspective related to worship facilities to religious activities.

Community Social Indicators

Disclosure of Islamic Social Reporting on social indicators has decreased on average in 2021 by 67.08% from the previous year of 68.34%. However, on this indicator, many Sharia banks have disclosed it in full. On the other hand, in 2021, the disclosure of community social indicators will be in Islamic banking, which only reaches a disclosure level of 9.09%, namely PT. Bank Aladin Syariah, which is considered very low compared to other banking disclosure levels. The low disclosure of this indicator by PT. Bank Aladin Syariah is caused by banks not disclosing information related to sadaqah, endowments, and assistance or donations to the community.

Environmental Indicators

As seen in Table 1, the results of measuring environmental indicators of Islamic Social Reporting show a fluctuating level of disclosure. In 2019 disclosure of environmental indicators was 67.59%, then it rose in 2020 to 70.34% and dropped significantly in 2021 to 47.59%. This indicator has been fully disclosed by most Islamic banks, but it is very unfortunate that there are Islamic banks that still do not disclose 0% every year. In 2019 there were 4 banks that had not disclosed, namely PT. Bank Victoria Syariah, PT. Bank Jabar Banten Syariah, PT Bank Danamon Indonesia, Tbk, and PT BPD Jambi. In 2020, there are 3 banks with a 0% disclosure level, namely PT. Bank Victoria Syariah, PT Bank Danamon Indonesia, Tbk, and PT BPD Jambi. However, the number of banks with a 0% disclosure level on environmental indicators will jump in 2021 to 7 banks consisting of PT. Bank Syariah Bukopin, PT Bank Danamon Indonesia, Tbk, PT Bank Permata, Tbk, PT BPD Jawa Tengah, PT BPD Jawa Timur, Tbk, PT BPD Sumatera Utara, dan PT BPD Jambi.

Islamic banking has a disclosure level of environmental indicators of 0% because banks have not disclosed information related to the environment, including conservation activities, waste management, as well as proper education and management.

Corporate Governance Indicators

The average disclosure on corporate governance indicators based on table 1 above looks stable every year. However, there are no banks that fully disclose this indicator, the highest being up to 95.45% which occurred in 2019-2020. The lowest disclosure of this indicator is 50% which was achieved in 2019 and 2021. On this indicator, entities should be able to fully disclose information about the existence of prohibitions against actions that are prohibited in Islam or actions that were never implemented by the Prophet in carrying out his business, such as corruption, monopoly, hoarding, gambling, and other illicit activities.

In general, based on the measurement results of each indicator of Islamic Social Reporting disclosure above, the highest average level was achieved in 2019 by the product and service indicator of 88.51%. Meanwhile, the indicator with the lowest average level will occur in 2021, namely the environmental indicator of 47.59%.

Based on the results of testing and analysis, the implementation of Islamic social reporting (ISR) disclosure in Islamic banking in Indonesia is still uneven as reflected in the level of indicator disclosure. This can happen because Islamic banking has not seen the importance of reporting ISR information for business growth and the benefit of the people. Also, it can be because there are no official regulations and standards for reporting ISR information. Regulation is an important factor for Islamic banks to be able to implement Islamic Social Reporting (ISR).

Currently, Indonesia follows the AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) format developed by Haniffa and other researchers in providing Islamic Social Reporting information (Marro'aini, 2018). In Indonesia, one of the regulations on ISR reporting is regulated by the Indonesian Institute of Accountants (IAI) as outlined in the draft publication of Financial Accounting Standards (PSAK) No. 1 (revised 2009) paragraph 12. Furthermore, regulations in Indonesia are bottom-up, meaning that regulations are made based on requests and encouragement from the community, only then do regulators act. In fact, the ratification of the Islamic Banking Law (UU) No. 21 of 2008 took 17 years, measured from the establishment of the first Islamic bank in Indonesia, Bank Muamalat. Therefore, the cooperation of various parties is needed to further encourage the implementation of Islamic Social Reporting disclosure with the aim of instilling public confidence, especially Muslims in carrying out economic activities. As well as increasing the transparency and accountability of Islamic banking, both vertically to God and horizontally to interested parties.

CONCLUSION

The existence of Islamic banking can provide a solution for Muslim people who want to access banking services but have concerns about the principles they believe in. Demands from society to carry out social responsibility in accordance with Sharia principles are currently known as *Islamic Social Reporting* (ISR). As for the results of the data analysis and discussion that have been described, the conclusion of this study is that each indicator of Islamic Social Reporting disclosure has been implemented quite well from 2019-2021 by Islamic banking. Indicator Disclosure level products and services are the highest disclosure of 88.51% in 2019, which means that most Islamic banks have properly disclosed product and service indicators. Meanwhile, the level of disclosure of

environmental indicators is the lowest disclosure of 47.59% in 2021 compared to the level of disclosure of other indicators each year.

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THE EFFECT OF FINACIAL LITERACY, A HEDONIC LIFESTYLE ON FINANCIAL BEHAVIOR OF STUDENTS OF ISLAMIC ECONOMICS AND BUSINESS FACULTY Of UINFAS BENGKULU

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ABSTRACT

This study aims to examine the effect of Financial Literacy, Hedonic Lifestyle on the Financial Behavior of Students of the Faculty of Islamic Economics and Business, UINFAS Bengkulu. it was found that there was a lifestyle in financial behavior that was inappropriate which resulted in many students following the times with a contemporary lifestyle or hedonism (a person's trait for luxurious living behavior). The existence of this hedonistic life among these can be seen in everyday life such as having a spree, liking to travel, buying gadgets, hanging out at cafes, buying goods at high prices, and so on. This could be due to a low level of understanding regarding proper financial management. The sample for this research was 76 batch of 2020 students of the Islamic Faculty of Economics and Business, UINFAS Bengkulu. This research data collection technique was obtained through a questionnaire given to Class 2020 students at the Faculty of Islamic Economics and Business, UINFAS Bengkulu. The results of the study show that there is an effect of financial literacy on financial behavior and there is an influence of a hedonic lifestyle on financial behavior. The higher the level of financial literacy possessed by students, the higher the level of financial behavior. There is a relationship between financial literacy and a hedonic lifestyle because the better the level of literacy and trust, the higher the financial behavior.

Key words: *Financial Literacy, A hedonic Lifestyle, Financial Behaviour.*

INTRODUCTION

In this modern era, many changes have occurred compared to the last few years, one of which is regarding financial behavior. Behavioral finance shows human financial behavior in business and academia known and developed in 1990. Good financial behavior must reflect good and responsible financial behavior so that all finances, both personal, family and community finances, are managed effectively. Especially in the current era of globalization, all needs can be met quickly and easily. This convenience, convenience and speed have spoiled us, with all the consequences, namely having positive and negative impacts, especially for young people without exception, FEBI UINFAS Bengkulu students.

Based on the results of the National Financial Literacy and Inclusion Survey (SNLIK) conducted by the Financial Services Authority (OJK) in 2022, the level of financial literacy and inclusion will reach 49.68% and 85.10% respectively in 2022. The results of the survey conducted very encouraging for Indonesia which has exceeded the target set by the government in Presidential Decree No.1. Number 82 of 2016 regarding the National Financial Inclusion Strategy (SNIK) achieving a financial inclusion level of 75% of the target level of financial literacy set out in Presidential Regulation Number 1. "National Consumer Protection

Strategy" No. 50 in 2017 also exceeded 35%. The results of this survey show that judging from the strata of urban areas, the level of financial literacy and inclusion has reached 50.52% and 86.73%. Meanwhile, financial literacy and inclusion in rural areas is 48.43% and 82.69%. When viewed by gender, the level of financial literacy and inclusion for men is 49.05% and 82.28%, relatively lower than women's 50.33% and 83.88%. Data from the Financial Services Authority (OJK) for 2022 states that Bengkulu's financial literacy level is only 30.39%. In detail, the level of public literacy for banking is still 49.93%, insurance 31.2%. Pawn shops 40.75%, financing 25.09% and capital market 4.92%. Financial literacy in urban areas reaches 50.52%, it's just that in rural areas it only reaches 48,435. This figure shows that Bengkulu has not yet reached the national target of 35% (OJK, 2022).

Imansyah, Deputy Commissioner of OJK for Institutional and Digital Finance, explained that OJK plays an active role in encouraging digital financial literacy and literacy from an early age, including through the launch of the DFL program, one of which is an initiative from OJK. providing services related to education services, digital finance. Wrapped in books, e-books, animated videos and games, Millennials are a key target demographic that has the potential to become the biggest users of digital financial services. We urge the public, especially students, to increase financial literacy regarding digital finance. This means the desire to become a pioneer and follower (agent) of OJK and provide digital financial literacy to the surrounding community (OJK, 2022).

It can be seen that the financial behavior of the younger generation is more for consumption than for savings and investment. Modernization and technological advances also have a major impact on the survival of society. One of the various conveniences that arise as a result of increasingly advanced technology today has an impact on the behavior of the younger generation.

According to the OJK Financial Services Authority (2022), Financial Literacy is knowledge, skills, confidence that influence one's attitude and financial behavior to improve the quality of decision-making and financial management in the context of achieve prosperity. So understanding financial literacy is expected to help us in financial management so that we can manage our finances properly and responsibly, so it is hoped that through this understanding financial literacy can create a standard of living expected by society so that it increases, because no matter how big or how high the level of income You, without good financial management skills, financial security will definitely be difficult to achieve. However, currently there are still many students who do not understand finance, which makes it difficult for them to organize and manage brand finance according to their goals (OJK 2022).

Financial literacy is a financial problem that must be avoided by everyone. The occurrence of financial problems is often due to personal ignorance of financial knowledge and bad financial management habits. This can be seen in lifestyle patterns that are not balanced with income, messy debt management, persistent financial deficits, poor record keeping, and the absence of financial goals. A lifestyle that is not adapted to one's financial ability can sometimes cause a person to do everything he can. Lifestyle reflects consumption patterns and describes a person's choices about how to spend time and money. (Ismanto et al. 2019).

Lifestyle describes the "whole person" who interacts with his environment. Lifestyle is how a person lives, expressed in activities, interests, and the allocation of money and time. Lifestyle is formed through social interaction. Lifestyle is

how a person lives, including activities, interests, attitudes, consumption and expectations. According to Fudyartanta (2012) in his journal Kanserina (2015), student lifestyles can change, but these changes are not caused by changes in needs. By puberty, role models are no longer parents, but most of the same people.

Based on the results of observations made by Safura Azizah, 2020 it was found that there was a lifestyle in financial behavior that was not appropriate which resulted in many students following the times with a contemporary lifestyle or hedonism (a person's trait for luxurious living behavior). The existence of this hedonistic life among these can be seen from everyday life such as having a spree, liking to travel, buying gadgets, hanging out at cafes, buying goods at high prices and so on. This could be due to the low level of understanding regarding proper financial management. So, it was found that there was a lifestyle mismatch in financial behavior, which caused many students to adopt a contemporary lifestyle or hedonism (characteristic of extravagant living behavior). The existence of this hedonic life can be seen in everyday life such as participating in carnivals, traveling, buying gadgets, visiting cafes, and buying goods at high prices. This may be due to the low level of knowledge about good financial management.

Most students of UIN Fatmawati Sukarno Bengkulu are immigrant children who migrate from their hometown to the city to pursue higher education, so it is very important to manage personal finances so that the money sent by their parents every month can be used properly. according to individual needs. And also set aside funds for future investments. It is important for students to be financially literate so they can manage their finances more wisely. Based on the background above, the researcher is interested in conducting research entitled "The Influence of Financial Literacy, Hedonic Lifestyle on Financial Behavior of Students of the Islamic Faculty of Economics and Business UINFAS Bengkulu".

THEORITICAL REVIEW

Financial Literacy

Dr. Didin Fatihudin (2023) says finance is one of the most important things needed in people's lives. Good financial insight can analyze the best financial management in making financial decisions, and financial knowledge is something that everyone must master so that mistakes are not made in making decisions on daily financial behavior. Finance is one of the important aspects inherent in the life of the wider community. Mastery of financial knowledge can determine financial management that can optimize financial decisions. Financial literacy is very important for individuals, so they don't make mistakes when making financial decisions later.

Laily (2016) says financial Literacy is an ability to manage finances regularly with a number of knowledge and skills in order to be able to achieve a prosperous life. Financial literacy is quite important to learn, especially for new workers and people with family responsibilities. The ability to manage finances regularly, information and financial literacy insights will make you able to manage your finances well.

According to the OJK Financial Services Authority (2022), Financial Literacy is knowledge, skills, confidence that influence one's attitude and financial behavior to improve the quality of decision-making and financial management in the context of achieve prosperity. According to the OJK, there are indicators of financial literacy as follows: basic knowledge of personal finance, financial skills, beliefs about attitudes and behavior, and financial management to achieve prosperity.

Based on aspects of financial literacy according to Chen and Volpe are as follows:

- 1) Understanding of basic knowledge regarding managing one's personal finances.
- 2) Understanding of regulations regarding borrowing and savings, credit cards and use of ATMs.
- 3) Knowledge of insurance and its types of products.
- 4) Knowledge of matters related to investment.

Factors that influence the level of financial literacy (Herawati 2015) are:

- 1) Socioeconomic status of parents
- 2) Family financial management education
- 3) Financial learning at state universities.

Hedonic Lifestyle

Mulyana (2022) says lifestyle is defined as, a way of life, determined by how people spend their time, how they see themselves and the world around them. Lifestyle shows how people live, how they spend and manage the money they have, and how they spend their time. Thus, it can be concluded that lifestyle is a person's pattern of life that can be expressed through activities, interests, money spent and how time is allocated. Lifestyle reflects consumption patterns and describes how a person chooses his time and money. So, from the definition above it can be concluded that lifestyle describes a person's behavior, namely how he lives, how he uses his money, how he uses the time he has.

According to (Hidajat 2016), hedonism is a form of self-actualization or the act of trying new things where pleasure is prioritized over doing positive things. According to Pulungan et al (2018), lifestyle is considered as self-evident of one's social status, and daily life activities follow the latest trends and are even more important than meeting their basic needs.

Sri Ratna Sari, Sri Andriani (2021) says the main factors that shape a lifestyle can be divided into two, namely demographically and psychographically. Lifestyle factors according to (Pulungan & Febriaty, 2018) can be divided into two, namely demographically and psychographically. Demographic factors, for example, are based on education level, age, income level and gender, while psychographic factors are more complex because the constituent indicators are consumer characteristics. According to (Listyorini, 2012) there are 5 (five) lifestyle factors, namely: social factors, household factors, pleasure factors, reference factors and identity factors.

Financial Behavior

Dr. Didin Fatihudin (2023) Financial behavior is community behavior related to financial management. Meanwhile, Kholilah & Irani (2013) financial management behavior is a person's ability to manage (plan, budget, check, manage, control and seek) daily financial funds. Financial behavior is related to how people treat, manage and use available financial resources. Individuals with responsible financial behavior tend to use their money effectively, such as budgeting, saving, controlling expenses, investing, and paying obligations on time. Proactive financial behavior can also have a positive impact on financial health.

According to (Kusumaningtyas and Sakti 2017) the factors that can influence personal financial management behavior are as follows:

- a. Financial attitudes (financial attitudes), psychological tendencies are expressed when evaluating recommended financial management behavior with several levels of agreement or disagreement.
- b. Financial knowledge, adequate knowledge of facts about personal finance.
- c. External locus of control (external control), defined as a tendency for someone who has the belief that the environment has control or the events that occur in his life.

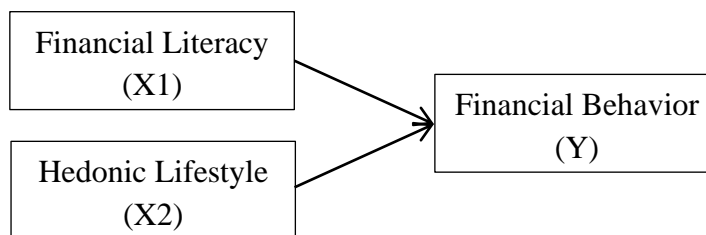
Sihombing (2019) states that the factors that influence financial behavior are as follows:

- a. Financial literacy is a person's knowledge, understanding, and ability to manage their finances.
- b. Financial Financial socialization agents, namely people who interact to acquire skills and information about finance.
- c. Attitude towards money is a person's attitude or opinion towards the money he has.

Financial behavior variable indicators based on Muir et al. (2017) includes:

- a. Saving, active saving behavior such as starting to save and passive actions such as being thrifty or investing.
- b. Planning and budgeting, action for now and the future. Budgeting behavior is a deliberate way of life. While future-related actions include making financial plans for the future and setting financial goals, seeking knowledge and information is also seen as investing in the future.
- c. Credit, actions related to decreasing or effectively managing finances.
- d. Buying behavior, i.e. active actions to manage spending, including cutting living expenses, being careful when spending money, and avoiding compulsive buying.

FRAMEWORK OF THINKING



RESEARCH METHODS

Prof. Dr. A. Muri Yusuf (2016) states this type of research uses a type of quantitative method which uses multiple regression analysis techniques. While the approach used is a descriptive approach. This research will be conducted on students of the Faculty of Economics and Islamic Business, Fatmawati Sukarno Bengkulu State Islamic University. Based on calculations by applying the slovin formula, it was found that the number of samples used was 30 students, each of which was taken from students. The data used in this study are primary data and secondary data. The data collection technique used is a questionnaire or questionnaire technique.

RESULTS AND DISCUSSION

Results of Data Analysis

a. Test Instrument

The instrument test was carried out using a validation and reliability test based on a questionnaire which was distributed to 30 respondents who came from students of the Islamic Faculty of Economics and Business UIFAS Bengkulu.

i. Validity Test

Validity Test is a test that is used to assess whether or not a questionnaire is valid or a questionnaire is considered valid if the results of the questions in the questionnaire are able to have a significant value as measured by the questionnaire itself. Data is declared valid if the calculated value is greater.

Tabel 1 Validity Test

	r count	r table	Information
1	0.679	0.514	Valid
2	0.664	0.514	Valid
3	0.652	0.514	Valid
4	0.681	0.514	Valid
5	0.656	0.514	Valid
6	0.693	0.514	Valid
7	0.612	0.514	Valid
8	0.655	0.514	Valid
9	0.667	0.514	Valid
10	0.598	0.514	Valid
11	0.623	0.514	Valid
12	0.659	0.514	Valid
13	0.651	0.514	Valid
14	0.661	0.514	Valid
15	0.651	0.514	Valid

Data: SPSS.16

ii. Reliability Test

The reliability test is used to measure the consistency of the questionnaire which is an indicator of the variable. With a benchmark Cronbach alpha value of more than 0.50, the results are as follows:

Tabel 2 Reliability Test Results

Cronbach's Alpha	N of Items
.670	15

From the table above it can be seen that the Cronbach alpha value is 0.670 which is greater than 0.50 so it can be concluded that the measurement of the variables in the questionnaire is reliable.

b. Classic Assumption Test

The tests carried out in this study were the Normality test and the Multicollinearity test.

i. Normality

The purpose of this normality test is to see whether the regression model used for the independent and dependent variables has a normal or abnormal distribution. The test conditions are said to be normal if the data is arranged around a diagonal line or follows a diagonal line. Following are the test results:

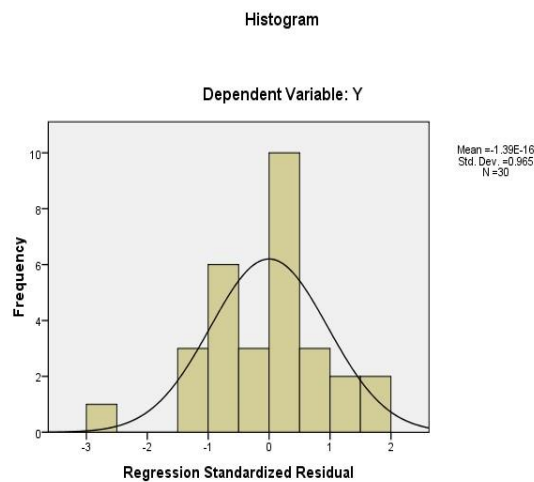


Figure 1 Histogram Chart

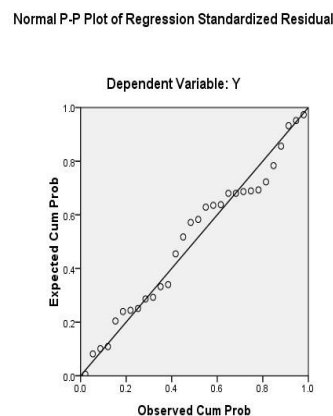


Figure 2 Normality Test P-Plot Standardized

From the two pictures above, it can be explained if the data owned is normally distributed.

ii. Multicollinearity

The multicollinearity test aims to test whether the regression model found intercorrelation or collinearity between the independent variables. Intercorrelation is a linear relationship or a strong relationship between one independent variable and other variables in the regression model. The way to determine its occurrence can be seen through the VIF value and tolerance it has. From the management of the SPSS multicollinearity test can be seen in the table below:

Table 3 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	5.858	2.661		2.201	.036		
X1	.322	.196	.308	1.645	.112	.954	1.048
X2	.008	.114	.013	.072	.943	.954	1.048

Data: spss16

Dependent Variable: Y

Based on the results above, multicollinearity occurs when the tolerance value is greater than 0.10 and the VIF value is less than 10.00. From the data in the table above, the tolerance value for the financial literacy variable (X1), hedonic lifestyle (X2) > 0.10. While the VIF value is the financial literacy variable (X1). From the table above, the tolerance values for X1 and X2 are 0.954 and 0.954 which are > 0.10 and the VIF values are 1.048 and 1.048. So it can be concluded that there are no symptoms of multicollinearity in the regression model.

Hypothesis Test

T test

This test is used to find out how much the relationship and influence will be generated between each variable. can be seen as follows:

- 1) The effect of financial literacy on financial behavior

Table 4 The Effect of Financial Literacy on Financial Behavior Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.858	2.661		2.201	.036
Financial Literacy	.322	.196	.308	1.645	.112
Hedonic Lifestyle	.008	.114	.013	.072	.943

2) Dependent Variable: Financial Behavior

Based on the t test table data above, it is known that the t count = 1.645 at the sig value level = 0.036. This means value = 1.645. The sig value obtained by variable X1 (financial literacy is $0.025 > 0.05$ and also the value = 1.645 is smaller than the value = 1.990, so the conclusion obtained from (H1) reads. 'It is suspected that there is an influence between financial literacy on the financial behavior of faculty students Uinfas Bengkulu Islamic economics and business.' Accepted.

3) The Effect of Hedonic Lifestyle on Financial

Table 5 The Effect of Hedonic Lifestyle on Financial Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.858	2.661		2.201	.036
Financial Literacy	.322	.196	.308	1.645	.112
Hedonic Lifestyle	.008	.114	.013	.072	.943

4) Dependent Variable: Financial Behavior

Based on the t test table data above, it is known that the value = 0.072 at the level of sig = 0.036. This means that the value = 0.072 at the probability (confidence) level of 0.05. The sig value obtained by variable X1 (financial literacy $0.025 > 0.05$, then the conclusion obtained from (H2) which reads "It is suspected that there is an influence of student lifestyle on the financial behavior of students of the Faculty of Economics and Islamic Business, Uinfas Bengkulu, is accepted.

5) Coefficient of Determination

The coefficient of determination essentially measures how far the independent variable is able to explain the dependent variable. The coefficient of determination is used to measure how much influence the independent variables have on the fixed variable:

Table 6 Coefficient of Determination test results Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.306 ^a	.094	.026	2.29851

a. Predictors: (Constant), Hedonic Lifestyle, Financial Literacy

Based on the table above, it is known that the R square value obtained is 0.094. This figure means that financial literacy (X1) and hedonic lifestyle (X2) variables affect financial behavior.

DISCUSSION

From the data that has been obtained, it shows that financial literacy and the social environment influence financial behavior. More clearly can be seen as follows:

- i. The effect of financial literacy on financial behavior
Financial literacy has an influence on the financial behavior of students of the Faculty of Economics and Islamic Business at Fatmawati Sukarno Bengkulu State Islamic University, meaning that the lower a person's level of financial literacy, the worse his financial behavior will be. This shows the importance of the effect of financial literacy on financial behavior.
- ii. The effect of hedonic lifestyle on financial
Lifestyle has an influence on financial behavior in students of the Faculty of Economics and Business at the State Islamic University of Fatmawati Sukarno Bengkulu, meaning that the better students manage their relationships, the more appropriate student financial behavior is, the better and also the level of finances owned by the family also affects whether they belong to the lower middle class or upper middle class.

CONCLUSION

From the results of the study, it can be concluded that there is an effect of financial literacy on financial behavior and there is an influence of a hedonic lifestyle on financial behavior, the higher the level of financial literacy possessed by students, the higher the level of financial behavior. There is a relationship between financial literacy and a hedonic lifestyle because the better the level of literacy and trust, the higher the financial behavior.

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PERFORMANCE ANALYSIS OF BANK MUAMALAT INDONESIA USING THE SHARIA MAQASHID INDEX APPROACH (STUDY DURING THE COVID-19 PANDEMIC)

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ABSTRACT

PT Bank Muamalat Indonesia is the first bank in Indonesia to operate based on sharia principles. Bank Muamalat's performance continues to increase from year to year, this is indicated by significant profit growth. The increase in profit as of 31 December was recorded at IDR 52 billion, an increase of more than three times from IDR 12.5 billion on 31 December 2021. Profit is often used as a benchmark for evaluating bank performance in conventional assessments. This study aims to measure bank performance not only based on profit but also using the sharia maqashid index approach which is able to explain sharia objectives that concern the interests of the people using the Simple Additive Weighting method. The index used in this study is limited to distribution functions, profit ratios, personal income/zakat and investment ratios in the real sector. The results show that the SMIs in 2020, 2021 and 2022 are 85,6. 102,4 and 110,1 respectively. Even though Indonesia is currently in a pandemic, it is proven that the performance of Islamic banks remains stable and will even experience an increase in 2022.

Keywords: *Bank Muamalat Indonesia Performance, Sharia Maqashid Index, Covid-19 Pandemic*

INTRODUCTIONS

Islamic banks are banks that operate based on Sharia Principles. The application of sharia principles is the main differentiator from conventional banks. These sharia principles essentially refer to Islamic sharia which is primarily guided by the Al Quran and Hadith. Islam as a religion is a concept that regulates human life comprehensively and universally both in relation to the Creator (HabluminAllah) and in relations with fellow human beings (Hablumminannas). (Source: Financial Services Authority, OJK).

PT Bank Muamalat Indonesia Tbk (BMI) ("BMI", "Bank") is the first bank in Indonesia to use the concept of Sharia banking. The company was founded based on the Deed of Establishment No. 1 November 1, 1991 AD or 24 Rabiul Akhir 1412 Hijri. BMI continues to innovate by issuing sharia financial products such as Subordinated Mudharabah Sukuk, Sharia Insurance (Takaful Insurance), Muamalat Financial Institution Pension Funds (DPLK Muamalat) and sharia multifinance (Al-Ijarah Indonesia Finance) which are all new breakthroughs in Indonesia.

As the Bank's capacity grows and is recognized, BMI is increasingly expanding its wings by continuing to add to its network of branch offices not only throughout Indonesia, but also overseas. In 2009, the Bank obtained permission to open a branch office in Kuala Lumpur, Malaysia and became the first bank in Indonesia and the only one to realize business expansion in Malaysia. Until now, the Bank has 239 service offices including 1 (one) branch office in Malaysia.

Bank operations are also supported by an extensive service network in the form of 568 Muamalat ATM units, 120,000 ATM Bersama and Prima ATM networks, 51 Mobile Cash Car units. Bank Muamalat's performance continues to increase from year to year, this is indicated by significant profit growth. The increase in profit as of 31 December was recorded at IDR 52 billion, an increase of more than three times from IDR 12.5 billion on 31 December 2021.

Even so, in the last three years or so, the world is experiencing a difficult time dealing with the Covid-19 pandemic, including Indonesia. The pandemic has had a sizable impact on the economy. The positive case of COVID-19 in Indonesia was first detected on March 2, 2020, when two people were confirmed to have contracted it from a Japanese citizen. On April 9, the pandemic had spread to 34 provinces with DKI Jakarta, West Java and Central Java as the provinces most exposed to the corona virus in Indonesia.

Its rapid spread made several countries implement policies to impose lockdowns to prevent the spread of the Corona virus. In Indonesia, the government implemented a Large-Scale Social Restrictions (PSBB) policy to suppress the spread of this virus. The Covid-19 pandemic has had a significant impact on the people's economy. Like many companies that cannot operate normally, so there are several companies that have closed their companies, and this has made many unemployed. (source: wikipedia).

Aji et al. (2020) to keep the economy from declining, the government carried out a policy of reopening the economy from what is called the 'new normal condition'. This condition gives new hope to the community in understanding and rising from adversity. "Indonesia's economy is currently supported by public consumption. As a result of the Covid-19 virus, decreased purchasing power will result in decreased production and also decreased supply will result in losses for the company" (Naryono, 2020).

The Covid-19 pandemic has caused income from financing distribution to decline. One of the disadvantages of Covid-19 is that income is lost because there are no sales, but expenses are still made, although not in full and losses will vary (Hadiwardoyo, 2020). Such a situation requires us to be able to maintain our performance for the common good.

Islamic bank performance measurement using sharia principles or often referred to as the sharia maqhasid index provides an overview not only of measuring conventionally through profitability but also related to the interests of the community based on sharia principles. One of them is the index regarding public interest related to financing, in this case mudharabah and musyarakah financing and several other indices. Therefore, this research wants to see the performance of bank muamalat during the Covid-19 pandemic that lasted for approximately three years starting from 2020 to 2022.

LITERATURE REVIEW

Bank Performance

Islamic Bank performance according to guidance in Khotib (2014: 95) is an assessment of the achievements and financial condition of a company in a certain period and requires certain measurements and is usually used in analyzing ratios to show between two financial data. The use of financial ratios is still used today because it is the most common and easy way, so it is widely used in measuring the performance of a bank.

Bank Performance Using Sharia Approach Maqhasid Index

Performance indicators of sharia banking must pay attention to the benefit of the people, where Islam has regulated that muamalah activities must be carried out in accordance with sharia principles, namely by understanding sharia objectives (maqasid sharia) (Mohammed, Razak, & Taib, 2008, p.4).

According to Zahrah (2011), the purpose of sharia (maqashid sharia) is everything determined by Allah and His Messenger with the aim of benefiting humanity as a whole, namely, to maintain existence, develop both quality and quantity, both material and spiritual (p.549).

On the other hand, the findings of Antonio, Sanrego, and Taufiq (2012) Maqashid Index, SAW (Simple Additive Weighting) found that the performance of Islamic banking in Indonesia is better than the performance of Islamic banking in Jordan.

RESEARCH METHODS

In this study using the sharia maqhasid index approach with the Simple Additive Weighting method (Mohammed, Razak and Thaib, 2008) to determine the index size of each ratio used. In the research, the ratio used is limited to:

- 1) Mudharabah and Musyarakah Financing/total financing (R1)
- 2) Net income/Total assets (R2)
- 3) Zakat Funds/Net Assets (R3)
- 4) Investment in the Real Sector/Total Investment (R4)

The ratio measurements will later be added together to obtain the Sharia Maqhasid Index (SMI) as follows:

$$SMI = R1 + R2 + R3 + R4$$

DISCUSSION

Table 1 Sharia Maqhasid Index Performance Ratio

Ratio	Ket	2020	2021	2022
Distribution function	R1	0,690	1,000	1,000
Profitability	R2	0,030	0,020	0,090
Personal Income/Zakat	R3	0,003	0,002	0,001
Investment in the real sector	R4	0,133	0,002	0,010
SMI = R1 + R2 + R3 + R4		0,856	1,024	1,101

Source: processed data

Based on the calculation results, it can be seen that even though in 2020 Indonesia was being hit by the Covid-19 pandemic, the SMI for that year was still at 85.6%, which means that Bank Muamalat is carrying out its principles and performance is still very good. When viewed for each ratio, the distribution function shows that the financing carried out by Bank Muamalat is quite good, namely 69%, meaning that the total financing of 0.69 is channeled in the form of mudharabah and musyarakah financing.

Furthermore, even though the profitability ratio has decreased in 2021 to 0.02 from the previous 0.03, bank Muamalat's performance has shown an achievement because it can increase by 9%, meaning that there has been an increase in profits of 6% from the previous year. This shows that the management

is able to manage all assets owned to the maximum so that the profits can be increased.

The last ratio is investment in real assets, the results are slightly different from the three previous ratios. From the results of the calculation of the highest real asset investment ratio in 2020 of 13.3% then it has decreased quite drastically to 1% in 2022. The decline that occurred is likely because bank management focused more on financing so that the number on investment assets keep dropping. This is also supported by the difficult times faced by the community during a pandemic when many business actors suffer losses and finally decide to make loans at banks so that the financing ratio increases. This proves the good performance of Bank Muamalat in seeing opportunities and also in accordance with sharia principles, namely for the benefit of the ummah.

CONCLUSION

Islamic bank performance is in accordance with the expectation that even in difficult times the bank is still able to survive as indicated by the increasingly good performance of Islamic banks.

Suggestion

Based on the results of the research, the suggestions that can be given are as follows, firstly, to see more complex performance, further research is expected to take a longer research period of around 5 to 10 years. and maybe capture the phenomenon before and after the covid 19 pandemic. Secondly, Future research is expected to include all variables of the sharia maqhasid index to obtain optimal overall results.

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ANALYSIS OF FACTORS AFFECTING THE MANAGEMENT OF ZAKAT FUNDS (STUDY OF ZAKAT INSTITUTION IN BENGKULU)

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ABSTRACT

This study aims to analyze the factors that influence the management of zakat funds in Zakat Institutions in Bengkulu City. Some of the factors studied are Understanding of PSAK 109, Sharia Compliance, Transparency, Accountability and Competence of Human Resources. Researchers utilized the Ex Post Facto quantitative research approach. The data in this study are primary data from questionnaires. The data analysis technique used is the calculation of factor analysis with the Bartlett's Test of Sphericity analysis technique which is then processed using the SPSS version 25 program. The results of the study indicated that the 5 (five) variables analyzed had an MSA (measure of sampling adequacy) > 0.5. This also proves that these five variables are significant factors that affect the management of zakat funds at the Zakat Institutions in Bengkulu.

Keywords: Zakat, PSAK 109, Sharia Compliance, Transparency, Accountability and Competence of Human Resources

INTRODUCTION

Zakat is one of the pillars of Islam that is intended to help those who are impoverished, wretched, and unable to help themselves. Zakat can also cleanse and purify the souls of those who do good. Zakat is the name or designation of something God's right given by someone to the poor. The term zakat is used because it contains the hope of obtaining blessings, cleansing the soul and cultivating it for various good deeds (Mohammad Ridwan, 2019).

According to the 2022 Central Statistics Agency study, there is a 15.73% poverty rate among the 384.84 million Bengkulu residents. Bengkulu Province's Poverty Percentage dropped by 0.28% in September 2022 (bps.go.id, 2022). However, Bengkulu has the second largest percentage of poor people on the island of Sumatra. Bengkulu province has a poverty rate of 14.62%, ranking it as the eighth poorest province in Indonesia. The growing number of less fortunate individuals in Bengkulu is causing a slew of issues. Continuous effort, supported by all components of the nation, is required to lessen or, if achievable, eliminate poverty. The establishment of a zakat legislation in Islam, which operates as an equal distribution of income, is one of the measures to alleviate and eradicate poverty (Aab Abdullah, 2021). As a result, zakat plays an essential role in promoting social justice, eliminating economic injustice, and assisting those in need.

In actuality, zakat collection is still not effortlessly because the wealthy are hesitant to pay their zakat maal duties, or zakat distribution is still done traditionally, rather than through official organizations, such as zakat management agencies. An additional attempt made by the Bengkulu City Government is to continue to encourage civil workers to shell out Professional Zakat of 2.5%, as well as infaq and soddaqoh, through Zakat Waqf Organizers supervised by zakat institutions (kemenag.go.id, 2022).

There is a zakat institution in Bengkulu that manages and distributes funds to people who meet the criteria. Nevertheless, when managing zakat funds, the institution has to investigate challenges that can influence management success. This study must look at certain intriguing topics, such as assessing the factors that influence the management of zakat funds at zakat institutions in Bengkulu City. This study investigated PSAK 109 comprehension, Sharia compliance, transparency, accountability, and human resource competency.

PSAK 109 is a Statement of Financial Accounting Standards that governs the zakat, infaq, and shodaqoh transactions' recognition, measurement, presentation, and disclosure (Setiyawati, 2020). PSAK 109 must be utilized to create financial reports that are compliant with accounting requirements and are auditable by a public accountant (Hasanah & Ishak, 2022). PSAK 109 is an accounting and financial reporting standard for zakat, infaq, and alms. These requirements must be followed by zakat institutions to provide good accounting and transparency in financial reporting (Rokib et al., 2021). The indicators utilized in this study are the indicators employed in this study, namely the measurement and acceptability of ZIS, asset measurement, and ZIS presentation. Sharia compliance in zakat fund management ensures that zakat funds are managed in accordance with Islamic laws and principles (Astuti, N. P., & Themba, 2020). This is important to ensure that funds are collected, processed, and dispersed in accordance with religious principles. Sharia compliance is critical to ensuring that zakat funds are used for their intended purpose and to preserving public faith in zakat organizations (Takidah & Pratiwi, 2018).

Adherence to Islamic rules and regulations in financial transactions and operations is referred to as Sharia compliance. This is an essential tenet for Islamic finance regulation (Muryanto, 2022). The concepts of trustworthiness, professionalism and accountability, qira'ah and holiness, and supervision were utilized as indicators in this study (Imamah, 2020).

Transparency is essential in zakat management to guarantee that funds are used for their intended purpose of relieving the poor and disadvantaged, as well as to prevent corruption and misuse of funds (Bremer, 2013). Transparency can help foster public trust in zakat organizations. Zakat institutions must provide clear and accurate information about zakat fund management, including collection, allocation, and distribution. Transparency will help ensure that zakat funds are used properly and effectively. Periodic and timely information, easy access to information, mass media publications, aspects of honesty, relevance, comparable information dissemination, fullness of information, and auditing are the indicators employed in this study.

Accountability was found to have a good and significant effect on the management of zakat funds in a study conducted in Makassar (Astuti, N. P., & Themba, 2020). Accountability is a type of accountability for organizational operations disclosed in financial reporting by the party delegated to the trustee. The indicators employed in this study are based on ethical and statutory standards, established objectives, and information dissemination (Chairani, 2020).

Finally, human resource competence refers to people's or teams' knowledge, skills, and capacities in managing and developing human resources in an organization (Bubnov et al., 2020). Laws and regulations, applicable standards, the Indonesian *amil zakat* code of ethics, information technology, and decision making are the indicators employed in this study. This research is aimed to provide a deeper knowledge of the administration of zakat money in zakat institutions in Bengkulu City by analyzing these elements. The findings of this

analysis can be used by zakat institutions and other stakeholders to improve the efficient, transparent, and effective management of zakat money in order to achieve social and economic development goals through zakat.

METHOD AND RESULT

This is an associative style of study. Sugiyono (2015) defines associative research as "research to determine the relationship between two or more variables." Ex Post Facto quantitative research was used in this study. This study's population consists of four zakat fund management institutions in Bengkulu City: BAZNAS Bengkulu City, UpzisNU Bengkulu, Dompot Dhuafa Bengkulu, and LazisMu Foundation Bengkulu City. This study employed a nonprobability sampling methodology known as purposive sampling.

A sampling strategy based on specific criteria is known as purposeful sampling. That need a really representative sample. Amil, who works at zakat money management institutions in Bengkulu City, employed 32 samples in this investigation. The data used in this study are primary data collected by the distribution of closed questionnaires, and the scale used to gather this data is a Likert scale ranging from 1 to 5. This study employs Data Quality Testing, including reliability and validity tests, Normal Assumptions Testing, such as normalcy tests and homogeneity tests, and factor analysis utilizing the Bartlett's Test of Sphercity analytical technique, all of which are processed by the SPSS version 25 program.

Table 1 Results of Individual Suitability Tests for Research Variables
Anti-image Matrices

		PSAK 109	Sharia ComplianCe	Transparency	Accountability	Human Resource Competence
Anti- image Covar	PSAK 109	.652	-.137	-.335	-.140	-.405
	Sharia Compliance	-.137	.541	-.095	-.203	-.358
	Transparency	-.335	-.095	.553	-.340	-.205
	Accountability	-.140	-.203	-.340	.558	-.460
	Human Resource Competence	-.405	-.358	-.205	-.460	.645
Anti- image Corr	PSAK 109	.620 ^a	-.203	-.612	-.350	-.430
	Sharia Compliance	-.203	.579 ^a	-.215	-.335	-.139
	Transparency	-.612	-.215	.583 ^a	-.155	-.230
	Accountability	-.350	-.335	-.155	.588 ^a	-.205
	Human Resource Competence	-.430	-.139	-.230	-.205	.615 ^a

Measures of Sampling Adequacy (MSA)

Source: Primary Data Processed in 2022

Table 1 demonstrates that these 5 variables were examined to ensure that they met the requirements of the Measure of Sampling Adequacy Test, namely >

0.5, so that they could be utilized in further tests. The results of the conformity test using the Bartlett Test of Sphericity method show that the MSA (measure of sampling adequacy) value is $0.620 > 0.5$, indicating that the Understanding factor of PSAK 109 is one of the factors influencing the management of zakat funds in Zakat Institutions in Bengkulu.

The results of conformity testing using the Bartlett Test of Sphericity method show that the MSA (measure of sampling adequacy) value is $0.579 > 0.5$, indicating that the Sharia Compliance factor is one of the factors influencing zakat fund management in Zakat Institutions in Bengkulu.

The results of conformity testing with the Bartlett Test of Sphericity method reveal that the MSA (measure of sampling adequacy) value is $0.583 > 0.5$, showing that the Transparency factor is one of the factors influencing zakat fund management in Zakat Institutions in Bengkulu.

The results of conformity testing with the Bartlett Test of Sphericity method reveal that the MSA (measure of sampling adequacy) value is $0.588 > 0.5$, showing that the Accountability factor is one of the factors influencing zakat fund management in Zakat Institutions in Bengkulu.

The results of conformity testing with the Bartlett Test of Sphericity method reveal that the MSA (measure of sampling adequacy) value is $0.615 > 0.5$, showing that the Human Resource Competence factor is one of the factors influencing the management of zakat funds in Zakat Institutions in Bengkulu.

CONCLUSION

The Understanding Factor of PSAK 109 in the results of conformity testing using the Bartlett Test of Sphericity method shows that the MSA (measure of sampling adequacy) value is $0.620 > 0.5$, which influences the management of zakat money in Zakat Institutions in Bengkulu. The Accountability factor, when combined with the results of conformance testing using the Bartlett Test of Sphericity method, reveals that the MSA (measure of sampling adequacy) value is $0.588 > 0.5$. The Human Resource Competence factor, as determined by conformity testing with the Bartlett Test Of Sphericity method, produces an MSA (measure of sampling adequacy) value of $0.615 > 0.5$, indicating that these factors have a significant influence on the management of zakat funds in Zakat Institutions in Bengkulu.

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THE INFLUENCE OF LIQUIDITY, LEVERAGE AND AUDIT COMMITTEE ON THE SHARIA COMPLIANCE INDEX IN ISLAMIC BANKING IN INDONESIA

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ABSTRACT

The purpose of this study is to examine if liquidity, leverage, sharia supervisory boards and audit committees affect Syariah Compliance Index in Indonesia's syariah banks. The population of this study is Indonesia's syariah commercial banks, and the samples were collected using a purposive sampling method. The annual reports of Islamic commercial banks from 2017 to 2021 are used as secondary data. The SPSS application is used to analyze the data using the traditional assumption test and hypothesis testing with multiple linear regression techniques. The results of this study show that audit committee variable has a significant positive effect on the sharia compliance index. The variables of liquidity, profitability, leverage and sharia supervisory board have negative and insignificant effect on the sharia compliance index. While the independent commissioner variable shows positive and insignificant result on the sharia compliance index.

INTRODUCTION

This research is an extension of the study conducted by Fajar Satriya Segarawasesa in 2018, with the difference being that the variable "sharia supervisory board" replaces the "sharia internal audit" variable. Jensen and Meckling (1976) state that agency theory refers to the company as a legal contractual relationship between shareholders (principal) and management (agent). This relationship often leads to conflicts due to differing interests.

Agency theory addresses two problems in agency relationships (Eisenhardt, 1989 as cited in Ernati, 2009). One, the conflict between the principal and agent's desires/goals, making it difficult for the principal to verify whether the agent has done something correctly. The other problem relates to the possible differing attitudes towards risk between them. The essence of the agency relationship lies in the separation of ownership (shareholders) from management (agent).

According to Ilhami (2009), sharia compliance is a requirement for financial institutions operating based on sharia principles. Sharia compliance is part of the implementation of risk management structures with international standards set by the Islamic Financial Services Board (IFSB), where sharia compliance is a part of institutional governance.

The mechanisms of sharia compliance are based on two fundamental concepts: horizontal and transcendental accountability. Firstly, the concept of sharia review involves the oversight of sharia compliance by the independent Sharia Supervisory Board. Secondly, the concept of internal sharia review is performed by internal auditors within Islamic banks as part of their responsibilities. The Sharia Supervisory Board is an independent entity established by the National Sharia Council (DSN). It comprises experts in the

field of Fiqh Muamalah and possesses general knowledge of sharia financial institutions (Ardhaningsih, 2012).

Provisions can be used to assess sharia compliance in Islamic financial institutions (Ardhaningsih, 2012) may include:

- i. Contracts used for the collection and distribution of funds should adhere to the rules and principles.
- ii. Zakat funds are managed in accordance with the sharia rules and principles.
- iii. All transactions and activities are reported in accordance with the sharia accounting standards.
- iv. The work environment and corporate culture are in accordance with the sharia rules and principles.
- v. The business activities of financed customers should not contradict the sharia rules and principles.
- vi. The presence of the Sharia Supervisory Board (DPS) as the intermediary overseeing the overall operational activities of Islamic banking.
- vii. The source of funds is legitimate and halal according to the sharia rules and principles.

According to the circular (Number 16/SEOJK.04/2021) issued by the Financial Services Authority (OJK), the annual report for issuers or public companies is defined as a report that holds the board of directors and board of commissioners accountable for managing and overseeing the issuer or public company throughout a fiscal year. The report is prepared in accordance with the provisions outlined in the Financial Services Authority Regulation concerning the Annual Report of issuers or public companies.

According to Kasmir (2016), liquidity ratio is a ratio that describes a company's ability to meet short-term obligations (debts). It indicates whether the company will be able to pay its debts, especially those that are due. Profitability, as stated by Kasmir (2016), is a ratio used to assess a company's ability to generate profits. Solvency (leverage) is depicted by examining the extent to which a company's assets are funded by debt compared to its equity (Weston and Copeland, 1992).

The Sharia Supervisory Board is a body responsible for overseeing the implementation of the National Sharia Council's decisions in Sharia financial institutions. The appointment and dismissal of the the board members in Sharia financial institutions are carried out through the General Meeting of Shareholders (RUPS) with recommendations from the National Sharia Council (DSN) (Muhammad Firdaus, 2007).

Arens et al. (2010) defines an audit committee as a board-appointed group responsible for aiding external auditors in their interactions with management. The committee comprises of at least three members who are independent from the company's management. According to Susanti and Riharjo (2013), an independent board member (independent commissioner) is a member of the board of commissioners who lacks affiliation with management, other board members, or controlling shareholders. They have no business connections or any other factors that may compromise their ability to perform their duties independently.

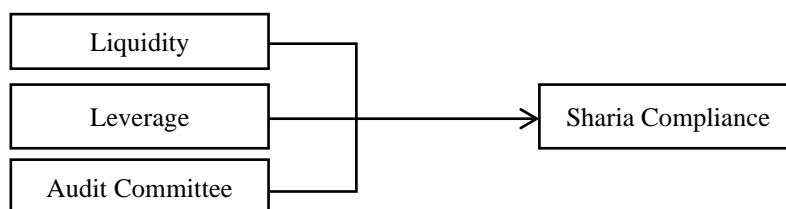


Figure 1 Conceptual Framework

Based on the above framework, the hypotheses proposed in this research are as follows:

H₁: Liquidity has a positive and significant impact on sharia compliance.

H₂: Leverage has a positive and significant impact on sharia compliance.

H₃: Audit Committee has a positive and significant impact on sharia compliance.

RESEARCH METHODOLOGY AND ANALYSIS

The population for this study comprises Sharia Commercial Banks in Indonesia. Purposive sampling was employed as the sampling technique to obtain a representative sample based on predetermined criteria. The criteria used for sample selection were as follows: Sharia Commercial Banks operating in Indonesia, availability of published annual reports on their official websites, and possession of annual reports spanning the period from 2017 to 2021.

From the research objects that meet these criteria, the researcher selects 7 Sharia Commercial Banks. Therefore, the total observations for the period from 2017 to 2021 amount to 35 samples.

Table 1 Observation Between 2017 - 2021

	IKS	CAR	DER	KA
Mean	0.6303571	0.2138271	1.9112000	3.3714286
Maks	0.78750	0.45259	6.86772	5.00000
Min	0.51250	0.11512	0.52595	2.00000
St. Dev.	0.07359503	0.08037172	1.39947210	0.80752761
Obs.	35	35	35	35

The Sharia Compliance Index (IKS) variable has a mean of 0.6303571, indicating that the level of Sharia compliance in Islamic commercial banks in Indonesia has an average value of 0.6303571. This result shows that Islamic commercial banks in Indonesia adequately adhere to Sharia compliance.

The liquidity variable (CAR) has a mean of 0.2138271, meaning that the liquidity level (CAR) of Sharia banks in Indonesia has an average value of 0.2138271. From this result, it can be concluded that the liquidity meets the OJK standard for CAR of 12%.

The leverage variable (DER) has a mean of 1.9112000, indicating that the leverage level of Sharia banks in Indonesia has an average value of 1.9112000.

The audit committee variable (KA) has an average value of 3.3714286. According to Bank Indonesia Regulation No. 11/33/PBI/2009 Article 36 Paragraph 1, the audit committee should have a minimum of 3 members. Therefore, the average number of audit committee members meets the requirements of Bank Indonesia regulation.

Table 2 Normality Test

	Unstandardized Residual
N	35
Most Extreme Differences Absolute	.177
Positive	.087
Negative	-.177
Test Statistic	.177
Asymp. Sig. (2-tailed)	.007 ^c

Based on the normality test, the significance value (Asymp Sig. (2-tailed)) is above 0.05, indicating that the regression model is normally distributed and satisfies the assumption of normality.

Table 3 Heteroscedasticity Test

	Model	T	Sig.
1	(Constant)	2.367	.025
	CAR	-.859	.398
	DER	-1.573	.127
	KA	-.482	.633

From the significance value above, it can be concluded that there is no effect of heteroscedasticity (Sig. > 0.05) in the regression model of this research.

Table 4 Multicollinearity Test

	Model	Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	CAR	.844	1.185
	DER	.820	1.219
	KA	.756	1.323

From the values of Tolerance and VIF above, it can be concluded that all variables do not exhibit multicollinearity among each other.

Table 5 Autocorrelation Test

Model	Std. Error of the Estimate	Durbin-Watson
1	.041	.733

From the table above, it can be concluded that the testing model does not exhibit autocorrelation.

Significance Testing

Table 6 Method of Coefficient of Determination (Adjusted R²)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.606 ^a	.367	.306	.041

The regression results in the SPSS application show an adjusted R² value of 0.306. This value indicates that all independent variables together have a 30.6% influence on the Sharia Compliance Index. The remaining 69.4% is influenced by other factors not included in the model.

Table 7 Hypothesis Testing

	Model	t	Sig.
1	(Constant)	-6.857	.000
	CAR	.235	.816
	DER	.750	.459
	KA	4.232	.000

t-table (one-tailed; $\alpha:0.05$) = 1.701

From the results of the SPSS calculations and comparison with the t-table, the following conclusions can be drawn:

- Liquidity (X1) has a calculated t-value of 0.235 and a significance value (sig.) of 0.816. This means that liquidity has a positive effect but is not significant on the Sharia compliance index (Y).
- Leverage (X2) has a calculated t-value of -0.750 and a significance value (sig.) of 0.827. This means that leverage has a positive effect but is not significant on the Sharia compliance index (Y).
- Audit committee (X3) has a calculated t-value of 4.456 and a significance value (sig.) of 0.000. This means that the audit committee has a positive and significant effect on the Sharia compliance index (Y).

CONCLUSION

Based on the findings of the study, the following conclusions can be drawn:

- Liquidity has a positive effect but is insignificant on the Sharia compliance index in Islamic banks in Indonesia.
- Leverage has a positive effect but is insignificant on the Sharia compliance index in Islamic banks in Indonesia.
- The audit committee has a positive and significant effect on the Sharia compliance index in Islamic banks in Indonesia.

This study has several limitations, and author suggests few recommendations:

- Stakeholders are advised to assess the performance of Islamic banks in terms of Sharia principles. Investors can make informed investment decisions by assessing whether a bank has the capacity to ensure that its operations align with Sharia principles. Similarly, the general public can assess whether Islamic banks comply with Sharia regulations, enabling them to have confidence in entrusting their funds to these institutions.

- ii. For future research, it is suggested that this study be used as a reference. Subsequent studies could broaden the research period beyond the five annual reports used in each bank and expand the sample size beyond the seven included Islamic banks. Furthermore, future research could consider replacing or adding independent variables, as well as incorporating intervening variable(s). This recommendation is based on the adjusted R^2 value, which indicates that there are other factors outside the model that influence the dependent variable (Sharia Compliance Index) by 69.4%.

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FACTORS INFLUENCING THE QUALITY OF LOCAL GOVERNMENT FINANCIAL REPORTS IN SHARIA ACCOUNTING PERSPECTIVE

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ABSTRACT

This study aims to empirically examine the factors that influence the quality of regional financial reports. Using non-probability sampling method, namely saturated sampling (census) where sampling is done when all members of the population are used as samples. The variables used in this study are internal control systems, and understanding of rules as independent variables, and the quality of regional financial reports as the dependent variable. This study was conducted to assess whether all of these variables have an influence on the quality of regional financial reports in Purbalingga Regency. The data collection itself uses primary data where the data collection method uses the questionnaire method. From the 46 sample of respondents obtained, then hypothesis testing using the Structural Equation Modeling (SEM) Partial Least Square (PLS) analysis approach shows that only the internal control system has a significant positive effect on the quality of regional financial reports. The understanding of the rules have no significant effect on regional financial reports.

Keywords: *Quality of Regional Financial Reports; Internal Control System; Understanding of the rules; non-probability sampling; SEM PLS*

INTRODUCTION

Regulation of the Minister of Home Affairs of the Republic of Indonesia (Pemendagri RI) number 64 of 2013 concerning the application of accrual-based government accounting standards to local governments, it is mandatory for local governments to apply government accounting accrual basis in preparing local government financial reports (LKPD).

The phenomenon of the quality of government financial reports in Indonesia is an interesting thing to study further. Simultaneously with the growth of public sector accounting in Indonesia is the strengthening of demands for the quality of government financial report data. Therefore, the information provided by the regional government must be scrutinized as well as possible because the data is intended to be used for making various decisions such as planning and controlling.

In fact, in the local government financial reports, there are still many data that are not appropriate. In addition, there are still many deviations that are not appropriate. In addition, there are still many irregularities that have been found by the Supreme Audit Agency in conducting audits of local government financial statements. Based on this phenomenon, it can be stated that regional government financial reports still do not fully meet the criteria and elements that form the quality of reports that have value or benefits.

No	Kab/Kota	WDP	WDP	WTP	WTP	WDP	WDP	WTP	WTP	WTP
15	Kab Klaten	WDP	WDP	WTP	WTP	WDP	WDP	WTP	WTP	WTP
16	Kab Kudus	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP
17	Kab Magelang	WDP	WDP	WDP	WTP	WTP	WTP	WTP	WTP	WTP
18	Kab Pati	WDP	WDP	WDP	WTP	WTP	WTP	WTP	WTP	WTP
19	Kab Pekalongan	WDP	WDP	WDP	WTP	WTP	WTP	WTP	WTP	WTP
20	Kab Pemalang	WDP	WDP	WDP	WTP	WTP	WTP	WTP	WTP	WTP
21	Kab Purbalingga	WDP	WDP	WDP	WTP	WTP	WTP	WTP	WTP	WTP
22	Kab Purworejo	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP
23	Kab Rembang	WDP	WDP	WDP	WDP	WDP	WTP	WTP	WTP	WTP
24	Kab Semarang	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP	WTP
25	Kab Sragen	WDP	WDP	WDP	WTP	WTP	WTP	WTP	WTP	WTP

Figure 1 Opinion of WTP Regencies in Central Java.
(<https://jateng.bpk.go.id/lhp-kpd/>)

The Government of Purbalingga Regency has again won the Unqualified Opinion (WTP) title from the Financial Audit Agency (BPK) for the fourth consecutive year for the Purbalingga Regency Regional Government Financial Report (LKPD) for 2019. This Unqualified Opinion (WTP) is the fourth time since 2016 which was won successively by Purbalingga Regency.

From the description above, the authors think it is necessary to develop from previous research on variables to determine the factors that influence the Quality of Local Government Financial Statements (LKPD) Purbalingga Regency. The difference between this research and the previous one is time, all variables from previous research and different research locations using sharia accounting principles. Based on the explanation above, the researcher is interested in conducting research with the title "Factors Influencing the Quality of Local Government Financial Reports in a Sharia Accounting Perspective".

LITERATURE REVIEW

Agency Theory

According to Jensen and Meckling (1976) explains the agency relationship as follows "agency relationship as a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent". That is, an agency relationship is a contract in which one or more people (principals) instruct another person (agent) to perform a service on behalf of the principal and authorize the agent to make the best decisions for the principal. In financial reporting, the government acting as an agent has an obligation to provide information that is useful for users of government financial information who act as principals in assessing accountability and making decisions both economic, social and political decisions.

The relationship between agency theory and this research is that the government acts as an agent (government manager) who must establish a certain strategy in order to provide the best service to the public as the principal party. The principal certainly wants good performance results from the agent and one of these performances can be seen from the financial and service reports which is good, while how well financial reports and services depend on the strategy implemented by the government. If the government's performance is good, people

will trust the government. In conclusion, the choice of strategy will affect public trust as a principal party to the government as an agent. According to Supriyono (2019) behavioral agency (agency) theory is a concept that explains the relationship between the principal (contract giver) and the agent (contract recipient), the principal agent contracts to work for the goals they have so that the agent is given authority in making decisions.

Regional Financial Report

Regional Financial Reports are information that contains data on various elements of the wealth structure and financial structure which are a reflection of the results of certain activities. The term "Local Government Financial Statements" includes all reports and various explanations which acknowledge that these reports will be recognized as part of the financial statements. In Government Regulation no. 58 of 2005 concerning Regional Financial Management, it is explained that regional finance is all regional rights and obligations in the context of administering regional government which can be valued in money including all forms of regional wealth.

The purpose of government financial reporting according to Government Regulation Number 24 of 2005 is Accountability, namely be responsible for managing resources and implementing policies entrusted to:

1. Reporting entity in achieving the objectives that have been set periodically.
2. Management, namely helping users to evaluate the implementation of the activities of a reporting entity in the reporting period so as to facilitate the planning, management and control functions of all government assets, liabilities and equity for the benefit of society.
3. Transparency, namely providing open and honest financial information to the public based on the consideration that the public has the right to know openly and thoroughly the government's accountability in the management of the resources entrusted to it and its compliance with laws and regulations.
4. The balance between generations, namely assisting users in knowing the adequacy of government revenues in the reporting period to finance all allocated expenditures and whether future generations are assumed to share the burden of these expenditures.
5. Performance evaluation, namely evaluating the performance of the reporting entity, especially in the use of government-managed economic resources to achieve the planned performance.

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5. Performance evaluation, namely evaluating the performance of the reporting entity, especially in the use of government-managed economic resources to achieve the planned performance.

Principles of Sharia Accounting in the Qur'an surah Al Baqarah verse 282 there are three values that become the basic principles of shari'ah accounting operations, namely the values of responsibility, justice and truth.

- a. The principle of responsibility in our culture, generally "responsibility" is defined as the necessity to "bear" and "respond" in another sense, namely a necessity to bear the consequences caused by one's behavior in order to answer a problem. Accountability is directly related to the concept of trust. Where the implication in business and accounting is that individuals involved in business practices must always be accountable for what has been mandated and done to related parties. Accountability is manifested in the form of financial reports.
- b. The principle of justice
Justice is recognition and treatment that is balanced between rights and obligations. Justice lies in the harmony of demanding rights and carrying out obligations. Or in other words, justice is a situation when everyone gets what is rightfully theirs and everyone gets an equal share of the common wealth. This principle of justice is not only a very important value in the ethics of social and business life, but also a value that is inherently inherent in human nature. In the context of fairness accounting, it contains a fundamental understanding and remains based on ethical/sharia and moral values. Simply put, fairness in accounting is the correct recording of every transaction made by a company. In the Qur'an it is conveyed that we must measure fairly, not to exaggerate and not to subtract.
- c. The principle of truth
Based on the letter of Al-Baqarah: 282, found the meaning of truth, namely:
 - i. The correct state (matches the actual thing or situation);
 - ii. Something that is true (really exists, is true);
 - iii. Honesty, sincerity.
 - iv. Always permission, favor.
 - v. Chance way

From the explanation above, what is meant by truth in shari'ah accounting is the conformity between what is recorded and reported with what actually happens in the field. This includes the principle of truth concerning the measurement of wealth, debt, income capital, costs, company profits, and financial statements so that an accountant in practice is obliged to measure everything responsibly, correctly and fairly based on the evidence available in an organization. Internal Control System.

Government Regulation Number 60 of 2008 concerning the Internal Control System defines Internal Supervision as the entire process of auditing, reviewing, evaluating, monitoring, and other supervisory activities on the implementation of organizational duties and functions in order to provide adequate assurance that activities have been carried out in accordance with established benchmarks. has been determined effectively and efficiently for the

benefit of the leadership in realizing good governance. The internal control system is one of the most important parts of a good governance system.

Good governance is a set of processes that are implemented in both private and public organizations to make decisions (Nurmala & Adiwibowo: 2020). The internal control system is a method for concentrating, supervising, and measuring an organization's resources which includes the results of checking assessments by the Supreme Audit Agency (BPK), Unqualified Qualification (WTP), Qualified with Exceptions (WDP), and not giving opinions (Muflihah & Malia, 2015) Understanding the Rules. Understanding the rules is a series of procedures starting from the process of data collection, recording, summarizing, to financial reporting in the context of accountability for the implementation of the APBD which can be done manually or using a computer application (Suhardjo: 2019). Understanding of accounting is smart and understands correctly about accounting (Harlinda: 2016).

The higher the level of understanding about the budget, the higher the quality of an institution's financial reports. An understanding of the budget serves as a guide to ensure that financial reporting applications are in sync with established goals and laws and regulations (Kiranayanti & Erawati, 2016).

RESEARCH METHOD

The type of research used in this study is quantitative according to Sugiyono (2017: 14) Quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to examine certain populations or samples, sampling techniques are generally carried out randomly, collecting data using research instruments, data analysis is quantitative or statistical, with the aim of testing what has been determined. This research was conducted at the SKPD of Purbalingga Regency which is located in several agencies.

Data Collection Techniques

The data collection method used in this study is by distributing questionnaires. The questionnaire is a list of questions that must be answered or a list of fields that must be filled in by the respondent. Filling in the questionnaire was carried out directly by the respondent by marking (√) on the answers provided. The research scores used for each question are:

- Value 1= Strongly Disagree
- Value 2 = Disagree
- Value 3 = Less Agree
- Value 4 = Agree
- Value 5 = Strongly Agree

Operational Definitions of Variables

According to Sugiyono (2017: 39) defining independent variables are variables that influence or cause changes or the emergence of dependent (bound) variables. In this study included in the independent variables are:

- a. Internal Control (X1) Government Regulation Number 60 of 2008 concerning the Internal Control System defines Internal Control as the entire process of auditing, reviewing, evaluating, monitoring and other supervisory activities on the implementation of organizational duties and functions in order to provide adequate assurance that activities have been carried out in accordance with the benchmarks that have been set effectively and efficiently for the benefit of the leadership in realizing good governance.

- b. Understanding the Rules (X2) Understanding the rules is an understanding of the accounting principles applied in preparing and presenting regional financial reports (Kusumo: 2018).

Sample Collection Techniques

According to Sugiyono (2017) population is a generalized area consisting of objects or subjects that have certain qualities and characteristics set by researchers to study and then draw conclusions. In this study, the population is part of the accounting/financial administration of the SKPD in Purbalingga Regency with a total of 23 SKPD consisting of 1 Inspectorate, 2 Agencies, 18 Services, and 2 Offices. With a total of 46 staff in the field of accounting / financial administration in all SKPD.

Research Sample

According to Sugiyono (2012: 81) The sample is part of the number and characteristics possessed by the population. The sample in this study was all staff in the field of accounting/financial administration at all SKPDs, totaling 46 respondents as the makers of financial reports. The sampling technique in this study was saturated sampling or census. Sugiyono said (2016: 85) "saturation sampling is a sampling technique when all members of the population are used as samples. The research sample is a portion of the population taken as a data source and can represent the entire population (representative).

Data Analysis Techniques

In this study used structural equation analysis with PLS. PLS is a powerful analytical method because it does not assume the data must be in a certain measurement scale because it is based on nonparametric statistics and can also be used for relatively small sample sizes (recommended minimum range from 30 to 100). By using the PLS technique specifying the relationship between variables, including:

- i. Outer Model

The Outer Model is often also called the measurement model or measurement model which is the relationship between indicators and their latent variables. Evaluation of the measurement model or outer model is carried out in several ways, namely: (1) Convergent Validity (CV) on reflective indicators, namely by looking at the correlation or loading between the measured variables and their latent variables. A minimum tolerated value of 0.50 is considered sufficient (Chin, 1998 in Ghazali, 2011). If the sample is large enough, a loading value smaller than 0.50 can also be considered as long as the calculated t value is not less than 1.96. (2) Discriminant Validity (DV) by comparing the square root of average variance extracted (AVE) value of each construct with the correlation between constructs and other constructs in the model. It is recommended that the AVE value is greater than 0.50.

- ii. Inner Model

In PLS the inner model is also called the inner relation which describes the relationship between latent variables based on the substance of the theory. Evaluation of the inner model is carried out by looking at the magnitude of the structural path coefficient, and also the statistical t test value obtained by the bootstrapping method. Besides that, R² is also considered for the dependent latent variable. (Ghozali and Latan: 2012) classifying the strength

of the research model with the R square test into three groups, namely 0.75 which is said to be substantial (strong), 0.50 which is said to be moderate, and 0.25 which is said to be weak. Changes in R2 can be used to assess the effect of certain latent variables on independent latent variables whether they have a substantive effect.

RESULTS AND DISCUSSION

Initial research model

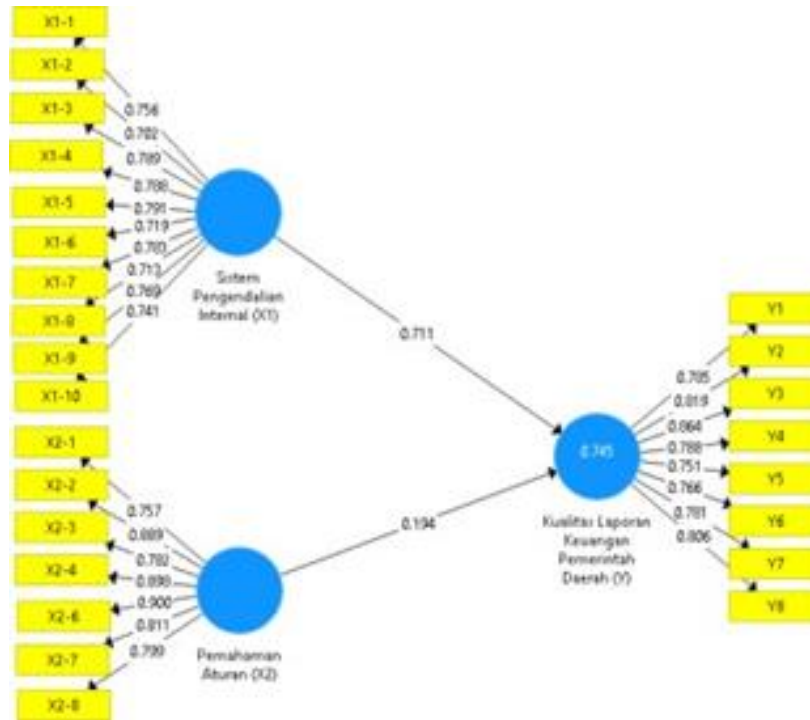


Figure 2 Outer Model Validity Test

To find out whether the indicators used to form constructs or variables are valid, an analysis is carried out as follows:

a. Convergent Validity

Table 1 Convergent Validity

	Internal Control System (X1)	Understanding of the rules (X2)	Quality of Regional Government Financial Reports (Y)
X1-1	0.757		
X1-2	0.702		
X1-3	0.789		
X1-4	0.788		
X1-5	0.791		
X1-6	0.719		
X1-7	0.783		
X1-8	0.713		
X1-9	0.769		
X1-10	0.741		
X2-1		0.757	

X2-2		0.889	
X2-3		0.782	
X2-4		0.898	
X2-6		0.900	
X2-7		0.811	
X2-8		0.799	
Y1			0.785
Y2			0.819
Y3			0.864
Y4			0.788
Y5			0.751
Y6			0.766
Y7			0.781
Y8			0.806

Based on table 1 it can be seen that all the variables that make up the Internal Control System construct (X1), Understanding of Rules (X2), and Quality of Regional Financial Reports (Y) are found to be valid and reliable.

b. Discriminant Validity

Table 2 Discriminant Validity

Variable	Average Variance Extracted (AVE)	Composite Reliability (CR)
System Internal control (X1)	0.571	0.930
Understanding of the Rules (X2)	0.657	0.938
Report Quality Local government (Y)	0.633	0.932

Based on table 2 it can be seen that all variables can be said to be valid, because they have discriminant validity greater than > 0.50 for values from Average Variance Extracted (AVE) and for Composite Reliability (CR) values > 0.70 . As for Composite Reliability and Cronbach Alpha above 0.50 for all constructs. 2. Test the Inner model. The R Square value has several criteria, including, 0.75 the model is said to be substantial (strong), 0.50 the model is said to be moderate (moderate), and 0.25 the model is said to be weak (Ghazali and Latan 2012).

Below are the results of the R-Square analysis.

Table 3 R Square (R^2)

Variable	R Square	R Square Adjusted
Quality of Financial Statements Local government (Y)	0.745	0.734

From the analysis of table 3 above, it can be seen that the R Square value is 0.745 and the R Square Adjusted value is 0.734. With an R Square value of 0.745 this shows that the ability of the variables X1 and X2, in explaining Y is 74.5%. This value can be classified as a moderate model.

Tabel 4 Path Coeficient

Relationship between variables	Original Sampel	Sample Mean	Standard Deviation	T-Statistics	P-Values
Internal Control System --> Report Quality Regional Government Finance	0.711	0.783	0.133	5.341	0.00
Understanding of the Rules --> The Quality of the Government's Financial Report Region	0.194	0.177	0.142	1.364	0.173

Hypothesis Withdrawal

Internal Control System on the Quality of Regional Government Financial Reports

Based on the results of the direct effect analysis that has been carried out, the structural equation with PLS shows the value of the path coefficient (X1) of the Internal Control System of 0.711. From these results it can be concluded that the Internal Control System variable has a positive value, which means the influence between the variable (X1) Internal Control System and variable (Y) Quality of Regional Financial Reports has a significant positive effect. The results of the P Values shown in table 4 have a value of 0.000. From this value it can be seen that the value is $0.000 < 0.05$. These results indicate that the effect of the Internal Control System variable on the Quality of Regional Financial Reports is a significant positive effect, so it can be concluded that the H_1 hypothesis is accepted.

The internal control system is one of the factors that significantly influences the financial reports of the local government, therefore the internal control system needs to be maintained or improved so that it can be even better, so that the Government of Purbalingga Regency in obtaining the WTP title can be maintained again in the future.

Understanding of the Rules on the Quality of Regional Government Financial Reports

Based on the results of the direct effect analysis that has been carried out structural equations with PLS, it shows that the value of the path coefficient (X2) Understanding of the Rules is 0.194. From these results it can be concluded that the Understanding of the Rules variable has a positive value, which means that the influence between the variable (X2) Understanding the Rules and the variable (Y) Quality of Regional Financial Reports has no significant effect. The quality of Regional Financial Reports has no significant effect. The results of the P values shown in table 4 have a value of 0.173. From this value it can be seen that the value is $0.173 > 0.05$. These results indicate that the effect of the Rule

Understanding variable on the Quality of Regional Financial Statements has no significant positive effect, so it can be concluded that the H₂ hypothesis is rejected.

Low employee understanding of their duties and functions as well as obstacles in data processing can also have an impact on delays in completing tasks that must be completed including financial reports. In addition, because the understanding of accounting for each individual employee is different in understanding the accounting process from the beginning to the financial statements. This means that employees or staff of the SKPD accounting department in Purbalingga Regency do not really understand the understanding of the rules on financial reports.

CONCLUSION

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

1. The Internal Control System has a significant effect on the quality of the financial reports of the regional government of Purbalingga Regency.
2. Understanding of the Rules has no significant effect on the quality of the financial reports of the regional government of Purbalingga Regency.

SUGGESTION

1. The internal control system in Purbalingga Regency must be emphasized to ensure that good regional financial reports are obtained.
2. Example of External factors are audit tenure and KAP reputation external factors are also capable of pushing to influence regional financial reports which are produced to be of higher quality.
3. Organizational commitment can also be targeted to become a research variable to produce good regional financial reports.
4. For each institution, it is better to place its employees according to their educational background and position in that institution.
5. Often attend workshops or training on accounting in order to increase knowledge in the process of preparing correct financial reports.
6. Can add research variables in order to further strengthen the research.
7. Can increase the number of population or sample in research for better generalization of conclusions.

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ANALYSIS OF PROFITABILITY RATIOS AS AN ASSESSMENT TOOL FOR FINANCIAL PERFORMANCE OF AN ISLAMIC BANK

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ABSTRACT

The purpose of this research is to examine profitability ratios as a tool for assessing Islamic bank's financial performance. Profitability ratios such as return on assets (ROA), return on equity (ROE), and net profit margin (NPM) are widely used indicators to evaluate a bank's efficacy and efficiency. This study focuses on Islamic bank, which operate under Shariah principles and follow ethical and religious requirements. The study takes a quantitative method, gathering financial data from an Islamic bank over a set length of time. To evaluate the bank's financial performance, the data is analyzed using several profitability ratios, and their patterns and linkages are examined. The findings will help stakeholders make educated decisions about investment, financial management, and risk assessment by increasing their understanding of the profitability dynamics in the Islamic banking business. The findings of this analysis are designed to provide insights into an Islamic bank's overall performance, highlighting areas of strength and detecting potential shortcomings. Furthermore, the study will offer light on the specific elements driving profitability in Islamic banks, as well as their implications for long-term growth and development.

Keywords: Profitability ratios, financial performance, Islamic bank, return on assets, return on equity, net profit margin.

INTRODUCTION

Bank Aceh Annual Report

The Annual report is an important document that provides an overall picture of the performance and achievements of an organization for one year. Bank Aceh, as one of the leading financial institutions in Aceh province, has an important role in driving economic growth and meeting the financial needs of the local community.

In the past year, Bank Aceh continues to show strong and consistent growth amidst uncertain economic dynamics. This achievement is a reflection of the bank's commitment to providing high quality services to customers and supporting the development of economic sectors in Aceh (Bank Aceh, 2023). This annual report will also describe various strategic initiatives taken by Bank Aceh in strengthening its position as one of the leading banks in the region. Product and service innovation, financial technology development, and empowering human resources are the key factors that will be explored in this report.

Through this annual report, it is hoped that stakeholders, including customers, shareholders, regulators and the general public, will be able to fully and transparently understand Bank Aceh's performance. This report is also a

means for banks to account for actions and decisions taken for one year to all stakeholders.

Thus, this Bank Aceh annual report will provide a comprehensive picture of the bank's achievements, innovative efforts, and real contributions that have been made in supporting economic growth and people's welfare in Aceh.

Financial Ratio Analysis

Analysis of financial statements is needed to evaluate the strengths and weaknesses of a company and also the performance achieved by company management in the past, as well as for consideration in preparing future company plans (Kasmir, 2019). This information is one way to manage useful information from a company's financial statements is to perform a financial ratio analysis. While financial ratios themselves are (index) numbers obtained from the results of a comparison of financial report data with other financial report data that have a relationship. From the results of financial ratios, the health condition of the company concerned will be evaluated (Sudana, 2015). So financial ratios are activities of comparing the numbers in the financial statements themselves.

The Advantage of Ratio Analysis

The ratio analysis technique has advantages over other analytical techniques. The benefits include (Harahap, 2015):

- i. Ratios are numbers or statistical data that are easier to read and understand.
- ii. Simplify and make it easier to find the information presented compared to looking at "financial reports" which are very detailed and more complicated.
- iii. Knowing the position of our company with other industry positions. Material used in decision making from corporate predictions (Z-score).
- iv. Standardizing company size. There are several metrics that are often used to standardize company size, including:
 - Income
 - Number of employees
 - Asset
 - The market value of the company.
- v. Simplify the company to see the development of the company periodically or "time series". It's easier to see consumer trends and make predictions in the future.

Difficulty of Ratio Analysis

The difficulties that will be found in ratio analysis are (Harahap, 2015):

- i. Difficulty in determining the best ratio to utilize in the user's best interests.
- ii. The limitations of the financial statements are also a limitation of this analysis technique such as:
- iii. Materials for calculating financial statements contain many estimates that are actually considered subjective.
- iv. The value contained in the ratio is the value of the profit (cost), not the market price.
- v. Classification/grouping of data in financial reports plays an important role for the impact on ratio numbers.

- vi. The recording method described in the accounting standards is applied differently by other companies.
- vii. If the calculation data is unavailable or out of sync, calculating the ratio will be problematic.
- viii. It will cause an error if the comparison between the two companies becomes irrelevant when the accounting standards used by each company are different.

DISCUSSION

Analysis of Financial Ratios in the Annual Report of Bank Aceh

In assessing the financial performance of a bank, the data required are the financial statements of the bank which are recorded, compiled and prepared at the end of each accounting period, consisting of a balance sheet and income statement. The financial statements show the financial condition of the bank at a certain time, so that from these reports information is obtained regarding the weaknesses and strengths of the bank in its financial sector. By knowing the weaknesses faced by the bank, corrective steps can be taken immediately so that in the next period the weaknesses possessed by the bank can be used as a reference for increasing activity in the coming period. The financial performance and profitability of a corporation are assessed using profitability ratios (Barathi & Mayya, 2022).

The following is a summary of the financial report data needed to calculate profitability ratios:

Table 1 Data on Sales, Net Profit, Total Assets and Equity of Bank Aceh for the 2021-2022 period (Expressed in Rupiah)

Year	Net sales	Net profit	Total Assets	Equity
2021	1,889,627,435,614	392,127,034,310	28,170,825,805,198	2,843,681,595,492
2022	2,101,647,258,127	436,722,486,990	28,767,096,914,052	3,512,591,458,696

Source: (Bank Aceh, 2023)

Net Profit Margin (NPM)

NPM is sales profit after calculating expenses and income tax. The higher the ratio of net sales the better because the bank's ability to generate profits is quite high (Sunarmie, 2022). The calculation of the NPM obtained in percentage:

$$\begin{aligned}
 \text{net profit margin} &= \frac{\text{profit after tax}}{\text{sales}} \times 100 \\
 2021 &= \frac{392,127,034,310}{1,889,627,435,614} \times 100 = 20.75\% \\
 2022 &= \frac{436,722,486,990}{2,101,647,258,127} \times 100 = 20.78\%
 \end{aligned}$$

The results of calculating the net profit margin of Bank Aceh for the 2021-2022 period:

Table 2 Net Profit Margin of Bank Aceh for the Period 2021-2022

Year	Net Profit Margin
2021	20.75%
2022	20.78%
Average	20.765%

Source: Processed data (2023).

Data shows that Bank Aceh's NPM has increased by 0.03% from 2021 to 2022. This increase shows the bank's ability to generate net profits from any income earned. This indicates an increase in operational efficiency or improvement in cost management.

Return On Assets (ROA)

ROA is a measurement of the ability of the bank as a whole to generate profits with the total assets available in the bank (Putri, Nurhidayati, & Khasanah, 2021). The higher the ratio, the better the state of the bank. Calculation of the ROA obtained in percentages:

$$\text{return on assets} = \frac{\text{profit after tax}}{\text{total assets}} \times 100$$

$$2021 = \frac{392,127,034,310}{28,170,825,805,198} \times 100 = 1.39\%$$

$$2022 = \frac{436,722,486,990}{28,767,096,914,052} \times 100 = 1.52\%$$

Table 3 Return on Assets of Bank Aceh for the Period 2021-2022

Year	Return on assets
2021	1.39%
2022	1.52%
Average	1.455%

Source: Processed data (2023).

The data also shows that the performance of Bank Aceh in terms of ROA increased by 0.13% from 2021 to 2022. ROA reflects the bank's ability to generate profits from its assets. This increase indicates increased effectiveness in the use of assets by the bank, which may indicate an improvement in asset quality or better risk management.

Return On Equity (ROE)

ROE is a measure of income available to shareholders and banks for the capital they invest in the company. The higher the return or income earned, the better the condition of the company. ROE shows what percentage of net profit is obtained as measured by owner's capital (Balci & Oğul, 2021). This ratio is also influenced by the size of bank debt. Calculation of ROE obtained in percentages:

$$\text{return on equity} = \frac{\text{profit after tax}}{\text{owner's equity}} \times 100$$

$$2021 = \frac{392,127,034,310}{2,843,681,595,492} \times 100 = 13.79\%$$

$$2022 = \frac{436,722,486,990}{3,512,591,458,696} \times 100 = 13.20\%$$

Table 4 Return on Equity of Bank Aceh for the Period 2021-2022

Year	Return On Equity
2021	13.79%
2022	13.20%
Average	13.495%

Source: Processed data (2023).

It was found that the performance of Bank Aceh in terms of ROE decreased by 0.59% from 2021 to 2022. ROE reflects the rate of return obtained by the bank from the capital invested by shareholders. This decrease indicates that the bank may experience a decrease in profitability relative to the capital held, which could be due to factors such as increased finance charges or higher expenses.

Table 5 The average yield of Bank Aceh Profitability Ratio for the Period 2021-2022

Profitability	Year		Change
	2021	2022	
NPM (%)	20.75	20.78	Positively
ROA (%)	1.39	1.52	Positively
ROE (%)	13.79	13.20	Negatively

Source: Processed data (2023).

Overall, this analysis describes the changes in the financial performance of Bank Aceh in terms of NPM, ROA, and ROE from 2021 to 2022. Although NPM and ROA have increased, the decline in ROE indicates that the bank needs to pay attention to the factors that affect profitability relative to capital which are owned. In this case, bank management needs to pay attention to the right strategy to improve financial performance and ensure sustainable growth.

CONCLUSION

The results' conclusion is as follows:

- Net Profit Margin (NPM): From 2021 to 2022, Bank Aceh's NPM increased by 0.03%.
- Return on Assets (ROA): From 2021 to 2022, Bank Aceh's ROA increased by 0.13%.
- Return on Equity (ROE): From 2021 to 2022, Bank Aceh's ROE decreased by 0.59%

These results show that Bank Aceh's financial performance has changed. Despite the fact that NPM and ROA have grown, the decline in ROE suggests that attention should be paid to the elements that influence profitability relative to capital held. Banks must use strategic measures to enhance their financial performance and guarantee sustainable growth.

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