Affect Sharia Compliance and Exchange On The Balance of Payment Insurance Deficit In Indonesia

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ABSTRACT

Annual balance of payments insurance which has increased. An increase in the balance of payments deficit, if not immediately addressed, will have a negative impact on the country's economy and hinder the country's development and ultimately prosperity will be difficult to achieve. The purpose of this study was to examine the effect of financial performance, total sharia reinsurance assets, sharia compliance and exchange rates on the insurance balance of payments deficit in Indonesia. The method used in this research is quantitative research with the data used is secondary data in the form of time series obtained from the Financial Services Authority. Data collection uses documentation, in the form of quarterly data starting from 2010Q1-2019Q4. The total sample in this study was 40 research samples. The collected data were analyzed using multiple linear regression. The test instrument used was the SPSS IBM 21. This study shows that simultaneously financial performance, total sharia reinsurance assets, sharia compliance and the exchange rate have a significant effect on the insurance balance of payments deficit in Indonesia with a significance of 0.000. while the results of the partial test show that financial performance, total assets of sharia reinsurance, sharia compliance negatively affect the insurance balance of payments deficit in Indonesia. Meanwhile, the exchange rate has a significant and positive effect on the insurance balance of payments deficit in Indonesia. The coefficient of determination of Adjusted R^2 is 0.610 or 61%. That is, the ability of the independent variables namely financial performance variables, total assets, sharia compliance and the exchange rate in explaining the dependent variable, namely the Indonesian insurance balance of payments deficit for the 2010-2019 period is 61% and the remaining 49% is influenced by other variables outside the model that are not the study of this research. .
Keywords; Balance of Payments Deficit, Exchange Rate, Sharia Compliance

INTRODUCTION

Reinsurance arrangements are important and become a determining variable in influencing the insurance payment deficit because basically insurance companies in implementing insurance service offerings have partnered with foreign insurers so that the amount of premium paid should be able to enter the domestic financial circulation but must be paid out to the insurer. abroad which causes a deficit because the amount exceeds the commission and claims that can be received from reinsurance activities abroad. The reinsurance arrangement will also have a negative impact on the company's performance when the insurance partner used is still overseas, and will have a positive impact on the profitability of the reinsurance company when the partnered insurer is in one region or country to avoid the circulation of payments to foreigners because it involves foreign exchange rates (Park et al., 2021). Based on Indonesian Insurance Statistics data in the last five years there has been an increase

every year both in terms of investment and in terms of the number of assets of reinsurance companies in Indonesia, this shows that the funds accommodated in the insurance sector increased significantly where in 2019 there was an increase in assets of 3.79 trillion when compared to 2018, as well as the amount of investment which increased by 1.02 trillion in 2019, supposedly with the increase in the number in the investment line and reinsurance assets, it can reduce the insurance balance of payments deficit, but in reality these funds allocated to foreign insurers, namely by paying premiums abroad, which causes the increase to not change the balance sheet figures because the returns on these premiums are not comparable and there is even a significant difference between the two. Reinsurance that has been running in partnership with foreign insurers is an obstacle due to the inability of the domestic insurance industry to provide domestic reinsurance services in terms of absorption of risk management, so it requires its own retention to build trust and build domestic reinsurers who are able to compete with foreign insurers who then The existing reinsurance partnerships no longer involve foreign insurers and in the end can reduce the insurance payment deficit abroad, because the financial circulation revolves around domestic only without involving foreign parties (POJK No 14/POJK.05/2015 Tentang Retensi Sendiri Dan Dukungan Reasuransi Dalam Negeri, 2020).

According to (Mustafa Muhani et al., 2015) the performance of a company reflects the result of a series of processes at the expense of various resources so that the company must be effective and efficient in managing its resources in order to maintain and improve its performance which is reflected in the financial reports made by management on a regular basis. The higher the company's performance, the healthier the company. The company's financial performance can be measured by financial ratios. One of them is risk based capital. Based on the Decree of the Minister of Finance (KMK) Number 424/KMK.06/2003 concerning the financial health of insurance companies and reinsurance companies, Risk Based Capital or also known as solvency level limits is one indicator of the financial health of insurance companies, particularly related to solvency or ability to pay. his obligations. Risk Based Capital results can be used to assess the financial performance of insurance companies. The company's financial performance can be said as a measure of how efficient and effective the company's activities have been in managing existing financial resources in a certain period. The assessment of the company's financial performance that has been carried out can be used as a basis for making decisions or policies in the future (Nurfadila et al., 2015).

In addition to financial performance which is the focus of attention of the sharia reinsurance industry, sharia compliance is an important thing to consider in implementing sharia reinsurance in Indonesia (Abubakar & Sukmadilaga, 2017), because the practice of implementing the sharia reinsurance industry requires sharia supervision as stated in the Financial Services Authority Circular No. 17/SEOJK.05/2014 concerning reports on the implementation of good corporate governance for insurance companies, sharia insurance companies, reinsurance companies, and sharia reinsurance companies so that from practice to accountability, it is necessary to apply sharia rules. On the other hand, according to the Fatwa of the

National Sharia Council of the Indonesian Ulema Council (DSN MUI), the DSN fatwa no. 21/DSN-MUI/X/2001 concerning general guidelines for sharia insurance, the first part states that sharia insurance (ta'min, takaful or tadhamun) is a business mutual protection and mutual assistance between a number of people or parties through investments that provide a pattern of returns to deal with certain risks through contracts or engagements that are in accordance with sharia.

The regulation was made to apply the precautionary principle and maintain a balance between wealth and obligations in the implementation of the sharia reinsurance industry in Indonesia. On the other hand, Indonesia is a potential market for the sharia reinsurance industry to apply because the number of Muslims is quite significant, around 80% of the Indonesian population can absorb risk, so that when the sharia reinsurance company is declared by the authorities to be in accordance with sharia practices, it will have a good impact on the sharia reinsurance industry. Indonesia. Sharia insurance companies that disclose and report compliance with sharia principles are less likely to act unfairly to stakeholders (Permono, 2019). As for the measurement of the level of sharia compliance of sharia reinsurance institutions, this study refers to (Boulanouar & Alqahtani, 2016) research on sharia compliance which shows that measuring compliance in insurance institutions can use a dummy variable where according to their research, the dummy variable is equal to 1 if the company complies with Sharia or 0 if it does not. according to sharia rules.

The main problem in this thesis research is the occurrence of a balance of payments deficit for insurance services which increases every year. Supposedly with a majority Muslim population (based on BPS data 80% Muslim of the total population of Indonesia) in Indonesia will have the effect that the sharia insurance industry will develop rapidly and significantly which can have an impact on the economy and overcome the problem of the balance of payments deficit in the insurance sector in Indonesia. However, in practice, the insurance industry has experienced the opposite, namely, although the number of Muslim policies has increased, the balance of payments deficit in insurance has also increased. This is as explained in (Astuti, 2017) research regarding the impact of Indonesia's balance of payments deficit on the domestic economy, where according to him, an increase in the balance of payments deficit will greatly worsen the country's economy so that this will hamper Indonesia's development and ultimately prosperity will be difficult to achieve. If this deficit is not controlled immediately, the economic cycle will also be disrupted, where foreign companies in the insurance sector will increasingly dominate the Indonesian insurance industry and Indonesian insurance itself will be increasingly eliminated. The payment deficit is caused by the inability or limitations of Indonesian reinsurance companies in meeting the needs of Indonesian insurance demand so that Indonesian insurance involves foreign insurers in realizing insurance service activities. The disadvantage of this deficit effect is that the benefits obtained are not commensurate with the financial amount paid to foreign parties so that this will further benefit the foreign parties while Indonesia pays high costs and gets an inappropriate return.

Based on several studies that have been conducted, it shows that the role of total sharia reinsurance assets, sharia compliance, company performance and the

exchange rate have an influence on Indonesia's insurance balance of payments which often experiences a deficit. In this thesis research, it is hypothesized that these variables have an influence on changes in the balance of payments deficit for insurance services. Novelty or the difference between this research and other research is that this thesis research examines the optimization of total sharia reinsurance assets to minimize the balance of payments deficit in the Indonesian insurance sector. In addition, in realizing this, to improve governance that meets sharia reinsurance industry standards, sharia compliance is also a consideration in sharia reinsurance, this is useful to give confidence to the public that Indonesia's sharia reinsurance is in accordance with foreign standards and has sharia characteristics so that this will able to absorb more insurance companies in Indonesia. The unstable exchange rate will encourage the creation of price stability, in particular the price volatility of goods originating from imports. Depreciation of the exchange rate that is too large will result in the price of imported goods becoming more expensive and overall can increase the rate of inflation. Furthermore, inflation that is too high can reduce people's purchasing power and reduce economic activity. In addition, the depreciation of the exchange rate can also burden the balance sheet of companies whose sources of financing come from foreign debt (Machpudin, 2013). So that the exchange rate is also hypothesized to affect the balance of payments deficit in Indonesia's insurance.

THEORITICAL

Balance of Payments. The balance of payments is a record that is systematically compiled about all economic transactions which include trade in goods or services, financial and monetary transfers between residents (residents) of a country and residents abroad (rest of the world) for a certain period of time and the recording is carried out using a system double entry book keeping by using debit and credit (Machpudin, 2013). The current account balance explains whether the combination of private sector and government claims on foreign assets increases or decreases. Surplus means that the claims of the private sector and the government increase against foreign assets and vice versa. The current account balance also shows how much total savings exceed government and private investment. The ideal BOP (Balance of Payment) position for a country is when it is in a surplus or equilibrium position with a relatively high foreign exchange value, while in a position that is considered unfavorable and always strives for improvement through the BOP adjustment mechanism, the BOP position is in deficit and the value is relatively low foreign exchange (Apridar, 2012). In everyday reality, foreign trade in a balanced country is very rare. The difference between exports of goods and services and imports of goods and services is recorded on a balance called the current account with the symbol CA (Krugman & Obstfeld, 2015). Mathematically the definition of CA is

$$CA = EX - IM$$

If a country's imports exceed its exports, we call that country a current account deficit. A country is said to have a current account surplus if its exports are greater than its imports. The current account balance is part of the BOP which

provides a brief overview of transactions for goods and services produced during the period one year or less. It can also be said that the current account balance is part of the BOP which provides a concise overview of short-term payments. Risk Based Capital. The calculation of the solvency level ratio in sharia insurance and sharia reinsurance companies can use the Risk Based Capital (RBC) method based on the regulations set by the Ministry of Finance, which refers to the Statutory Accounting Practice (SAP) figures. SAP is an insurance accounting principle that follows the regulations / implementation guidelines set by the government (Maesarach, 2019). Where the greater the level of the RBC ratio of an insurance company from government regulations, the healthier the company's financial condition. In general, Islamic insurance companies must maintain their solvency ratio and are required to report their calculations using the Risk Based Capital (RBC) method from tabarru' funds (Arifin & Amelia, 2020). Risk Based Capital is needed as a guide for customers to analyze whether the company has enough capital or not if a person or group of people buys a policy from the company. The results of the analysis of financial ratios and Risk Based Capital can be used to assess the financial performance of insurance companies (Nurfadila et al., 2015). Sometimes the measure of Risk Based Capital that has met the standards is often used as a promotional tool to attract people to buy the policy. so that the measuring instrument used to measure the Risk Based Capital (RBC) variable mathematically can be formulated as follows:

$$RBC = \frac{Wealth\ that\ is\ not\ allowed - Obligation}{BTSM} x\ 100\%$$

Company size is a grouping of a company by looking at the scale owned by the company itself, for example the size of the company with a large, medium, and small scale. This scale is used as an illustration of the size of the company on the basis of measuring the company's total assets (Juardi & Sueno, 2019; Pranoto et al., 2017). Large companies can take advantage of economies of scale and scope. Large insurers have a greater capacity to handle the adverse market fluctuations of small insurers. Fixed assets in large quantities will improve financial performance. Having a large number of fixed assets will benefit the insurance company more than having fewer assets (Chen et al., 2020). so that the measuring instrument used to measure the total variable of sharia reinsurance assets can be mathematically formulated as follows:

$$Firm\ Size = Total\ Asset$$

Sharia Compliance. One of the legal aspects of the Islamic finance industry is the regulation of sharia compliance (sharia compliance). Sharia compliance is an absolute requirement that must be met by financial institutions that carry out business activities based on sharia principles (Novi Wulandari, 2016). Sharia compliance is an important part of the Islamic finance industry in terms of management (management) and operations. This is supported by requiring the existence of a Sharia Supervisory Board (DPS) for every sharia-based financial institution. The Sharia Supervisory Board (DPS) is in charge of overseeing the implementation of contracts or contracts whether their implementation is in accordance with the principles contained in sharia. As long as compliance with sharia principles is a must for the sharia finance industry, the Sharia Supervisory Board

(DPS) is an inseparable part of sharia compliance (Nurhisam, 2016). The Sharia Supervisory Board has an important role in minimizing and avoiding the possibility of deviations from sharia compliance (sharia compliance). Through this supervision, DPS is expected to be able to help evaluate and detect in the implementation or implementation of established sharia compliance and whether there are deviations that occur in evaluating sharia compliance by the sharia finance industry on sharia principles. The existence of the Sharia Supervisory Board (DPS) is expected to be able to focus on developing and overseeing the Islamic finance industry for the products issued and the operations concerned that it supervises so that it always runs in accordance with the principles that exist within the sharia corridor (Nurhisam, 2016).

(Boulanouar & Alqahtani, 2016) on sharia compliance which show that the measurement of compliance in insurance institutions can use a dummy variable where according to their research that the dummy variable is equal to 1 if the company complies with Sharia or 0 if it does not comply with sharia rules. Based on the circular letter of the Financial Services Authority (OJK) that the information that needs to be disclosed in sharia reinsurance compliance is based on the Circular Letter of the Financial Services Authority No. 17/SEOJK.05/2014 is the performance of the implementation of the compliance function where the implementation of compliance with the provisions of laws and regulations includes: The existence of a member of the board of directors who even has the function and compliance and a work unit or employee who is responsible to the member of the board of directors concerned; Minimum self-capital fulfillment obligation; Financial soundness level, including solvency level, liquidity ratio and investment adequacy ratio; Implementation of the principle of knowing customers and reporting of cash financial transactions and suspicious financial transactions to the financial transaction reporting and analysis center, and Ownership of work units or functions in handling and resolving complaints submitted by consumers.

Exchange Rate. Exchange rate or currency exchange rate is a record of the market price of a foreign currency (foreign currency) in the price of the domestic currency (domestic currency). Currency exchange rates represent the level of exchange rates from one currency to another which are used in various transactions, including international trade transactions, tourism, international investment, or short-term money flows between countries that cross geographical or legal boundaries. In the theory of purchasing power parity, the exchange rate of a country will tend to balance the cost of purchasing goods in the country with the purchase of these goods abroad. When the actual exchange rate is high, foreign goods are relatively cheaper and domestic goods are relatively more expensive. On the other hand, if the actual exchange rate is low, foreign goods are relatively expensive, and domestic goods are relatively cheap (Suselo, 2016). Realistic exchange rate management and relatively low changes can provide certainty for the business world. The exchange rate fluctuates drastically and uncontrollably will make it difficult for the business world to plan their business, especially for those who import raw materials from abroad or sell their goods to the export market. Therefore, the

management of a relatively stable currency value is one of the monetary factors that support the macro economy (Pohan, 2018).

Relationship Between Variables. The balance of payments deficit experienced by Indonesia in insurance was mainly due to the amount of premiums paid to foreign insurers that exceeded the amount of insurance receipts and claims from abroad, resulting in an increasingly significant deficit. Efforts to reduce the deficit include the issuance of policies that regulate reinsurance by the relevant authorities in dealing with insurance in Indonesia. Therefore, the variable total assets of Islamic reinsurance is hypothesized to have an influence on the insurance balance of payments deficit in Indonesia. On the other hand, that in ensuring the implementation of sharia reinsurance and not involving foreign insurers and preferring to use domestic insurers, the performance of sharia reinsurance companies is also important to consider in an effort to accommodate the absorption of risks that exist in the country so that the company's performance is also possible to have an influence on the balance of payments of the sharia insurance sector in Indonesia. Indonesia. In addition, sharia compliance is also needed to measure how the implementation of sharia reinsurance, when the sharia reinsurance company is declared by the authorities to be in accordance with sharia practices, it will have a good impact on the Indonesian sharia reinsurance industry. Thus, sharia compliance is hypothesized to have an effect on the insurance balance of payments deficit in Indonesia. The exchange rate is also hypothesized to have an influence on Indonesia's balance of payments because every transaction carried out by two or more countries will involve their respective exchange rates. exchange rate volatility will have an impact on the balance of payments.

Research that discusses the insurance balance of payments deficit is still very rare, many research results discuss the payment deficit in general or in aggregate and internationally. On the other hand, the use of company performance variables, total sharia reinsurance assets, sharia compliance and the exchange rate is also still very rarely found in any research that is directly related to the insurance balance of payments deficit. Based on the limitations of the literature, the use of literature reviews or previous research is not empirically or directly focused on each variable, but will be discussed or studied based on the proximity of studies whose relevance has the same meaning. Among the studies that discuss the research variables in this thesis, among others, namely (Kahar et al., 2017) with the title of the discussion, namely the analysis of factors that affect the balance of payments in Indonesia, the research results that those that affect the balance of payments are GDP and net exports, while the exchange rate and foreign debt does not have a positive and significant effect. In contrast to the results of research conducted by (Handoko, 2013) that the exchange rate has a significant influence on the balance of payments, on the other hand that the balance of payments is also influenced by trading partners, in this case it can be translated by the existence of reinsurance companies as insurance partners insurers. The results that have similarities between the two researchers were carried out by (Saputra, 2016) which showed that the exchange rate had no

effect in the short term but would have a positive and significant effect in the long term.

METHOD

This thesis research uses research with a quantitative approach using secondary data analysis and data analysis method using multiple linear regression (Sugiyono, 2016). The method used in sampling this research is to use a saturated sample where population members are used as research samples because there are only 3 sharia reinsurance companies in Indonesia during the period 2010 to 2019. The test tool used is the classical assumption test to find out how the influence of the variable independent of the dependent variable, the researchers used regression analysis to compare two different variables. In regression analysis to obtain a reliable regression model, the following assumptions must be met. There are four tests in the classical assumption test, namely:

Normality test. The normality test aims to determine the distribution of data in the variables that will be used in research and should be carried out before the data is processed based on research models. A good regression is a regression that has data that are normally distributed. Normality test needs to be done to see that the data from each variable to be analyzed is normally distributed. The normality test in this study used the Kolmogrov-Smirnov test. The Kolmogorov-Smirnov test is done by making a hypothesis (Noor, 2014).

Heteroscedasticity Test. The heteroscedasticity test is intended to test whether in the regression model there is an inequality of variance and residuals from one observation to another. If the variance and residual from one observation to another observation remain, it is called homoscedasticity and if it is different it is called heteroscedasticity. A good regression model is the residual variance is homoscedastic or does not occur heteroscedasticity symptoms. To find out the presence of heteroscedasticity symptoms, the glejser test can be used. The glejser test is carried out by regressing the independent variable to its absolute residual value. If the significance value $> = 0.05$ (5%), it can be said that the regression model does not contain heteroscedasticity(Ghozali, 2018).

Autocorrelation Test. The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t and the confounding error in the previous period (t-1). If there is a correlation, it is called an autocorrelation problem. Autocorrelation arises because successive observations over time are related to each other. The consequence of autocorrelation is the probability of confidence being large and the variance and standard error values will be underestimated. Autocorrelation can be detected by performing the Durbin-Watson test (d). The results of the Durbin-Watson calculation (d) are compared with the table d value at = 0.05, in table d there is an upper limit value (dL) and a lower limit value (dU). If $d < dL$ and if $d > 4-dL$ then there is autocorrelation. If $dU < d < 4-dU$, it means that there is no autocorrelation (Ghozali, 2018).

Multicollinearity Test. The multicollinearity test is intended to determine whether there is a correlation between the independent variables in the regression model. If there is a correlation between the independent variables, then there is a multicollinearity problem in the regression model. the detection of multicollinearity in the multiple regression model can be done by looking at the value of VIF (Variance Inflation Factor) from the results of the regression analysis. This measure shows which independent variables are explained by the other independent variables. If VIF > 10, it can be said that there is serious multicollinearity (Ghozali, 2018).

Multiple Regression Analysis. Analysis of the data used is multiple linear regression. Multiple linear regression analysis is used to find out how the dependent variable criteria can be predicted through independent variables or predictors, partially or simultaneously. Thus the multiple linear regression model when expressed in the form of a mathematical equation is as follows:

RESULT

Normality test. Normality test is used to see whether the data is normally distributed or not. For this reason, existing data must be tested to meet the normality requirements. The test tool used is the one sample Kolmogrov-Smirnov test. The data is declared normally distributed if the significance value is greater than 0.05. The results of the analysis of the normality assumption by Kolmogrov-Smirnov on the residual value of the regression equation are presented in the following table:

Table 1 Normality Test Results

		Unstandardized Residual
N		40
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	19,47728756
Most Extreme Differences	Absolute	,126
	Positive	,080
	Negative	-,126
Kolmogorov-Smirnov Z		,797
Asymp. Sig. (2-tailed)		**,549**

Based on the results of the normality test in the table above using the one sample Kolmogrov-Smirnov method, it shows that the residual value of the dependent variable and the independent variable in the number of samples (N) of 40 is 0.549. Thus, the data from this study are normally distributed because the residual value is greater than a significance of 0.05 or 0.549 > 0.05 so that the regression model can be used for hypothesis testing.

Multicollinearity Test. The multicollinearity test was carried out to see whether there was interference or not to the data where multicollinearity occurred if

there was a correlation between the independent variables. Thus, this test is carried out so that the existing data must be free from multicollinearity interference. This test is carried out by looking at the VIF (Variance Inflation Factor) value with the provisions that it must be below 10, this is explained as follows:

Table 2 Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
KK	.948	1.055
TA	.188	5.326
KS	.814	1.229
K	.191	5.243

Based on the results of the multicollinearity test above using the statistical test tool above, it shows that all VIF values on the financial performance variable are less than 10 (1,055 < 10), the VIF value for total assets is less than 10 (5,326 < 10), the VIF value for sharia compliance is less than 10 (1,229 < 10) and the VIF value at the exchange rate is less than 10 (5,243 < 10). Meanwhile, the tolerance value on the financial performance variable exceeds 0.1 (0.948 > 0.1). The tolerance value on the total asset variable exceeds the value 0.1 (0.184 > 0.1). The tolerance value for sharia compliance exceeds the value 0.1 (0.814 > 0.1) and the exchange rate tolerance exceeds the value 0.1 (0.191 > 0.1). Therefore, it can be concluded that in this regression model there is no symptom of multicollinearity.

Heteroscedasticity Test. This test has the aim of seeing whether in the regression model there is a difference in the variance of the residuals between observations. If the residuals between observers have a fixed varience value, then homoscedasticity and if not the same means heteroscedasticity. If there is no heteroscedasticity, then the regression model is considered good. The presence of heteroscedasticity symptoms can be tested using the Glejser method by compiling a regression between the values of the independent variables and the absolute residuals. If each independent variable does not have a significant effect on the absolute residual ($\alpha = 0.05$), it means that there is no heteroscedasticity. The results of the heteroscedasticity test of this study are described as follows:

Table 3. Heteroscedasticity Test Results

Model	T	Sig.
	,884	,383
KK	-,229	,820
TA	-1,557	,129
KS	-,158	,876
K	,681	,500

Based on table 4, it can be seen that the significance value of the financial performance variable exceeds 0.05 (0.820 > 0.05), the total asset variable exceeds 0.05 (0.129 > 0.05), the sharia compliance variable exceeds 0.05 (0.876 > 0). 0.05)

and the exchange rate variable exceeds 0.05 (0.500 > 0.05). Where it means that the variables of financial performance, total assets, sharia compliance and the exchange rate do not arise heteroscedasticity.

Autocorrelation Test. The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding errors in the t-1 period (previous). To detect autocorrelation in the study, the Durbin Watson (DW) test was used.

Table 4 Autocorrelation Test Results

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,806[a]	,650	,610	20,560	**1,755**

Judging from the table above, it is known that the Durbin Watson (d) 1.755 value will be compared with the table value using a value of 5%. The number of samples (N) is 40 and the number of independent variables (K) is 4, the dl value is 1.285 and the du value is 1.721. With this, we get 4 - du (4 - 1721) = 2.279 and 4 - dl (4 - 1.285) = 2.715 . So that it can be concluded that the value of du < dw < 4 - du = 1.721 < 1.755 < 2.279. Thus there is no autocorrelation.

Multiple Linear Regression Analysis. Data analysis in this thesis research is multiple linear regression analysis. The definition of regression analysis itself is the study of the dependence of the dependent variable with one or more independent variables. The aim is to see the magnitude of the influence between the influence of financial performance, total assets, sharia compliance and the exchange rate on the insurance balance of payments deficit together, namely.

Table 5 Multiple Linear Regression Test Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	,974	29,732		,033	,974
	X1	-13,096	5,124	-,262	-2,556	,015
1	X2	-2,717	1,300	-,482	-2,090	,044
	X3	-16,364	7,443	-,244	-2,198	,035
	X4	19,499	3,517	1,269	5,544	,000

Simultaneous Significance Test (F Test). F test is used to see whether all independent variables affect the dependent variable. To find out whether or not there is a significant effect of the independent variables on the dependent variable, a probability of 5% (0.05) is used. The following are the results of the F test using the SPSS IBM21 statistical analysis tool which can be seen in the table below:

Table 6 F . Test Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
		ANOVA[a]				
1	Regression	27516,425	4	6879,106	**16,273**	**,000**[b]
	Residual	14795,224	35	422,721		
	Total	42311,650	39			

Based on the results of the simultaneous significance test (F) shows the value of F_count is 16,273 while for F_(table) is 2.866, it means that F_count is greater than F_(table) (16.273 > 2.866). This shows that: Thus, it can be concluded that the variables of financial performance, total assets, sharia compliance and the exchange rate have a simultaneous effect on the insurance balance of payments deficit because the probability is 0.000 less than 0.05.

Individual Parameter Significance Test (T Statistical Test). The t-statistical test shows how far the influence of each independent variable individually in explaining the variant of the dependent variable is. The t statistical test is used to test the significance of the effect of each independent variable on the dependent variable, by utilizing ((α) worth 5%. Based on this it means, the independent variable will obtain a t value in the critical area (rejection area) if the hypothesis is true with The degree of truth is 0.05. H0 is rejected, if T_(count) > T_(table), the results of the t-test are explained in the following table:

Table 6 T . Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		Coefficients[a]				
		B	Std. Error	Beta		
1	(Constant)	,974	29,732		,033	,974
	X1	-13,096	5,124	-,262	-2,556	**,015**
	X2	-2,717	1,300	-,482	-2,090	**,044**
	X3	-16,364	7,443	-,244	-2,198	**,035**
	X4	19,499	3,517	1,269	5,544	**,000**

Based on the table above, the results of the T test are described as follows: Financial performance. The test results for the financial performance variable on the Indonesian insurance balance of payments deficit, show that it has a significant effect with a significance value of 0.015. So it can be concluded that Ho is rejected and Ha is accepted so that Financial Performance (X1) affects Indonesia's insurance balance of payments deficit (Y). In addition, the regression coefficient is -13.098 which states that for every 1% increase in the value of financial performance, on average, Indonesia's insurance balance of payments deficit will decrease by 13.098%.

Total Assets. The test results for the total assets variable on the Indonesian insurance balance of payments deficit have a significant effect with a significance value of 0.044. So it can be concluded that Ho is rejected and Ha is accepted so that

Total Assets (X2) affects Indonesia's insurance balance of payments deficit (Y). In addition, the regression coefficient is -2.717, which states that for every 1% increase in the value of total assets, on average, Indonesia's insurance balance of payments deficit will decrease by 2.717%.

Sharia Compliance. The test results for the sharia compliance variable on the Indonesian insurance balance of payments deficit have a significant effect with a significance value of 0.035. So it can be concluded that Ho is rejected and Ha is accepted so that Sharia compliance (X3) affects Indonesia's insurance balance of payments deficit (Y). In addition, the regression coefficient is -16.364 which states that for every 1% increase in the value of sharia compliance, the average balance of payments deficit in Indonesia's insurance will decrease by 16.364%.

Exchange rate. The test results for the exchange rate variable on the Indonesian insurance balance of payments deficit have a significant effect with a significance value of 0.000. So it can be concluded that Ho is rejected and Ha is accepted so that the exchange rate (X4) affects Indonesia's insurance balance of payments deficit (Y). In addition, the regression coefficient is 19.499, which states that for every 1% increase in the exchange rate, on average, Indonesia's insurance balance of payments deficit will increase by 19.499%.

Coefficient of Determination Test. The coefficient of determination (R^2) is useful to see how far the ability of a model to explain the independent variables. The coefficient of determination ranges from 0 to 1. A value close to 1 means that the independent variable provides almost all the information needed to predict the variance of the dependent variable. A small value means that the independent ability is very limited in explaining the variant of the dependent variable. The weakness of this model is the bias towards the number of independent variables included in the model. This study utilizes the value of Adjusted (R^2) to evaluate which regression model is the best. The determinant coefficient explains how much the proportion of the dependent variable variance is explained by the variation of the independent variable. The test results are below:

Table 7 Coefficient of Determination Test Results

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,806[a]	,650	**,610**	20,560

Sumber: Data Diolah 2021

Based on the description, it can be seen that the adjusted R square (R^2) value obtained a coefficient of determination of 0.610 or 61%. Based on this, the ability of the independent variables namely financial performance variables, total assets, sharia compliance and the exchange rate in explaining the dependent variable, namely the Indonesian insurance balance of payments deficit for the 2010-2019 period is 61% and the remaining 49% is influenced by other variables outside the model that do not become research studies in this thesis.

DISCUSS

The Effect of Financial Performance on the Deficit of the Insurance Balance of Payments in Indonesia. The financial performance of sharia insurance and reinsurance companies can be seen through the Risk Based Capital (RBC) calculation method. This is based on the regulations set by the Ministry of Finance, which refers to the Statutory Accounting Practice (SAP) figures. SAP is an insurance accounting principle that follows the regulations and implementations set by the government. In addition, the Regulation of the Minister of Finance of the Republic of Indonesia Number 11/PMK.010-2011 states that every sharia insurance company is obliged to maintain its solvency, both tabbaru funds and company funds. The level of solvency is the difference between the amount of wealth allowed and the liabilities. The total solvency level must be at least as large as sufficient funds to cover the risk of losses that may arise as a result of deviations in the management of assets and liabilities. In general, sharia insurance and reinsurance companies must maintain their solvency ratio and are required to report their calculations using the Risk Based Capital (RBC) method from tabbaru funds. The greater the level of the RBC ratio of an insurance company from government regulations, the healthier the company's financial condition. The importance of this RBC measure for sharia insurance and sharia reinsurance companies can be used as one of the company's promotional tools to form a public brand image that the company offered is healthy and can be promising. RBC is a way to develop a healthier, risk-based system for financial supervision of sharia insurance and reinsurance companies. ideally sharia insurance and sharia reinsurance companies that are categorized as healthy will also affect their profits and the company will also achieve its goals by utilizing resources as a competitive advantage owned by the company because the high and low solvency of tabbaru funds depends on good management.

Based on the research conducted, it shows that the financial performance based on the RBC of sharia reinsurance companies has an influence on the insurance balance of payments deficit in Indonesia. However, this effect is negative, where when there is an increase in the financial performance of sharia reinsurance, it will reduce the balance of payments deficit. Vice versa, when the financial performance of sharia reinsurance in Indonesia declines, it will increase the balance of payments deficit of reinsurance in Indonesia. Financial performance, which is a result of financial position including capital adequacy, liquidity, and company profitability, is able to reduce the balance of payments deficit in reinsurance in Indonesia because if Improved financial performance will have an impact on the company's performance in earning profits, maintaining capital structure stability, and maintaining the liquidity of sharia reinsurance companies so that the company's finances can be managed properly. This situation is due to increased financial performance will be a parameter and measure of the company's success in earning profits, thereby reducing overseas payments that exceed foreign demand.

Research has proven that if a sharia reinsurance company is able to improve its financial performance, it will be able to reduce the occurrence of a balance of payments deficit. This situation will directly avoid capital outflows and also avoid

excessive payments abroad because if sharia reinsurance can suppress payments abroad, it will directly suppress or reduce the balance of payments deficit. This is in accordance with the opinion expressed by the Financial Services Authority which states that good performance will support and attract policies in absorbing domestic risk to attract finances so that premiums paid do not come out of the country which will ultimately reduce the deficit in payments abroad. Based on the research of Saad and Idris, it is stated that performance has important implications for insurance operators in increasing competitiveness and policy makers and regulators of insurance companies to improve the stability of financial institutions to increase the effectiveness of the monetary system as a whole. This means that an increase in financial performance will increase the competitiveness of sharia reinsurance companies which will ultimately affect the effectiveness of the monetary system as a whole. In addition, if a company's financial performance is said to be good, it will have an impact on industrial growth in all sectors which will ultimately lead to overall economic prosperity. This is as stated in Ahmed's research which states that company performance not only plays an important role in increasing the market value of a particular company but rather leads to industrial growth of the entire sector, which will ultimately lead to overall economic prosperity. However, since 2016 the balance of payments insurance in Indonesia has experienced a deficit that continues to rise.

This indicates that the company in the research conducted has not been good at managing its financial performance. Especially in 2019, the insurance balance of payments deficit in Indonesia reached 9.28 trillion rupiah. The research shows that sharia reinsurance companies do not yet have the ability to manage or control their resources so they have not been able to make improvements. Such a situation can also affect the decline in its operational growth in competition and may result in an increase in the value of a deficit in the balance of payments. This means that the existence of sharia reinsurance companies in Indonesia has not good financial performance because so far the deficit continues to increase and research has also proven that the effect of sharia reinsurance financial performance on the insurance balance of payments in a negative direction. If financial performance declines, it will increase the balance of payments deficit, this happens because the company is not able to manage its finances properly so many payments are made abroad. Thus, Islamic reinsurance companies in Indonesia need to improve their financial performance in order to reduce the balance of payments deficit.

Moreover, the increasing trend of reinsurance premiums during the research year paid out abroad increased significantly from 15.35 trillion rupiah to 18.29 trillion over the last five years. Meanwhile, on the one hand, commission receipts from foreign insurance claims only reached 2-5 trillion rupiah. This situation has shown that reinsurance transactions from abroad are in surplus, but have not been able to cover the amount of premiums paid abroad which averaged 1.54 trillion rupiah during the research year. This indicates that the ability of insurance in Indonesia is low in absorbing insurance risk in the country and still relies on the role of foreign partners, one of which is due to financial performance that is not yet good enough. The Indonesian government through the Financial Services Authority has stated that

the problem of the balance of payments deficit in the insurance industry in Indonesia has existed for a long time and the government has even issued regulations to regulate reinsurance specifically. This regulation is implemented by the government in order to reduce the insurance balance of payments deficit or minimize the balance of payments deficit. However, the improvement of regulations alone has not been able to overcome the balance of payments deficit, to reduce the deficit, the company must be able to improve its financial performance. This research is in line with the research of (Mustikawati et al., 2019) that the company's financial performance will be very good if it meets the standards applied by the OJK and is able to minimize the impact of losses. Based on the description that when everything is carried out in accordance with sharia principles, the company's financial performance will increase and become better. When financial performance is higher, based on statistical and theoretical results, it will reduce the insurance balance of payments deficit. Therefore, insurance and reinsurance companies must pay attention to the sharia concept, namely governance and social responsibility which includes an Islamic work ethic to maximize the company's financial performance.

The Influence of Total Assets on the Deficit in the Balance of Payments Insurance in Indonesia. Assets in reinsurance companies in Indonesia are assets or referred to as assets owned by the company which can be used for the continuity of the company's operational activities. In research conducted by (Sun et al., 2017), it is stated that the greater the assets owned by the company, it is expected that the operational results will be greater because it is accompanied by increased trust from the company's external parties. In the research conducted, the total assets of Islamic reinsurance companies in Indonesia can affect the balance of payments deficit in a negative direction. So that insurance companies that have larger total assets will be able to reduce the balance of payments deficit or reduce the balance deficit. This is because insurance companies have the ability from greater resources so that business performance increases and the situation is shown to be able to reduce the balance of payments deficit.

If the insurance company has large total assets, it will increase the company's development and will provide a positive view for investors. This is in accordance with research conducted by which states that companies that have high asset growth will give a sign for company development and provide a positive outlook for investors. That is, if the total assets of the insurance company continue to increase, it indicates that the development of the insurance company continues to grow and investors do not hesitate in providing their funds to invest in sharia reinsurance companies. In addition, if the total assets owned by sharia reinsurance are large, it will improve its financial performance, this is in accordance with research conducted by (Pranatha et al., 2019) which states that large amounts of fixed assets will improve financial performance. Having a large number of fixed assets will benefit the insurance company more than having fewer assets. Thus, it can be said that if the fixed assets owned by the sharia reinsurance company are large, it will reduce the balance of payments deficit.

However, the negative direction in the study shows the balance of payments deficit which in the majority has increased. This means that the total assets of reinsurance companies in Indonesia have not been able to reduce the deficit or in other words, the assets of Indonesian reinsurers are low. Meanwhile, on the one hand, if the reinsurance company has more assets, the company can enjoy its economy with a high level of profit and does not experience an increase in the balance of payments deficit. This indicates that the company does not yet have sufficient capacity to absorb market uncertainty. So that the company is not able to predict the state of insurance in the global market and the growth of the company is smaller so it is not better at managing economies of scale in business transactions. one of which is in terms of lower labor costs and profit rates. As research conducted by (Juardi & Sueno, 2019; Lee et al., 2019; Rosiana et al., 2015) stated that large companies have a greater ability to recruit employees with professional skills and knowledge than small companies. This means that the companies in the research conducted have not been able to recruit employees with professional skills and knowledge to assist in reducing the balance of payments deficit. Research conducted shows that the company's total assets are still relatively low, thereby increasing the balance of payments deficit. Smaller insurance companies will gain more market share of the product after purchasing reinsurance than larger insurance companies. This situation in this study has illustrated that insurance companies with small total assets have more incentives to buy more reinsurance. If there is an unexpected loss then the company will suffer a big loss. As in the research of (Cao et al., 2020; Meng et al., 2017; Non et al., 2019) which states that insurance companies that are dependent on reinsurance have a tendency to be vulnerable to the level of solvency or the company's ability to fulfill all its obligations. Thus, large amounts of fixed assets will benefit the company more than small assets to reduce the balance of payments deficit.

The Effect of Sharia Compliance on the Deficit of the Insurance Balance of Payments in Indonesia. Sharia compliance is an important part of the Islamic finance industry in terms of management (management) and operations. As long as compliance with sharia principles is a must for the Islamic finance industry, sharia supervision exists in Indonesia. So it can be said that sharia supervision by the Sharia Supervisory Board (DPS) is an inseparable part of sharia compliance. Implementation of compliance with sharia principles (sharia compliance) will in turn increase public confidence in sharia insurance activities. From a legal perspective, compliance with sharia principles provides legal certainty and guarantees for people who use sharia insurance services. Compliance with sharia principles is an obligation for all sharia insurance companies in offering their products. Conceptually, sharia insurance relies on risk sharing among participants based on the principle of mutual cooperation and mutual cooperation through voluntary contributions that become tabarru funds, and then managed by sharia insurance companies for the benefit of the participants.

Sharia compliance is an absolute requirement that must be met by financial institutions that carry out business activities based on sharia principles. In addition, it becomes an important part of the Islamic finance industry in terms of management (management) and operations. If this management is good and the company follows

sharia compliance, based on the results of the study, it will be able to reduce the balance of payments deficit. The effect of sharia compliance which is able to reduce the balance of payments deficit is because in sharia compliance there is an obligation to fulfill own capital within a certain minimum limit. However, research shows otherwise that the deficit continues to grow, meaning that reinsurance companies are not fully complying with sharia because some insurance companies do not meet their own capital requirements according to the minimum limit. Then, in sharia compliance there is a level of financial soundness including solvency ratio, liquidity, and investment adequacy ratio. If it is associated with research, the declining level of financial soundness based on sharia compliance will make the balance of payments deficit grow. This is in accordance with research conducted that in order to keep the balance of payments deficit from increasing or decreasing the balance of payments deficit, sharia compliance needs to be increased in every sharia reinsurance company.

In the research conducted, sharia compliance has not been fully carried out by sharia reinsurance companies so that it has an unfavorable impact on increasing the balance of payments deficit. With sharia compliance, the industry is in accordance with sharia practices. Unfortunately, the sharia reinsurance in this study has not fully implemented sharia compliance so that it has a negative impact on increasing the balance of payments deficit. The theory of legitimacy which states that when the company has received recognition or legitimacy from the community for the existence of company operations in accordance with sharia principles, the public will trust the company and be loyal to the company's products and services so that it can improve the company's financial performance.

stakeholders need to consider the financial performance of sharia insurance companies not only in terms of the company's financial ratios but must consider the company's non-financial performance such as the components contained in the maqasid sharia index framework and the company's compliance with Islamic sharia principles. Sharia insurance companies that disclose and report compliance with sharia principles are less likely to act unfairly to stakeholders. the lack of awareness of sharia insurance companies to disclose Islamic compliance also makes the sharia compliance disclosure variable unable to influence the company's financial performance. This shows that Islamic insurance companies that have high total assets do not necessarily have the awareness to disclose Islamic financial indicators as a whole. The actions of sharia insurance companies to disclose and report the Islamic social reporting index and sharia compliance have caused stakeholders' interest in sharia insurance companies. This will have a good impact on the company's financial performance because many stakeholders will use the products or services of Islamic insurance companies.

The Effect of Exchange Rates on the Insurance Balance of Payments Deficit in Indonesia. The currency exchange rate in the research conducted is a market record of foreign currency in domestic currency. Currency exchange rates are also referred to as exchange rates that are able to represent the level of exchange rates from one currency to another which are used in various international trade transactions, tourism, international investment, or short-term money flows between countries that

cross geographical boundaries or boundaries. law. The exchange rate of a country tends to balance the cost of purchasing goods at home with the purchase of these goods abroad. The research conducted shows that when the actual exchange rate is high, foreign goods are relatively easier and domestic goods are more expensive. Such a situation will actually lead to an increase in the balance of payments deficit.

The increase in the rupiah exchange rate is followed by an increase in the balance of payments deficit. In the research, (Non et al., 2019) stated that if the exchange rate increased drastically out of control, it would make it difficult for the business world, especially in planning their business, including insurance companies in Indonesia. So it is necessary to manage a stable currency value as one of the monetary factors in order to suppress or reduce the balance of payments deficit. The exchange rate is one of the important variables in the economy considering its very large influence on various economic sectors. The relationship between the exchange rate and the balance of payments deficit in the study shows that if the dollar exchange rate increases, the price of domestic goods will be more expensive so that exports decline and trade is disrupted, including insurance. In the study of (Fauziah & Khoerulloh, 2020), it was stated that the rupiah exchange rate in US dollars experienced an appreciation so that the rupiah currency increased during the study year compared to its decline. This causes the price of goods from abroad to decline so that imports are more dominant than exports which will cause the balance of payments to be in deficit. Likewise for reinsurance companies when the rupiah exchange rate appreciates it will increase the balance of payments deficit.

The Effect of Financial Performance, Total Sharia Reinsurance Assets, Sharia Compliance, and Exchange Rates on the Insurance Balance of Payments Deficit in Indonesia. The deficit in the balance of payments for sharia reinsurance in Indonesia occurred due to the tendency of increasing reinsurance premiums paid abroad which increased significantly from 15.35 trillion rupiah to 18.29 trillion rupiah over the last five years. When compared with commission receipts and foreign insurance claims, it only reached the range of 2 trillion and 5 trillion rupiah. This means that the premium paid abroad is greater than that received from abroad. This indicates that the insurance industry in Indonesia does not yet have sufficient capacity to absorb all potential risks that exist in the country so that it partners with foreign insurers which have an impact on the balance of payments deficit. Thus, it can be said that the increase in the insurance balance of payments deficit in Indonesia is due to the dependence on foreign reinsurers. Based on research conducted by (Zhu et al., 2014), the risk of deficit will be managed properly when the parties involved do not involve foreign parties in its management. Based on these results, Indonesia still involves foreign parties to overcome domestic insurance risk so that the deficit still occurs. In addition, according to (Meier & François Outreville, 2006), when an insurer who is a partner continues to use an external insurer, the need for reinsurance will depend on the foreign insurer and at any time can have a negative impact on the balance of payments. In the case of Indonesia, external parties are still used as insurers so that the deficit cannot be resolved.

The occurrence of a balance of payments deficit in reinsurance in the research conducted will have a negative impact on the economy of a country and is vulnerable to capital outflows. The dependence of the Indonesian state on foreign reinsurance is also influenced by the financial performance of reinsurance in Indonesia which is not yet good enough, total reinsurance assets are still low, sharia compliance has not been fully implemented and the exchange rate is unstable. The occurrence of a reinsurance balance of payments deficit in Indonesia which is influenced by all variables in the study shows that insurance activities in Indonesia have not been fully stable. The deficit in reinsurance is still relatively high and the figure does not decrease much from time to time so that improvements are needed in matters that affect it. The reinsurance deficit in Indonesia, which is influenced by financial performance, shows that the financial performance of Islamic reinsurance in Indonesia is not good enough. This situation causes reinsurance to experience a deficit due to weak financial performance so that improvements are needed for reinsurance financial performance. In addition, the total reinsurance assets are still considered low to help reduce the balance of payments deficit so that the company can anticipate it by increasing the company's total assets.

Then in the study it has also been simultaneously influenced by sharia compliance where the company in the study has not fully complied with sharia rules so that there is a balance of payments deficit. Moreover, the unstable exchange rate resulted in unstable business so that the balance of payments became a deficit. That is, the four variables in the study can lead to an increase in the insurance balance of payments deficit in Indonesia if it is not corrected in the future. This situation can also affect the macro economy in Indonesia so that it is not only the government but companies that must be able to manage the risks that cause the deficit to continue to occur. Research conducted on the effect of financial performance, total sharia reinsurance assets, sharia compliance and the exchange rate shows that simultaneously or together have been able to affect the insurance balance of payments deficit in Indonesia. If financial performance is still low, total assets owned are still low and sharia compliance is not implemented and the exchange rate is unstable, it will affect the insurance balance of payments deficit in Indonesia. Therefore, it is important for the government, insurance companies, entrepreneurs and also the Indonesian people to support Indonesian reinsurance in order to reduce the balance of payments deficit.

Solutions that can be applied to provide support for reinsurance in Indonesia apart from improving financial performance, increasing total assets, fulfilling sharia compliance and stable exchange rates, it is necessary to support the use of reinsurance for its development, such as the results of research conducted by (Liu et al., 2021) which states that market share Insurance in Indonesia is still large but must be supported by various parties as in the Middle East, the development of Islamic finance depends on oil production, as well as in Europe because many banks in the region still accommodate funds from oil entrepreneurs in the Middle East. Meanwhile in Malaysia, the development of the sharia industry is supported by the government so that more funds are managed from government funds. Thus, if the government

supports reinsurance like the Malaysian government and entrepreneurs and insurance companies support reinsurance such as oil entrepreneurs in the Middle East, it is expected to reduce the balance of payments deficit in Indonesia.

CONCLUSION

Based on the description in the previous chapter, it can be concluded that financial performance, total sharia reinsurance assets, sharia compliance and the exchange rate indicate that simultaneously or jointly affect the insurance balance of payments deficit in Indonesia. This happens because the financial performance of sharia reinsurance in Indonesia is not good enough. In addition, total reinsurance assets are still considered low to help reduce the balance of payments deficit. Then sharia compliance where the company in the study has not fully complied with sharia rules so that there is a balance of payments deficit. Moreover, the unstable exchange rate resulted in unstable business so that the balance of payments became a deficit. That is, the four variables in the study can lead to an increase in the insurance balance of payments deficit in Indonesia if it is not corrected in the future. This situation can also affect the macro economy in Indonesia so that it is not only the government but companies that must be able to manage the risks that cause the deficit to continue to occur. It is hoped that future research can be a reference for scientific research and add research objects, for example Indonesian Reinsurance as a whole or add research variables or re-examine the research that has been carried out so that scientific developments in the world of sharia reinsurance are more widely known and known to the wider community.

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