

Islamic Financial Bank Performance in Indonesia and Malaysia

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ABSTRACT

The increasing popularity of Islamic banks with the opening of various Islamic banks, both independent and as one of the long-established subsidiaries of conventional banks, seems to show that the banking industry, which applies Sharia principles in every business step, promises profitable business expansion opportunities. The purpose of this study is to compare the financial performance of Islamic commercial banks that were established in Indonesia and Malaysia in the 2016 – 2018 period using general financial ratios, namely the ratio of CAR, ROA, FDR and Total Asset Turnover. The research sample was taken by purposive sampling. The data obtained were analyzed by descriptive statistical methods to see the overall performance of banks both within and between countries, then the independent sample t test was used to see the significance of the differences in the performance of each type of banking industry in each country, both in Indonesia and Malaysia. This study shows that the financial performance of Islamic commercial banks in Indonesia and Malaysia has significant differences.

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Abstrak: Meningkatnya popularitas bank syariah dengan dibukanya berbagai bank syariah, baik yang berdiri sendiri maupun sebagai salah satu anak perusahaan bank konvensional yang sudah lama berdiri, nampaknya menunjukkan bahwa industri perbankan yang menerapkan prinsip syariah dalam setiap langkah usahanya menjanjikan ekspansi bisnis yang menguntungkan. Tujuan dari penelitian ini adalah untuk membandingkan kinerja keuangan bank umum syariah yang didirikan di Indonesia dan Malaysia pada periode 2016 – 2018 dengan menggunakan rasio keuangan umum yaitu rasio CAR, ROA, FDR dan Total Asset Turnover. Sampel penelitian diambil secara purposive sampling. Data yang diperoleh dianalisis dengan metode statistik deskriptif untuk melihat kinerja bank secara keseluruhan baik di dalam maupun antar negara, selanjutnya digunakan independent sample t test untuk melihat signifikansi perbedaan kinerja masing-masing jenis industri perbankan di masing-masing negara, baik di Indonesia maupun Malaysia. Penelitian ini menunjukkan bahwa kinerja keuangan bank umum syariah di Indonesia dan Malaysia memiliki perbedaan yang signifikan.

Kata kunci: CAR, ROA, RDR, perputaran aset total

INTRODUCTION

Bank is an institution that is believed to have a very important role in efforts to harmonize, harmonize, and balance various elements of development. The role with this strategic value is due to the main characteristics of the banking business which carries out activities of collecting and distributing funds to the public. Based on the principle of economic democracy, banks are development support institutions in the context of increasing growth, stability, and equity that support the implementation of national development to improve people's living standards¹.

The existence of the banking sector as a supporter of the country's economy has a very important role. This is evidenced by the increasing number of modern societies that involve or use banking services in carrying out economic processes. Bank is an institution where the institution is engaged in the financial sector which has an important role in the running of economic activities in a country. Article 1 paragraph (2) of Law no. 10 of 1998 which amended Law no. 07 of 1992 explains that banking is a business entity that collects public funds in the form of savings or other deposits and distributes the collected funds.

To the public in the form of loans that aim to improve the feasibility of living in a country. Based on price determinants, the banking industry has two types of banks, namely banks with conventional business operations and banks that carry out their business by adhering to Sharia law ². Conventional banks conduct their business in a conventional way, are banks which in their operational activities provide services in payment traffic based on established general procedures and provisions. Meanwhile, a bank that carries out its activities according to sharia is a bank which in its operational activities both in raising funds or raising funds is based on general procedures and provisions based on Islamic principles in it. Southeast Asia is a region that is at the center of the development of the banking and finance industry, including the Islamic banking industry. Malaysia and Indonesia are two countries within the ASEAN region that are pioneers in the development of the Islamic banking industry. Historically, Malaysia has developed the concept of Islamic finance since 1963 through the establishment of Tabungan Haji Malaysia.

Indonesia is also a country in ASEAN that has participated in developing a sharia-based banking and financial system. The Indonesian

¹ Fitri, Laila. "Pengaruh Ukuran Perusahaan, Kesempatan Bertumbuh Dan Profitabilitas Terhadap Earnings Response Coefficient." Universitas Negeri Padang, no. September, 2013, pp. 1-16.

² Kasmir. "Analisi Laporan Keuangan Jakarta Rajawali Persada." *Journal of Business & Banking*, 2019, doi:10.14414/jbb.v6i2.1299.

state uses a different approach from Malaysia which uses an approach with the main driver being the state, while the Islamic banking industry in Indonesia tends to be market driven. So that Indonesia has only experienced acceleration momentum regarding Islamic banking since the enactment of Law No. 21 of 2008 concerning Islamic banking³. Seeing that both countries pay attention to their Islamic banking, it really attracts the attention of researchers to participate in knowing whether there is something different offered by Islamic banks in the economic development of the two countries, so that the comparison of financial performance between conventional commercial banks and commercial banks Sharia law in the two countries will also be a concern in this study. In carrying out the comparison of financial performance, researchers will use ratio comparisons. The first ratio to be used is the liquidity ratio. This liquidity ratio approach is used to determine the entity's ability to pay in paying off short-term obligations when billed. The liquidity ratio approach can be done by calculating the LDR (Loan to Deposit Ratio) so that it can be seen the comparison between the total number of credits that have been disbursed by the bank and the funds that have been

obtained⁴. The second ratio approach is to calculate the solvency ratio. Solvency ratio is a way to measure the ability of a bank to find sources of funds in order to finance its operational activities. One of the solvency ratios that can be used in calculating the fundraising ability of a bank is the Capital Adequacy Ratio, where this ratio is used to measure the level of capital adequacy controlled by the bank in order to mitigate assets that generate risk⁵. The next ratio approach that can be used is the profitability ratio, where this ratio can be interpreted as an indicator to determine the bank's ability to generate profits. The profitability of a bank can be determined by calculating ROA (Return On Assets) where by calculating ROA it can be seen the comparison between nett earnings before tax and the total assets controlled by the bank per year⁶. The next ratio approach is to calculate the activity ratio. The activity ratio itself is used to determine the level of bank activity as indicated by the effective use of

⁴ Syauta, Risky Christian, and Indra Widjaja. "Analisis Pengaruh Rasio Roa, Ldr, Nim Dan Npl Terhadap." *Journal of Applied Finance and Accounting*, vol. 1, no. 2, 2009, pp. 351–67.

⁵ Hendayana, Y. "Rasio Profitabilitas, Rasio Leverage, Serta Risiko Sistematis Terhadap Return Saham Pada Sektor Pertambangan." *Jurnal Riset Akuntansi Serta Keuangan*, vol. 4, no. 3, 2016, pp. 1177–1188.

⁶ Bramandita. *Analisis Pengaruh Roa, Bopo, Fdr, Car, Npf Terhadap Tingkat Bagi Hasil Mudharabah Pada Bank Umum Syariah Studi Kasus Bni Syariah Tahun 2016-2018*. 2020.

³ Hendayana, Y. "Rasio Profitabilitas, Rasio Leverage, Serta Risiko Sistematis Terhadap Return Saham Pada Sektor Pertambangan." *Jurnal Riset Akuntansi Serta Keuangan*, vol. 4, no. 3, 2016, pp. 1177–1188.

assets by looking at the level of asset activity ⁷.

METHODS

A. Research Approach

In carrying out data analysis, the researcher uses a quantitative method approach, according to Quantitative Research is a research method that has a positivist philosophical foundation and its use tends to examine a population or certain samples.

B. Operational Definitions and Variable Indicators

There are four variables used in this study, including:

a) Liquidity Ratio

The liquidity ratio talks about the company's financial ability to meet its short-term obligations. This ratio provides information on the comparison between the company's current assets and its short-term liabilities so that it can be seen the ability of each rupiah of assets to cover or pay off each rupiah of its short-term liabilities (Fauzia and Riyadi). In this study, the liquidity ratio used is non-performing finance and credit risk.

$$\text{FDR} = \frac{\text{Total Volume of Financing}}{\text{Total Receipt of Funds}}$$

b) Solvency Ratio

Solvency comes from the word solvable which means that an entity has sufficient assets or assets to cover all of its long-term debt. So the solvency ratio gives good signals to management or to investors that long-term debt is too large or management can add long-term debt because the company is still able to add more debt ⁸.

c) Profitability Ratio

The profitability ratio is used to measure how much the entity's ability to seek profit is. This ratio provides information about how efficient a management is in running the entity's operations ⁹. In this study, the profitability ratio used is ROA (Return on Assets).

d) Activity Ratio

The activity ratio is used by entities or investors to find out how much an entity uses its available resources in order to earn income through sales operational activities, but financial ratios do not describe the financial condition of an entity, but the activity ratio describes the intensity of the company's operations during a certain

⁷ Rinnaya, Ista Yansi, et al. "Pengaruh Profitabilitas, Rasio Aktivitas, Keputusan Pendanaan, Keputusan Investasi Terhadap Nilai Perusahaan (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di BEI Tahun 2010-2014)." *Journal Of Accounting*, vol. 2, no. 2, 2016, pp. 1-18.

⁸ Akbar, T. *Kajian Kinerja Profitabilitas Bank Pada Perspektif Umum Berdasarkan Kegiatan Usaha (BUKU) Studi Empiris Pada Momen Penurunan Profitabilitas Bank-Bank Di Indonesia*. Ponorogo: Uwais Inspirasi Indonesia. 2019.

⁹ Ongore, Vincent Okoth, and Gemechu Berhanu Kusa. "International Journal of Economics and Financial Issues." *International Journal of Economics and Financial Issues*, vol. 3, no. 1, 2013, pp. 237-52, <http://www.econjournals.com/index.php/ijefi/article/view/334>.

period¹⁰. The activity ratio used in this study is the total asset turnover ratio.

C. Population and Research Sample

Banking companies listed on the IDX and KLSE during the 2016-2018 time period are the population that will be used in the study. This study uses a sampling technique, purposive sampling. Purposive sampling according to ¹¹ is a sampling technique where members of the population will not get the same opportunity because of the use of certain conditions. The sample criteria so that members of the population qualify as samples are:

- a. Sharia Banking listed on the IDX or KLSE for the 2016-2018 period
- b. Islamic banking that reports complete financial statements on the web
- c. Islamic Banking which experienced an increase in profit for the 2016-2018 period

D. Types of Data and Data Sources

This study uses data types that are quantitative and in the form of numbers so that they can be processed or analyzed using statistical techniques ¹². Sources of data used in this study is

secondary data obtained from the BEI Muhammadiyah University Sidoarjo.

E. Data Analysis Techniques

The data analysis technique used in this study must meet the criteria for normal distribution (normality test) and the data studied must be homogeneous (homogeneity test). Both of these tests were conducted to measure whether or not the data used in the study was feasible or not. Where the resulting data from IDX secondary data will be used as a data source and further processed with Multiple Linear Regression with the help of the SPSS 21 application¹³.

1. Normality Test

The normality test is needed in order to find out whether the sample in the study is a sample from the same population, besides the normality test provides information whether the independent and dependent variables in the independent sample t test have a normal distribution or not ¹⁴.

2. Homogeneity Test

Homogeneity test is used to determine whether the variance of several populations or samples is the same or not¹⁵. The homogeneity test was first performed by looking for the

¹⁰ Alkhatib, Akram, and Murad Harasheh. "Financial Performance of Palestinian Commercial Banks Supervised by : Murad Harsheh Instructor of Finance at Birzeit University PHD of Economics." *Journal of Business*, vol. 3, no. 3, 2012, pp. 175-84, <http://ssrn.com/abstract=2432513>.

¹¹ Sujarweni, Wiratna. *Metodologi Penelitian (Bisnis & Ekonomi)*. Pustaka Baru Press, 2015.

¹² Ghazali. "Metode Penelitian." *Journal of Chemical Information and Modeling*, vol. 53, no. 9, 2018, pp. 1689-99.

¹³ Hermawan dan Amirullah. *Metode Penelitian Bisnis*. Cetakan pe, Media Nusa Creative, 2016.

¹⁴ Sekaran, U., and R. Bogie. *Metode Penelitian Untuk Bisnis*. Jakarta: Salemba Empat. 2017.

¹⁵ Sugiyono. "Sugiyono, Metode Penelitian." *Penelitian*, 2017.

variance or standard deviation of each group.

3. Hypothesis Testing

a. Independent Sample - t Test

The t test is used to test the comparative hypotheses that have been proposed previously. The use of an independent sample t test will provide information about the presence or absence of

differences in the average of the two groups of research objects that have no relationship or are independent from one another.

RESULT AND DISCUSSION

Result

A. Data Analysis

1. Descriptive Analysis

Table 1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CAR_INA	21	12.34	36.70	22.0805	6.77730
CAR_MLY	21	80.49	236.98	143.7843	47.74952
ROA_INA	21	.02	2.16	.8881	.61592
ROA_MLY	21	.62	25.62	9.4214	7.80686
FDR_INA	21	71.87	104.15	84.6638	8.06241
FDR_MLY	21	65.81	93.75	81.8314	8.71068
PTA_INA	21	.04	3.82	3.7552	1.24895
PTA_MLY	21	-7.47	4.00	4.9919	2.41328
Valid (listwise)	N 21				

Source: Data Processed by Researchers (2020)

From the results of the research conducted, it can be seen that the average value of the mean is greater than the value of the Standard Deviation, therefore it can be said that the data is normally distributed.

2. Data Quality Test

Testing the quality of the data (test for normality and homogeneity) uses SPSS software version 23.0 for windows. The results of SPSS calculations for the normality test and homogeneity test are presented below:

a. Normality test

Table 2
One-Sample Kolmogorov-Smirnov Test

	CAR_IN	CAR_ML	ROA_IN	ROA_ML
	A	Y	A	Y
N	21	21	21	21
Normal Parameters ^{a,b} Mean	22.0805	143.7843	.8881	9.4214
Std.	6.77730	47.74952	.61592	7.80686
Deviation				
Most Extreme Absolute	.156	.153	.114	.204
Differences Positive	.156	.147	.114	.204
Negative	-.120	-.153	-.111	-.130
Kolmogorov-Smirnov Z	.716	.700	.524	.937
Asymp. Sig. (2-tailed)	.685	.711	.946	.344

a. Test distribution is Normal.

b. Calculated from data.

Table 3
One-Sample Kolmogorov-Smirnov Test

	FDR_IN	FDR_ML	PTA_IN	PTA_ML
	A	Y	A	Y
N	21	21	21	21
Normal Parameters ^{a,b} Mean	84.6638	81.8314	.7552	.9919
Std.	8.06241	8.71068	1.24895	2.41328
Deviation				
Most Extreme Absolute	.097	.178	.367	.215
Differences Positive	.091	.138	.367	.124
Negative	-.097	-.178	-.284	-.215
Kolmogorov-Smirnov Z	.445	.817	1.683	.987
Asymp. Sig. (2-tailed)	.989	.517	.007	.284

a. Test distribution is Normal.

Source: Data Processed by Researchers (2020) FDR and PTA ratios is a normal distribution.

Based on the table above, it can be seen that the significance level resulting from the normality test, both the Kolmogorov-Smirnov normality test and the Shapiro-Wilk normality test resulted in a significance level above 0.05. So the decision taken is to accept H₀ and reject H₁. So it can be said that the sample distribution of CAR, ROA,

b. Homogeneity Test

Table 4
Hasil Uji Homogenitas

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.588	1	.588	.159	.692
Within Groups	147.676	40	3.692		
Total	148.265	41			

Source: Data Processed by Researchers (2020)

Based on the homogeneity test that has been carried out for all sample ratios used in this study, if the significance level is above 0.05 then the data is homogeneous and decision making is based on Equal variances assumed, if below 0.05 then the data is not homogeneous

and decision making is based on Equal Not variances assumed, it can be concluded that the variance of the CAR, ROA, FDR and PTA data is homogeneous.

3. Hypothesis Testing (Independent Sample T-Test)

a. Comparison of CAR in Indonesia and Malaysia

Table 5
Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means	
	F	Sig.	t	df
CAR Equal variances assumed	51.404	.067	-11.218	40
Equal variances not assumed			-11.218	20.695

Source: Data Processed by Researchers (2020)

From the test results above, it can be seen that the sig value of $0.067 > 0.05$ means that there is no difference in financial performance with the CAR

indicator in Islamic banking companies in Indonesia and Malaysia.

b. Comparison of ROA in Indonesia and Malaysia

Table 6
Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means	
	F	Sig.	t	df
ROA Equal variances assumed	31.721	.450	-4.469	40
Equal variances not assumed			-4.469	20.220

Source: Data Processed by indicator in Islamic banking Researchers (2020) companies in Indonesia and Malaysia.

From the test results above, it can be seen that the sig value of 0.450 > 0.05 means that there is no difference in Financial Performance with the ROA

c. Comparison of FDR in Indonesia and Malaysia

Table 7
Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means	
	F	Sig.	t	df
FDR Equal variances assumed	.148	.703	1.094	40
Equal variances not assumed			1.094	39.763

Source: Data Processed by indicator in Islamic banking Researchers (2020) companies in Indonesia and Malaysia.

From the test results above, it can be seen that the sig value of 0.703 > 0.05 means that there is no difference in Financial Performance with the FDR

d. Comparison of Total Asset Turnover in Indonesia and Malaysia

Table 8
Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means	
	F	Sig.	t	df
PTA Equal variances assumed	2.235	.143	-.399	40
Equal variances not assumed			-.399	29.996

Source: Data Processed by From the test results above, it can be seen that the sig value of 0.703 > 0.05

Researchers (2020)

means that there is no difference in financial performance with the total asset turnover indicator in Islamic banking companies in Indonesia and Malaysia.

Discussion

1. *Differences in the Financial Performance of Islamic Banking in Indonesia and Malaysia based on the CAR Ratio*

Based on the results of the independent sample t-test calculation, it can be seen from the CAR ratio perspective, the performance of Islamic commercial banks in Indonesia does not have a significant difference from that in Malaysia. The results above are not in accordance with the results of research conducted by^{16,17,18} which states that there are significant differences in the CAR performance of Islamic banks and Indonesian conventional banks. This needs to be studied more deeply, considering that research that does not support the results of this study uses data from 2010 to 2014, so that differences in research results may occur due to the time difference.

¹⁶ Suvita Jha. "A Comparison of Financial Performance of Commercial Banks: A Case Study of Nepal." *African Journal of Business Management*, vol. 6, no. 25, 2012, pp. 7601–11, doi:10.5897/ajbm11.3073.

¹⁷ Ichsan, Reza Nurul, et al. "Determinant of Sharia Bank's Financial Performance during the Covid-19 Pandemic." *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, vol. 4, no. 1, 2021, pp. 298–309, doi:10.33258/birci.v4i1.1594.

¹⁸ Restiyana. *Analisis Pengaruh CAR, NPL, BOPO Dan LDR Terhadap Profitabilitas*. 2011.

2. *Differences in the Financial Performance of Islamic Banking in Indonesia and Malaysia based on ROA Ratio*

Based on the results of the independent sample t-test, it can be seen in terms of the ROA ratio, the performance of Islamic banks in Indonesia and Malaysia does not have a significant difference, although the table shows that the ROA ratio of Islamic banks in Indonesia is higher than Malaysia, although the difference is not significant. This study does not give the same results as previous research conducted by¹⁹ which states that there is a significant difference between the performance of conventional commercial banks and Islamic commercial banks in terms of solvency. and their results state that conventional banks have superior solvency when compared to Islamic banks. Research conducted by is supported by research conducted by²⁰.

3. *Differences in the Financial Performance of Islamic Banking in Indonesia and Malaysia based on the FDR Ratio*

Based on the results of the independent sample t-test, which is

¹⁹Ehiedu, Victor Chukwunweike, and Gladys Toria. "Audit Indicators and Financial Performance of Manufacturing Firms in Nigeria." *Linguistics and Culture Review*, vol. 6, no. July 2021, 2021, pp. 14–41, doi:10.21744/lingcure.v6ns1.188

²⁰ Tarigan, and Prawihatmi. "Peran Mekanisme Good Corporate Governance Terhadap Kinerja Keuangan Perbankan Yang Terdaftar Di Bursa Efek Indonesia." *Jurnal Riset Ekonomi Dan Bisnis*, vol. 10, no. 2, 2018, pp. 125–43.

seen in terms of the FDR ratio, the performance of Islamic commercial banks in Indonesia and Malaysia does not have a significant difference, based on descriptive statistical analysis, the performance of the FDR ratio of Indonesian Islamic banks is above Malaysian Islamic banks. Where the performance of the highest Sharia bank FDR ratio is owned by Panin bank. The results of the tests carried out in this study weaken the results of previous research conducted by²¹, where the research states that the FDR ratio of conventional banks is better and there is a significant difference between the performance of conventional banks and Islamic banks (Hendayana).

4. Differences in the Financial Performance of Islamic Banking in Indonesia and Malaysia based on Total Asset Turnover Ratio

Based on the results of the independent sample t-test, it can be seen in terms of activity, the performance of Islamic commercial banks in Indonesia and Malaysia does not have a significant difference. The high level of activity in Indonesian Islamic banks explains why the profitability ratios of conventional banks show higher returns than the profitability of Islamic banks in Malaysia. In principle, if the assets in the bank immediately turn into cash, and immediately turn them back into credit, then logically, profits will be obtained faster.

CONCLUSION

The results of the independent sample t-test can be seen that the financial performance of Islamic banks both in Indonesia and Malaysia, seen from the CAR ratio, does not have a significant difference. The results of the independent sample t-test can be seen that the financial performance between Islamic banks both in Indonesia and in Malaysia, seen from the ROA ratio, does not have a significant difference. The results of the independent sample t-test can be seen that the financial performance between Islamic banks in Indonesia and Malaysia seen from the FDR ratio there is no significant difference. The results of the independent sample t-test can be seen that the financial performance of Islamic banks both in Indonesia and in Malaysia seen from the activity ratio, there is no significant difference.

Suggestion

In order to increase the efficiency and effectiveness of a company, management is expected to hold regular training so that employees are able to understand in depth the systems that exist within the company. This increase in knowledge will certainly improve employee performance in the implementation of job descriptions related to the position of each employee.

It is hoped that the company's management will set more specific goals so that they are right on target. Specific goals can provide an overview and benchmarks in

²¹ Suyono. Analisis Regresi Untuk Penelitian. 1st ed., Deepublish, 2018.

determining the success of a system, with an explanation of the objectives, each member of the organization can certainly understand and be able to carry out the achievement of targets by utilizing the skills and competencies they already have. In order for a company to carry out improving the effectiveness of its information system, top management is required to provide support and participate in the involvement of the progress and development of a job or project as well as to provide assurance of the availability of the necessary resources. Top management support in an organization is crucial because with their support, all members of the organization have easy access to resources.

For academics, it is better to be able to carry out research by carrying out the expansion of variable observations and it is hoped that they do not use the conclusions given in this study as an absolute final decision, so that the next academic is expected to be able to follow the development and progress of the performance of

Islamic commercial banks including conventional commercial banks. if the circumstances allow, academics can add or use other research methods in the context of measuring the financial performance of conventional and sharia commercial banks. For companies, Islamic commercial banks, including conventional commercial banks, should see and improve the quality of their financial ratios. For investors, they should also pay attention to banks that experience an increase in a positive direction from year to year. For further researchers with the same topic, they should add other variables that are still closely related to other financial performance so

that the results obtained are more significant to compare the performance of these banks. For further researchers to be able to compare the financial performance between the State of Indonesia and the State of Malaysia both in terms of conventional banking and Islamic banking so that it can be known which one is better between the two countries.

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