# THE INFLUENCE OF BANK HEALTH RATIO ON THE PROFITABILITY OF SHARIA COMMERCIAL BANKS WITH DISCLOSURE OF ISLAMIC SOCIAL RESPONSIBILITY AS A MODERATING VARIABLES

(Studies on sharia commercial banks in Indonesia period 2014-2018)

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***Abstrak–*** This study is aimed to determine and examine the influence of the Ratio of Bank Soundness to Sharia Commercial Bank Profitability with the disclosure of Islamic Social Responsibility as a Moderating variable on Sharia Commercial Banks in Indonesia, partially and simultaneously. This study uses descriptive, quantitative research, which uses panel data-based methods with the Econometric Views (Eviews) version 10 program. Data collection techniques using the documentation method. The population of this study is Islamic Banks registered with OJK in 2014-2018. The sample was determined based on the purpose sampling method, with a total sample of 9 Sharia Commercial Banks so that the total observations in this study were 45 observations. The results showed that the 1) Financing to Deposit Ratio partially has no effect on profitability, this is because Islamic banks are still careful in distributing financing. 2) Partially Non Performing Financing has a negative effect on profitability. 3) Operating Costs Operating income has a negative and significant effect on profitability. 4) Islamic Social Responsibility cannot moderate the Financing to Deposit Ratio against profitability. 5) Islamic Social Responsibility cannot moderate Non Performing Financing on profitability. 6) Islamic Social Responsibility can moderate Operating Costs Operating Income to profitability.

**Keywords :** Financing to Deposit Ratio, Non Performing Financing, Operational Costs Operating Income, Islamic Social Responsibility, Return on Asset

## I. INTRODUCTION

The development of Islamic economics in Indonesia is currently quite rapid and quite extensive, with the existence of many Islamic financial institutions that continue to develop in Indonesia. Bank Indonesia issued a Sharia Banking Statistics (SPS) which shows that the number of Islamic banking office units in Indonesia has reached 2,610 units, consisting of 1,825 BUS, 344 UUS, and 441 BPRS (www.ojk.go.id) (www.ojk.go.id)

By definition according to Sudarsono (2012: 29), the definition of a sharia bank is a financial institution whose main business is to provide credit or financing and other services in payment traffic and money circulation, whose operations are in accordance with sharia principles. Based on the phenomena that occurred from June to November 2019, Sharia Banks continued to experience a decline in Return On Assets, at the end of 2018 Sharia Bank Return On Assets was 1.28% while Return On Asset for Conventional Banks was 2.55%. According to Halim Alamsyah, Chairman of the Board of Commissioners of the Deposit Insurance Corporation (LPS), the

condition of Islamic banking has always been a topic of discussion, especially the issue of strengthening capital, maintaining liquidity and improving efficiency.

Profitability is an important indicator for measuring the financial performance of a bank. According to Kasmir (2014: 196), profitability is a ratio used to assess a company's ability to seek profit. Therefore, profitability is a specific measure of the financial performance of a bank, where Return On Assets is the goal of company management by maximizing shareholder value, optimizing various levels of return, and minimizing existing risks. The soundness level of a bank also reflects whether or not the bank's financial performance is good. In this study, the bank's soundness ratio is measured by the financing to deposit ratio, non-performing financing, and operating costs (BOPO).

The Financing to Deposit Ratio (FDR) is a ratio that measures the ability of Islamic banks to carry out their intermediation properly and measures how far the bank's ability to repay its withdrawals by relying on the financing provided as a source of liquidity. The higher the FDR ratio of a bank, the better the bank is in carrying out its intermediation and will increase the profitability of the bank and the better the profitability of a bank, assuming that the bank channels its financing to the public effectively, because the income derived from financing, namely revenue sharing will be getting bigger too. The instrument for evaluating the spatial performance of Islamic banks which is the interpretation of the assessment of productive assets, especially in the assessment of problematic financing is Non-Performing Financing. Non Performing Financing is the ratio of the ratio of mutual financing to total financing. There are 5 (five) categories of financing quality that fall into the Non Performing Financing category, namely smooth, under special mention, substandard, doubtful and jammed. If a bank has a large number of problematic financing, it will reduce the profitability and performance of the bank. The ratio of operational costs to operating costs (BOPO) is used to measure the efficiency of bank operations. BOPO is a ratio that measures the extent of bank management's ability to control operating expenses. Then the higher the BOPO, the more inefficient its operational activities are, so it can reduce bank profitability.

In running a company, especially in the banking world, it is very important to maintain the trust of the public, because the main activity of a bank is to collect funds from the public. In a company based on Islamic law, not only make Corporate Social Responsibility (CSR), but also make responsibilities based on sharia, namely Islamic Social Responsibility (ISR). Islamic Social Responsibility (ISR) is a conceptual derivative of CSR. Islamic Social Responsibility (ISR) is a concept of social responsibility which not only includes corporate responsibility towards but also responsibility towards Allah Subahana Wata 'alla.

Based on this background, this study was conducted to determine how the effect of the Bank Soundness Ratio on the Profitability of Islamic Commercial Banks with Islamic Social Reporting (ISR) as a Moderating Variable.

## II. LITERATURE REVIEW

### 2.1. Theoretical basis

#### 2.1.1. Definition of Profitability

According to Kasmir (2014: 196) Profitability is a ratio used to assess a company's ability to seek profit or profit. Financial performance is certain measures that can be used to measure the success of a company in generating profitability. In this study, the profitability ratio is measured by Return On Assets. According to Hanafi & Halim (2014: 82) Return on Assets (ROA) is a ratio that reflects the company's ability to generate profits based on the company's total assets. So the greater the ROA ratio of a bank means the better the company's performance in generating profits from its assets and the better a company is in terms of utilizing its assets. Based on Bank Indonesia Circular Letter Number 12/11 / DPNP dated March 31, 2010 concerning the Rating System for Commercial Bank Soundness based on Sharia Principles, Return on Assets (ROA) is measured by:

$$\text{ROA} = \frac{\text{Profit before tax}}{\text{Average Total Asset}} \text{ X } 100\%$$

**2.1.2. Definition of Bank Health**

According to Darmawi (2011: 25) Bank health is the interest of all related parties, including owners, management, people who use bank services, the general public and the government, in this case Bank Indonesia as the banking supervisory authority. A healthy bank is a bank that can carry out its functions properly, such as maintaining the trust of the public, especially its customers, being able to carry out an intermediation function, be able to fulfill its obligations and be able to develop resources entrusted by the owner to management.

**2.1.3. Definition of Financing to Deposit Ratio (FDR)**

According to Kasmir (2014: 319) Financing to Deposit Ratio is a ratio to compare the composition of the amount of financing provided with the amount of public funds. The higher the FDR of a bank, it means that it describes the bank as less liquid than a bank that has a smaller FDR, because the amount of financing required by the bank is also getting bigger. Therefore, banks must manage their funds by optimizing the distribution of their financing so that the bank's condition is maintained. Based on Bank Indonesia Circular Letter No. 9/24 / DPBS dated 30 October 2007, the FDR ratio is formulated as follows:

$$\text{FDR} = \frac{\text{Total Financing}}{\text{Total third party funds}} \text{ X } 100\%$$

**2.1.4. Definition of Non Performing Financing (NPF)**

*Non Non Performing Financing (NPF) is a ratio to measure financing problems compared to all financing disbursed by Islamic banks. According to Siamat (2015: 175) Non Performing Financing (NPF) is a loan that experiences repayment difficulties due to internal factors, namely intentional or external factors, namely an event beyond the creditor's ability. So that if the NPF ratio increases, the risk of a decrease in profitability will also increase. The amount of NPF allowed by Bank Indonesia is 5%, so if it exceeds 5% it will affect the assessment of the soundness level of the bank concerned. Therefore, based on Bank Indonesia Circular Letter Number 12/11/DPNP dated March 31, 2010, the NPF ratio is calculated using the following formula:*

$$\text{NPF} = \frac{\text{Troubled Financing}}{\text{Total Financing}} \text{ X } 100\%$$

**2.1.5. Definition of Operating Costs Operating Income (BOPO**

Operating Expenses Operating Income (BOPO) is the ratio of the ratio between operating expenses to operating income for a certain period. If a bank has a high BOPO ratio value, the bank does not operate efficiently because the operational costs incurred are greater than operating income. So that the profitability to be obtained will decrease. Operating Costs Operating Income (BOPO) can be calculated using the following formula:

$$\text{BOPO} = \frac{\text{Operating costs}}{\text{Operating Income}} \text{ X } 100\%$$

**2.1.6. Definition of Islamic Social Responsibility (ISR)**

Islamic Social Responsibility (ISR) is corporate social responsibility not only to investors, society, government but most importantly responsibility to Allah Subhana Wata'ala, this is the

difference between Corporate Social Responsibility and Islamic Social Responsibility (ISR). This study, the author refers to the research of Othman et.al (2009) and Haniffa (2002). In this study, the ISR will be measured using the ISR index, the ISR index is the disclosure items used as indicators in reporting social performance by a company obtained from each company every year. The index value is calculated using the content analysis method in the annual report of Islamic banks, the items disclosed are given code 1 and those that are not disclosed are given code 0. So the following formula is used to calculate the level of disclosure of Islamic Social Responsibility (ISR):

$$\textbf{Islamic Social Responsibility (ISR)} = \frac{\text{Number of ISR disclosure items}}{\text{Total ISR disclosure index}} \text{ X } 100\%$$

## 2.2. Review of Previous Research and Hypothesis Development

### 2.2.1. Effect of Financing to Deposit Ratio (FDR) on Profitability

Financing to Deposit Ratio (FDR) is the liquidity ratio in Islamic banks. Financing to Deposit Ratio (FDR) is a ratio that shows a bank's ability to pay back withdrawals made by depositors by relying on the financing provided as a source of liquidity. The higher the FDR of a bank means that the bank is less liquid and the possibility of a bank in problematic conditions and vice versa if the FDR of a bank is low, it indicates that a bank is less effective in channeling its financing so that the possibility of losing the bank's opportunity to generate profitability occurs. This statement is supported by research by Almunawwaroh and Marliana (2018), Astutik (2013) and Yusuf (2017).

$H_1$: Financing to Deposit Ratio (FDR) has a positive effect on profitability.

### 2.2.2. Effect of Non Performing Financing (NPF) on Profitability

The risk of financing in Islamic banking is called Non Performing Financing (NPF). Non Performing Financing (NPF) is a financial ratio related to credit risk experienced by Islamic banking. This is because there are customers who do not fulfill their obligations to the bank, if good financing management is not carried out, it will result in a large amount of receivables, the greater the risk that will be faced by the bank so that it can cause the bank's Return on Assets (ROA) to decrease. This indicates that NPF has an influence on the profitability of Islamic banks. The relationship between the two variables is inversely or negative. This statement is in line with the research of Astutik (2017), Zubaidah and Hartono (2019) and Yusuf (2017).

$H_2$: Non Performing Financing (NPF) has a negative effect on profitability.

### 2.2.3. Effect of Operating Costs Operating Income (BOPO) on Profitability

One of the ratios that has an effect on profitability is the Ratio of Operating Costs to Operating Income (BOPO), which is the ratio of the ratio of operating expenses to operating income for a certain period. This is because if the costs incurred exceed the income earned, it will result in decreased profitability. Therefore, a bank that has a high BOPO ratio will not operate efficiently. The ideal BOPO ratio is between 50% -70% in accordance with Bank Indonesia regulations. So if it is assumed, the value of operating income is greater than the operational costs of a bank, then the bank operates efficiently and results in an increase in the bank's profitability, with an increase in Return on Assets (ROA), it will also increase the profitability of the Islamic bank. The relationship between the two variables is inversely or negative. This statement is in line with research by Zubaidah and Hartono (2019), and Yusuf (2017).

$H_3$: Operating Costs Operating Income has a negative effect on profitability.

**2.2.4. Effect of Islamic Social Responsibility (ISR) Moderating Non-Performing Financing (NPF) Disclosure on Profitability**

With the ISR disclosure carried out by Islamic Banks, it is hoped that it can convince investors to invest and make the public more confident about channeling their funds or financing in Islamic Banks, because later the financing will be channeled to business sectors that are halal and profitable, so that the level for the results received by the public are also large, and will later affect the Financing to Deposit Ratio (FDR). Therefore, it is assumed that the disclosure of Islamic Social Responsibility can moderate the Financing to Deposit Ratio with Profitability which is proxied by Return on Assets.

$H_4$: Disclosure of Islamic Social Responsibility (ISR) can moderate the relationship between Financing to Deposit Ratio (FDR) and Profitability.

**2.2.5. Effect of Islamic Social Responsibility (ISR) Moderating Non-Performing Financing (NPF) Disclosure on Profitability**

Companies can increase the value of profitability by increasing the value of Return on Asset (ROA), because it will attract investors to invest their shares and companies can also gain public trust that in conducting banking activities not only focus on profit, but also by doing social activities in principle with Islamic law. To increase the value of Return on Asset (ROA), one needs to reduce the risk ratio of financing, in Islamic banking called Non Performing Financing (NPF), because high problem financing will result in a decrease in profitability in a bank, so it is necessary to be careful -attention and analysis in financing so that the rate of return on the financing is also high so it will increase the profitability of banking. Therefore, it is expected that the disclosure of Islamic Social Responsibility can moderate Non Performing Financing with profitability projected with Return on Asset.

$H_5$: Disclosure of Islamic Social Responsibility (ISR) can moderate the relationship between Non Performing Financing (NPF) to Profitability.

**2.2.6. Effect of Islamic Social Responsibility (ISR) Moderating Operating Income Operating Costs (BOPO) Disclosure on Profitability**

BOPO is the ratio of the ratio of operating costs to operating income over a given period. According to Pramana and Mustanda (2016) the higher the profitability of the company, the greater the social disclosure made by the company, so it is hoped that the disclosure of ISR will also increase so that it can increase investor confidence in investing capital and convince the public to channel funds and finance will increase profitability in Islamic banks. Therefore, it is expected that the disclosure of Islamic Social Responsibility can moderate Operational Costs on Operational Income with profitability projected with Return on Asset.

$H_6$: Disclosure of Islamic Social Responsibility (ISR) can moderate the relationship between Operational Income Operating Costs (BOPO) to Profitability.

**2.3. Conceptual Framework of Research**

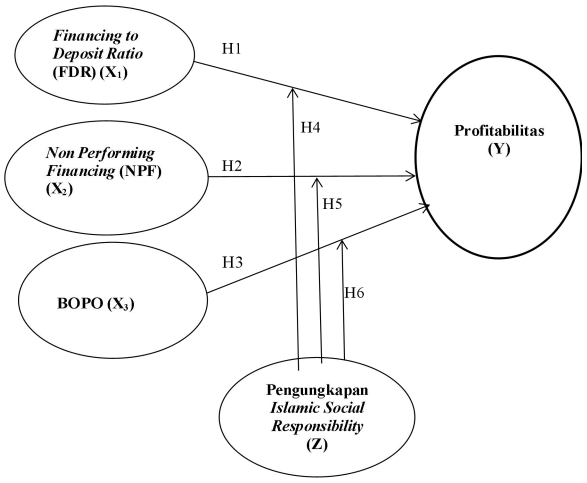



**Image 2. 1 Conceptual Framework of Research**

## III. RESEARCH METHODS

### 3.1. Research Strategies

Strategies in this study, researchers use descriptive studies through testing of hypotheses using causal design. According to Sugiyono (2017: 59), causal design is a causal relationship, so it can be interpreted that in this case there are independent variables (influential variables) and dependent variables (affected variables).

### 3.2. Population and Samples

The population in this study is all sharia banks in Indonesia registered in the Financial Services Authority period 2014-2018 with a total of 13 Shariah Public Banks.

The sampling method in this study uses porposive sampling. Purposive Sampling according to Sugiyono (2017: 85) is a sample determination technique based on certain criteria. The following are the criteria used by the researcher in this study are as follows: 1) Islamic public banks registered with the Financial Services Authority period 2014-2018. 2) Sharia public banks that have annual financial statements for the period 2014-2018 in the Financial Services Authority or the webiste of each sharia bank. 3) Annual financial report for the period 2014-2018 which contains data on the variables that need research.

### 3.3. Hypothesis Testing Method

The analysis method used in the study is a quantitative data analysis method with the hypothesis in this study using linear regression technique of panel data. According to Ghozali (2018: 296), panel data regression is a regression technique that combines time series data with cross section data. In this study to process the data assisted with the software program Econometric Views (Eviews) version 10. The formula of the regression of the panel data in this study is as follows:

$$Y = \alpha + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + \beta 4Z + \beta 5\ X1 *Z + \beta 6\ X2 *Z + \beta 7\ X3 *Z$$

Keterangan:
Y : Probability of Return On Assets (ROA)
α : Constant
$\beta_1$ : Financing to Deposit Ratio regression coefficient
$X_1$ : Financing to Deposito Ratio
$\beta_2$ : Non Performing Financing Regression Coefficient
$X_2$ : Non Performing Financing
$\beta_3$ : Operational Revenue Cost Regression Coefficient
$X_3$ : Operating Expenses Operating Income
$\beta_4$ : Islamic Social Responsibility Regression Coefficient
X*Z : Interaction Between Independent Variables and Moderating Variables
ε : *error*

## IV. RESULTS AND DISCUSSION

### 4.1. Data Analysis

#### 4.1.1. Descriptive Statistics

In the descriptive statistical analysis used to provide information about the characteristics of the variables. Descriptive statistics used in this study are the maximum value, minimum value, average value (mean), and standard deviation of each variable. From the research results. The results of descriptive statistical testing are presented in the table below:

**Table 4.1 Descriptive Statistics Results**

| | ROA | FDR | NPF | BOPO | ISR | FDRXISR | NPFXISR | BOPOXISR |
|---|---|---|---|---|---|---|---|---|
| Mean | -0.001836 | 0.781278 | 0.026322 | 1.046132 | 0.626853 | 0.487878 | 0.016036 | 0.643176 |
| Maximum | 0.015421 | 1.116366 | 0.057187 | 3.879372 | 0.750000 | 0.697700 | 0.033400 | 2.424600 |
| Minimum | -0.112965 | 0.635982 | 0.000062 | 0.630912 | 0.416700 | 0.351300 | 0.000000 | 0.407500 |
| Std. Dev | 0.023487 | 0.079580 | 0.015564 | 0.519306 | 0.072551 | 0.062544 | 0.009190 | 0.299518 |
| | | | | | | | | |
| Observations | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 |

Source : Output Eviews versi 10.0

Table 4.1 above shows that the total sample studied was 45 samples of research data taken from the annual reports of each Islamic commercial bank for the 2014-2018 period. The dependent variable, namely return on assets, shows a minimum value of -0.112965 owned by Panin Syariah Bank in 2017. The maximum value of 0.015421 is also owned by Panin Syariah Bank but in 2014. On average, banking companies have a return on assets of -0.001836. Then the standard deviation for return on assets is 0.023487. The standard deviation value which is relatively bigger when compared to the average value indicates that the distribution of return on assets data is relatively poor.

The independent variable Financing to Deposit Ratio (FDR) obtained a minimum value of 0.635982 owned by Bank Muamalat Indonesia in 2018. The maximum value is 1,116366 owned by Panin Syariah Bank in 2015. Average Financing to Deposit Ratio of Islamic general banking companies registered with the Financial Services Authority of 0.781278 or 78.13%. Then the standard deviation for the Financing to Deposit Ratio (FDR) is 0.079580, the standard deviation value which is relatively smaller than the average value shows that the distribution of the Financing to Deposit Ratio data is relatively poor.

The Independent Variable Non Performing Financing (NPF) obtained a minimum value of 0.000062 owned by Bank BCA Syariah in 2017 and 2018.The maximum value of 0.057187 is owned by Bank BJB Syariah in 2016. The average non-performing financing (NPF) of the company Islamic general banking registered with the Financial Services Authority amounted to 0.026322 or 2.6%. Then the standard deviation is 0.015564 which indicates that the standard deviation value is relatively smaller than the average value, indicating that the distribution of Non Performing Financing data is relatively good.

Operational Cost Independent Variable Operating Income (BOPO) obtained a minimum value of 0.630912 owned by Panin Syariah Bank in 2014. A maximum value of 3,879372 was also owned by Panin Syariah Bank in 2017. The average BOPO value of Islamic general banking companies registered with the Authority Financial Services amounting to 1.046132. Then the standard deviation is 0.519306, the standard deviation value is relatively smaller than the average value, indicating that the distribution of BOPO data is relatively good.

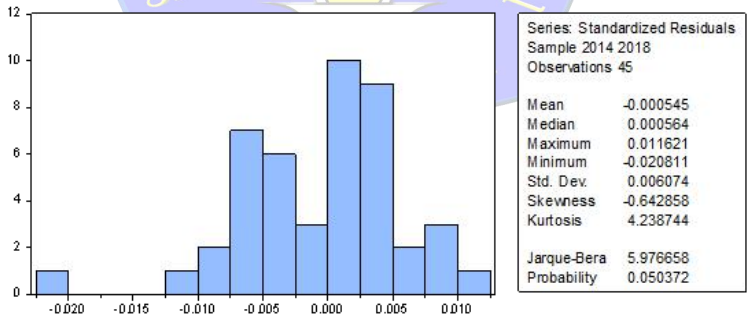
Islamic Social Responsibility variable, a minimum value of 0.416700 owned by Bank Victoria Syariah in 2014 and 2015. The maximum value of 0.75000 is owned by Bank Muamalat in 2016. The average value of the ISR variable for Islamic general banking companies is 0.626853. Then the standard deviation of 0.072551 which is relatively smaller than the average value shows that the spread of Islamic Social Responsibility data is relatively good.

### 4.2. Classic Assumption Test

#### 4.2.1. Normality Test

Normality test is used to find out whether the variables are normally distributed or not in the model. A good regression model should have a normal distribution. Therefore, to test data that is normally distributed or cannot be done by using the Jarque-Bera test (JB test) as follows:

1. If the probability value is> 0.05 (greater than 5%), then the data can be said to be normally distributed.
2. If the probability value is <0.05 (less than 5%), it can be said that the data are not normally distributed.




Source : Output Eviews versi 10.0

**Graphic Image 4. 1 Data-Jarque-Bera Normality Test**

From the results of the histogram graph and the Jarque Bera statistical test (JB-Test) based on graph 4.1 of the normality test, it can be seen that the probability value is 0.050372 where the probability value is greater than 0.05, namely 0.050372> 0.05, it can be concluded that the data is normally distributed.

### 4.2.2. Multicollinearity Test

Multicollinearity test aims to test the regression model, it is found that there is a correlation between the independent variables, if the correlation value is greater than 0.80, it is identified that there is a multicollinearity problem. Multicollinearity is describing a strong relationship between two or more independent variables in a regression model. The multicollinearity test can be seen in the table below:

**Table 4. 2 Multicollinearity Test**

| | FDR | NPF | BOPO | ISR | FDRXISR | NPFXISR | BOPOXISR |
|---|---|---|---|---|---|---|---|
| FDR | 1 | -0.057188 | -0.135583 | -0.330446 | 0.495253 | -0.129904 | -0.238569 |
| NPF | -0.057188 | 1 | 0.492374 | -0.424442 | -0.430501 | 0.769511 | 0.402530 |
| BOPO | -0.135583 | 0.492374 | 1 | -0.342018 | -0.423552 | 0.427562 | 0.753734 |
| ISR | -0.330446 | -0.424442 | -0.342018 | 1 | 0.653806 | -0.213264 | -0.057379 |
| FDRXISR | 0.495253 | -0.430501 | -0.423552 | 0.653806 | 1 | -0.290771 | -0.241266 |
| NPFXISR | -0.129904 | 0.769511 | 0.427562 | -0.213264 | -0.290771 | 1 | 0.4005804 |
| BOPOXISR | -0.238569 | 0.402530 | 0.753734 | -0.057379 | -0.241266 | 0.405804 | 1 |

Source: Output Eviews versi 10.0

Based on table 4.2, it can be seen that the independent variables consisting of FDR, NPF and BOPO and the moderating variable ISR are free from the multicollinearity test because they have a correlation value below 0.80, namely:

1. FDR to NPF and vice versa has a correlation value of -0.057188.
2. FDR to OEOI and vice versa has a correlation value of -0.135583.
3. FDR to FDRXISR and vice versa has a correlation value of 0.495253.
4. FDR to NPFXISR and vice versa has a correlation value of -0.129904.
5. FDR to BOPOXISR and vice versa has a correlation value of -0.238569.
6. NPF to OEOI and vice versa has a correlation value of 0.492374.
7. NPF to FDRXISR and vice versa has a correlation value of -0.430501.
8. NPF to NPFXISR and vice versa has a correlation value of 0.769511.
9. NPF to BOPOXISR and vice versa has a correlation value of 0.40253.
10. BOPO to FDRXISR and vice versa has a correlation value of -0.423552.
11. BOPO to NPFXISR and vice versa has a correlation value of 0.427562.
12. BOPO to BOPOXISR and vice versa has a correlation value of 0.753734.
13. FDRXISR to NPFXISR and vice versa has a correlation value of -0.290771.
14. FDRXISR to BOPOXISR and vice versa has a correlation value of -0.241266.
15. NPFXISR to FDRXISR and vice versa has a correlation value of 0.405804.

### 4.2.3. Heteroscedasticity Test

In this observation, to detect the presence of heteroscedasticity can be done with the Glejser test, this method can detect the presence or absence of heteroscedasticity because the regression coefficient value of the independent variable is not significant to the dependent variable. The basis for decision making is as follows:

1. If the probability value of Obs * R-Squared > 0.05, it means that there is no heteroscedasticity problem.
2. If the probability value of Obs * R-Squared ≤ 0.05, it means that there is a heteroscedasticity problem.

**Table 4. 3 Heteroscedasticity Test**

Heteroskedasticity Test: Glejser

| | | | |
|---|---|---|---|
| F-statistic | 2.123059 | Prob. F(7,37) | 0.0652 |
| Obs*R-squared | 12.89521 | Prob. Chi-Square(7) | 0.0747 |
| Scaled explained SS | 19.25461 | Prob. Chi-Square(7) | 0.0074 |

Source: Output Eviews versi 10.0

Based on Table 4.3, it can be seen that from the Chi-Square probability value has a value of 0.0747, namely the p-value is greater than 0.05, it can be concluded that there is no heteroscedasticity problem.

### 4.2.4. Autocorrelation Test

To detect the presence or absence of autocorrelation, it is necessary to carry out the Durbin-Waston (DW) test, this test is only used for first order autocorrelation and requires an interpect (constant) in the regression model and no log variables between independent variables (Ghozali, 2018: 112). The decision making of the Durbin-Waston test is as follows:

1. If the DW value lies between the boundary or upper bound (du) and (4-du), then the autocorrelation coefficient is zero, meaning there is no autocorrelation.
2. If the DW value is lower than the lower bound (dl), then the autocorrelation coefficient is greater than zero, it means that the autocorrelation is positive.
3. If the DW value is greater than (4- dl), then the autocorrelation coefficient is smaller than zero, meaning that there is a negative autocorrelation.
4. The value of DW is located between the upper limit (du) and the lower limit (dl) where DW is located between (4 - du) and (4 - dl), so the results are inconclusive.

**Table 4. 4 Autorrelation test**

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 09/04/20 Time: 18:56
Sample: 1 45
Included observations: 45
Presample missing value lagged residuals set to zero.

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| FDR | -0.106351 | 0.250059 | -0.425305 | 0.6732 |
| NPF | -0.493250 | 1.262229 | -0.390777 | 0.6983 |
| BOPO | 0.027292 | 0.044977 | 0.606810 | 0.5479 |
| ISR | -0.098113 | 0.282865 | -0.346854 | 0.7308 |
| C | 0.067874 | 0.179737 | 0.377629 | 0.7080 |
| FDRXISR | 0.156540 | 0.397700 | 0.393614 | 0.6963 |
| NPFXISR | 0.740892 | 1.967452 | 0.376574 | 0.7088 |
| BOPOXISR | -0.042163 | 0.072611 | -0.580668 | 0.5652 |
| RESID(-1) | 0.392068 | 0.190382 | 2.059374 | 0.0470 |
| RESID(-2) | -0.251038 | 0.179807 | -1.396150 | 0.1715 |

| | | | |
|---|---|---|---|
| R-squared | 0.138272 | Mean dependent var | -9.95E-17 |
| Adjusted R-squared | -0.083315 | S.D. dependent var | 0.008575 |
| S.E. of regression | 0.008925 | Akaike info criterion | -6.406832 |
| Sum squared resid | 0.002788 | Schwarz criterion | -6.005351 |
| Log likelihood | 154.1537 | Hannan-Quinn criter. | -6.257164 |
| F-statistic | 0.624008 | Durbin-Watson stat | 1.974724 |
| Prob(F-statistic) | 0.768505 | | |

Source: Output Eviews versi 10.0

The test results using Durbin Watson show that the DW value that lies between dU <dw <4-dU identifies the absence of autocorrelation. Based on the Watson durbin table with α = 5%, the number of observations (n) in this study was 45 and the number of independent variables (k) was 6,

the value of dL = 1.2385 and dU = 1.8346, the DW value obtained was 1.974724 which was between 1.8346 <1.974724 <2.1654 means that in this regression model there is no positive or negative autocorrelation.

## 4.3. Panel Data Regression Model Selection Test

### 4.3.1. Chow Test

The Chow test is used to select a better approach between the Common Effect Model (CEM) and the Fixed Effect Model (FEM) approach with the following criteria:

1. 1.If the probability value (P-value) for the cross section F > 0.05 (significant value) then H0 is accepted, so the most appropriate model to use is the Common Effect Model (CEM).
2. 2.If the probability value (P-value) for the cross section F ≤ 0.05 (significant value) then H0 is rejected, so the most appropriate model to use is the Fixed Effect Model (FEM).

The hypothesis used is:
$H_0$ :Common Effect Model (CEM)
$H_1$ :Fixed Effect Model (FEM)

**Table 4. 5 Chow Test**

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

| Effects Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| Cross-section F | 1.687989 | (8,29) | 0.1439 |
| Cross-section Chi-square | 17.203514 | 8 | 0.0281 |

Source: Output Eviews versi 10.0

Based on Table 4.5 on the results of the chow test, common effect vs fixed effect above, the probability value (P-value) of cross section F is 0.1439 > 0.05, so the hypothesis **$H_0$ is accepted** and **$H_1$ is rejected,** so the Common Effect Model (CEM) model is more appropriate used.

### 4.3.2. Hausman Test

The Hausman test is used to compare the Random Effect Model (REM) method with the Fixed Effect Model (FEM). The results of this test are to determine which method is better to use, with the following criteria:

1. If the probability value (P-value) for random cross section > 0.05 (significant value) then H0 is accepted, so the most appropriate model to use is the Random Effect Model (REM).
2. If the probability value (P-value) for random cross section ≤ 0.05 (significant value) then H0 is rejected, so the correct model to use is the Fixed Effect Model (FEM).

The hypothesis used is:
$H_0$ :Random Effect Model (REM)
$H_1$ :Fixed Effect Model (FEM)

**Table 4. 6 Hausman Test**

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|---|---|---|---|
| Cross-section random | 11.700804 | 7 | 0.1108 |

Source: Output Eviews versi 10.0

Based on Table 4.6 on the results of the hausman test, random effect vs fixed effect above, the probability value (P-value) of cross section F is 0.1108 > 0.05, so the hypothesis **$H_0$ is accepted and $H_1$ is rejected** so that the Random Effect Model (REM) is more appropriate to use.

### 4.3.3. Lagrange Multiplier Test

The Lagrange Multiplier test is used to compare the Common Effect Model (CEM) method with the Random Effect Model (REM). The results of the test to determine which method is better to use, with the following criteria:

1. If the value of the Breusch-food cross section ≥ 0.05 (significant value) then H0 is accepted, so the most appropriate model to use is the Common Effect Model (CEM).
2. If the value of the Breusch-food cross section ≤ 0.05 (significant value) then H0 is rejected, so the appropriate model to use is the Random Effect Model (REM).

The hypothesis used is:

$H_0$ :Common Effect Random (CEM)

$H_1$ :Random Effect Model (REM)

**Tabel 4. 7 Uji *Lagrange Multiplier***

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

| | Test Hypothesis | | |
|---|---|---|---|
| | Cross-sectio... | Time | Both |
| Breusch-Pagan | 0.078200 | 0.810583 | 0.888783 |
| | (0.7798) | (0.3679) | (0.3458) |

Source: Output Eviews versi 10.0

Based on Table 4.7 on the results of the lagrange multiplier test, common effect vs random effect above, it is obtained that the Breusch-food cross section is 0.7798 > 0.05, so the hypothesis **$H_0$ is accepted and $H_1$ is rejected** so that the Common Effect Model (CEM) model is more appropriate to use.

### 4.4. Conclusion of Model Selectionl

Based on the three tests that have been carried out, namely the Chow test, Hausman test and Langrange multiplier test. So it can be concluded that the panel data regression estimation method used is as follows:

**Table 4. 8 Test Conclusion Results**

| No. | Metode | Pengujian | Hasil |
|---|---|---|---|
| 1 | *Chow Test* | CEM vs FEM | ***Common Effect Model*** |
| 2 | *Hausman Test* | REM vs FEM | ***Random Effect Model*** |
| 3 | *Lagrange Multiplier Test* | CEM vs REM | ***Common Effect Model*** |

The table above shows that there are 2 tests that produce the Common Effect Model, namely the Chow test and the Lagrange Multiplier test. Therefore, based on these results it can be concluded that the Common Effect Model (CEM) is used to analyze the data further in this study.

### 4.5. Panel Data Estimation Method

The panel data regression estimation method consists of three equation models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM). Based on the results of the Chow test, Hausmant test, and Lagrange Multiplier test, the results obtained are using the Common Effect Model (CEM)

### 4.5.1. Common Effect Model (CEM)

Common Effect Model is a model that combines cross sections with time series. The approach used to estimate the merger uses the Ordinary Least Square (OLS) approach. This model does not see the difference between time and individuals (entities). The following are the results of the regression using the common effect model:

**Table 4. 9 Results of Panel Data Regression Model Common Effect Model**

Dependent Variable: ROA
Method: Panel Least Squares
Date: 09/04/20 Time: 17:43
Sample: 2014 2018
Periods included: 5
Cross-sections included: 9
Total panel (balanced) observations: 45

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| FDR | 0.483343 | 0.255178 | 1.894145 | 0.0660 |
| NPF | -2.894168 | 1.243088 | -2.328208 | 0.0255 |
| BOPO | 0.054621 | 0.045227 | 1.207710 | 0.2348 |
| ISR | 0.629584 | 0.288122 | 2.185130 | 0.0353 |
| C | -0.376359 | 0.182457 | -2.062725 | 0.0462 |
| FDRXISR | -0.721946 | 0.407105 | -1.773364 | 0.0844 |
| NPFXISR | 4.312787 | 1.959922 | 2.200489 | 0.0341 |
| BOPOXISR | -0.148723 | 0.073426 | -2.025494 | 0.0501 |

| | | | |
|---|---|---|---|
| R-squared | 0.866713 | Mean dependent var | -0.001836 |
| Adjusted R-squared | 0.841497 | S.D. dependent var | 0.023487 |
| S.E. of regression | 0.009351 | Akaike info criterion | -6.346905 |
| Sum squared resid | 0.003235 | Schwarz criterion | -6.025720 |
| Log likelihood | 150.8054 | Hannan-Quinn criter. | -6.227170 |
| F-statistic | 34.37100 | Durbin-Watson stat | 1.649712 |
| Prob(F-statistic) | 0.000000 | | |

Source: Output Eviews versi 10.0

Based on the regression results with the Common Effect Model (CEM) it shows that there is a constant value of -0.376359 with a probability of 0.0462. The common effect model regression equation has an adjusted R2 of 0.841497 or 84.1497%, which explains that the variants of FDR, NPF, BOPO, FDRXISR, NPFXISR and BOPOXISR are 84.1497% and the remaining 0.158503 or 15.8503% is influenced by other independent variables not examined in the study.

### 4.6. Panel Data Regression Analysis

Panel Data Regression Analysis aims to determine the effect on the dependent variable where there are several companies in a certain period of time. Based on the estimation method between the Common Effect Model (CEM), Fixed Common Effect Model (FEM) and the Random Effect Model (REM) as well as the selection of the regression equation estimation model using the Chow test, Hausman test and the lagranger multiplier test. Then the Common Effect Model (CEM) was selected for the panel data regression equation. The following results were obtained:

Based on the table of panel data regression analysis above, the panel data regression equation can be formulated as follows:

**ROA = -0.376359 + 0.483343 FDR - 2.894168 NPF + 0.054621 BOPO + 0.629584 ISR - 0.721946 FDR.ISR + 4.312787 NPF.ISR - 0.148723 BOPO.ISR**

Based on the panel data regression equation above, it can be explained as follows:

1. The value of α (constant) is -0.376359, this means that in the absence of the influence of FDR, NPF, BOPO and ISR as moderating, the Return on Assets will be -0.376359 or in other words if the independent variable is considered constant (value = 0) then the Return value On Asset has a value of -0.376359.
2. The FDR variable has a coefficient value of 0.483343 with a positive coefficient, the results explain that each increase in FDR increases by 1 unit, assuming other independent variables remain (value = 0), it will increase Return On Assets by 0.483343.
3. The NPF variable has a coefficient value of -2.894168. The negative regression coefficient illustrates that if each increase in NPF increases by 1 unit, assuming that the other independent variable remains (value = 0), it will decrease the Return on Assets by -2.894168.
4. The BOPO variable has a coefficient value of 0.054621. The regression coefficient value illustrates that each increase in BOPO increases by 1 unit with the assumption that the other independent variable remains (value = 0), it will increase the Return On Asset by 0.054621.

5. The FDR.ISR variable has a coefficient value of -0.721946. The regression coefficient value illustrates that each increase in FDR.ISR increases by 1 unit with the assumption that the other independent variable is constant (value = 0), it will reduce the Return On Asset by -0.721946
6. The NPF.ISR variable has a coefficient value of 4.312787. The regression coefficient value illustrates that each increase in NPF.ISR increases by 1 unit with the assumption that the other independent variable remains (value = 0), it will increase the Return On Asset of 4.312787.
7. The BOPO.ISR variable has a coefficient value of -0.148723. The regression coefficient value illustrates that each increase in BOPO.ISR increases by 1 unit with the assumption that the other independent variable is constant (value = 0), it will decrease the Return On Asset by 0.148723.

### 4.7. Hypothesis testing

#### 4.7.1. Parsial Test (Uji t)

Partial test (t test) aims to determine the effect of independent variables on the dependent variable individually (partially). To determine whether the hypothesis is accepted or rejected by comparing t count with tTable and a significance value with a significance level in this study, namely α = 5% = 0.05. According to Ghozali (2018: 97) the basis for decision making on the t test is as follows:

1. If the probability value < 0.05 and if value tcount > tTable, then H0 rejected. It can be concluded that the independent variable partially affects the dependent variable.
2. If the probability value > 0,05 and if value tcount < tTable, then H0 received. It means that the independent variables individually have no effect on the dependent variable.

In the t test, it is necessary to determine the degree of freedom (df) with the formula df = n – k -1. Where, n is the number of observations in the data period and k is the number of independent variables. Therefore, the results obtained are as many observations (n = 45), the number of independent variables is (k = 6), then the degree of freedom (df) = nk-1 is 45-6-1 = 38 with a significance level of 0, 05 then the t Table is 2.024394.

Based on Table 4.9 above, the hypothesis results are as follows:

1. The Financing to Deposit Ratio variable has a probability value greater than the significance level (0.0660> 0.05). This means that **$H_1$ is rejected.** So it can be concluded partially that the Financing to Deposit Ratio has no effect on profitability which is proxied by Return On Assets.
2. The Non Performing Financing variable has a probability value smaller than the significance level (0.0255 <0.05). This means that **$H_2$ is accepted.** So it can be concluded that Non Performing Financing has a negative effect on profitability which is proxied by Return On Assets.
3. Operational Cost Variable Operating Income has a probability value greater than the significance level (0.2348> 0.05). This means that **$H_3$ is rejected**. So it can be concluded that Operational Costs Operational Income has no effect on Return On Assets.

#### 4.7.2. Moderated Regresssion Analysis (MRA) Test

According to Ghozali (2013: 232), the Moderate Regression Analysis (MRA) test is carried out to create an interaction regression, where the moderator variable does not become an independent variable. If the results of this test the beta resulting from the interaction of ZX on Y is a negative value, then the moderating variable Z weakens the effect of variable X and variable Y, although it weakens but the effect is not significant. If the beta test results resulting from the

interaction of ZX to Y are positive values, the moderating variable Z strengthens the influence of variable X with variable Y.

Based on Table 4.9 above, the hypothesis results are as follows:

4. The Islamic Social Responsibility Disclosure variable can moderate the Financing to Deposit Ratio to Profitability, which is proxied by Return On Asset which has a probability value greater than the significance level (0.0844> 0.05). This means that **$H_4$ is rejected.** So it can be concluded partially that the disclosure of Islamic Social Responsibility cannot moderate the Financing to Deposit Ratio to Profitability which is proxied by Return On Asset.
5. The Islamic Social Responsibility Disclosure variable can moderate Non-Performing Financing on Profitability which is proxied by Return on Assets which has a probability value smaller than the significance level (0.0341 <0.05). This means that **$H_5$ is accepted.** So it can be concluded partially that the disclosure of Islamic Social Responsibility can moderate and strengthen Non Performing Financing on Profitability which is proxied by Return On Assets.
6. The variable of Islamic Social Responsibility Disclosure can moderate Operational Costs Operating Income to Profitability, which is proxied by Return On Assets which has a probability value smaller than the significance level (0.0501 <0.05). This means that **$H_6$ is accepted.** So it can be concluded partially that the disclosure of Islamic Social Responsibility can moderate and weaken Operational Costs Operating Income to Profitability which is proxied by Return On Assets.

## 4.8. Determination Coefficient Test (R2)

The coefficient of determination in this study is indicated by the Adjusted R-Square value. The coefficient of determination test is used to measure how much the model's ability to explain the variation in the dependent variable. The coefficient of determination is between zero and one ($0 \leq R2 \leq 1$). Based on Table 4.9, the coefficient of determination as seen from the adjusted R2 is 0.841497 or 84.15%, which means that all independent and moderating variables are able to explain the variation in the dependent variable by 84.15%. Meanwhile, the Return On Asset of 15.85% (100% –84.15%) is explained by other independent variables which are not examined in this research model.

## 4.9. Interpretation of Research Results

### 4.9.1. Effect of Financing to Deposit Ratio on Profitability

The first hypothesis which says that the Financing to Deposit Ratio has an effect on profitability which is proxied by Return on Assets is rejected, it can be seen from the probability value that is greater than the significance level (0.1926 > 0.05). The Financing to Deposit Ratio coefficient is 0.093017, meaning that when there is an increase in the Financing to Deposit Ratio by one unit, the Return On Asset will increase by the amount of the coefficient, which is 0.093017. The Financing to Deposit Ratio has no effect on the increase or decrease in profitability which is proxied by Return On Assets, this happens because Islamic banks that distribute financing are still not brave or not optimal in channeling financing, such as Islamic banks channeling small value funds resulting in profits also small. This research is in line with research conducted by Munir (2018) and Lemiyana and Litriani (2016) which state that FDR has no effect on profitability which is proxied by Return On Assets.

In contrast to research conducted by Yusuf (2017), Astutik (2013) and Almunawwaroh and Marliana (2018), Fakhruddin and Purwanti (2015), Zubaidah and Hartono (2019), and Indyarwati and Handayani (2017) which state that FDR is influential on profitability which is proxied by Return On Assets

### 4.9.2. Effect of Non Performing Financing on Profitability

The second hypothesis which says that Non-Performing Financing has an effect on Profitability as proxied by Return On Assets is accepted, it can be seen that the probability value is smaller than the significance level (0.0255 <0.05). The Non Performing Financing coefficient is -2.894168, which means that when there is an increase in Non-Performing Financing by one unit, it will decrease the Return on Assets by the coefficient number, namely -2.894168. Based on the coefficient, Non Performing Financing has a negative effect on profitability which is proxied by Return On Assets, this happens if the NPF of Islamic banks increases, it will result in a decrease in profitability which is proxied by Return On Assets. This means that if the NPF ratio is high, it means that the Islamic bank has a high risk of financing so that the ROA that will be obtained by Islamic banks will decrease as a result of not being paid off either the principal installments or the profit from the disbursed financing. This research is in line with research conducted by Yusuf (2017), Almunawwaroh and Marliana (2018), Zubaidah and Hartono (2019), Indyarwati and Handayani (2017), and Munir (2018).

In contrast to research conducted by Astutik (2017), Fakhruddin and Purwanti (2015) and Lemiyana and Litriani (2016) which state that NPF has no effect on profitability proxied by Return On Assets, this is due to problematic financing at Islamic Commercial Banks in Indonesia is not that big in nominal.

### 4.9.3. Effect of Operating Costs Operating Income on Profitability

The third hypothesis which says that Operational Costs Operational Income has an effect on Profitability, which is proxied by Return on Assets, is rejected, it can be seen from the probability value that is greater than the significance level (0.2348> 0.05). The coefficient of Operational Cost of Operating Income is 1.207710, meaning that when there is an increase in Operating Costs, Operating Income by one unit, it will increase the Return on Assets by the coefficient figure, namely 1.207710. Operating Costs Operating income has no effect on profitability, which is proxied by Return On Assets. BOPO has no effect on profitability because Islamic banks tend to invest their funds carefully and emphasize more on bank survival so that it does not have much effect on bank profitability. This research is in line with research conducted by Astutik (2013) which states that OEOI has no effect on profitability, which is proxied by Return On Assets.

It is inversely proportional to research conducted by Zubaidah and Hartono (2019), Yusuf (2017), Indyarwati and Handayani (2017) and Lemiyana and Litriani (2016) which state that BOPO affects profitability which is proxied by Return On Assets.

### 4.9.4. Effect of Islamic Social Responsibility Disclosure moderating Financing to Deposit Ratio on Profitability

The fourth hypothesis which says that Islamic Social Responsibility can moderate the Financing to Deposit Ratio (FDR) on profitability which is proxied by Return On Assets is rejected, it can be seen from the probability value greater than the significance level (0.0844> 0.05). The coefficient of the FDR variable interacting with the moderating variable ISR is -0.721946. So it can be concluded that the ISR variable is not able to moderate the relationship between Financing to Deposit Ratio (FDR) on profitability which is proxied by Return on Assets (ROA). Because the Financing to Deposit Ratio (FDR) variable partially does not affect profitability, which is proxied by Return on Assets (ROA) in the year studied, this is because the financing channeled is not optimal and Islamic banking is also careful in financing so that it is evenly distributed. -The average FDR value is below 80%. With the existence of ISR activities in Islamic bank companies, it will also increase the operational expenses of these Islamic banks. If the ISR is unable to

moderate the Fiancing to Deposit Ratio to Profitability, it means that the ISR is likely an independent variable or an intervening variable.

### 4.9.5. Effect of Islamic Social Responsibility Disclosure moderating Non Performing Financing on Profitability

The fifth hypothesis which says that Islamic Social Responsibility (ISR) can moderate Non-Performing Financing (NPF) on Profitability which is proxied by Return on Assets is accepted, it can be seen from the probability value that is smaller than the significance level (0.0341 <0.05). The coefficient of the NPF variable interacting with the moderating variable ISR is worth 4.312787. So it can be concluded that the ISR variable is able to moderate and strengthen the relationship of Non Performing Financing (NPF) to Profitability which is proxied by Return On Assets (ROA). This is because problematic financing for Islamic Commercial Banks is still within the limit of Bank Indonesia provisions, which is 5% so that it will affect the profitability of the bank, if the NPF decreases, the profitability obtained will increase and vice versa if the NPF increases, the profitability obtained will decrease. With the disclosure of Islamic Social Responsibility, it is hoped that the NPF Ratio is still under the provisions of Bank Indonesia, which is 5% or the value of problematic financing at Islamic Commercial Banks is small in value, which will attract investors and will attract customers to invest their funds in Islamic Commercial Banks, because investors believe that the bank is able to solve problematic financing problems. So ISR disclosure is able to moderate and strengthen Non-Performing Financing (NPF) on the Profitability of Islamic Commercial Banks.

### 4.9.5. Effect of Islamic Social Responsibility Disclosure moderating Operational Costs Operating Income on Profitability

The sixth hypothesis which says that Islamic Social Responsibility (ISR) can moderate Operational Cost of Operating Income (BOPO) to Profitability which is proxied by Return On Assets is accepted, it can be seen from the probability value smaller than the significance level (0.0501 <0.05). The coefficient of the BOPO variable interacting with the moderating variable ISR is -0.148723. So it can be concluded that the ISR variable is able to moderate and weaken the relationship between Operating Costs and Operational Income to Profitability, which is proxied by Return On Assets (ROA). This is because if the BOPO increases, the profitability obtained by Islamic banks decreases, and vice versa, if Islamic banks are able to make cost efficiency, it will result in increased profitability of Islamic banks. Companies with high profitability tend to try to increase the ISR disclosure report. This is because it will convince investors that the company has long-term goals seen from the profitability it gets and can convince the public to channel their funds to Islamic banks.

## V. CONCLUSIONS AND SUGGESTION

### 5.1. Conclusion

Based on the results of the analysis and interpretation of the results of the research carried out, the following conclusions can be drawn:

1. Financing to Deposit Ratio has **no effect** on profitability, which is proxied by Return On Assets.
2. Non Performing Financing has **an effect** on profitability which is proxied by Return on Assets.
3. Operational Costs Operating Income has **no effect** on profitability, which is proxied by Return On Assets.
4. Islamic Social Responsibility **cannot moderate** the relationship between Financing to Deposit Ratio and Profitability, which is proxied by Return On Assets.

5. Islamic Social Responsibility **can moderate and strengthen** the relationship between Non Performing Financing and Profitability, which is proxied by Return On Assets.
6. Islamic Social Responsibility **can moderate and weaken** the relationship between Operating Costs and Operating Income, which is proxied by Return On Assets.

## 5.2. Suggestion

Based on the above conclusions, the authors provide the following suggestions:

1. It is recommended that Islamic banks in Indonesia make more efforts to increase the Financing to Deposit Ratio but it must remain within the limits set by Bank Indonesia, which is 85% -110%. This is intended so that the profitability of Islamic banks increases, which is marked by the amount of financing distributed so that the profit sharing value earned also increased.
2. It is recommended that Islamic banks in Indonesia continue to strive to reduce the ratio of Operating Costs to Operational Income. This is intended to increase the profitability of Islamic banks, marked by low operating costs but can generate maximum operating income.
3. The government should establish mandotary reporting of Islamic Social Responsibility disclosure, this is intended for the development of sharia improvements in Indonesia, thus encouraging Islamic banks to be able to report their social responsibility in accordance with the principles of Islamic sharia and still pay attention to ISR costs and pay attention to awareness people who are low on ISR reporting.
4. For the next research, it is hoped that it will be able to increase the number of samples and be able to add independent variables which are thought to affect profitability by taking into account the variables of sales growth, leverage, operating capacity, and company size.

## 5.3. Research Limitations and Further Research Development

In this study, there are several limitations and can be used as guidelines for future researchers, including:

1. The period used in this study is only 5 years from 2014-2018. Because in the year this research took place, the Covid-19 pandemic occurred which resulted in the delay in reporting the Islamic bank's annual report, it is recommended that further researchers who are interested in studying the same problem should conduct research in a more recent period, namely up to the 2019 period.
2. If further research can add additional variables that do not exist in this study, such as intervening variables.
3. For further researchers, they can add dependent variables other than ROA, ROE and ROI.
4. For further researchers, they can add independent variables to test financial performance that are not yet in this study such as the Capital Adequacy Ratio, company size.
5. In this study, only using a sample of Islamic Banks in Indonesia, it is expected that further researchers can examine using a sample of companies registered on the Jakarta Islamic Index or Conventional Banks in Indonesia.

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