

Original Article

Determinants of Profit Distribution Management of Sharia Commercial Banks in Indonesia for the Period 2018-2022

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Abstract:

This study aims to analyze the factors that affect the management of profit distribution in Sharia Commercial Banks (BUS) in Indonesia. The bound variable used in this study is profit distribution management. The independent variables used in this study include capital adequacy ratio (CAR), proportion of third-party funds (PDPK), and quality of productive assets. The population in this study is all BUS registered with Bank Indonesia in the 2018-2022 period. Using the purposive sampling technique, a research sample of nine banks was obtained. The analysis method used is panel data regression analysis. The results show that the variables CAR and PDPK have a negative and significant effect on profit distribution management. Meanwhile, the variable of productive asset quality has no effect on profit distribution management. The results of this study are expected to be considered by Islamic banks to improve financial performance, especially to increase profit sharing and liquidity capabilities.

Keywords: Capital Adequacy Ratio, Productive Asset Quality, Profit Distribution Management, Proportion of Third Party Funds

Introduction

Since the formation of PT. Bank Muamalat Indonesia (BMI) in 1991, legislative attention to the progress of various Islamic banks had a fairly good growth level, in line with this relevant to the issuance of Law No. 21 of 2008 in response to the dynamics of the sector. Recently, Islamic banks can be said to have gone through a significant phase of positive development, as reflected in the increase in the Islamic bank market in 2021 which reached 6.74% of the total bank market share nationally with total assets reaching IDR 693.80 trillion. The Financial Services Authority noted that the assets of Islamic commercial banks (BUS) increased by 40.4% in the 2018-2022 period from IDR 316.69 trillion to IDR 531.86 trillion. OJK claims that the reason for this increase is due to an increase in fund collection from Rp 257.6 trillion to Rp 429.03 trillion, or an increase of 39.9%. In addition, the distribution of sharia financing increased from IDR 202.3 trillion to IDR 322.6 trillion, or an increase of 37.2% ([Financial Services Authority, 2022](#)).

The principle of profit sharing, which includes risk sharing, revenue sharing, and profit sharing, has been adopted by various banks that apply sharia rules related to the process



<https://jurnal.usk.ac.id/riwayat>

of collecting and distributing funds ([Rifadil & Muniruddin, 2017](#)). The application of this principle is adjusted to the guidelines set out in the fatwa of the National Sharia Council No. 15/DSN-MUI/IX/2000, which gives authority to each Islamic bank to choose one of these principles in the distribution of business results to customers. Currently, all Islamic banking institutions in Indonesia consistently use the principle of revenue sharing as the main approach in revenue sharing.

The profit-sharing mechanism implemented by Islamic banks serves to show transparency in bank operations to customers, giving customers the opportunity to monitor the bank's performance and activities based on the amount of profits they earn. This principle guarantees that the level of profit obtained will be high if the number of customers who transact with the bank is also high. However, if profits are not optimal, the distribution of profits to customers tends to decrease, which results in a fairer equality principle. Data from Sharia Banking Statistics as of December 2022 shows a significant increase in the operating income of Islamic commercial banks from the distribution of funds during the 2018-2022 period. There was also a significant increase in the net profit of Islamic commercial banks in 2022, with a growth of 65.8% compared to the previous year. However, the revenue sharing distribution provided by the bank to customers is not in line with the increase in revenue and profit that the bank gets, where there is a decrease of 6% compared to 2021.

Therefore, Islamic bank management is faced with a special responsibility in managing profit distribution through Profit Distribution Management (PDM). Steps taken by managers to regulate profit distribution and fulfill Islamic banks' commitments to depositors related to profit sharing ([Mulyo & Mutmainah, 2013](#)). Bank Indonesia defines profit distribution (PD) as the monthly distribution of income owned by Islamic banks to depositors based on the ratio agreed in the initial agreement. The revenue sharing system is based on established products and mutual agreements. According to various studies, several internal factors are believed to affect the PDM of Islamic banks, namely the capital adequacy ratio (CAR), the proportion of third-party funds, and the quality of productive assets ([Wafaretta et al., 2016](#); [Ernayani, 2017](#); [Rachman & Siswantoro, 2017](#); [Aprilianto, et al., 2018](#); [Fitriyana et al., 2018](#); [Sulistyawati, et al., 2019](#); [Jufra et al., 2021](#); [Shahzadi et al., 2021](#); [Sulisytawati, et al., 2021](#); and [Santoso & Samboro, 2022](#))

Capital Adequacy Ratio is a parameter imposed by banks as an interpretation of the level of funds that are considered sufficient for banks to overcome potential risks. The higher the CAR ratio, the stronger the bank's ability to bear the risk of any risky productive asset. So that this ratio is a crucial concern for customers and must be carefully considered by the bank ([Ardheta & Sina, 2020](#)). The proportion of third-party funds reflects the level of dependency owned by Islamic banks to the public who are depositors. Third-party funds (DPK) can be defined as various types of funds obtained in various forms such as savings, current accounts, deposits or can have similar forms ([Alteza, 2017](#)). Productive Asset Quality (KAP) is an instrument for assessing the performance of Islamic banks. Banks must comply with prudential standards included in sharia principles to be a race in optimizing performance. To generate optimal profits, the bank must maintain the quality of the bank's assets. As asset quality improves, banking performance will also follow, especially in terms of profit achievement ([Sari et al., 2020](#)).

Based on these things, this study aims to determine the influence of CAR, the proportion of deposits, and the quality of productive assets on the profit distribution management of Islamic commercial banks in Indonesia for the 2018-2022 period. The findings of this study are expected to be a meaningful contribution to better research in the future, which specifically discusses the management of profit distribution in Islamic banks.

Method

This research applies a quantitative research approach using secondary data. The population in this study is all Sharia Commercial Banks (BUS) registered in 2018-2022. Secondary data is studied from the annual financial statements of Islamic banks taken from the *website* of the Financial Services Authority and the official website of each bank. In the process, *the purposive sampling* technique is applied as a sampling approach. The following standards are used in the selection of research samples, namely: 1) Banks that are included in the classification of Sharia Commercial Banks (BUS). 2) The Islamic bank publishes its financial statements for the 2018-2022 period on *the websites* of each Islamic bank and Bank Indonesia. 3) Islamic banks have various data in measuring the suitability of variables in the 2018-2022 time range. The analysis method used is panel data regression analysis. The general model of the panel data regression equation from this study is:

$$Y_{it} = \alpha + \beta_1 X1_{it} + \beta_2 X2_{it} + \beta_3 X3_{it} + e_{it}$$

Information:

Y	= Profit Distribution Management (PDM)
α	= Konstanta
$b1, b2, b3$	= Coefficient of free variables
$X1$	= Capital Adequacy Ratio (CAR)
$X2$	= Proportion of Third Party Funds (PDPK)
$X3$	= Quality of Productive Assets (KAP)
i	= Individual (Islamic Bank)
t	= time (period)
e	= error

Results and Discussion

Through the application of *purposive sampling*, nine eligible Islamic banks were collected during the research period (2018-2022). The total observation data for this study is 45 data. The list of nine Islamic banks that are the research sample can be seen in Table 1.

Table 1. Research Sample

No.	Company Name
1	PT. Bank Aceh Syariah
2	PT. BPD West Nusa Tenggara Syariah
3	PT. Bank Muamalat Indonesia
4	PT. Bank Victoria Syariah
5	PT. Bank Mega Syariah
6	PT. Bank Panin Dubai Syariah

7	PT. Bank Syariah Bukopin
8	PT. BCA Syariah
9	PT. Sharia National Pension Savings Bank

Descriptive Statistical Analysis

To understand disclosure *profit distribution management* in Islamic commercial banks (BUS) in Indonesia for the 2018-2022 period, descriptive statistical analysis was carried out involving the minimum value, maximum value, average value, and standard deviation value. The results of the descriptive statistical analysis can be seen in the Table 2.

Table 2. Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Dev.
PDM (%)	45	0.103905	4.591031	1.191698	1.259347
CAR (%)	45	12.34286	149.6770	30.45421	21.12722
PDPK	45	0.384645	0.852584	0.716436	0.109099
CAP (%)	45	0.568848	8.685601	2.965786	2.244523

The mean value in the PDM variable reached 1.191698, with a standard deviation of 1.259347. The mean value in the CAR variable is 30.45421, with a standard deviation of 21.12722. The mean value in the DPK proportion variable is 0.716436 with a standard deviation of 0.109099. The mean value in the variable of productive asset quality (KAP) touched 2.965786 with a standard deviation of 2.244523. Data on the CAR variables, the proportion of deposits, and the KAP showed that each standard deviation value was less than the *mean*, which means the data is homogeneous. Meanwhile, in the PDM variable, it was found that the standard deviation value was greater than the value of *mean*, which means the data is heterogeneous.

Panel Data Regression Analysis

The panel data model selected based on the model estimation test is *fixed effect model* (FEM). The regression results of the model can be seen in Table 3.

Table 3. Panel Data Regression Analysis with FEM

Variable	Coefficient	Prob.
C	1,022956	0,1461
CAR	-0,456789*	0,0296
PDPK	-0,768353**	0,0511
RECEIVE	0,045736	0,7334
Sig. F		0,000000
Adjusted R2		0,850151

Description: * = significant at $\alpha=5\%$, ** = significant at $\alpha=10\%$

The regression model of this study is:

$$PDM_{it} = 1,023 - 0,457 (CAR)_{it} - 0,768 (PDPK)_{it} + 0,046 (KAP)_{it} + e_{it}$$

The regression model can be interpreted as follows:

1. Assuming *ceteris paribus*, every 1% increase in CAR will result in a decrease in *profit distribution management* (PDM) by 0.457%.
2. Every 1% increase in PDPK (*ceteris paribus* applies), *profit distribution management* (PDM) decreases by 0.768%.
3. Because the KAP variable does not pass the partial test, the changes that occur in the KAP variable will not cause an increase or decrease in *profit distribution management* (PDM).

Based on the results of the partial test in Table 3, it was found that the CAR and PDPK variables had a significant influence on the PDM variables. Meanwhile, the KAP variable has no influence on PDM. The feasibility of the research model was measured using the F test and the *adjusted* R². By table 3 It is known that the value of sig. The resulting F is less than the significance value of 5%, which indicates that all independent variables simultaneously affect the dependent variable. Value *adjusted* R² is 0.850151 which indicates that 85% of the data variations in the CAR, PDPK, and KAP variables are able to explain the model, the remaining 15% is explained by other variables outside the model.

The Effect of Capital Adequacy Ratio on Profit Distribution Management

Based on Table 3, the Capital Adequacy Ratio variable has a prob number. 0.0296 < 0.05 with a coefficient value of -0.457. It can be interpreted that H1 is accepted, which means that CAR has a negative and significant effect on Profit Distribution Management (PDM). This means that every increase in the CAR ratio, the management believes that it has a strategy in decreasing the nominal which is a profit-sharing mechanism that will be received by customers. The reason is that the quantity of capital increases every year but tends to exceed Bank Indonesia's standard, which is 8%-14%. This indicates that the bank has not utilized its capital potential optimally. It is evident that the highest CAR value owned by Bank Victoria Syariah of 149.67% in 2022 indicates the existence of an idle fund. When banks have idle funds, the bank's opportunity to earn profits is wasted, which puts Islamic banks in a position where they cannot provide optimal profit sharing ([Fachri & Mahfudz, 2021](#)). Therefore, the CAR value of Islamic banks should not be too high from the standard that has been set, which is a minimum of 8% and a maximum of 14%.

The Influence of the Proportion of Third-Party Funds on Profit Distribution Management

Based on Table 3, the variable of the proportion of third-party funds has a prob value. by 0.0511 < 0.1 with a coefficient of -0.0768. In the framework of the hypothesis test, it means accepting H2 which confirms that the variable proportion of third-party funds has a negative influence on Profit Distribution Management (PDM). The results of this finding are consistent with previous research conducted by Farook et al. (2012), Kartika & Adityawarman (2012), Mulyo & Mutmainah (2013), and Rachman & Siswantoro (2017) which stated that PDPK has a negative effect on PDM. This can happen because Islamic banks in Indonesia have not fully fully maximized the use of third-party funds in financing. This can be seen from the fluctuating FDR ratio for the 2018-2022 period, which tends to decrease with a figure of < 80% (Financial Services Authority, 2022). The optimal FDR ratio ranges from 80%-100% in the context of Islamic banks, where the increase in the ratio reflects the improvement of the intermediation function. In contrast, a lower ratio indicates that banks have not fully managed the intermediation function optimally (Somantri & Sukmana, 2019). Therefore, to maintain liquidity, banks must be

able to manage their funds by optimizing financing distribution.

The Effect of Productive Asset Quality on Profit Distribution Management

Based on the results of the analysis in Table 3, it can be interpreted that the Productive Asset Quality (KAP) variable has no effect on Profit Distribution Management (PDM) as evidenced by a probability value of $0.7334 > \alpha=10\%$. Therefore, it can be interpreted that H_0 is accepted in other words there is no influence between KAP and PDM. Thus, the KAP level is not able to be an indicator to measure changes in PDM.

Conclusion

Based on the data analysis and discussion that has been described, it can be concluded that the CAR variable and the proportion of deposits have a negative and significant effect on the profit distribution management (PDM) of Sharia Commercial Banks in Indonesia. However, the Productive Asset Quality variable has no effect on the profit distribution management (PDM) of Sharia Commercial Banks in Indonesia. It is hoped that Islamic banks can improve financial performance, especially in maintaining liquidity and increasing profit sharing in the future. The results of this study are also expected to be used as a reference for future research, especially those related to PDM. Therefore, the researcher recommends the use of other variables that have not been studied in this study in the future. To better understand the phenomenon being studied, the scope of the sample should be expanded and the observation period should be extended.

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