ISLAMIC BANK'S PROFIT GROWTH IN INDONESIA: BANK HEALTH RATING FACTOR APPROACH

PERTUMBUHAN KEUNTUNGAN BANK SYARIAH DI INDONESIA: PENDEKATAN FAKTOR RATING KESEHATAN BANK

Y B Tilawah[1a] ,A N Amalia [2]

[1]BJB Syariah

[2] STIE Indonesia Banking School Jalan Kemang Raya No.35, RT.7/RW.1, Bangka, Mampang Prapatan, RT.6/RW.1, Bangka, Kec. Mampang Prpt., Kota Jakarta Selatan, Daerah Khusus Ibukota Jakarta 1273balqisyovindira@gmail.com, alvien.amalia@ibs.ac.id

ABSTRACT

This study aims to determine the effect of the factors forming the level of soundness of the bank Risk Profile, Good Corporate Governance, Earning and Capital on profit growth. The object of research is Islamic Commercial Bank operating in Indonesia from 2014 to 2018. The technique used in sampling is purposive sampling so that 50 observations are obtained. The analytical tool used is Eviews9. The results of the study stated that the assessment of the level of soundness of the bank Risk Profile, Good Corporate Governance, Earning and Capital simultaneously influence profit growth. Partially, the Risk Profile measured by the NPF ratio has a negative effect, while Good Corporate Governance, which is measured by the BOPO ratio, and the Capital measured by the CAR ratio has a positive effect on profit growth. Earning variable measured by ROA ratio has no effect on earnings growth.

Keywords : Earning, Bank's Health, Capital, Good Corporate Governance, Profit Growth, Risk Profile

ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh faktor-faktor pembentuk tingkat kesehatan Bank Profil Risiko, *Good Corporate Governance*, *Earning* dan *Capital* terhadap pertumbuhan laba. Objek penelitian adalah Bank Umum Syariah yang beroperasi di Indonesia dari tahun 2014 hingga 2018. Teknik pengambilan sampel yang digunakan adalah purposive sampling sehingga diperoleh 50 observasi. Alat analisis yang digunakan adalah Eviews9. Hasil penelitian menyatakan bahwa penilaian tingkat kesehatan Bank Profil Risiko, Good Corporate Governance, Earning dan Capital secara simultan berpengaruh terhadap pertumbuhan laba. Secara parsial, Profil Risiko yang diukur dengan rasio NPF berpengaruh negatif, sedangkan *Good Corporate Governance* yang diukur dengan rasio BOPO, dan Capital yang diukur dengan rasio CAR berpengaruh positif terhadap pertumbuhan laba. Variabel laba yang diukur dengan rasio ROA tidak berpengaruh terhadap pertumbuhan laba.

Kata Kunci : Laba, Kesehatan Bank, Permodalan, *Good Corporate Governance*, Pertumbuhan Laba, Profil Risiko

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INTRODUCTION

Reflecting on the experience of the monetary crisis and the demands of competition in the banking world, BI as the Indonesian central bank seeks to regulate and oversee financial service activities in the banking sector. One of these policies is stated in PBI No. 13/1 / PBI / 2011 which states that banks as financial institutions are required to assess the soundness of banks using the Risk Based Banks Rating (RBBR) approach either individually or consolidated which includes four factors consisting of Risk Profile, Good Corporate Governance, Earning, and Capital. In accordance with POJK No. 8 / POJK.03 / 2014 Islamic banks must maintain or improve their health levels so that public confidence in banks is maintained. Then the assessment of the soundness of the bank is an important matter for all parties including the community because they have given their trust to the bank to manage their funds (Hasan, 2014).

Based on the fact that conventional banks cannot survive the monetary crisis the government issued a regulation contained in UU No. 10 of 1998 concerning dual banking systems, that banks are divided into two types based on their operational systems, namely banks with conventional operational systems and sharia operational systems. In line with the increasing need for Islamic banking, the government issued regulations contained in UU No. 21 of 2008 concerning Islamic banking that regulates how Islamic banking operates in Indonesia. Islamic banks are not free from various risks when carrying out their activities. If the risk is not managed properly or even not detected, it might cause a loss to the bank. The level of soundness of a bank is important to improve efficiency in running its business activities, so that the ability to obtain profits can be increased and can avoid potential bankruptcy (Adnan and Kurniasih, 2000).

Banks can be said to be healthy if banks are able to carry out their functions properly (Agustina, 2014). To be able to compete Islamic banks are required to have a good level of health and financial performance. Through the level of bank soundness bank performance can be measured. A healthy bank will have a good performance and be able to carry out its function as an intermediary institution effectively. If the bank is in an unhealthy condition, action must be taken immediately. The bank's financial performance can be seen from its ability to generate profits. According to Simorangkir (2003) profit growth is the change in the percentage increase in profits obtained by the company. If the bank's performance is good, profit growth will increase. Increased profit growth reflects that the system implemented by the bank runs effectively and efficiently. Profit information is as important as the soundness of the bank for internal and external parties. For internal bank its needed to find out the performance in a certain period that provides an overview of the prospects of operating results and for investors can be used as a reference in making investment decisions.

LITERATURE REVIEW AND RESEARCH METHODOLOGY

Signaling Theory

Ross (1997) states that when a company has good information, the company will have the initiative to convey information to external parties with the aim of increasing the company's stock price. Signaling Theory is an action used by company management to present signals to investors about how management views the company's prospects (Besley and Brigham, 2008). The assumption of this theory is that management has more detailed information than what is known by external parties. This causes asymmentric information between interested parties (stakeholders) (Jogiyanto, 2013). Asymmentric information will make it difficult for investors to analyze and assess the quality of the company objectively (Arifin, 2005).

This theory illustrates that good operational activities of a company can be contained in the financial statements. This means that financial statements are useful in knowing and analyzing company performance. This information is needed by investors in considering decisions when they want to invest in a company (Suwardjono, 2008). After the information is received, the investor will analyze whether the information is a good or bad signal. If the information contains a good signal it is expected that market participants will react and are interested in trading shares (Jogiyanti, 2013).

Islamic Banking

The definition of Islamic banks based on UU No. 21 of 2008 is "banks that conduct their business activities based on sharia principles and by type consist of Islamic Commercial Banks and Islamic Rural Banks". The sharia principle is the applicable Islamic law and issued by the National Sharia Council of the Indonesian Ulema Council as an authorized institution in setting sharia fatwas in every bank activity in raising funds and providing financing or other activities based on profit sharing principles (Mudharabah and Musyarakah), principles sale and purchase (Murabaha, Salam, Istishna), or the principle of rent (Ijarah). Islamic banks operate in accordance with Islamic principles referring to the Qur'an and Al-Hadith are expected to avoid activities that contain elements of usury and things that are not in line with Islamic law.

One of the company's goals is to generate revenue (Ross, Westerfield, Jorand, Lim & Tan 2012). No exception for Islamic banks to obtain optimal profits as a commercial destination. Niswonger (1999) defines "income as an increase in owner's equity caused by the process of selling goods or services to buyers". According to Muhammad (2015) sources of bank income are:

a. Profit sharing for Mudharabah and Musyarakah contracts
b. Gain on sale and purchase agreements (Murabaha, Salam, Istishna)
c. Proceeds of lease on the Ijarah and Ijarah Muntahiya Bittamlik (IMBT) contracts
d. Fees and administrative costs for other bank services.

Bank Health or Soundness Level

Based on the POJK No. 8 / POJK.03/ 2014, "the soundness of a bank is the result of an assessment of the condition of the Bank based on risks including risks related to the application of sharia principles and bank performance or referred to as Risk-based Bank Rating". "Banks are required to maintain and/or improve Bank Soundness by applying the principle of prudence, sharia principles, and risk management in carrying out business activities". The level of soundness of a bank is needed to evaluate the bank's performance in complying with sharia principles, the application of prudential principles and risk management. These aspects can be used by banks as indicators to determine business strategies. As for Bank of Indonesia, the soundness of banks is needed to formulate an appropriate bank supervision strategy.

The assessment of the soundness of a bank is not only required by the internal bank and regulations, but also the public needs this assessment. This means that banks that have a good level of health will be able to maintain and maintain public trust, carry out the intermediation function, assist the smooth flow of payments and can be used by the government in carrying out its various policies, especially monetary policy (Hasan, 2014). An unhealthy bank will endanger the bank itself, other banks that are currently or have established cooperation, the community or customers and other parties. The assessment of bank soundness is very important because the community has entrusted their funds to be managed by the bank. According to Hasan (2014), "a healthy bank is actually very profitable because it can increase its prestige in the eyes of its customers or prospective customers". In 2011 the PBI stated that the level of bank health was measured using the Risk Based Bank Rating approach. The factors needed in assessing the soundness of a bank are listed in the SEOJK No. 10 / SEOJK.03 2014 as follows:

Risk Profile

Risk profile is an assessment of inherent risk and the quality of the implementation of risk management in bank operations carried out on risks inherent in banks. It is expected that banks can detect the causes of problems that occur at banks early and take preventive and corrective actions effectively and efficiently. Risk assessment and quality of the application of risk management in Islamic banks is carried out with ten risks, as follows:

a. Financing Risk

Based on PBI No. 11/25 / PBI / 2009, "credit risk is the risk that occurs due to the failure of customers (debtors) or other parties in fulfilling their obligations to banks". According to Arifin (2009), the main cause that triggers this risk lies in the side of banks that are easy to provide financing or make investments because they are required to take advantage of excess liquidity. This causes the assessment and analysis to anticipate potential risks less than optimal.

b. Liquidity Risk

Liquidity risk is the ability of a bank to manage performance to provide sufficient funds so that obligations and commitments to depositors can be fulfilled at any time (Mudrajad dan Suhardjono, 2002). Liquidity risk is very close to the assets and liabilities side of the bank, so it is important for banks to pay attention to both sides in maintaining liquidity.

c. Market Risk

Based on PBI No. 11/25 / PBI / 2009, "market risk is the risk on the balance sheet position and administrative accounts including derivative transactions, due to changes in prices from market conditions, including the risk of changes in option prices. Market risk is caused by changes in exchange rates, interest rates, commodities and equity. Bank income can be obtained from the difference between the interest generated from the asset side and the interest that can be paid to third party funds.

d. Operational Risk

According to Karim (2004) in Jarir (2017), operational risk is the risk caused by failure or non-operation of internal processes, human errors, system failures, and external problems. There are three factors that trigger these risks including infrastructure (technology, environment, policy, security, etc.), processes and resources. Islamic banks are considered to be more vulnerable to operational risks because the products, features and processes (including contracts at Islamic banks) are diverse and different from conventional banks.

e. Legal Risk

According to Bank Indonesia Regulation No. 11/25 / PBI / 2009, "legal risk is the risk arising from legal claims or juridical weaknesses". This risk can also be caused by the absence of statutory regulations or weaknesses in the agreement such as non-fulfillment of the terms of the agreement or improper collateral.

f. Strategic Risk

Strategic risk is the risk due to the establishment and implementation of policies or strategic decisions that are not appropriate and failure to anticipate the business environment (PBI No. 11/25 / PBI / 2009). Based on the Gunadarma campus seminar in 2007, in general strategic risks were related to policies such as investment in certain businesses, types of businesses to be acquired, and selection of businesses to be sold.

g. Compliance Risk

Based on PBI No. 11/25 / PBI / 2009, compliance risk is the risk arising from the bank not complying, not fulfilling and not implementing the applicable laws and regulations, including sharia principles for Islamic banking

h. Reputation Risk

According to Greunning and Iqbal (2011), reputation risk is the risk caused by irresponsible behavior that results in a decrease in the level of stakeholder confidence in the bank. Karim (2004) mentions several things that can affect reputation including management, shareholders (stockholders), services provided, application of sharia principles and publication. If the failure of reputation risk management will lead to the potential for massive withdrawals of third party funds, the bank's liquidity position will be problematic, the bank's closure by the authorities, and can lead to potential bankruptcy.

i. Return Risk

Return Risk arises when there is a change in the rate of return received by a bank from fund distribution activities. This will cause a change in the rate of return that will be distributed or paid by the bank to the customer, which will affect the customers' third-party funds.

j. Investment Risk

According to PBI No. 13/23 / PBI / 2011, investment risk (Equity Investment Risk) is "the risk due to banks taking part in the loss of national business financed by profit-sharing financing based on profit and loss sharing".

Good Corporate Governance

GCG assessment is an assessment of the quality of bank management in implementing GCG principles. GCG principles and focus on this factor are in BI's approval of GCG implementation for banks approved at SEBI No. 13/24 / DPNP / 2011 for Conventional Commercial Banks and SEOJK No. 10 / POJK.03 / 2014 for Sharia Commercial Banks. As a GCG principle, openness, responsibility, accountability, independence and fairness.

Earning

Factors forming the level of earning bank health, "can help with the assessment of the performance of earnings, sources of rentability, and sustainability of bank rentability by considering aspects of levels, trends, structure, and accountability with colleagues and management of bank rentability (IBI, 2016)" Based on SEBI No. 9/24 / DPBS in 2007, a factor that was carried out on the ability of BUS and UUS in obtaining profits to support operational activities with capital. Several ratios that can be used in assessing this factor according to the Financial Services Authority received ROA, NOM, BOPO, and NI (SEOJK No. 10 / SEOJK.03 / 2014).

Capital

Based on SEBI No. 13/24 / DPNP 2011, "the assessment of capital factors includes evaluating the adequacy of capital and the adequacy of capital management". Banks are required to be guided by Bank Indonesia regulations regarding the Minimum Capital Adequacy Requirement (KPMM) and must link capital adequacy with the bank's risk profile. Banks are required to maintain a minimum CAR ratio of 8%. The minimum capital adequacy regulation for banks is determined by Bank Indonesia with the aim of protecting depositors' customers (IBI, 2016). If the bank's risk is higher, the greater the capital that must be provided in order to anticipate the risk.

Profit Growth

Profit is the difference between the income obtained from transactions with costs incurred in a certain period (Wardiah, 2013). If the income is greater than the operational costs, the bank will get a profit, and vice versa. Islamic law forbids every trader from using false methods to make a profit, one of which is mentioned in the hadith of Bukhari no. 3443 which means, "from Urwah al Bariqi, that the Prophet Muhammad Sallallaahu'alaihi wa Sallam gave him a dinar of money to buy a goat. With one dinar of money, he bought two goats and then resold one goat, one dinar. Next he came to meet the Prophet Muhammad Sallallaahu 'Alaihi wa Sallam with a goat and one dinar money. Rasulullah Shalallahu'alaihi wa Sallam prayed for blessing on the trade of friends of Urwah, so that if he bought dust, surely he would get a profit from him. The hadith illustrates the story of the Prophet's friend named Urwah Radhiyallahu 'Anhu with a capital of one dinar and earns a fortune of one dinar too (100%). "Taking profit of 100% got the blessing of the Prophet Sallallaahu'alaihi wa Sallam, even he Sallallaahu'alaihi wa Sallam prayed so that the trade of friends Urwah is always blessed ". This shows that traders are free in determining the percentage of profits while following the rules of Islam and not pursued in a way that is prohibited by Islamic sharia.

Profit is an important indicator in a financial statement with several reasons, namely as a reference for calculating and estimating taxes, as a basis for setting investment policies and decisions, as a guide for predicting future profits or economic events, as a reference for calculating and assessing company efficiency, as well as a reference to assess company performance (Wirawan, 2013). Earnings growth is the percentage increase in profits obtained by the company from period to period next. Periodic increase in profits can illustrate that the efficiency and effectiveness of the company in carrying out its operational activities also increased. Earnings growth can influence investors to make investment decisions because investors expect positive earnings growth from the previous period. Investment funds received by banks can be allocated as additional capital to expand in order to increase profit growth. Indirectly, good profit growth can contribute to increasing the value of the company (Simorangkir, 2003).

Methodology

This type of research is quantitative with a descriptive approach. The type of data used is secondary data sourced from the Annual Report from 2014 to 2018 published on the Financial Services Authority website and the official website of each Islamic bank. The object of this research is all Sharia Commercial Banks operating in Indonesia during the period 2014 to 2018. The research data processing technique is using panel data regression with Eviews9 analysis tool. The sampling method used is the purposive sampling method where the sampling technique is done with certain considerations (Sugiyono, 2013). The criteria for Sharia Commercial Banks in determining the sample are as follows:

a. General Islamic bank registered with Bank Indonesia and OJK in the period 2014 – 2018.
b. General Islamic bank which publishes annual financial report periodically during the period 2014 – 2018 and has been published on the OJK website and respective Gerenal Islamic bank website.
c. General Islamic bank has complete data needed to measure each variable during the study period.

The way to measure the independent variables and the dependent variables used in this study are as follows:

1. Risk Profile (X1)

   In this study, Risk Profile is only assessed with one of the ten inherent risks of Islamic banks. This risk is a financing risk. Financing risk is a crucial risk for Islamic banks because banks are institutions that function to channel financing to the public. Financing risk is also a risk that must be considered and worried by the Indonesian banking industry based on the results of a Banking Survey conducted by a consulting and research firm Pricewaterhouse Cooper (PwC) in 2017. Financing risk is measured by the NPF ratio. The NPF used is Gross NPF because the researcher wants to see losses due to the financing risk borne by the bank without seeing the reserves with the following formula:

$$\text{NPF Gross} = \frac{\text{Financing with collectibility } 3 - 5}{\text{Total financing provided}} \times 100\%$$

The matrix for determining the NPF ratio ranking based on Bank Indonesia regulations can be seen in the table 1 below.

Table 1 The Matrix for Determining the NPF Ratio Ranking

Ranking	Description	Criteria
1	Very healthy	≤ 2%
2	Healthy	2% - 5%
3	Quite healthy	5% - 8%
4	Less healthy	8% - 12%
5	Not healthy	≥ 12%

2. Good Corporate Governance (X2)
One of the objectives of applying governance principles according to the Indonesian Forum for Corperate Governance (FCGI) is to improve the company's performance, operational efficiency and service to stakeholders. According to research conducted by Ghofur and Sukmaningrum (2018), that GCG has a significant positive effect on efficiency. Thus the level of efficiency can be used to measure GCG factors and can reflect whether the objectives of implementing GCG principles have been achieved. One of the ratios used by OJK and BI in measuring the level of banking efficiency is the BOPO ratio. The BOPO ratio is used by companies as a measure of management's ability to manage operating costs to operating income. Then in this study the BOPO ratio listed in the annual report of each BUS is used to represent the level of bank efficiency as a measurement of GCG factors with the following formula:

$$\text{BOPO} = \frac{\text{Operational Cost}}{\text{Operational Income}} \times 100\%$$

Matrix of BOPO ratio ranking criteria based on BI regulations can be seen in the table 2 below.

Table 2 Matrix of BOPO Ratio Ranking Criteria

Ranking	Description	Criteria
1	Very good	≤ 94%
2	Good	94% < BOPO ≤ 95%
3	Pretty good	95% < BOPO ≤ 96%
4	Less good	96% < BOPO ≤ 97%
5	Not good	> 97%

3. Earning (X3)
In this study in measuring the Earning factor using the ROA ratio. This ratio is used to calculate the financial performance of a bank by comparing the net profit obtained with the total assets owned. ROA illustrates how much results banks get from financial resources invested in banks. Then the reason the authors use ROA to represent the soundness level factor of Earning banks because this ratio is very important in the process of financial analysis and is comprehensive (comprehensive). Earning variables in this study are represented by using the ROA ratio listed on the annual report of each BUS with the following formula:

$$\text{ROA} = \frac{\text{Income before tax}}{\text{Average total assets}} \times 100\%$$

The matrix criteria for ranking ROA ratios based on Bank Indonesia regulations are:

Table 3 The Matrix Criteria for Ranking ROA

Ranking	Description	Criteria
1	Very healthy	> 1,5%
2	Healthy	1,25% - 1,5%
3	Quite healthy	0,5% - 1,25%
4	Less healthy	0% - 0,5%

5	Not healthy	≤ 0%

4. Capital (X4)
   Capital variable (capital) in this study was assessed using the Capital Adequacy Ratio (CAR) listed in the annual report of each BUS with the following formula:
   $$\mathrm{CAR} = \frac{\mathrm{Capital}}{\mathrm{ATMR}} \times 100\%$$
   The Bank Indonesia stipulations regarding the criteria for determining the CAR ratio ranking are:
   Table 4 The Criteria for Determining the CAR Ratio Ranking

Ranking	Description	Criteria
1	Very healthy	≥ 12%
2	Healthy	9% - 12%
3	Quite healthy	8% - 9%
4	Less healthy	6% - 8%
5	Not healthy	≤ 6%

5. Profit Growth (Y)
   Calculation of earnings growth in this study refers to research conducted by Lubis (2013) where the profit used is net income with a formula that can be described as follows:
   $$\Delta \mathrm{Y_t} = \frac{\mathrm{Y_t} - (\mathrm{Y_{t-1}})}{(\mathrm{Y_{t-1}})} \times 100\%$$
   Where :
   ΔY_t : Profit growth
   Y_t : Profit in the period t
   Y_{t-1} : Profit in the period before t

RESULT AND DISCUSSION

Coefficient of Determination

R-squared value that is equal to 0.560497 means NPF representing the Risk Profile variable, BOPO representing the GCG variable, ROA representing the Earning variable and CAR representing the Capital variable can explain the profit growth variable of 56.05% (rounding). While the remaining 43.95% is explained by other variables or other causes outside the research regression model. This can be caused by the evaluation of each factor forming the soundness of a bank is only represented by one of the measurements using financial ratios.

Test Statistic F

Based on the analysis results the F-statistic probability value of 0.000000 <significance value of 0.05 indicates that NPF representing the Risk Profile variable, BOPO representing GCG variable, ROA representing Earning and CAR variables representing Capital variables simultaneously influential or significant on earnings growth variables.

Test Statictis t

The Risk Profile variable is obtained a probability value of 0.0093 < significance value of 0.05 so that the Risk Profile represented by the NPF ratio has a negative effect on earnings growth. The results of the panel data regression analysis test on the GCG variables in the table above can be seen the probability value of 0.0067 <significance value of 0.05 so that the GCG represented by the BOPO ratio has a positive effect on earnings growth. The probability value of the Earning variable was found to be 0.0686> the significance value of 0.05 so that the Earning represented by the ROA ratio had no effect on earnings growth. The probability value of the Capital variable in the table above is obtained at 0.0205 <significance value of 0.05 so that Capital represented by the CAR ratio has a positive effect on earnings growth. From the regression results obtained by the regression model equation as follows:

Profit Growth = -350,7266 – 5,016053 Risk Profile + 3,376707 GCG + 1,544242 Capital + e

Discussion

Risk Profile

Risk Profile is an assessment of the overall risks inherent in Islamic Commercial Banks. In this study the assessment of the factors forming the level of soundness of the bank Risk Profile only focuses on financing risk with the NPF ratio as a measurement. The results showed that the NPF ratio negatively affected earnings growth. These results are proven by the probability value below the significance value of 0.05 with a coefficient value of -5.016053. This indicates that if an increase in the level of the NPF ratio will have an impact in the form of a negative bank profit growth, and vice versa. The results of this study are in line with research by Wulandari (2016), Rusdianto (2017), Pracoyo and Putriyanti (2016), Lubis (2013), Trimurti (2014) and not in line with research by Agustina, et al (2017), Faisal (2018) and Silaban, et al (2018).

By looking at the results of the analysis of this study, the factors forming the level of soundness of the bank Risk Profile can provide significant results on BUS profit growth even though it is only measured by one of the ten risks inherent in BUS, namely financing risk with NPF ratio. This indicates that the financing risk of a bank can contribute to the assessment of the factors forming the soundness level of a bank's Risk Profile so that the NPF ratio level is an important indicator and must be considered by banks in maintaining the condition of Risk Profile. The higher level of NPF ratio means that the greater the bank must bear all losses caused by financing risk. Then the problematic financing can make banks reluctant to distribute financing because banks must form sufficient reserves. This is reinforced by research conducted by Fitriana in 2015. If this happens the opportunity for banks to obtain profits from financing results will be hampered as a result of profitability in the current year will be smaller compared to the profit of the previous year. The difference will result in a negative change in bank profits. So to be able to continue to obtain positive profit growth the level of financing risk reflected in the NPF ratio must be maintained properly so as not to exceed 5% in accordance with Bank Indonesia Regulation number 17/11 / PBI / 2015.

Good Corporate Governance

The level of GCG ratio represented by the BOPO ratio based on research analysis has a positive effect on earnings growth. These results are evidenced by the probability value that is below the 0.05 significance value that is equal to 0.0067 with a coefficient value of 3.376707. This positive relationship indicates that if an increase in the level of the BOPO ratio will have an impact in the form of positive bank profit growth, and vice versa. A rising BOPO indicates a decline in the level of bank efficiency. But the increase in BOPO will still contribute to increasing bank profit growth. The results of this study are consistent with the studies of Fitri (2018) and are inconsistent with the results of research by Rusdianto and Pratama(2017), Agustina, et al (2017) and Lubis (2013).

The BOPO ratio is used to determine the ability of banks to control operational costs against operating income. When the level of BOPO ratio increases, the level of bank efficiency in carrying out its operational activities will decrease. By looking at the positive significant relationship between the level of BOPO ratio with earnings growth in the statistical results it can be concluded that although GCG as measured by the level of bank efficiency has decreased, banks will still experience profit growth. The positive relationship between BOPO and profit growth can be proven by the fact in the field of several banks including in 2015 to 2016 BRI Syariah BOPO rate decreased from 93.79% to 91.33% as well as the rate of profit growth in the same year decreased from 4245 .75% to 38.79%. The same was experienced by BSM in 2014 the BOPO level of 100.6% dropped to 94.78% in 2015 followed by a decline in profit growth from -106.88% in 2014 to -749.22% in 2015. While BOPO levels at Bank Muamalat Indonesia in 2017 amounted to 97.68%, up to 98.24% in 2018 followed by an increase in profit growth from -67.9% in 2017 to 76.92% in 2018.

BOPO increased because its operational costs increased, one example was when a bank expanded by adding new branch offices to expand the range of services to prospective customers so as to provide more access to people who have not been touched by the bank. After operating the new branch, it has a good performance which can be indicated by the number of customers conducting transactions, the level of risk of small problems and the large amount of financing that is channeled to the productive sector in the branch office area so that it can generate additional revenue from the new market segment. The income can contribute to increasing overall bank profits because bank profits after opening a branch are greater than before opening a branch so that banks experience profit growth.

Earning

Based on the results of data processing it was found that the Earning variable represented by the ROA ratio had no effect on earnings growth. The results revealed that profit growth was not influenced by the ability of banks to manage assets to get net income. One source of bank capital comes from profits that have been obtained. Any profits not distributed to shareholders will become additional equity. The income earned by the bank becomes retained earnings which will then be turned back into capital to expand and pay off debt. Another cause is related to the indicators used as a measurement of the level of health factors of Earning banks where there are several other indicators besides the ROA ratio that can contribute to profit growth that are not used in research. The results of this study are in line with research by Trimurti (2014) and Maulida (2017).

In contrast to the results of research conducted by Rusdianto and Pratama (2017), Wulandari (2016), and Silaban, et al (2018) which states that the soundness level factor of the Earning bank as measured by the ROA ratio has a positive effect on earnings growth. These results indicate that the higher the level of ROA, the greater the benefits to be obtained by banks so that it will contribute to profit growth. The increase in ROA shows an increase in performance that will make investors interested in investing in banks. Thus bank capital increases in line with the increasing number of shareholders used to finance its operational activities in achieving profits.

Capital

The results showed that the Capital ratio represented by the CAR ratio had a positive effect on profit growth. These results are proven by the probability value that is below the 0.05 significance value that is equal to 0.0205 with a coefficient value of 1.544242. This relationship indicates that if there is an increase in the level of CAR ratio, it will have an impact in the form of positive bank profit growth, and vice versa. The results of this study support the research of Wulandari (2016) and Maulida (2017) and are not in line with research conducted by Trimurti (2014), Faisal (2018) and Silaban, et al (2018). The assessment of the factors forming the level of capital of a bank in accordance with POJK is an assessment of the level of capital adequacy and bank capital management. Statistically the results of this study indicate that the Capital factor can provide significant results on BUS profit growth even though it is only measured by one valuation indicator, namely the level of bank capital adequacy from all aspects used in evaluating the Capital factor. This indicates that the level of capital adequacy can contribute to the assessment of the factors forming the level of soundness of capital banks so that the level of CAR ratio must be considered by banks so that the condition of Capital is maintained.

The high level of capital adequacy shows that the possibility of banks to channel financing becomes greater to debtors which in turn will affect the increase in bank profits. In accordance with the capital theory that capital is an important factor for banks to develop businesses and cover losses. As stated by Muhamad (2014) that banks in general are institutions that are established with a profit orientation so to establish them needs to be supported by strong capital aspects. If the level of capital adequacy is high, it means the bank is able to finance its operations. The favorable situation for the bank will contribute to profitability so that it can lead to the creation of profit growth. This was reinforced by the statements of Kuncoro and Suhardjono (2002).

Capital for banks has a function as a protection against losses incurred by customers, as a maximum limit of financing, and as a basis for calculating the company's ability to obtain profits in accordance with the statements of Johnson and Johnson (1985). If the bank has a good level of capital adequacy, the capital function can run and the bank can utilize its capital optimally so that the profitability can be maximized so as to encourage the creation of increased profit growth. To be able to continue to obtain positive profit growth the level of bank capital adequacy reflected in the CAR ratio must be maintained in accordance with Bank Indonesia Regulation number 17/11 / PBI / 2015 with a minimum limit of 8%.

In accordance with the theory of Signaling that the company management needs to provide information related to the realization of business activities and company management that will be utilized by stakeholders to analyze the company and make decisions. Good information can be interpreted by stakeholders as a good signal and vice versa. This information can be in the form of financial statements that contain the company's financial performance. Financial performance can affect bank profit growth so that if financial performance is good, changes in the level of bank profits will be positive (Hamidu, 2013). The financial statements also show the overall condition of the bank for a period including the factors forming the level of soundness of the bank's Risk Profile, GCG, Earning and Capital as well as its measurements namely the ratio of NPF, BOPO, ROA and CAR. The condition of the factors forming a good bank soundness level will indicate a good bank performance and vice versa. Good bank performance will attract stakeholders to become investors and bank customers so that the number of investors and customers increases. Then the source of bank funds will increase in line with the increasing number of first party funds and third party funds which are then used to finance bank operations in order to obtain profits. Thus the large amount of capital deposited by investors and the amount of third party funds will encourage an increase in net profit according to Widianingsih (2016) research.

As in POJK No. 4 / POJK.03 / 2016, banks are required to maintain and improve their health levels so that public trust can be maintained. The assessment of bank soundness is carried out by using a risk assessment method known as the Risk Based Bank Rating method. The results of this study state that each factor forming the level of bank soundness with a risk approach influences earnings growth. This indicates that the factors forming the level of bank soundness and measurement indicators are important for Islamic banks because to be able to continue to obtain profit growth, Islamic banks must maintain, maintain and supervise each of the factors forming the level of bank health based on risk and measurement indicators. All risks related to the bank must be managed and managed including the forming factors of the soundness of the bank which is assessed for risk. This is in accordance with the Koran verse Al-Hasyr verse 18 which means, "O people who believe! Fear God and let everyone pay attention to what he has done for tomorrow (the hereafter), and fear Allah. Truly, Allah is Examining what you do ". This verse is a principle of self-examination, and that it is fitting for a servant to examine the deeds he does. Likewise, an assessment of the soundness of a bank for risk, to always be monitored and maintained so as not to cause potential problems that will harm the bank in the future such as a decrease in profits.

Negative Constant

Based on the regression equation, the constant value of -350.7266 indicates that if the Risk Profile, GCG, and Capital variables are constant, profit growth will be worth -359.7266. This can happen because banks must meet and pay their obligations both short-term and long-term obligations. The obligations include third party funds in the form of savings, current accounts and deposits, deposits from other banks, bound investment fund obligations, estimated losses of commitments and contingencies, investment repayments / subordinated loans, dividend distribution, tax obligations, zakat obligations and immediate obligations including maturity that has matured but not yet withdrawn such as mudharabah deposits and profit sharing that has not been taken by the customer, transfer funds, savings account balances that have been closed but have not been taken by the customer, tax receipts including accrued tax deductions, dividends that have been determined but has not been distributed and the excess proceeds from the sale of collateral are the customer's right.

Research Implications

Based on the research results, Sharia attention to the factors forming the level of bank health including measurement indicators because it will have an impact on the level of bank profit growth. The level of BUS financing risk during the period 2014 to 2018 on average almost reached the maximum limit of the NPF level of 5%.

Although the NPF level of Islamic banks is below the maximum limit, the value is still higher compared to Conventional Commercial Banks. This indicates that Islamic banks must lower their NPF levels so they are no less competitive with conventional banks. The level of risk of non-performing financing needs to be monitored and maintained so as not to increase due to the negative impact on profit growth. Several efforts can be made to minimize financing risks, both financing with Murabahah, Mudharabah and Musyarakah covenants, namely by more carefully analyzing financing with the 5C principles (Character, Capability, Capital, Collateral, Condition) and 7P (Personality, Party, Pupose, Prospect, Payment, Profitability, Protection).

Furthermore, monitoring the efficiency of the cost level, is more sensitive to the Bank Indonesia interest rate policy and the SBIS yield rate so that financing policies can be determined because based on the results of Aryani's (2016) research, the BI rate and SBIS can affect the NPF level. As for other efforts that can be done to minimize the risk of financing is to map problem financing customers into several groups in determining the appropriate handling strategy. For the Financial Services Authority as a supervisory institution, it can pay special attention to banks with high NPF levels, tighten supervision on risk management and corporate governance, provide assistance and consultation to banks that have a high level of financing risk.

Factors forming the next level of bank soundness, namely GCG from the aspect of efficiency level, should Islamic banks that have an average BOPO level of 97.14% always monitor the BOPO level so as not to exceed the limits set by Bank Indonesia, which is 97%. A high level of BOPO indicates that the level of bank efficiency is low. But the results of the study stated that the low level of efficiency which is characterized by high levels of BOPO will continue to contribute to increasing bank profit growth. The high level of BOPO must be followed by careful planning and must remain controlled under the limits in Bank Indonesia Regulation. To improve bank efficiency, efforts can be made to increase productivity, optimize branch performance, and make savings. In addition, the determination of strategy and allocation of funds must also be more careful and cut costs that are not needed. As for BRI as a regulator it is necessary to give appreciation to banks for managing funds efficiently so that it can encourage other banks to improve their efficiency. Bank Indonesia can issue alternatives to measure the level of efficiency that can detect any factor causing the level of efficiency.

Furthermore, the results of the study state that the Earning factor in terms of ROA ratio does not affect earnings growth. That is because the income received by the bank is used to pay obligations and is made as capital back. For this reason, the BUS should be able to settle its obligations and obtain capital from other sources so that the revenue generated by the bank from asset utilization can contribute to profit growth. Islamic banks also need to increase the level of ROA, among others, with financing expansion accompanied by the precautionary principle to a profitable business segment, increase low-cost funds in saving revenue sharing and increasing fee-based income.

Then the last shaping factor of the soundness of the bank, which is Capital from the aspect of BUS capital adequacy, has an average CAR level of 25.63% that has met Bank Indonesia regulations. Increased CAR will contribute to increasing profit growth. For this reason, Islamic banks should maintain and maintain their level of capital adequacy so that profit growth continues to be achieved. Strengthening capital is also needed to expand the network and expand. Strategies that can be used include conducting an Initial Public Offering (IPO) as an additional source of capital, maintaining the level of financing risk so that it is not too high, maintaining and increasing the level of profitability, and the need for an injection of funds from the parent or strategic investors that can contribute to increasing capital with scale the big one.

CONCLUSION AND IMPLICATION

Conclusions

Based on the results of the analysis and discussion described in the previous chapter, conclusions can be drawn including the following:

1. The Risk Profile variable has a negative effect on profit growth at Islamic Commercial Banks during the period 2014 - 2018. Increased risk of financing makes banks reluctant to channel financing because they have to make reserves so that the opportunity to earn profits is hampered. The NPF BUS level for the period 2014 - 2018 has met Bank Indonesia regulations and is categorized as healthy.
2. The GCG variable has a positive effect on earnings growth in Islamic Commercial Banks throughout the period 2014 - 2018. Banks will continue to experience an increase in the rate of profit growth even though the level of bank efficiency decreases. The level of BOPO BUS ratios from 2014 to 2018 is in the bad category.
3. Earning variable has no effect on earnings growth in Islamic Commercial Banks throughout the period 2014 - 2018. Profit is used by banks as capital back to expand and pay off obligations. The level of BUS ROA ratio during the period 2014 - 2018 has met Bank Indonesia regulations and is in the quite healthy category.
4. The Capital variable represented by the CAR ratio has a positive effect on profit growth at Islamic Commercial Banks throughout the period 2014 to 2018. The capital function will run if capital adequacy is good so that profitability can be maximized and can encourage the creation of increased profit growth. CAR BUS ratio levels for the period 2014 - 2018 have met Bank Indonesia regulations and are in the very healthy category.

Implication

Based on the research results, several implication are:

1. The level of risk of financing problems that need to be monitored and maintained by Islamic banks in several ways including careful analysis of financing, supervision of cost efficiency and more sensitive to BI policy. OJK can give special attention to banks that have high NPFs, tighten supervision, conduct assistance and consultations.
2. Some efforts for Islamic banks to improve bank efficiency include

increasing productivity, optimizing branch performance, determining strategies and allocating funds to be more careful and cut unnecessary costs. Suggestions for BI are to provide appreciation to banks for managing their funds efficiently.

3. For Islamic banks, efforts to increase earnings by expanding financing are accompanied by prudential principles to profitable business segments, increasing low-cost funds and fee-based income.
4. Sharia Commercial Banks can maintain and maintain a sufficient level of capital by expanding the network, conducting an IPO and maintaining the level of financing risk.
5. For the next research it is expected to develop previous research such as extending the research period, enlarging the scope of research into the Islamic banking industry and adding several measurement indicators for each factor forming the level of bank soundness.

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