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ISLAMIC CORPORATE GOVERNANCE AND SHARIA COMPLIANCE ON FINANCIAL PERFORMANCE SHARIA BANK IN INDONESIA

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Abstract. *This study aims to reveal the influence of Islamic Corporate Governance (ICG) and Sharia Compliance on Financial Performance of Islamic Banks in Indonesia. Independent variables used are Islamic Corporate Governance (ICG) and Sharia Compliance with Islamic Income Ratio (IsIR), Profit Sharing Ratio (PSR) and Zakat Performing Ratio (ZPR) as the proxy. In contrast, the dependent variable used is Financial Performance with Return On Asset as the proxy. The population in this study is all Islamic Banks (BUS), registered in Bank Indonesia from 2014 to 2018. The sample was selected using a purposive sampling method. Total samples used in this study are 8 Islamic Banks with 5-year study periods. The analytical method used is data panel regression with the help of e-views 9.0. The result of this study indicates that the Islamic Corporate Governance (ICG) and Zakat Performing Ratio (ZPR) have significant effects on Islamic Banks Financial Performance. At the same time, Islamic Income Ratio (IsIR) and Profit Sharing Ratio (PSR) did not affect Islamic Banks Financial Performance.*

Keywords: *Islamic* Corporate *Governance (ICG), Sharia Compliance, Return On Asset (ROA), Islamic Bank*.

Abstrak. *Penelitian ini* bertujuan *mengetahui pengaruh Islamic Corporate Governance dan Sharia Compliance terhadap Kinerja Keuangan Bank Umum Syariah di Indonesia. Variabel independen pada penelitian ini adalah Islamic Corporate Governance (ICG), dan Sharia Compliance dengan indikator Islamic Income Ratio (IsIR), Profit Sharing Ratio (PSR) dan Zakat Performing Ratio (ZPR), sedangkan variabel dependen adalah Kinerja Keuangan dengan indikator Return On Asset (ROA). Populasi dalam penelitian ini adalah seluruh Bank Umum Syariah di Indonesia periode 2014-2018. Sampel dipilih dengan menggunakan metode Purposive Sampling. Total sampel yang digunakan dalam penelitian ini sebanyak 8 BUS dengan 5 tahun periode penelitian. Metode analisis yang digunakan ialah metode regresi data panel, dengan alat analisis e-views 9.0. Hasil penelitian ini menunjukan bahwa Islamic Corporate Governance (ICG) dan Zakat Performing Ratio (ZPR) berpengaruh signifikan terhadap Kinerja Keuangan Bank Umum Syariah. Sedangkan Islamic Income Ratio*

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(IsIR) dan Profit Sharing Ratio (PSR) tidak mempengaruhi Kinerja Keuangan Bank Umum Syariah.

Kata Kunci*:* *Islamic* Corporate *Governance (ICG), Sharia Compliance, Return On Asset (ROA), Bank Umum Syariah.*

Introduction

Sharia banking, according to Law No. 10 of 1998, is all matters concerning Sharia Banks and Sharia Business Units, including institutions, business activities, as well as ways and processes in carrying out their business activities. Islamic banking aims to provide services that avoid illicit elements such as interest (riba), fraud (inward), speculation (gharar) and gambling (maysir) to create social justice through Sharia mechanisms (Chapra & Ahmed, 2002). Sharia banking is operated as an alternative banking sector to meet the needs of predominant Indonesian Muslims in sharia transactions (Yusnita, 2019).

The development of Sharia banking in Indonesia was begun with the establishment of Bank Muamalat Indonesia on 1 May 1992 based onLaw No. 7 of 1992 concerning Banking. The development in 1992 and the amendment of Law No. 10 of 1998 have led to the rapid growth of Islamic banking (Suryani in Hanania, 2015). This was, then, followed by the enactment of Law No.21 of 2008 on Sharia banking(Yuniasary & Nurdin, 2017).The rapid development of Sharia banking can be seen from the number of banks and offices, which include Sharia Commercial Banks (BUS), Sharia Business Units (UUS) and Sharia People Financing Banks (BPRS).

Table 1 Development of Sharia Banking in Indonesia

Indicator	2014	2015	2016	2017	2018
BUS	12	12	13	13	14
Number of Offices	2.163	1.990	1.869	1.825	1.875
UUS	22	22	21	21	20
Number of Offices	320	311	332	344	354
BPRS	163	163	166	167	167
Number of Offices	439	446	453	441	495

Source: Statistics of Islamic Banking Financial Services Authority (2014-2018)

According to Falikhatun in (Najib & Rini, 2016), the development of Sharia banks will have implications on the emergence of more significant challenges,

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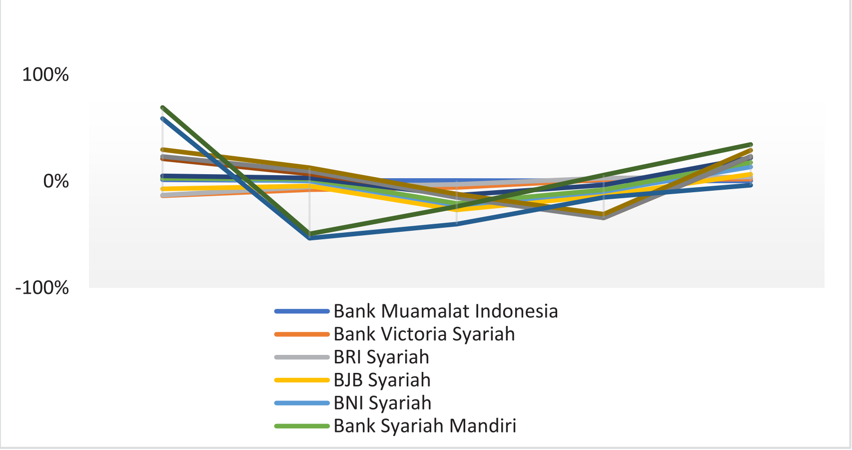
namely to maintain image and reputation in the customer's view to maintain their trust and loyalty. This, in turn, will affect the financial performance of Islamic banking. For this study, the Return On Asset (ROA) of Sharia banks in period 2014-2018 are used to see the financial performance of Sharia banks.The above data shows that the Return On Asset (ROA) owned by Sharia banks experienced changes throughout five years, either increased or decreased.

Graphic 1. BUS Return On Assets (ROA) for the 2014-2018 Period



Source: Sharia Commercial Bank annual report in Indonesia (2014-2018)

To be able tomaintain sharia principles in its operation and guarantee public trusts, (Hammed, 2004) recommends that Islamic Disclosure Index (IDI) consists of Sharia Compliance, Corporate Governance and Social/Environment Disclosure as a solution. This means that there are three main indicators of this index, which are Shariah compliance indicators, Sharia governance indicators and social or environmental indicators (Yusnita, 2019).The inadequacies will the increase can see the governance of companies in the level of financing problems at Bank Muamalat Indonesia. In this case, the level of Non-Performing Financing (NPF) is 5%, higher than the regulated maximum limit, which caused a decrease in the net profit from the company, and eroded capital. These, in turn, disrupted the company's financial stability.

This is due to weaknesses in corporate governance, where there are errors in the selection of business strategies, especially in terms of channelling financing (CNBC Indonesia, 2019). In addition, governance weaknesses also occurred in other Sharia Comercial Banks, namely at Dubai's Panin Sharia Bank. CNBC Indonesia mentionedthat Panin Dubai Sharia Bank is entangled in the SNP Finance case due to lack of prudence in providing financing (CNBC Indonesia, 2019).The issues of weak governance in Islamic banking have encouraged Islamic economists to develop Islamic Corporate

Governance (ICG). In practice, this concept takes into accountthe legal aspects and principles of Islamic economics. The implementation of ICG has been accommodated in the regulation of Law No. 21 of 2008 on Sharia banking. To fulfill the mandate set by the law,the Central Bank of Indonesia issued Regulation No. 11/33/PBI/2009 on the Implementation of Good Corporate Governance for the Commercial Sharia Banks and Sharia Business Units, enacted on 1 January 2010.The implementation of ICG for Sharia Banks and Sharia Business Units pored over the duties and responsibilities of the Sharia Supervisory Board, which is intended to be an advisoryand supervisory agency(Asrori, 2014).

There are three indicators to measure sharia compliance, which includeIslamic Income Ratio (IsIR), Profit Sharing Ratio (PSR) and Zakat Performing Ratio (ZPR) (Yusnita, 2019).Sharia compliance and Islamic corporate governance are essential matters that must be available at Islamic Commercial Banks. However, there are still many issues that occurred in Sharia Commercial Banks caused by weak corporate governance and lack of sharia compliance, which, in turn, affect the financial performance of Sharia Commercial Banks.According to (Iqbal and Mirakhor, 2004), the ideal governance of Islamic finance with Islamic principles is to use the theory of stakeholders that accommodates the interests of all stakeholders in a fair company, which is based on Sharia rule in accordance with the right of ownership and Islamic contract(Asrori, 2014). This research refers to previous studies conducted by Asrori (2014), Najib (2016) Khasanah (2016) and Yuniasari (2017).

The difference between this research and the one conducted by Asrori (Asrori, 2014) is in the independent research variable. Asrori uses Islamic Corporate Governance as an independent variable. In contrast,this study uses Islamic Corporate Governance and Sharia compliance as the independent variable. In his research, (Asrori, 2014) states that Islamic Corporate Governance has not yet optimally influenced the financial performance of Sharia banks because Sharia financial institutions in Indonesia have not fully implemented Islamic Corporate Governance.Furthermore, the difference between this study and the research of (Najib & Rini, 2016)is in the dependent variable.The dependent variable used in this study is financial performance, while in the (Najib & Rini's, 2016) study isa fraud.(Najib & Rini, 2016) state that Profit Sharing Ratio affectsfraud prevention negatively. Meanwhile, the Islamic Investment Ratio and Islamic Corporate Governance do not influence fraud prevention.

The research by (Khasanah, 2016), on the other hand, uses Intellectual Capital and Equitable Distribution Ratio (EDR) as the independent variables. Such study mentionsthat Intellectual Capital and Profit Sharing Ratioinfluence the Return On Assets. In contrast, the Equitable Distribution Ratio, Zakat Performing Ratio and Islamic Income Ratio do not influence the Return On Assets.(Yuniasary & Nurdin, 2017) use financial ratios to express Sharia compliance, while this study uses Zakat Performing Ratio. (Yuniasary &

Nurdin, 2017) found out that Islamic Income Ratio and Profit Sharing Ratio have a positive effect on the financial performance of Islamic Commercial Banks. Meanwhile, Islamic Investment Ratio and Islamic Corporate Governance do not affect the financial performance of Islamic Commercial Banks.

The ground theory used in this research is the Stewardship theory,which contains the concept of leadership and management that aims to control the goal achievement. The implication of this theory is used to explain Sharia compliance, mainly that must be applied by sharia banks in managing their operations. With the implementation of sharia principles, it is expected that Islamic banks can have better revenue, investment and profit-sharing financing.(Adrian Sutedi, 2009) and (Maradita, 2012:201) in (Yuniasary & Nurdin, 2017) mention that there are values of underlying sharia called Sharia Compliance.Based on the Central Bank of Indonesia Regulation No.13/2/ PBI/2011 on the implementation of the compliance function of Commercial Bank.The compliance function is a series of actions or steps that are ex-ante (preventive) to ensure that policies, regulations, systems and procedures and business activities conducted by a bank are in accordance with the IndonesianCentral Bank and the existing regulations, including Sharia principles for Islamic Banks and Sharia Business Units. That regulation is also to ensure banks' compliance with the commitments made by those banks tothe Indonesian Central Bank or other regulatory authorities.

Two indicators can be used to assess sharia compliance with Sharia banks: quantitative and qualitative indicators. According to (Adrian Sutedi, 2009) in (Mulazid, 2006),qualitative indicators are seen from a card or contract used; the management zakat fund; economic activities; work environment and corporate culture; financed business enterprises; and the availability of the Supervisory Board Sharia (DPS). (Hameed et al, 2004) and (Taheri, 2001) in (Asrori,2014) recommend Islamic Disclosure Index (IDI) to look at quantitative indicators. This, also, includes IslamicIncome Ratio (IsIR); Profit Sharing Ratio (PSR); and Zakat Performing Ratio (ZPR). These are the indicators of the accountability of Islamic banks and their compliance with the principle of sharia.IsIR is the ratio that is used to count the percentage of Islamic income out of the total income received by the banks. Meanwhile, the PSR is the ratio used to determine the comparisonbetween Sharia bank financing and the total financing issued. In addition to IsIR and PSR, ZPR is also one of the objectives of Islamic economics. ZPR is the ratio used to see the percentage of zakat issued by Islamic Commercial Banks.

The issue of sharia commercial banks' credibility and the question of their compatibility with sharia led Lewis (2005), Hasan (2008), Abu Tapanjeh (2009) and Bhatti and Bhatti in (Asrori, 2014) develop a system known as Islamic Corporate Governance (ICG). Bhatti (2014) defines ICG as corporate governance based on Islamic principles, in which the business and operational activities of the company must be basedon Sharia principles. ICG has the same goals as GCG, with theaddition of Islamic values in it (Maradita, 2014).The ideal of ICG is in accordance with the principle of Islamic economics based on Sharia principles using Stakeholder theory. This is to accommodate the interests of all company stakeholders fairly. The Sharia board is responsible as the advisory and supervisory board to ensure Sharia compliance.

To look at whethShariabanks meet Sharia compliance requirements, a regular self-assessment is carried out on the implementation of Good Corporate Governance, as stipulated in the Financial Services Authority Regulations. The self-assessment results are used as the indicators in the implementation of Islamic Corporate Governance in this particular study. This self-Assessment is based on eleven evaluation points, namely: implementation and responsibilities of the Board of Commissioners;implementation and responsibilities of the Board of Directors; completeness and implementation of the duties of the Committee;implementation of DPS duties and responsibilities; implementation of Sharia principles in the collection and distribution of funds and services; handling conflicts of interestimplementation of the banks' compliance function; theimplementation of the internal audit function; the application of the internal audit function; themaximum limit of fund distribution; the transparency of financial and non-financial conditions; and the GCG implementation reports and internal reporting.

Performance is a description of the achievement or implementation of programs and policies in realizing the goals, objectives, mission and vision of an organization. According to Hanafi in (Yuniasary& Nurdin, 2017), performance measurement, namely the qualification of the efficienciesachieved by the company,is used to measure the effectiveness of the accounting period. (Munawir, 2006) argues that the purpose of the measurement on a company's financial performance is to determine the level of liquidity, solvency, profitability, and business stability. According to (Jumingan, 2006), several techniques to analyze the financial performance of a company include 1) a comparative analysis of financial statements; 2) trend analysis; 3) percentage analysis per component; 4) analysis of sources and uses of working capital; 5) analysis of sources and uses of cash; 5) analysis of financial ratios; 6) analysis of changes gross profit; 7) and break-even analysis.

In this study, the financial performance is analyzed by the profitabiliy ratio approach.Return on Assetis used as an indicator of bank managerial efficiency and ability to manage assets.The conceptual framework of this study consists of four Independent variables, namely Islamic Corporate Governance (ICG), Islamic Income Ratio (IsIR), Profit Sharing Ratio (PSR) and Zakat Performing Ratio (ZPR). The dependent variable in this research is Return on Assets (ROA).

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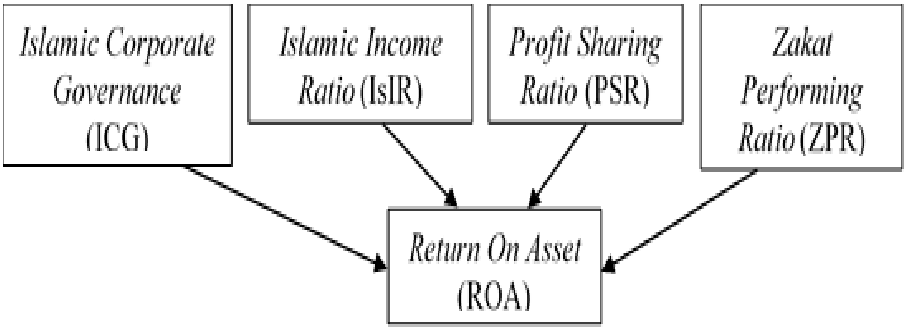

The operation of a Sharia bank is inseparable from the demand for good corporate governance. Several previous studies examine the corporate governance of Islamic banks, such as that conducted by Junusi (2012),which examines the implementation of Sharia governance and its implications for the reputation of and trust on Islamic banks. This study shows that the implementation of Sharia governance affects the Islamic bank's reputation and trust of customers. Then, the research conducted by Asrori (2014)examines the implementation of ICG and its implications for the performance of Islamic banks. The result is that the implementation of ICG affects the performance of Islamic banks.

Hypothesis

Based on the existing theory and previous research related to the influence of Islamic Corporate Governance and Sharia compliance on Financial Performance, the following hypotheses can be compiled:

- ✓ H01: ICG variable has no partial effect on ROA of Sharia Commercial Banks in Indonesia
- ✓ Ha1: ICG variable partially influences ROA of Islamic Commercial Banks in Indonesia
- ✓ H02: IsIR variable has no partial effect on ROA of Sharia Commercial Banks in Indonesia
- ✓ Ha2: IsIR variable partially influences ROA of Islamic Commercial Banks in Indonesia
- ✓ H03: PSR variable has no partial effect on ROA of Sharia Commercial Banks in Indonesia
- ✓ Ha3: PSR variable partially influences ROA of Islamic Commercial Banks in Indonesia
- ✓ H04: ZPR variable has no partial effect on ROA of Sharia Commercial Banks in Indonesia
- ✓ Ha4: ZPR variable partially influences ROA of Islamic Commercial Banks in Indonesia
- ✓ H05: ICG, IsIR, PSR and ZPR variables do not have a simultaneous effect on ROA of Sharia Commercial Banks in Indonesia

- ✓ Ha5: ICG, IsIR, PSR and ZPR variables simultaneously influence the ROA of Sharia Commercial Banks in Indonesi

Methods

This is quantitative research, relying on numbers or numeric information and is usually associated with statistical analyzes (Alfianika, 2016). This type of research is associative research that aims to see how much the independent variables influencethe dependent variable, with the form of causal relationships that have the nature of causation. The object of this study is the Islamic Banks in Indonesia in 2014-2018 periods. The data in this study is financial statements published by the Central Bank of Indonesia and the Financial Service Authority in 2014–2018. The data is also taken from the banks' website from the period of 2014-2018. The population of this study is all Sharia Commercial Banks (BUS) registered at Central Bank of Indonesia from 2014 to 2018. The sampling technique used is the purposive sampling method. Based on the criteria used, the selected sample is eight Sharia Commercial Banks (BUS). The description of the sampling process is as follows:

Table 1. Sample Selection Process

No	Criteria	Enter Criteria	Not enter criteria
1.	Registered at Central Bank of Indonesia consecutively from 2014 to 2018	12	0
2.	Publish annual financial reports on the BUS website or other official websites for the period 2014-2018	12	0
3.	Publish reports on the implementation of Islamic Corporate Governance or Good Corporate Governance on BUS websites or other official websites for the period 2014-2018	11	1
4	Disclose data relating to research variables in full during the 2014-2018 period	8	3
Number of Samples for Each Period		**8**	
Research Period		**5**	
Observation Sample Data		**40**	

Source: Processed from various references

Of the total 12 Sharia Commercial Banks (BUS) in Indonesia in 2014-2018, the number of Sharia Commercial Banks (BUS) registered at Central Bank of Indonesia, and that published annual financial reports in a row in that period amounted to 12 Sharia Commercial Banks (BUS). Of the 12 Sharia Commercial Banks (BUS) there are 1 Sharia Commercial Banks (BUS) that did not publish reports on the implementation of Good Corporate

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Governance. Furthermore, of the 11 Sharia Commercial Banks (BUS), there are 3 Sharia Commercial Banks (BUS) which did not disclose data relating to the full research variables during the 2014-2018 period. So the Sharia Commercial Banks that meet the criteria to be used as research samples are 8 BUS with 5-year study period. Thus, the samples for this research are 40. List of BUSs that meet the criteria and become the research sample are as follows:

Table 2 List of Research Samples

No.	Name of Sharia Commercial Bank	Websites
1	BCA Syariah	www.bcaSyariah.co.id
2	Bank Syariah Mega Indonesia	www.megaSyariah.co.id
3	Bank Syariah Mandiri	www.Syariahmandiri.co.id
4	BNI Syariah	www.bniSyariah.co.id
5	Bank Muamalat Indonesia	www.bankmuamalat.co.id
6	Bank Victoria Syariah	www.bankvictoriaSyariah.co.id
7	BRI Syariah	www.briSyariah.co.id
8	B.P.D Jawa Barat Banten Syariah	www.bjbSyariah.co.id

Source: Processed from various sources

The data analysis technique uses a panel data regression analysis method. As for this study, the stages of data processing are:

1. **Stationarity Test**

Stationarity is essential for data time series.This is because if the time series data is not stationary, the data does not have a mean-influenced time (time-varying variance) or variance that influenced the time, or both. This means that if the data is not stationary, it can only study behaviour by the time of the observation (Ghozali & Ratmono, 2013).

2. **Classical Assumption Test**

The purpose of making classical assumptions is to produce linear estimators and have minimal variants or often called the Best Linear Unexpected Estimator (BLUE) (Ghozali & Ratmono, 2013). The classic assumption test consists of Normality test, Multicollinearity test, Heteroscedasticity Test, and Autocorrelation Test.

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3. Panel Data Regression Estimation Techniques

There are three initialestimations in panel data, namely:

a. Standard Effect Model (CEM)

This is the most straightforward technique for estimating panel data because it only combines time-series data and crosses sections without seeing differences between time and individuals. Thus, the Ordinary Least Square (OLS) method can be used to estimate panel data. In this estimation, it is assumed that the behavior of data between companies is the same in the period.

b. Fixed Effect Model (FEM)

In the estimation technique, it assumes that there aredifferences in the equation. The technique in this model is to estimate panel data by using dummy variables to capture intercept differences. The understanding of this model is based on intercept differences between companies, but the intercepts are the same between time (time-variant).

c. Random Effect Model (REM)

The dummy variable in the fixed effect model aims to represent ignorance about the model. However, it also brings the consequences of reducing the degree of freedom which ultimately reduces the efficiency of parameters. This problem can be overcome by using error variables known as the random effect estimation model. In the random effect model, panel data will be estimated where interruption variables may be connected between time and between individuals.

Of the three-panel data estimation techniques, the best model needs tochosenfor this study. For the selection of the model, approaches used are the F Test or the Chow Test, which is used to determine the method between the CEM and FEM approaches. If the chi-square cross section probability value> 0.05 (significance level of 5%), then Ho is accepted; then, the best model is CEM. Conversely, if the chi-square cross section probability value <0.05 (significance level of 5%) then Ha is accepted; then, the best model is FEM(Ghozali & Ratmono, 2013). The Hausman test is used to determine between REM and FEM. If the chi-square cross section probability value > 0.05 (significance level of 5%) then Ho is accepted; and the best model is REM. Conversely, if the chi-square cross section probability value <0.05 (significance level of 5%) then Ha is accepted. The best model for this is FEM(Ghozali & Ratmono, 2013).Langrange Multiplier Test (LM Test) is used to determine between CEM and REM. If the chi-square cross section probability value <0.05 (significance level of 5%), then Ha is accepted; and the best model is CEM. Conversely, if the LM statistical value> 0.05 (significance level of 5%) then Ha is accepted; and the best model is REM. In the hypothesis testing, data processing uses E-Viewssoftware to analyze statistical test results includingCoefficient of Determination Test, t Test andF Test (simultaneous).

Variable dan Operasional Variable

a. Return on Assets (ROA) is the ratio used to measure how well companies manage their assets(K.R.Subramanyam & J.Wild, 2010),using a ratio scale with the following formula:

$$\text{ROA} = \frac{\text{Net Income Before Tax}}{\text{total assets}}$$

b. Islamic Income Ratio (IsIR)was used to assess the percentage of the total Islamic revenue in Islamic banks both kosher and non-kosher (Hameed, Wirman, Alrazi, Nur, & Pramono, 2004), using a ratio scale with the following formula:

$$\text{IsIR} = \frac{\text{Islamic Income}}{\text{Islamic Income} + \text{Non}-\text{Islamic Income}}$$

c. Profit-Sharing Ratio (PSR)is used to see how Islamic banks use profit-sharing financing in their total financing activities(Hameed et al., 2004), using a ratio scale with the following formula:

$$\text{PSR} = \frac{\text{Financing of Mudharabah}+\text{Financing Musyarakah}}{\text{Total Financing}}$$

d. Zakat Performing Ratio (ZPR)is used to see how much percentage of zakat is issued by Islamic Commercial Banks(Hameed et al., 2004), using a ratio scale with the following formula:

$$\text{ZPR} = \frac{\text{Distribution of Zakat Corporate}}{\text{Income Before Tax}}$$

e. Islamic Corporate Governance (ICG) is used to assess the level of conditions in the implementation of corporate governance in Islamic banks 12/13/ DPbS, using the Self-Assessment Value conducted by each Sharia Commercial Bank with an interval of 1-5 scale.

Result and Discussion

In the first stage of the Stationarity test data testing, it can be seen that the value of the ADF t-statistic for each variable is higher than the t-statistic value (for $\alpha = 5\%$, amounting to -2.938987). It can be interpreted that all variables in this study are stationary. Then the test continues to the next stage by conducting a classic assumption test.All tested variables show that the results of the normality test with the JB test value of 0.205450 and the probability of 0.902375 then with a valuehigher than 0.05 or 5%, data is usually distributed.

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A further test is multicollinearity test using a correlation matrix. The results of the correlation matrix show that in each variable,there is no value of more than 0.90 (<90). This means that there is no multicollinearity problem in this study.Heteroscedasticity test can use the White test. The test results show that the value of Obs * R-Square obtained is 21.42757 and the value of Obs * R-Square is higher than 0.05 (with a critical value of 5%), so there is no heteroscedasticity found in this study. Then, the autocorrelation test result, using the Breusch Godfrey test above, show an Obs* R-Squared value of 17.91062. Then, the value of Obs * R-Squared in this study is higher than 0.05 (> 0.05). This means that there is no autocorrelation in this study.The best method obtained from the F Test, Hausman Test and LM Test is the Common effect model. This result is the final result of every election test available. The following table is the result of the Common effect model test:

Table 4. Test Results for Common Effect Models

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.866672	0.434131	1.996337	0.0537
ICG	-0.735352	0.199329	-3.689136	0.0008
ISIR	94.31268	120.7487	0.781066	0.4400
PSR	0.008136	0.166233	0.048942	0.9612
ZPR	-2.833754	1.249729	-2.267495	0.0296

R-squared	0.360151	Mean dependent var	-0.657070
Adjusted R-squared	0.287025	S.D. dependent var	0.965279
S.E. of regression	0.815061	Akaike info criterion	2.545360
Sum squared resid	23.25134	Schwarz criterion	2.756470
Log-likelihood	-45.90720	Hannan-Quinn criter.	2.621691
F-statistic	4.925103	Durbin-Watson stat	1.122404
Prob(F-statistic)	0.002950		

Source: Data processed (output reviews 9)

Based on Table 4 above, T-test results from the common effect model (CEM) show that there is a probability value of less than 0.0008 ICG, which is a significant value of 5% (<0.05). This means that Ho is rejected, while H1 is accepted. This means that ICG (independent variable) has a significant or individual influence on ROA (dependent variable). Then, the probability value of the Islamic Income Ratio is 0.4400, more than the significant

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value of 5% (> 0.05). In this case, Ho is accepted, and H1 is rejected. This means that the IsIR (independent variable) does not have a significant effect or does not have an individual effect on ROA (the dependent variable). Furthermore, the probability value of the PSR is 0.9612, more than the significant value of 5% (<0.05). Thus, Ho is accepted, and H1 is rejected. This means that the PSR (independent variable) does not have a significant or individual effect on ROA (the dependent variable). After that, the probability value of ZPR is 0.0296 less than the significant value of 5% (<0.05). Then, Ho is rejected, and H1 is accepted. This means that the ZPR (independent variable) has a significant or individual effect on ROA (the dependent variable).

Based on the t-test of the Common effect model (CEM) results, two variables have significant influence, namely ICG and ZPR. Meanwhile, the other two variables have no significant effect, namely IsIR and ZPR. The F test results from the Common effect model (CEM) shows that the F-Statistic value is 0.002950, where the f-statistic probability number is smaller than 0.05 (<5%). This means that all independent variables in this study have simultaneous effects on Return on Assets (ROA). As mentioned, Test Results Determinant of Common effect model (CEM) can be seen through the R Squared. This obtains the figures of 0.360151 or 36%. The value of R-Squared shows that independent variables can explain 36% of dependent variables. The remaining 64% is explained by other factors or other variables outside this model.

The effect of Islamic Corporate Governance (ICG) to return on Assets (ROA)

The results show that Islamic Corporate Governance **(** ICG) has a significant or individual effect on ROA. The results of this study are in accordance with research conducted by Yuniasary & Nurdin (2017), Asrori (2014) and Buallay (2018), stating that ICG has a significant influence on financial performance.Theeffective Islamic governance model can also minimize the occurrence of fraud and asymmetrical information between stakeholders and management. Furthermore, the effective Islamic governance model can also increase the level of trust of the customer. Besides, the owner of the fund or the recipient of the financing can answer and reject the issue of the similarity of Conventional Banks and Islamic Commercial Banks. This, in turn, can improve the Financial and Health Performance of Islamic Commercial Banks.This can be seen in Bank Syariah Mandiri, which in 2014 had Self-Assessment at level 2 with the information that it had carried out good corporate governance, and in the same year had a ROA ratio of -0.04. In 2015 to 2018, Bank Syariah Mandiri improved its corporate governance and obtained Self-Assessment level 1 with the information that it hadexcellent corporate governance. This also affected the increase of the ROA ratio of 0.56 in 2015; ROA ratio of 0, 59 in 2016; ROA ratio of 0.59 in 2017, and in ROA ratio of 0.88 in 2018. So,better corporate governance will likely generate better financial performance.

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The Effect of Islamic Income Ratio (IsIR) to Return on Assets (ROA)

Islamic Income Ratio (IsIR) has no significant effect or does not have an individual effect on ROA. The results of this study are consistent with research conducted by Khasanah (2016) and Pudyastuti (2018),which states that changes in IsIR values do not affect the financial performance of banks proxied by ROA. This is because, in practice, non-halal funds or non-halal income do not become part of BUS operational income but are channelled as benevolent funds.The absence of IsIR on ROA can be seen at Bank Muamalat Indonesia (BMI). Where in 2016, BMI had an IsIR ratio of 0.999310504 and rose to 0.999474473 in 2017. However, the increase in IsIR did not affect the value of the ROA ratio, where the BMI ROA ratio in 2016 was 0.22 and fell to 0.11 in 2017.

The Effect of Profit Sharing Ratio (PSR) to return on Assets (ROA)

Profit-Sharing Ratio (PSR) has no significant or individual effect on ROA. The results of this study are in accordance withRahma (2018), Purwanto (2019), and Jamaludin & Kuriyah (2017), stating that the profit-sharing financing available at Islamic Commercial Banks does not have a significant influence on the financial performance or profitability of the company. This is because the existing financing at the Islamic Commercial Bank still has not found the right financing object. In addition, profit-sharing financing does not provide results or large profits because of uncertain outcomes and high risks. In addition, profit sharing financing using mudharabah and musyarakah contracts is still low in quantity compared to financing using murabahah contracts. So, it is less able to optimize the financial performance of Islamic Commercial Banks.The effect of PSR on ROA can not be seen in Bank Victoria Syariah. In 2014, Bank Victoria Syariah had a PSR value of 0.553683715 and experienced an increase in 2015 to 0.662409998. However, the increase in the value of PSR had no effect on ROA, where in 2015 the value of ROA was -1.87 and decreased in 2016 to -2.6.

The Effect of Zakat Performing Ratio (ZPR) on Return on Assets (ROA)

Zakat Performing Ratio **(** ZPR) has a significant or individual effect on ROA. The results of this study are consistent with research conducted by Dewanata et al. (2016) dan Rahma (2018), stating that ZPR has a significant effect on ROA. This is due to the existence of zakat payments from Islamic Commercial Banks, indicating that the company can maintain good relations with stakeholders. To get support and trust from stakeholders, ZPR has an impact on improving company performance. This means that the higher the Islamic Commercial Bank in paying zakat, the higher the increase that occurs in the financial performance.The influence of ZPR on ROA can be seen in BRI Syariah Bank. In 2015, BRI

Syariah Syariah had a ZPR ratio of 0.0236649 and experienced an increase in 2016 to 0.0302922. The increase in the ZPR ratio affects ROA, wherein 2015 ROA from BRI Syariah Bank was 0.77 and experienced an increase in 2016 to 0.95.

The influence of ICG, IsIR, PSR, ZPR on Return on Assets (ROA)

All of the independent variables—ICG, ISIR, PSR, and ZPR—in this study influence simultaneously on ROA. The results of these findings are consistent with research Yuniasary & Nurdin (2017) and Khasanah (2016),showing that simultaneous Islamic Corporate Governance (ICG) and Sharia compliance are proxied by Islamic Income Ratio, Profit Sharing Ratio and Zakat Performing Ratio. These significantly influence Financial Performance which is proxied by Return On Assets.So, it can be concluded that in improving its financial performance, the Islamic Commercial Bank must always carry out its activities based on sharia principles. The effectiveness of good corporate governance can be obtained from maintaining Islamic principles; managing non-halal income owned by the company; increasing distribution in the form of financing with musharakah and mudharabah contracts; andfulfilling the rights of stakeholders to obtain a good image and trust through zakat.

Conclusion

This study indicates that partial Islamic Corporate Governance (ICG) and Zakat Performing Ratio (ZPR) have a significant effect on Return on Assets (ROA). In contrast, Islamic Income Ratio (IsIR) and Profit Sharing Ratio (PSR) do not influence Return On Assets (ROA)). Moreover, all independent variables in the form of Islamic Corporate Governance (ICG); Sharia compliance with Islamic Income Ratio (IsIR) indicators; Profit Sharing Ratio (PSR); and Zakat Performing Ratio (ZPR) simultaneously affect the Return On Asset (ROA) variable. With the influence of ICG and ZPR on financial performance, Islamic banks can pay more attention to corporate governance to be in accordance with Sharia values. With better governance, banking operations will be better. In terms of Sharia compliance, especially in the distribution and reporting of non-halal income, Islamic commercial banks must be able to separate their reporting from BUS operational income reporting, so that Islamic banks can be more transparent in reporting their earnings. This can also improve the performance of zakah because the fund is not only collected but also channelled to the community, especially to eight groups that are eligible for zakah (asnaf). This is also one way to develop a good image of the BUS. Furthermore, Islamic banks should be able to increase the distribution of funds in profit-sharing financing products (mudharabah and musyarakah), because this is characteristic of Islamic banks as banks with profit-sharing principles.

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