The Effect Of Issuance Of Sukuk Funds To Sharia Banking Performance

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Abstract: The purpose of this study is to examine empirically how the influence of Sukuk (Islamic bonds) on the performance of Islamic Banks in Indonesia. This research is expected to explain that there is an increase in the performance of Islamic Banks in Indonesia, namely the ratio of liquidity, profitability and solvability with the Sukuk funds. Action Plan carried out on each evaluation strategy begins by defining a series of theoretical concepts, relevant levels of analysis, and measurable indicators. The dependent variable of this research is Return on Assets (ROA), Capital Adequacy Ratio (CAR) and the independent variable of this research is Sukuk (Sharia Bonds). ROA is the ratio between profit before tax to the average assets owned by a bank in one period, and CAR is the ratio of the obligation to fulfill the minimum capital that must be owned by the bank. The data analysis model uses multiple linear regression method. Data Observations used are data of these variables in the last four years, in 2014-2017. Data obtained from Bank Indonesia. Analysis carried out with SPSS Software (Statistical Package Social Science) The results of this study prove that the Sukuk (SKD) and the Sukuk sold (SKT) do not have a significant effect on ROA and prove that the Sukuk (SKD) and Sukuk sold (SKT) have a significant effect on CAR.

Keywords: Sukuk owned, Sukuk sold, ROA and CAR.

1. Introduction

Along with the times and the recognition of the concept of sharia-based finance in the world as one of the forms of Islamic financial instruments that have been widely published by corporations and countries where is Sukuk. Malaysia offered the first issuance of USD 600 million Sukuk in 2002. This was followed by the launch of a $ 400 million "Sukuk trust" from the Islamic Development Bank in September 2003 (Huda and Nasution, 2014).

The potential for domestic Sukuk in 2003-2007 continued to increase. In 2003 there were only six issuers with a nominal value of Rp. 740 billion, then in 2007 the total issuers reached 21 issuers with a nominal value of Rp. 3.23 trillion so that the market share volume of Islamic bonds reaches 2.5%, among the 21 issuers there are three issuers from the banking sector, namely Bank Muamalat, Bank Syariah Mandiri and Bank Bukopin, among the three banks there are 2 Islamic banks namely Bank Muamalat and Banks Syariah Mandiri.

In Islamic banks capital is needed to see the bank's performance based on the capital adequacy ratio (capital adequacy ratio) as well as conventional banks. Capital serves to maintain public trust, as a final buffer to protect banks from unexpected losses and maintain business continuity when the economy experiences difficulties.

Efforts to encourage the bank's intermediary function in the form of credit expansion must be balanced with adequate additional capital. If the bank manager cannot provide adequate

ICOFEB 2018, November 12-13, Lhokseumawe, Indonesia

DOI 10.4108/eai.12-11-2018.2288846

additional capital, then the decrease in capital adequacy cannot be avoided. Banks must provide a total capital of at least 8% of assets rather than risk. One alternative to increasing capital carried out by banks is to issue bonds. Bonds are a statement of debt from the bond issuer to the bondholders along with a promise to repay the principal and the coupon (bond) at the time the payment is due. Sharia bonds with a relatively long maturity period of 5 to 7 years. The need for additional capital is also felt by Islamic banks to strengthen the capital structure. One example of Islamic banks in Indonesia can be seen from the Bank Syariah Mandiri ratios before and after the issuance of Islamic bonds (Sukuk).

Table 1. Ratios of Bank Syariah Mandiri before and after issuance of Islamic bonds (Sukuk)

	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07
CAR	117,18 %	63,18 %	38,91 %	20,87 %	10,57%	11,88 %	12,56 %	12,44 %
ROA	2,60%	3,30 %	3,51 %	1,03 %	2,86 %	1,83 %	1,10 %	1,53%
ROE	4,10%	4,43 %	3,61 %	3,61 %	22,28%	23,39 %	18,27 %	32,22 %

Bank Syariah Mandiri issued Islamic bonds in October 2003 with a principal amount of Rp. 200 billion, with a term of 5 years. From the table above can be seen after Bank Mandiri issued Sukuk, it was seen that the CAR ratio was relatively stable. For financial ratios, there was an increase in the ROE ratio even though there was a decline in 2006 but increased dramatically in the following year, while ROA tended to be stable.

2. Literature Review

2.1 Sukuk (Sharia Bonds)

Sukuk is defined as a legal document that becomes evidence of capital surrender to the ownership of a property that may be transferred and is permanent or long-term (Wahid, 2010). Islamic bonds are long-term securities based on sharia principles issued by issuers to Sharia bondholders which require issuers to pay income to Sharia bondholders in the form of profit sharing, margins or free, and repay bond funds when they are due (Huda and Nasution, 2014). The mechanism of Sukuk formation is almost the same as the mechanism for establishing Islamic bonds, and there are only minor differences.

2.2 Banking Performance

Bank’s health level is the result of an assessment of the Bank's condition carried out on the Bank's risks and performance or in another sense the level of the Bank's health is a reflection that a bank can carry out its functions properly. Bank health as the ability of a bank to conduct banking operations normally and be able to fulfill all its obligations adequately in ways that are by applicable banking regulations. The definition of the health of the bank above is a comprehensive limitation because the health of the bank does cover the health of a bank to carry out all its banking business activities. In other words, the soundness of the bank is also closely related to the fulfillment of banking regulations.

2.3 Assessment Techniques with the CAMELS method

The following is an explanation of the CAMEL method:

1. Capital, the definition of capital adequacy is not only calculated from the nominal amount and it also the Capital Adequacy Ratio (CAR). The ratio is a comparison between the amount of capital and risk-weighted assets (RWA). CAR of a bank is at least 8%.
2. Quality Assets, although in real terms banks have substantial capital, if the quality of their productive assets is weak, the capital condition may be worse. It is partly related to various issues such as the formation of reserves, valuation of assets, the provision of loans to related parties.
3. Management, assessment of management factors in assessing the soundness of commercial banks is evaluating the management of the bank concerned. The evaluation is using about one hundred questionnaires grouped into two major groups, the general management, and risk management.
4. Earning, assessment in this element based on (1) Profit to Total Assets Ratio (ROA/ Earning1). (2) Operating Expense Ratio to Operating Income (Earning 2).
5. Liquidity, is a ratio to assess bank liquidity. Assessment of bank liquidity based on (1) The ratio of the net liabilities of call money to current assets. (2) The ratio between credit to funds received by the bank. The level of health of commercial banks is seen from the ratio of liquidity, solvency, profitability, capital adequacy ratio and Financing Deposit Ratio.

2.4 Hypotheses Development

The hypotheses in this study are as follows:

H1: There is significant influence between the value of Sukuk owned and Sukuk sold on ROA on Islamic Banks in Indonesia.

H2: There is significant influence between the value of Sukuk owned and Sukuk sold on CAR of Islamic Banks in Indonesia.

3. Research Methods

This research approach uses a quantitative approach which is dimensioned causal relationship, that is a study conducted on facts to prove empirically about the influence of a variable with other variables. As for the dependent variable (Y), namely Return On Assets (ROA) and Capital Adequacy Ratio (CAR), the independent variable (X) is the value of Sukuk owned and Sukuk sold. The data in this study are secondary data on Islamic Banking from Bank Indonesia financial statements from 2014 - 2017. Data collection used documentation methods. Documentation data is presented, among others, in the form of tables or diagrams — meanwhile, secondary data obtained from the literatures, sites, books, and notes. The population in this study is all Islamic Banking financial statements from the Financial Services Authority (OJK) in 2014-2017. The data analysis model used a multiple linear regression method.

4. Result And Discussion

4.1 Result

4.1.1 Descriptive Statistical Analysis

Table 2. Regression Weights

	N	Min	Max	Mean	Std. Deviation
SKD	48	4606.84	35386.20	16792.76	8780.60
SKT	48	500.00	3150.00	1669.39	837.21
ROA	48	.08	1.16	0.76	0.28
CAR	48	14.09	17.91	15.64	0.96
Valid N (listwise)	48				

The descriptive statistics table above explains that the Sukuk Value Owned by Islamic Banking has an average value of 16792.76 billion with a deviation of 8780.60 billion. The lowest value is 4606.84 billion, and the highest value is 35386.20 billion. The values of Sukuk sold Islamic Banking has an average value of 1669.39 billion with a deviation of 837.21 billion. The lowest value is 500 billion, and the highest value is 3150 billion. The spread of this data shows the data distribution is normal. ROA value of Islamic Banking has an average value of 0.76% with a deviation of 0.28%. The lowest value is 0.8%, and the highest value is 1.16%. The CAR value of Islamic Banking has an average value of 15.64% with a deviation of 0.96%. The lowest value is 14.09%, and the highest value is 17.91%.

4.1.2 Classic Assumption Test

a. Normality test
b. Multicollinearity test, The results of multicollinearity testing can be seen below.

Table 3. Multicolienerity test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	SKD	1.000	1.000
	SKT	1.000	1.000

Source: SPSS Version 20 processing results.

Based on table 3, the result of multicollinearity test shows that no variable has a VIF value <10. The tolerance value of all variables> 0.1. So that it can be concluded that the regression model of the equation I in this study does not occur multicollinearity or free from multicollinearity.

c. Heteroskadisitas test

The results of testing heteroscedasticity data in this study can be seen in the figure below: Based on ROA and CAR Heteroscedasticity Test Results shows that the points spread randomly and spread over and below the number 0 on the Y axis. It can be concluded that there is no heteroscedasticity in the regression model, so the regression model is feasible to use. Symptoms of heteroscedacities can be seen by means of, if there are certain patterns, such as dots that form a regular pattern (wavy, widened and then narrowed), then there has been heteroscedasticity and if there is no clear pattern, and the points spread above and below the number 0 on the Y axis, heteroscedasticity does not occur. This means that there is no heteroscedasticity in the regression model, so that a decent regression model is used to predict the decision to choose based on input from the independent variable

d. Autocorrelation Test

Autocorrelation test results can be seen in the table below. The following autocorrelation test can be seen below:

Table 4. Autocorrelation Test of Regression Equation I

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.223[a]	.050	.008	.27676	1.771

a. Predictors: (Constant), SKT, SKD

b. Dependent Variable: ROA

Source: SPSS version 20.

Based on the results of the autocorrelation test of the regression I equation, it was found that the statistical value of Durbin-Watson of 1,771 was between the values of 1.0 - 2.0 indicating that there was no negative or positive autocorrelation.

Table 5. Autocorrelation Test of Regression Equation II

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin - Watson
1	.467[a]	.218	.183	.86539	1.435

a. Predictors: (Constant), SKT, SKD

b. Dependent Variable: CAR

Source: SPSS version 20

Based on the results of the autocorrelation test of the regression I equation, it was found that the statistical value of Durbin-Watson of 1,435 was between the values of 1.0 - 2.0 indicating that there was no negative or positive autocorrelation.

4.2 Discussion

4.2.1 The coefficient of determination R2

The coefficient of determination (R2) is used to see how the variation in the value of the dependent variable is affected by the variation in the value of the independent variable (Lemiyana, 2015). The coefficient of determination between zero and one, the value that approaches one means that the independent variables provide the information needed to predict the dependent variable. The following coefficient of determination of this study:

Table 6. Determination coefficient of regression equation I

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.223[a]	.050	.008	.27676	1.771

a. Predictors: (Constant), SKT, SKD

b. Dependent Variable: ROA

Source: SPSS version 20

Based on table 6 Equation of regression I above, it is known that the value of Adjusted R square is 0.008, this means that only 8% variation in ROA can be explained by the variation of both the sukuk-free variables (SKD) and sukuk sold (SKT). Whereas the rest (100-8% = 92%) is explained by other causes outside the regression model. Std value. Estimated Error (SEE) of 0.27676. The smaller the SEE value will make the regression model more precise in predicting the dependent variable.

Table 7. Determination Coefficient of Regression Equation II

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.467[a]	.218	.183	.86539	1.435

a. Predictors: (Constant), SKT, SKD

b. Dependent Variable: CAR

Source: SPSS version 20

Based on table 7 the regression equation I above is known that the value of Adjusted R square is 0.183, this means that only 18.3% variation of CAR can be explained by the variation of the two independent variables of Sukuk owned (SKD) and Sukuk sold (SKT). While other causes explain the rest (100-18.3% = 81.7%) outside the regression model. Std value. Error Estimation (SEE) is 0. 86539. The smaller the SEE value will make the regression model more precise in predicting the dependent variable.

4.2.2 F- Test Statistics

Based on the tests that have been conducted, the F test can be seen in the table below.

Table 8. Test F Regression Equation I

ANOVA[b]					
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.181	2	.090	1.181	.316a
	Residual	3.447	45	.077		
	Total	3.628	47			
a. Predictors: (Constant), SKT, SKD						
b. Dependent Variable: ROA						

Source: SPSS version 20 processing

In table 8 F-test equation regression I above can be seen that Fcount is 1,181 while Ftable (α = 0.05; df regression 2; df residual; 47) is 2.87 (attachment in table F) with a significant level of 0.316. Then the calculations obtained Fcount 1.181 <2.87. A significant level is greater than the probability of 0.05 (0.316> 0.05). So this indicates that Ha is rejected and the independent Sukuk variable (SKD) and Sukuk that are sold (SKT) simultaneously have an insignificant effect on the connecting variable, namely Return On Assets (ROA).\

Table 9. Test F Regression Equation II

ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.377	2	4.688	6.260	.004a
	Residual	33.701	45	.749		
	Total	43.078	47			
a. Predictors: (Constant), SKT, SKD						
b. Dependent Variable: CAR						

Source: SPSS version 20 processing

In table 9 test F equation regression I above can be seen that Fcount is 6.260 while Ftable (α = 0.05; df regression 2; df residual; 47) is 2.87 (attachment in table F) with a significant level of 0.004. Then the calculation obtained Fcount 6.260> 2.87. The level is significantly smaller than the probability of 0.05 (0.004 <0.05). So this indicates that Ha is accepted and the independent Sukuk variable (SKD) and Sukuk sold (SKT) simultaneously have a significant influence on the connecting variable, namely Capital Adequate Ratio (CAR).

4.2.3 T-test (partial)

T test decision making on the regression equation I and equation II regression test can be done by comparing significant tcount with the following conditions:

1. If significant t test < α 0.05 or equals 0.05 then it can be said that Human Capital efficiency, Capital employed efficiency, and Capital efficiency structure partially affect significantly to Return on Assets (ROA).
2. If significant t > α 0.05 test, it can be concluded that Human Capital efficiency, Capital employed efficiency, and Capital efficiency structure have not partial effect on Return on Assets (ROA).

Table 10. Test t of regression equation I

Coefficients[a]					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model	B	Std. Error	Beta		
1 (Constant)	.843	.118		7.133	.000
SKD	2.323E-6	.000	.073	.505	.616
SKT	-7.016E-5	.000	-.211	-1.455	.153
a. Dependent Variable: ROA					

Source: SPSS version 20 processing

In table 10 can be explained test t test equation regression I can be explained as follows:

1. Sukuk owned (SKD) has a significant value of 0.616, the value is greater than the level of test 0.05 (0.616> 0.05), then the influence of the Sukuk (SKD) on Return on Assets (ROA) is not significant at the level of the test 0.05. This means that the Sukuk owned (SKD) partially has a positive and insignificant effect on Return on Assets (ROA).
2. The Sukuk sold (SKT) has a significant value of 0.153, the value is greater than the 0.05 level test (0.153> 0.05), so the effect of the Sukuk sold (SKT) on Return on Assets (ROA) is not significant at the level of test 0.05. This means that the Sukuk sold (SKT) partially has a negative and insignificant effect on Return on Assets (ROA).

Based on the data that has been obtained, the results of the t-test regression equation II can be seen as follows:

Table 11. Test t of regression equation II

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.261	.369		41.320	.000
	SKD	4.581 E-5	.000	.420	3.186	.003
	SKT	.000	.000	-.206	-1.561	.126
a. Dependent Variable: CAR						

Source: SPSS version 20 processing results

From table 11 test t test regression equation II can be explained as follows:

1. Sukuk owned (SKD) has a significant value of 0.003, the value is smaller than the level of test 0.05 (0.003 <0.05), then the effect of the Sukuk (SKD) on Capital Aducation Ratio (CAR) is significant at the level of test 0.05. This means that the Sukuk owned (SKD) partially has a positive and significant effect on the Capital Aducation Ratio (CAR).
2. Sukuk sold (SKT) has a significant value of 0.126, the value is greater than the 0.05 level test (0.126> 0.05), so the effect of the Sukuk sold (SKT) on Capital Aducation Ratio (CAR) is not significant at the level of test 0.05. This means that the Sukuk sold (SKT) partially has a negative and insignificant effect on the Capital Aducation Ratio (CAR).

5. Conclusions

Based on the results of research and discussion, the following conclusions can be drawn:

1. Conclusion of First Regression Analysis
   a. The results of the discussion simultaneously prove that the Sukuk owned (SKD) and the Sukuk sold (SKT) have no significant effect on ROA.
   b. The results of the discussion partially prove that the Sukuk (SKD) does not have a significant effect on ROA.
   c. The results of the discussion partially prove that the Sukuk sold (SKT) does not have a significant effect on ROA.
2. Conclusion of Second Regression Analysis
   a. The results of the discussion simultaneously prove that the Sukuk owned (SKD) and the Sukuk sold (SKT) have a significant effect on CAR.
   b. The results of the discussion partially prove that the Sukuk owned (SKD) has a significant effect on CAR.
   c. The results of the discussion partially prove that the Sukuk sold (SKT) does not have a significant effect on the CAR.

Based on the above conclusions, it can be stated that some suggestions that might be useful for the company through this research are as follows:

1. For Islamic Banking, because the Sukuk owned (SKD) affects CAR, sharia banking should be able to determine the value of the sukuk that is owned in accordance with its capital requirements in order to maintain the CAR value.
2. For further researchers, it is expected to add other variables such as EPS, ROE, to further strengthen the results of research that are different from this research. And it is better to use other models such as moderating regression and path analysis in order to produce better research.

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