

# The Effect of Financial Health on Profitability with Islamic Corporate Governance as A Moderating Variable

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## The Effect of Financial Health on Profitability with Islamic Corporate Governance as A Moderating Variable

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### Abstrak

Tujuan penelitian ini adalah untuk menganalisis pengaruh kesehatan finansial terhadap profitabilitas dengan Islamic Corporate Governance sebagai variabel moderating. Populasi dalam penelitian ini adalah seluruh Bank Umum Syariah yang ada di Indonesia. Berdasarkan data Statistik Perbankan Syariah, jumlah BUS adalah 12. Sampel yang digunakan berjumlah 10 BUS dengan menggunakan teknik purposive sampling. Data yang dikumpulkan berupa laporan tahunan Bank Umum Syariah mulai tahun 2010 hingga tahun 2015. Teknik analisis dalam penelitian ini menggunakan analisis deskriptif dan analisis inferensial. Metode analisis yang digunakan adalah Analisis Regresi Linier Berganda. Pengujian hipotesis menggunakan program SPSS 21. Hasil penelitian menunjukkan bahwa secara langsung variabel kesehatan NPF dan FDR berpengaruh positif terhadap profitabilitas (ROA) dan variabel kesehatan CAR tidak berpengaruh terhadap profitabilitas (ROA). Sedangkan hasil penelitian setelah adanya variabel moderating Islamic Corporate Governance (ICG) dengan menggunakan MRA menunjukkan hasil bahwa ICG memoderasi pengaruh positif variabel kesehatan NPF dan FDR terhadap profitabilitas (ROA), dan ICG tidak mampu memoderasi pengaruh positif variabel kesehatan CAR terhadap profitabilitas (ROA).

### Abstract

The purpose of this study is to analyze the effect of financial health on profitability with Islamic Corporate Governance as a moderating variable. The population in this study was all Islamic Banks in Indonesia. Based on the data from Islamic Banking Statistics, the number of Islamic Banks was 12. The sample used numbered 10 Islamic Banks by using purposive sampling technique. Data collected in the form of Islamic Banks annual reports from 2010 to 2015. The analysis technique in this study used descriptive analysis and inferential analysis. The method of analysis used was Multiple Linear Regression Analysis. Hypothesis testing used SPSS 21. The results showed that directly health variable of NPF and FDR had a positive effect on profitability (ROA) and health variable of CAR did not affect the profitability (ROA). While the results of the study after the existence of moderating variable that Islamic Corporate Governance (ICG) by using MRA showed that ICG moderated the positive influence of NPF and FDR health variables on profitability (ROA), and ICG was not able to moderate the positive influence of CAR health variable on profitability (ROA).

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## INTRODUCTION

The development of Islamic banking industry also experiences positive growth which is quite encouraging with an average increase about 33.2% in the last 10 years, but seen the phenomenon of slowing growth in business volume in the development in the last three years so that at the end of 2014 only recorded growth of 12 %. Based on the data from the Financial Services Authority, the development of total assets, third party funds, and funding in recent years also decreased. Asset growth in 2011 rose by 49.17%, then decreased by 34.06, 24.23% and 0.79% respectively. Meanwhile, growth of third party funds and funding in 2011 had increased by 50.56%, then decreased respectively by 43.69%, 24.82%, and 2.14%.

Based on the data from the Financial Services Authority, the performance level of Islamic banking profitability measured by using ROA ranges from 1.35% -2.14%, still lower compared to conventional banking, with ROA in the range of 2.33% -2.08%. In 2012 the performance of Islamic banking finance had increased with the value of ROA of 2.14%. In 2013 there is a decrease of Islamic bank ROA by 2.00%. Even in 2014 to June 2015 in a row ROA of Islamic banks experiences a quite significant decrease of 1.09% and 0.89%.

ROA is used to measure the effectiveness of a company in generating profits by utilizing its own assets (Akbar, 2013). The higher this ratio then illustrates the increasingly the profitability of Islamic banks in their operational activities. It also shows the management of funds collected from the community (Third Party Funds) effectively and efficiently. The increase and decrease in profitability of Islamic banks is caused by controllable factors in the form of factors that can be influenced by the management and uncontrollable factors in the form of general economic conditions and competitive situation in the area of its operations (Muhammad, 2002: 244).

Profitability is measured by using Return on Asset (ROA) ratio. Based on the Circular Letter of the Financial Services Authority (OJK) Number 10 / SEOJK.03 / 2014, ROA is an indicator used by OJK in measuring the profitability performance of Islamic banks. ROA can show the performance of the bank as a whole, meaning that the greater ROA obtained by the bank then shows the success of bank functions as an intermediary institution in increasing public trust and maintaining the continuity of Islamic bank business. Profitability based on sharia enterprise theory explains that company must be responsible to three stakeholders, that is to Allah, human and nature (Twiyuwono, 2007). Therefore, profitability managed by Islamic banks must be accounted for according to Al-Qur'an and As-Sunnah because Islamic banks are included in Islamic principles based Islamic finance institutions. With the increase in profitability of Islamic Banks can reflect the financial health and the quality of good Islamic Corporate Governance implementation. Another related theory is stewardship theory that describes the focus on achieving organizational goals. This theory is used to explain the independent variable of financial health with the indicator of Non Performing Financing (NPF), Financing Deposit to Ratio (FDR), and Capital Adequacy Ratio (CAR). The purpose of Islamic banks in the form of optimal profitability performance achievement cannot be achieved when the financial health has not reflected good situation. In the health of Islamic banks reflects how the Islamic banks are trying to maintain the condition of banking financial management, so as to increase the profitability of Islamic banks. The rules on the financial health of Islamic banks have been issued by the Financial Services Authority in Rule Number 8 / POJK.03 / 2014 on the assessment of the health level of Islamic Banks and Sharia Business Unit by Risk-Based Bank Rating (RBBR) approach. Credit risk is represented by Non Performing Financing (NPF) ratio, liquidity risk represented by Financing to Deposit Ratio (FDR) ratio, and capitalization is represented by Capital Adequacy Ratio (CAR) ratio.

NPF is an indicator in bank health that shows the ability of bank management in managing non-performing loans provided by banks. Credit risk received by a bank is one of the bank's business risks resulting from uncertainty in its return or resulting from non-payment of the loans granted by the bank to the debtor. High NPF will increase the cost, thus potentially against bank losses. The higher this ratio, the worse the credit quality of the bank that causes the greater the number of non-performing loans.

Therefore, the bank must bear losses in its operational activities so that it affects on the decrease in bank profitability (ROA).

H1: Non Performing Financing (NPF) has a negative effect on Profitability (ROA).

Islamic banks that optimize third party funds collected to be distributed in the right financing can increase the profitability received by the bank. However, when banks do not optimize third party funds to be distributed into financing, bank profitability can decrease. The size of a bank's FDR ratio will affect the bank's profitability. The greater the amount of funds distributed to customers in the form of credit, the amount of unemployed funds is reduced and the income earned will increase (Mokoagow and Fuady, 2015).

H2: Financing to Deposit Ratio (FDR) has a positive effect on Profitability (ROA).

Sabir (2012) finds evidence that the greater the CAR, the higher the capital ability of banks in maintaining the possibility of loss risk of business activities so that bank profitability also increases. The greater the CAR owned also reflects the bank has lower troubled conditions and can increase public trust to the bank as a fund management institution. Mokoagow and Fuady (2015), the determination of CAR at a certain point is intended for banks to have sufficient capital capability to overcome the possibility of risks as a result of developing asset expansion, especially assets that are categorized as able to produce results while at risk. The higher the CAR will be the stronger the bank's ability to bear the risk of every credit or risky productive assets (Bachri et.al, 2013).

H3: Capital Adequacy Ratio (CAR) has a positive effect on Profitability (ROA).

One of the main products of Islamic Banks is in the field of financing, but still often found problems. The existence of these problems has quite significant effect on the profitability of Islamic Banks as measured by Return on Assets. Banks that have low NPF values will be more trusted by the community compared to banks that have high NPF values. In addition to efforts to minimize non-performing financing, Islamic Banks also in qualitative aspects implements Islamic Corporate Governance in the form of accountability information that Islamic Banks are managed well based on sharia principles. Therefore, the smaller the occurrence of Non Performing Financing (NPF) and the implementation of high Islamic Corporate Governance in Islamic Banks can improve the profitability of Islamic Banks.

H4: Islamic Corporate Governance moderates significantly the negative effect of Non Performing Financing (NPF) affects on Profitability (ROA).

Islamic Banks that can optimize the distribution of financing through FDR ratio shows the seriousness and obedience of the bank move to achieve the goals have been set and form of obedience not only in the form of quantitative but also in the form of qualitative that is in the form of compliance in the implementation of Islamic Corporate Governance. Theoretically, the implementation of Islamic Corporate Governance practices can improve bank profitability because it contains information that can increase the trust of the parties concerned on the bank.

H5: Islamic Corporate Governance moderates significantly positive effect of Financing to Deposit Ratio (FDR) on Profitability (ROA).

In order to maintain business continuity when there are risks of unexpected losses, bank management needs to maintain or increase CAR value in accordance with the prevailing provisions with sufficient capital, thus the bank can expand its business more safely in order to improve profitability. In accordance with Regulation of the Financial Services Authority No. 21 / POJK.03 / 2014 concerning the Minimum Capital Requirement Liability for Islamic Banks Article 2 paragraph (3), minimum capital that must be owned by BUS is 8%. To anticipate the risks that occur not only with strong capital but also with the increasing quality of Islamic Corporate Governance.

H6: Islamic Corporate Governance moderates significantly positive effect of Capital Adequacy Ratio (CAR) on Profitability (ROA).Based on the description that have been previously described, theoretical framework which can be presented in Figure 1 as follows:

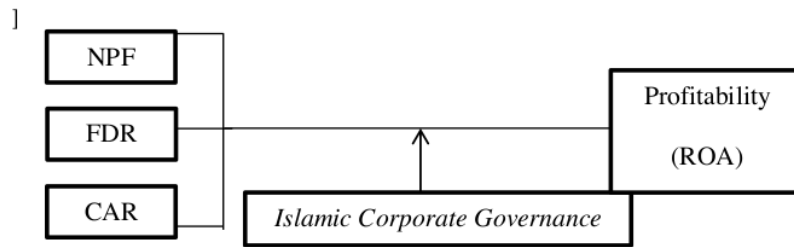


Figure 1. Theoretical Framework

**METHODS**

The population in this study was all Islamic Banks in Indonesia. Based on the statistical data of Islamic Banking, the number of Islamic Banks was 12. Sample used was 10 Islamic Banks by using purposive sampling technique. The data collected was in the form of annual report of Islamic Banks supported by Good Corporate Governance implementation report from 2010 to 2015.

Table 1. The Summary of Sampling Process Results

No.	Criteria of Sample	Not Included in Criteria	Σ
1.	Published annual report and implementation report of Good Corporate Governance (GCG) completely from 2010-2015	2	10
2.	Having complete data related to variables used in the study	0	10
	Duration of the Study		6
Total Unit of Analysis			60

Source: Secondary Data processed, 2016

Operational definition of each variable could be explained in table 2 as follows:

Table 2. Operational Definition of the Variables

No.	Variable	Indicator	Measurement	References
1.	Dependent Variable			
	Profitability	Profitability used proxy Return on Asset (ROA) that is by comparing profit before tax and total asset.	$ROA = \frac{\text{Profit Before Tax}}{\text{Total Asset}}$	Mokoagow & Fuady 2015, Rahman 2015, Ferdyant et.al. 2014, Akbar 2013, Wasiuzzaman 2013, Bachri et.al. 2013, Rahmi & Anggraini 2013, Sabir 2012, Nughroho 2011.



2.	Independent Variables	Non Performing Financing was measured by comparing total troubled financing and total financing	$NPF = \frac{\text{Troubled Financing}}{\text{Total Financing}}$ $FDR = \frac{\text{Total Financing}}{\text{Total third party funds}}$	Bachri et.al. 2013, Rahmi & Anggraini 2013, Sabir 2012, Nughroho 2011, Setiawan 2009.
	Finance to Deposit Ratio (FDR)	FDR was measured by comparing total financing and third party funds		Akbar 2013, Bachri et.al. 2013, Sabir 2012, Nughroho 2011, Setiawan 2009.
	Capital Adequacy Ratio (CAR)	CAR was measured by comparing capital bank and total risk-weighted assets (ATMR)	$CAR = \frac{\text{Modal Bank}}{\text{Total ATMR}}$	Mokoagow & Fuady 2015, Akbar 2013, Wasiuzzaman 2013, Bachri et.al. 2013, Rahmi & Anggraini 2013, Sabir 2012, Setiawan 2009.
3.	Moderating Variable	The result of self assessment of GCG implementation ranks could be seen from GCG BUS implementation report.	Rank 1 = very good Rank 2 = good Rank 3 = quite good Rank 4 = bad Rank 5 = very bad	Rahman 2015, Wasiuzzaman 2013, Ferdyant et.al. 2014, Hisamudin 2012.

Source: Various Sources

In determining the score of financial health, after the scores of NPF, FDR, and CAR were found through a predetermined formula, then the next step was to rank and give credit score referring to Setiawan's research (2009), as the following table:

**Table 3.** Ranking by Credit Score

Ranking	Credit Score
1	100
2	80
3	60
4	40
5	20

Source: Setiawan, 2009

After finding the ranking of credit score, then do the weighting according to the credit score that has been given to each sample. Here was the percentage of weights that have been given to each sample

**Table 4.** Weight Rating of Financial Factors

Annotation	Weight
Capital	29%
Asset Quality	59%
Liquidity	12%

Source: Attachment of Circular Letter of BI No. 9/24/DPbS/2007

Next to generate value that has been weighted then made multiplication between credit scores with the weight. Meanwhile, for the financial health predicate was to follow the provisions of: Healthy had a weight value of 81-100. Quite Healthy had a weight value of 66-81. Less Healthy had a weight value of 51-<66 and Unhealthy had a weight value of 0-<51.

Descriptive statistical analysis used to briefly describes the variables in the study. Descriptive analysis used in this study was mean value, standard deviation, minimum value and maximum value. Inferential statistical analysis in this study was conducted in the form of hypothesis testing. Analysis tool used was multiple regression analysis with tool of SPSS 21. Testing done through several stages namely classical assumption test, hypothesis test and partial determination coefficient test.

## RESULTS AND DISCUSSIONS

The Result of descriptive statistical analysis in the study could be seen on the following table:

**Table 5.** The Result of Descriptive Statistical Test

	N	Minimu m	Maximu m	Mean	Std. Deviation
ROA	60	-2.32	4.16	.9065	.96194
NPF	60	23.60	59.00	50.5433	7.86083
FDR	60	2.40	9.60	6.8000	2.17224
CAR	60	23.20	29.00	28.6133	1.45898
ICG	60	3.00	5.00	4.2667	.51640
Valid (listwise)	N 60				

Source: Secondary data processed, 2016

Based on the result of descriptive statistical test, seen that the mean value of Return on Assets at Islamic Banks was 0.9065. The standard deviation of ROA was 0.96194. The minimum value was -2.32 and the maximum value was 4.16. For health of Non Performing Financing variable, the mean value was 50.5433, while the standard deviation was 7.86083. The minimum value was 23.60 and the maximum value was 59.00. For Health of Financing Deposit to Ratio variable, the mean value was 6.8000, whereas the standard deviation was 2.17224. The minimum value was 2.40 and the maximum value was 9.60. For Health of Capital Adequacy Ratio variable, the mean value was 28.6133, whereas the standard deviation was 1.45898. The minimum value was 23.20 and the maximum value was 29.00. For variable of Islamic Corporate Governance, the mean value was 4.2667, while the standard deviation was 0.51640. The minimum value was 3.00 and the maximum value was 5.00.

Classical assumption test in this study used normality, multicollinearity, autocorrelation and heteroscedasticity tests. Normality test in this study used normal probability plot chart and Kolmogorov Smirnov test. The result of normality test indicated that the residual value was normally distributed as indicated by asymptotic significance value greater than 0.05 namely 0.523. The second classical assumption test was multicollinearity. Multicollinearity test was done by looking at Tolerance and

Variance Inflation Factor (VIF) values. The result showed that there was no multicollinearity among independent variables indicated by the absence of Tolerance values less than 0.10 and VIF value greater than 10. The third classical assumption test was autocorrelation. Autocorrelation test was done by looking at Durbin Watson's value. The result showed the value of  $d_u$  obtained from Durbin Watson table was equal to 1.558. Thus, since the DW value of 2.244 was greater than  $d_u = 1.558$  and less than 2.442 (4-1.558), it could be concluded there was no autocorrelation. The fourth classical assumption test was heteroscedasticity test used scatterplot chart and white test. The test result showed that there was no heteroscedasticity occurred in the regression model, shown by scatterplot graph seen that the points spread randomly either above or below point 0 on the Y axis and white test result showed that  $R^2$  was 0.125, while the number of sample (N) was 60. Thus,  $c^2$  count was 7.5 ( $0.125 \times 60$ ) and  $c^2$  table was 79.0819. It showed that  $c^2$  count was smaller than  $c^2$  table, so it could be concluded there was no heteroscedasticity. Here was the explanation of partial test result (t statistical test) in this study could be seen on the following table:

**Table 6.** The Result of t Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.601	2.372		1.097	.277
	NPF	.048	.014	.392	3.465	.001
	FDR	.156	.050	.352	3.101	.003
	CAR	.001	.075	.001	.012	.990

a. Dependent Variable: ROA

Source: Secondary Data processed, 2016

In addition, moderating variable was used namely Islamic Corporate Governance, therefore in this study, the analysis was not only using regression analysis but also using Moderated Regression Analysis (MRA). Here was the test result of the effect of the moderating variable (MRA) in this study was presented in Table 7

**Table 7.** The Result of Moderated Regression Analysis (MRA) Equation

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.681	2.149		.782	.438
	NPF	.092	.024	.752	3.892	.002
	FDR	.142	.043	1.223	2.231	.030
	CAR	.001	.015	.021	.093	.926
	NPFICG	.117	.066	.813	3.980	.001
	FDRICG	.162	.054	1.795	2.985	.004
	CARICG	.026	.095	.039	.273	.786

a. Dependent Variable: ROA

Source: Secondary Data processed, 2016



Based on the table and explanation above, then the regression model in this study was:

$$ROA = 1,681 + 0,092 NPF + 0,142FDR + 0,001 CAR + 0,117NPFICG + 0,162 FDRICG + 0,026 CARICG + e$$

Based on the result of t count test for the variable of Non Performing Financing (NPF), it was obtained t-count equal to 3.465 with significance equal to 0.001. Significance value for Non Performing Financing (NPF) variable showed the significance value below 5% ( $\alpha = 0.05$ ) and t-count value equal to  $3.465 > t\text{-table}$  equal to 2.0025 which meant that Non Performing Financing (NPF) had a positive and significant effect on profitability (ROA). Therefore, H1, which stated that Non Performing Financing negatively affected on profitability (ROA), was rejected. The result of this study supported research conducted by Rahmi & Anggraini (2013).

The result which showed that NPF had an effect direction which was not in accordance with the initial hypothesis. This was due to the different measurements of NPF variable was not only by using ratio but also by assigning ratings to determine credit score and weighted so as to find the health value for the NPF. Based on the existing data, it was said that banks with low NPF ratio exhibited high health values which leads to higher ROA.

The result of t count test for variable of Financing Deposit to Ratio (FDR) obtained t-count equal to 3.101 with significance value equal to 0.003. Significance value for Financing Deposit to Ratio (FDR) variable showed the significance value below 5% ( $\alpha = 0.05$ ) and t count value of  $3.101 > t\text{-table}$  of 2.0025 which meant that Financing Deposit to Ratio (FDR) had a positive and significant effect to profitability (ROA). Thus, H2 which stated that Financing Deposit to Ratio (FDR) had a positive effect on profitability (ROA) was accepted. The result of this study supported the research conducted by Sabir (2012). It showed that the healthier and higher distribution of funds to the community in accordance with the regulations from the regulator it would get a high return also and would have an impact on profitability obtained by the bank.

The result of t count test for Capital Adequacy Ratio (CAR) variable was obtained t-count value equal to 0.012 with significance value equal to 0.990. The significance value for the Capital Adequacy Ratio (CAR) variable showed significance value below 5% ( $\alpha = 0.05$ ) and t-count value equal to  $0.012 < t\text{-table}$  of 2.0025 which meant that Capital Adequacy Ratio (CAR) did not have effect on profitability (ROA). Therefore, H3 which stated that Capital Adequacy Ratio (CAR) had a positive effect on profitability (ROA) was rejected. The result of this study supported the research conducted by Sabir (2012). This was due to Islamic banks which operating did not optimize the existing capital. This happened because the regulation of the Financial Services Authority which required a minimum CAR of 8% to be said healthy so that the Islamic banks were always trying to keep the CAR owned in accordance with the provision set by the regulator.

While the result after the existence of moderating variable by using Moderated Regression Analysis (MRA) was as follows:

NPFICG variable which was interaction between Non Performing Financing and Islamic Corporate Governance (NPF \* ICG), had regression coefficient value equal to 0.117. This showed that Islamic Corporate Governance (ICG) as a moderating variable strengthened the positive effect of Non Performing Financing (NPF) on profitability (ROA), or in other words, the higher Non Performing Financing (NPF) which showed healthier, plus the higher Islamic Corporate Government would further increase profitability (ROA). On the other hand, NPFICG had a significance value of 0.001 was smaller than  $\alpha = 0.05$ . This condition gave meaning that Islamic Corporate Governance moderated significantly the effect of Non Performing Financing (NPF) to profitability (ROA). However, because the direct test of Non Performing Financing had a direction of non-negative effect according to the initial hypothesis, thus, H4 which stated that Islamic Corporate Governance moderated significantly the negative effect of Non-Performing Financing (NPF) on profitability (ROA) was rejected. The existence of Islamic Corporate Governance moderated the effect of NPF on profitability. Therefore, it showed that the higher

the NPF health value was supported by the higher Islamic Corporate Governance which could increase profitability (ROA).

FDRICG variable which was the interaction between Financing Deposit to Ratio and Islamic Corporate Governance (FDR \* ICG), had regression coefficient value equal to 0.162. This showed that Islamic Corporate Governance (ICG) as a moderating variable strengthened the positive effect of Financing Deposit to Ratio (FDR) on profitability (ROA), or in other words the higher Financing Deposit to Ratio (FDR), plus the higher Islamic Corporate Governance ICG) would further reduce profitability (ROA). On the other hand, FDRICG had a significance value of 0.004 smaller than  $\alpha = 0.05$ . This condition gave meaning that Islamic Corporate Governance moderated significantly the effect of Financing Deposit to Ratio (FDR) to profitability (ROA). This was in accordance with the direct test of Financing Deposit to Ratio (FDR) which had a positive influence direction according to the initial hypothesis. Therefore, H5 which stated that Islamic Corporate Governance moderated significantly the positive effect of Financing Deposit to Ratio (FDR) on profitability (ROA) was accepted. The optimal financing distributed (FDR) was an indicator of bank's financial health in good condition and the more qualified implementation of Islamic Corporate Governance would increase the Return on Asset so that the profitability of Islamic Banks also increased.

CARICG variable which was interaction between Capital Adequacy Ratio and Islamic Corporate Governance (CAR \* ICG), had regression coefficient value equal to 0.026 with significance value of 0.786 bigger than  $\alpha = 0.05$ . This condition meant that Islamic Corporate Governance did not moderate the effect of Capital Adequacy Ratio (CAR) on profitability (ROA). Thus, H6 which stated that Islamic Corporate Governance moderated significantly the effect of Capital Adequacy Ratio (CAR) on profitability (ROA) was rejected. The result of this study was not in accordance with the theory because Islamic banks that operating did not optimize the existing capital. This happened because the regulation of the Financial Services Authority which required a minimum CAR of 8% to be said healthy so that the Islamic banks were always trying to keep the CAR owned in accordance with the provisions set by the regulator.

The result of partial determination coefficient test for Non Performing Financing (NPF) variable was 0.420. The value was then squared and parsed into  $((0.420^2) \times 100\%) = 17.64\%$ . Thus, it could be concluded that partially Non Performing Financing affected equal to 17.64% on profitability (ROA). Variable of Financing Deposit to Ratio (FDR) had partial determination coefficient value equal to 0.383. The value was then squared and parsed into  $((0.383^2) \times 100\%) = 14.6689\%$ . So, it could be concluded that partially Financing Deposit to Ratio had an effect equal to 14.6689% on profitability (ROA). Variable of Capital Adequacy Ratio (CAR) had partial determination coefficient value equal to 0.002. The value was then squared and parsed into  $((0.002^2) \times 100\%) = 0.0004\%$ . Therefore, it could be concluded that partially Capital Adequacy Ratio had an effect of 0.0004% to profitability (ROA).

## CONCLUSIONS

This study is the first study using moderating variable in examining financial health to profitability (ROA). Therefore, the next researcher is suggested to develop this research model by using moderating variable and add another independent variable. In addition, it can be taken from the side / perception of the customer by using the primary data so as to add variations in research on the profitability (ROA) of Islamic banks. Further researcher is suggested to develop this research model using moderating variables and add other independent variables. In addition, it can be taken from the side / perception of the customer by using primary data so as to add variations in research on the profitability (ROA) of Islamic banks.

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