

Transparency and Performance of Islamic Banking the Implications for Profit Distribution (Empirical Study of Indonesia and Malaysia)

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ARTICLE INFO

Keywords: Transparency,
Performance, Profit
Distribution, Islamic Banking

Received : 15, January

Revised : 17, February

Accepted: 20, March

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ABSTRACT

The objective of this paper is to assess the effect of transparency and performance on the distribution of profits in Islamic banks in Indonesia and Malaysia. This study employed content analysis of published annual reports as well as multiple regression analysis. Samples were taken using the purposive sampling technique. The results of the analysis showed that both transparency and performance simultaneously have a positive effect on profit distribution, but partially only transparency has an effect on profit distribution. This could be due to the fact that in Indonesia and Malaysia, Islamic banks operate in a dual banking system where both conventional and Islamic banks coexist. These banks compete with each other for deposit shares.

INTRODUCTION

Islamic finance is one of the fastest growing segments of the global financial system with an estimated compound annual growth rate of 17% since 2009. The industry's continuous expansion resulted in Islamic finance reaching systemic significance in a number of countries in Asia, including Brunei, Bangladesh, and Malaysia; these are countries where Islamic finance has achieved at least 15% market share in the domestic banking sector. Countries that do not have a predominantly Muslim population are also beginning to open their doors to Islamic finance (Asian Development Bank, 2022).

Recent years have seen increases in the popularity of Islamic banking and finance (IBF) in both Muslim and non-Muslim countries. Islamic banks (IBs) differ from conventional banks as they have to conduct their operations consistent with Islamic (Sharia) principles. This study is motivated by the rapid global growth of IBF, which has affected world economic activities and wealth creation. IBF is viewed as an "ethical" alternative to conventional banking as it promotes financial inclusion, equitable risk sharing, social justice, and fair distribution of wealth (Gilani, 2015; Beese, 2008).

Islamic Banking in Malaysia, Bank Negara Malaysia reported that almost 60% of SMEs in Malaysia were not aware of the availability of sharia financing facilities. This also happens in countries with a Muslim majority such as Indonesia, Turkey, Egypt, Algeria and Tunisia. In the UAE, 27% of the sample population is not aware that Islamic banking products exist. In Indonesia, which has the largest Muslim population in the world, the level of Islamic financial literacy is also still low. OJK Sharia Banking Statistics Data for January 2021 in the last year also recorded sharia banking assets growing by approximately 14.2%. The total IDR 500 trillion grows to IDR 571 trillion in 2020. This growth gives hope because the previous year it only grew 7%. The market share until the end of 2020 is less than 10% of total banking assets, still in the range of 6%. Not only that, Islamic financial literacy is also still low, only 9.1% for Islamic inclusion.

Disclosure of information is a fundamental principle in the system of good governance in the company, namely transparency. With a good corporate governance, it is expected that disclosure of relevant information will increase and will decrease the information asymmetry, especially among agent and principal (Sihombing and Pangaribuan, 2007). The company's awareness of the importance of transparency in both Islamic and conventional banking will determine the achievement of discipline which can ultimately increase investor confidence. Islamic banking should be more aware on the importance of transparency in the banking sector.

Transparency can be one of the factors that affect profit sharing to or profit sharing account holders. On the other hand, performance is also an influence in the profit sharing. According to Lahrech et al., (2004) banking performance is estimated to have a strong correlation with profit sharing. Actually, in the case of Islamic bank performance, there is no room to manipulate profits. However, in the case of low bank performance, Islamic banks tend to estimate profit sharing to maintain their profit share as mudharib.

Mulyo and Mutmainah (2003) explain profit distribution is the bank's profit sharing sharia to depositors based on a fixed ratio agreed on a monthly basis. Profit distribution arranged based on the product of choice depositors against banks, as well as approval the ratio. Sharia management must pay close attention to the level of profit distribution through its management (profit distribution management). Profit Distribution Management can be interpreted as an activity carried out manager in managing profit distribution to meet the bank's profit sharing obligations sharia to its depositors. In Indonesia, Islamic bank managers make profit distribution management (PDM) which refers to conventional bank interest rates. This matter related to the type of depositor in Indonesia. Karim and Afif (2006) in Mulyo dan Mutmainah (2003) stated that in In Indonesia, there are three market segments, namely: sharia loyalist, floating segment and conventional loyalist.

In a research by Pratiwi (2013) which states that Cost to Income ratio (CI) have a positive effect on profit distribution. This is supported by research from Maulina (2013) which says that CI has a positive effect on profit distribution. Meanwhile, according to Muniroh (2014) CI has a negative influence on Financial Performance. And while according to research Africano & Mismiwati (2017) which says that CI negatively affect profit distribution management. In research Pratiwi (2013) which states that the CAR has a positive effect on profit distribution. This is also supported by research from Maulina (2013) which says that CAR has a positive effect on profit distribution.

In Islamic banks, the demand for the transparency of risk information is greater than in conventional banks. Other than being regulated by Shariah which requires Islamic bank operations in accordance with ethical rules, Islamic bank operations must also be consistent with financial practices and products in general (Mahdi & Abbes, 2018) and prohibit hiding information from stakeholders. In addition, transparency is very important for Islamic banks because Islamic banks operate using a profit-sharing system (Srairi, 2019). So that fund owners who place funds in Islamic banks using these contracts have a very large interest in the transparency of corporate risk (Ariffin et al., 2009). Investment Account Holders (IAHs) require more transparency in order to monitor their investment (Srairi, 2019). Islamic bank customers need in-depth information in order to be able to assess the use of funds by Islamic banks, the risks, and monitor the results to be obtained. The lack of information dan trust of investor to Islamic banks may lead to the withdrawal of funds and trigger IAHs to stop dealing with Islamic banks (Srairi, 2019).

Based on the 2020 Islamic Finance Development Report (2020 Islamic Finance Development Report) released by Refinitiv and the Islamic Corporation for the Development of the Private Sector (ICD), reporting the top five developed countries in relation to Islamic finance are Malaysia, Indonesia, Bahrain, UAE (United Arab Emirates), and Saudi Arabia. Indonesia and Malaysia are 2 countries in Southeast Asia which have a large market share for Islamic banks, so the researchers decided to make these two banks as research objects.

This study aims to see how the influence of the transparency and financial performance on profit distribution of Islamic banking. To achieve the above aim and deliver reliable result, the study focused on the following objectives:

- a. To determine the extent to which transparency affect profit distribution;
- b. To determine the extent to which financial performance affect profit distribution

The following research questions will guide the study

- a. To what extent does transparency affect profit distribution?
- b. To what extent does financial performance affect profit distribution?

LITERATURE REVIEW

a. Agency Theory

Jensen & Meckling, (1976) explained the agency relationship in the companies in agency theory. According to agency theory, the company is a collection of contracts (nexus of contract) between the owners of economic resources (principals) and managers (agents) who manage and control these resources. The principal delegates authority to the agent to manage the resources in line with the interests of the principals. In agency relationships, a problem called agency conflict occurs because of the asymmetry of information between these two parties. Generally, an agent has more information about the actual financial and operating position of the entity than the principal (Fama & Jensen, 1983). In addition, this theory comes from a conflict of interest due to differences in goals, where management (agent) does not always act in line with what the owner (principal) expects.

This agency conflict creates agency costs (Jensen & Meckling, 1976), one of which is in the form of supervision fees used to monitor whether the agent acted in the interests of the principal by accurately reporting activities done by the company. This disclosure must fulfill the information needs of stakeholders company risk so that stakeholders can get the information to assess the transparency of risk information in Islamic banks.

b. Profit Distribution

Profit distribution system on a daily product basis is a system in which profits of the partner-ship contracts including musharakah and mudarabah are calculated each day for distribution to the partners or depositors. Through this system, the profit is paid for each deposit based on the number of days it remains in the investment account. There is, therefore, a positive correlation between the profits earned and the duration of time that the fund stays in the account (Usmani, 2013).

c. Transparency

Generally, transparency refers to accountability as well as the legal and accounting infrastructure for economic decisions. The common property of all these financial instruments and operations is that they all have to conform to the norms of Sharia and Islamic ethics. Hence the norms of Sharia

and Islamic ethics must be understood correctly. The instruments, operations and products must be defined very clearly to be checked for the compliance of Sharia and Islamic ethics.

From operational perspective of a supervisory authority, transparency is characterized by an environment in which the information disclosed is; Comprehensive, Material, Reliable, Comparable, Relevant & Timely, and Accessible to all stakeholders and to the market at large (IFSB'TMD 2006). Transparency for Islamic financial institutions can be defined -additionally- as follow; reporting information on operational mpractices as reporting information on financial performance. The reliable information about the status of the agreed Islamic contracts, investments, or operations that are been practicing is another definition of transparency from another point of view of Islamic finance. Maximizing reporting of documents about transactions, activities and practicing contracts is included in the meaning of transparency. Another definition of transparency in Islamic finance is no difference between financial theories and operational practices, no hidden agendas, and the reliable information about the distributed profit by Islamic financial institutions, contracts, investments, and all financial activities for the clients and savers (Sekreter, 2011).

d. Performance

Sahajwalaand Bergh (2000) explained that Islamic banks ' performance is assessed on various elements such as adequacy of capital, assets growth, profitability and liquidity based on CAMEL's traditional framework published by the Federal Reserve bank U.S.A, which is applicable both for conventional and Islamic banks.

e. Capital Adequacy Ratio (CAR)

Khan and Merakhor (1987) stated the supposed value of deposits is not confirmed and will keep varying depending on the bank's actual output, any change in the Modaraba and Mosharaka agreements will also change the worth of publicdeposits. In this setting, Sundarajan and Errico (2002) claimed that banks' asset financing risks in all degrees can transfer to their investment deposit customers. According to JozsefVarga et al (2020),this component of CAMEL analysis is a major indicator of soundness for banks. The equity capital reflects the financial capability of a bank and allows cushion against the losses, if any. Moreover, according to Salina Rasli et al (2020) capital adequacy is measured on the bank's financial strength and capital position. This ratio is derived by calculating the total capital over total assets, which to discover the banks' ability and capacity to hold a reasonable level of losses from banks' operation.

This refers to bank's equity position where the capital net off revaluation surplus is capable to cover all losses and the long termresources of the bank resulting in a sufficientexcess for the ongoing operations and the future viable growth projects (Ebhodeghe, 2001). It is measured as bank capital (general reserves, capital, surplusincome, and income from the

current operations, excluding revaluation surplus, if any) with respect to risk weighted assets (Sarkar, 2006). As such this element is measured as:

$$\text{CAR} = (\text{Adjusted capital of the Bank} / \text{Total assets carrying Risk weights})$$

f. Net Earnings (ROA)

The study examines Islamic banking literature on Islamic funds and earlier studies that examined the association between the output quality of Islamic banks and the funds of their customers. Initially, Seddiqe (1981) considered banking on profit and loss sharing basis instead of paying and collecting interest on financial transactions. He replaced the concept of interest rate with the Islamic concept of profit and loss sharing (PLS) rate to comply with the principles of Islamic financial transactions. Under the PLS scheme, Seddiqe (1981), introduced that Islamic banks' assets and liabilities are correlated as the firms share profits or losses with the banks, converting profits or losses to the banks' customers. As per the research study by Jozsef Varga et al (2020), the most important element of CAMEL analysis is ROA, which shows how much earning one unit of investment gives. According to Salina Rasli et al (2020), earnings quality (EQ) is subjected to the effectiveness and efficiency of assets and liabilities management of an institution. The earnings performance' increase should attract stakeholders' confidence, such as depositors, investors, creditors, and the public.

Net Earnings can be measured in different ways due to a number of indicators of net earnings such as ROE, ROA, etc., while many researchers favor to apply profit on assets (ROA) because it covers optimum utilization of total assets to generate net profit. Rosely (2005) explained profit on assets as income less taxes divided by total assets. Therefore, it is measured as follows:

$$\text{ROA} = (\text{Net profit after tax} / \text{Total assets})$$

g. Liquidity

People having surplus funds over their spending, deposit their savings in the Islamic financial sector which in effect invests their funds in the businesses that are in need of such funds for their business operations. Since financial sector deals with concept of governing the flow of funds from the superfluous people to the deficit businesses, it is very simple to mention the essence of the Islamic economic system (Rosely, 2005). According to Jozsef Varga et al (2020), liquidity shows that how much the bank can fulfill its short-term liabilities using its current assets. To reach the continued solvency, banks need to create harmony in the assets and liabilities by date and maturity. As concluded by Salina Rasli et al (2020), bank's liquidity refers to cash reserves, securities, bank's ability to convert an asset into cash, and available bank lines of credit. To have adequate liquidity, it must meet one-year maturity period for all unsecured debt obligations.

This reflects a bank's capacity to pay off amounts due within one year and demand deposits. Alternatively, it is the capability of a bank to exchange its resources into cash without undue costs (Sunderajan & Erreco, 2002).

Meanwhile, Hasbi and Haruman (2011) used the ratio of total funding to total deposits to measure Islamic banks' liquidity status. As such it is measured as:

$$FDR = (\text{Total finances} / \text{Total demand and time deposits})$$

METHODOLOGY

This study contains the following equations to econometrically analyze the effect of transparency and performance on profit distribution:

General Equation:

$$Y_t = \alpha + \beta X_t + \varepsilon_t$$

Where Y is dependent variable and X_t is set of regressors.

This study estimates the following equation to find the relationship of Islamic banks' transparency and performance on profit distribution.

$$PD_t = \alpha + \beta_1 CAR_t + \beta_2 ROA_t + \beta_3 ROE_t + \beta_4 FDR_t + \beta_5 CI_t + \beta_6 TR_t + \varepsilon_t \dots \dots \dots (1)$$

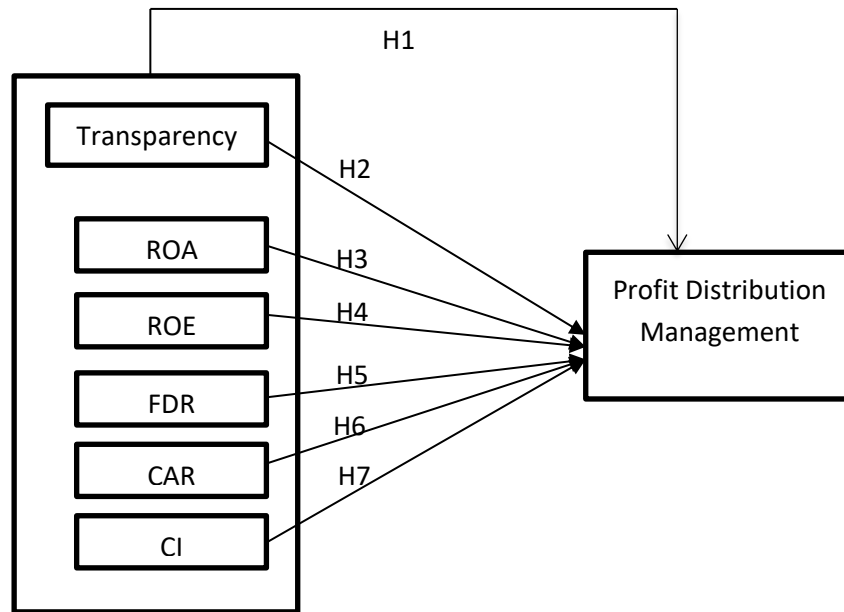
Where:

- PD = Profit Distribution
- CAR = Capital Adequacy Ratio
- ROA = Return on Asset
- ROE = Return on Equity
- CI = Cost to Income
- FDR = Financing to Deposit Ratio
- TR = Transparency Disclosure Index
- ε = Error Term
- t = Time Series

Based on previous literature review and research that has been described, the hypotheses can be as follow below:

- H1: Transparency & performance have a positive effect on profit distribution management
- H2: Transparency has a positive effect on profit distribution management
- H3: ROA has a positive effect on profit distribution management
- H4: ROE has a positive effect on profit distribution management
- H5: FDR has a positive effect on profit distribution management
- H6: CAR has a positive effect on profit distribution management
- H7: CI has a positive effect on profit distribution management

This following picture shows the research model,



Picture 1. Research Model

This research used annual report of Islamic banking in Indonesia and Malaysia which published on each Islamic bank's website. Score of transparency were calculating used index from Lachrech et.al (2004). Each item disclosed in the annual report is assigned a value of 1 (one) while items that are not disclosed are assigned a value of 0 (zero). The items disclosed are summed and divided by the total existing disclosure items so that an Islamic bank transparency index will be obtained. Funancial performance are measured using ROA, ROE, FDR, CI and CAR. Profit distribution are calculated using asset spread method.

Multiple ordinary least square regression are utilized to ascertain the factors affecting profit The subjects of this research are Islamic banks in Indonesia and Malaysia that publish annual reports from 2016 to 2020.

RESULT AND DISCUSSION

There are 10 Islamic banks in Indonesia and 5 Islamic banks in Malaysia that published annual reports and complete the report with information needed by researcher.

Table 1. List of Samples

Islamic Bank in Indonesia	Islamic Bank in Malaysia
BCA Syariah	Bank Islam Malaysia Berhad
BJB Syariah	Ambank (Islamic Bank)
Bank Mandiri Syariah	Bank Muamalat Malaysia
BNI Syariah	RHB Islamic Bank Berhad
Bank Panin Dubai Syariah	Hong Leong Islamic Bank
BRI Syariah	
Bank Bukopin Syariah	
Bank Victoria Syariah	
Bank Mega Syariah	
Bank Muamalat Syariah	

Source : Data Results (2022)

Descriptive Statistics

Table 2. Descriptive Statistics

	Score	ROA	ROE	FDR	CAR	C/I	PDM
Mean	17	0,49	3,27	86,48	18,18	81,97	-0,003
Maximum	19	2,63	17,12	196,73	38,30	217,40	2,261
Minimum	14	-10,70	-94,10	63,94	10,30	27,00	-11,312

Source : Data Results (2022)

The transparency score in Islamic banks in Indonesia and Malaysia has an average value of 17, a maximum value of 19 and a minimum of 14. The ROA variable has an average value of 0.49, with a maximum value of 2.63 and a minimum of -10.70. The ROE variable has an average value of 3.27 with a maximum value of 17.12 and a minimum value of -94.10. The FDR value has an average value of 86.48 with a maximum value of 196.73 and a minimum value of 63.94. The CAR value has an average value of 18.18 with a maximum value of 38.30 and a minimum value of 10.30. This can be said if the ratio of capital in both Islamic banking this is good, which according to Bank Indonesia the CAR safe limit is 8%. The C/I value has an average of 89.97 and a maximum value of 217.40 while the minimum value is 27.00. The PDM value has an average of -0.003 with a maximum value of 2.261 and a minimum value of -11.312.

The objective of this study is to ascertain the factors that are associated with variation in the extent to which depositor profit distributions management. Table 2 provides the result of normality test. Based on Table 2 obtained from Kolmogorov-Smirnov Z of 0,065 and Asymp. Sig. of 0,200 bigger than 0.05 , it can be concluded normal distributed data.

Table 3. Test of Kolmogorov-Smirnov Normality

	Unstandardized Residual
Kolmoogorov-Smirnov Z	0,065
Asymp.Sig (2-tailed)	0,200

Source : SPSS Data Results (2022)

In the next table, there is result of multicollinearity test, a good regression model should not occur correlation between variables (no multicollinearity).

Table 4. Test of Multicollinearity

Model	Tolerance	VIF
ROA	0,184	5,442
ROE	0,151	6,605
FDR	0,943	1,061
CAR	0,743	1,347
CI	0,317	3,152
Score	0,870	1,149

Source : SPSS Data Results (2022)

Based on Table 4, value of tolerance bigger than 0,10 and value of VIF are smaller than 10,0 so it can be concluded that this research data free from multicollinearity. In the next table, we detection heteroskedastisity.

Table 5. Test of Heteroskedastisity

Model	Sig
(Constant)	0,070
ROA	0,074
ROE	0,525
FDR	0,079
CAR	0,054
CI	0,450
Score	0,742

Based on Table 5, value of Sig of every model are bigger than 0,05 so it can be concluded that there is no Heteroskedastisity.

Table 6. Test of Autocorrelation

Model	Durbin Watson
1	1.793

Source : SPSS Data Results (2022)

Based on Table 6, value of Durbin Watson is 1,793 this value between dU and 4-dU concluded free from autocorrelation.

Table 7. Coefficient of Determination

Model	Adjusted R Square
1	0,693

Source : SPSS Data Results (2022)

The amount of adjusted R square is 0,693 means that 69,3% of PDM is influenced by score of transparency and financial performance, while 30,7% other causes beyond this model.

The statistical F test, indicates whether all independent or independent variables included in this model have an effect on the dependent variable. If value of sig smaller than 0,05 or F count bigeer than F table, it can be concluded that independent variables have an effect on dependent variable.

Table 8. Test of F (Simultaneous)

F	Sig
3,206	0.000 ^b

Source : SPSS Data Results (2022)

Value of F in F table for n=75 and k=7 is 2,222 and the value of F statistics is 3,206 bigger than F table, value of sig is 0.000 it is smaller than 0,05 so it can be concluded that independent variables have significant effect on dependent variable.

Table 9. Test of t

Model	T	Sig
(Constant)	3,923	0,000
ROA	2,359	0,000
ROE	0,940	0,351
FDR	-0,869	0,388
CAR	-0,914	0,364
CI	0,590	0,557
Transparency	2,143	0,036

Source : SPSS Data Results (2022)

Table 9 shows that partially the are two variable which have effect on profit distribution management as dependent variable. They are ROA with value of t is 2,359 and value of sig is 0,000 which is smaller than 0,05, other is score of transparency with the value of t is 2,143 and sig is 0,036. ROA has a positive effect on PDM. ROA is one of the ratio used to measure company's effectiveness in generating profits by utilizing its total assets. Greater ROA shows that company have a greater financial performance. Return On Assets (ROA) focuses the company's ability to earn earnings in the company's operations by utilizing its assets. ROA is important for sharia banking because ROA is used to measure the company's effectiveness in generating profit by

utilizing its assets. The lower (smaller) ratio is getting less good and vice versa, meaning that this ratio is used to measure the effectiveness of the overall operation of the company. This is similar to Pratiwi's research (2013) which states that ROA has a positive effect on profit distribution.

Transparency has a positive effect on profit distribution management (asset spread), this is in accordance with the understanding that Islamic bank that disclose more optimal information content, will have more responsibility in demonstrating efforts to optimize customer welfare by showing the higher value of profit distribution as measured by the asset spread.

The results showed that ROE, FDR, CAR, and CI partially has no effect on profit distribution management. Assessment of the performance of sharia banks as intermediary institutions, can use the Financing to Deposit Ratio (FDR), which is the ratio between financing disbursed by banks with third party funds collected by banks and bank capital. CI or cost to income ratio with higher the ratio will be the worse the performance of the bank, because the cost is greater than the revenue generated. These results explain that the average cost derived from the operational performance of Islamic banks is very high compared with the revenue generated. If the costs incurred high for the results obtained will be relatively small, so the manager will automatically not be motivated to do high PDM, because it will be difficult to cover the possibility of risks that will arise. So it can be concluded that CI has no effect on PDM. This research is consistent with Kusuma (2013) and Imawan (2014) research which states that CI has no significant effect on PDM. However, the results of this study are not consistent with research conducted by Rizaludin (2013) which states that CI has a significant effect on PDM.

The results show that CAR has no effect on profit distribution management. Capital adequacy describes the ability of banks to maintain capital to cover the risk of losses that may arise from the placement of funds in risky productive assets, as well as for financing in fixed assets and investments. Capital adequacy ratio (CAR) can be used to measure capital adequacy in sharia banks (Muhammad, 2005). The greater this ratio, the health of the bank is said to improve. This is because the capital owned by banks is able to cover the risk of losses arising from the placement of funds in productive assets that contain risks, and can be used to finance the planting in fixed assets and investment. CAR (Capital Adequacy Ratio) is used to determine the performance of financial statements. In general, CAR (Capital Adequacy Ratio) is one important factor in the development of business and accommodate the risk of loss, the higher the CAR, the stronger the bank's ability to bear the risk of any risky credit / earning assets. If the high CAR value (according to the BI 8%) means that the bank is able to finance the bank's operations, the circumstances favoring the bank will contribute substantially to profitability (Mudrajad Kuncoro and Suhardjono, 2002: 573).

From this results, four of five financial performance indicators shows there is no effect on profit distribution management. It could be caused by the large majority of Indonesia and Malaysia Islamic banks operate are characterised by a dual banking system where both conventional and Islamic

banks co-exist. These banks compete with each other for deposit shares. Islamic banks have a definitive comparative advantage when considering the Shari'ah Loyalist segment of the market. However, the other two markets, the Conventional Loyalists (those who park their deposits in interestbearing accounts) and Floating segments, are sensitive to price and features to varying degrees. For these market segments, Islamic banks would face competition with other Islamic banks and even conventional banks, particularly if they are competing on solely price terms (Farook, 2014).

Consequently, Islamic banks will be pressured to match the interest rates provided by such banks in a bid to gain market share. However, the extent to which this pressure is applied and the extent to which Islamic banks yield to this pressure by managing profit distributions will be dependent on the level of concentration within the market, with Islamic banks retaining a significant share of a concentrated market having less need to manage distributions to depositors. Hence, an inverse relationship is predicted between the level of bank concentration in a particular country and the level of profit distribution management by Islamic banks.

CONCLUSION AND RECOMMENDATION

This study was an attempt to understand how transparency and performance effect on profit distribution management on Islamic banking. The most significant factors associated with profit distribution management (Asset Spread) were transparency and ROA. While ROE, CAR, FDR, and CI have no effect on profit distribution management. Transparency effect on profit distribution management, this is in accordance with the understanding that Islamic bank that disclose more optimal information content, will have more responsibility in demonstrating efforts to optimize customer welfare by showing the higher value of profit distribution as measured by the asset spread. Financial performance shows that only ROA which has effect on distribution management, it could be caused by the large majority of Indonesia and Malaysia Islamic banks operate are characterised by a dual banking system where both conventional and Islamic banks co-exist. These banks compete with each other for deposit shares.

These results have potential policy implications for regulators of Islamic banks and financial institutions, who may want to develop an indigenous Islamic financial system, independent of the influence of benchmark deposit rates.

Recommendation Based on the results, the researchers recommend expanding the studies by taking other financial ratios and testing their relationship with the banking sector index, in order to have a comprehensive understanding of the ability of all ratios to predict the index. In addition, the study recommends to conducting the comparisons between Islamic banks in Indonesia, Malaysia, and Gulf Cooperation Council.

ADVANCED RESEARCH

One of the most important limitations faces this study is the number of Annual Report Islamic banks in Malaysia. The banking sector in Malaysia consists of sixteen banks, but there are only five Islamic banks, which was publish annual report with complete information needed by this research. Several financial statements of Islamic banks in Malaysia that could not be obtained completely in the year of research, so it is hoped that subsequent research can expand the scope of research objects, especially in countries with a large market share of Islamic banks, such as Middle Eastern countries.

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