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INSTITUTE OF ISLAMIC BANKING AND FINANCE
IIUM - MALAYSIA

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The Role of Zakah and Islamic Financial Institution into Poverty Alleviation and Economics Security

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ANGELS: ISLAMIC BANK OF HEALTH

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Abstract

Bank is an intermediary institutions that play a role in the economy in order to grow and develop. Observing a bank can be done in fundamental, technical and other alternatives continues to grow, which is very useful observations to determine whether a bank is healthy or not. This is necessary, because it is through the banks can be collected funds from the public in various forms of deposits. Furthermore, the funds collected from the banks can be channeled back in the form of loans. Related to that, the banks should always improve its financial performance from year to year so that the public trust in general and investors in particular will increase. The increase in financial performance of banks reflects a healthy bank. Therefore, this study was conducted to determine the soundness of Islamic banks using ratio analysis ANGELS. This study uses the entire company in the Islamic banking Islamic Banks (BUS) 2011-2013 a total of 11 Islamic banks with a total of 3 years are 33 Islamic banks. The analytical tool used in this research is multiple linear regression analysis using SPSS version 21. The results showed that the overall ratio of ANGELS is able to measure the health of banks. Now these customers do not just look at the return they will get, but more than that they see the social side and the mandate given by Islamic Banks namely justice, honesty, optimum service, transparency and partnership. These conditions encourage Islamic Banks registered in Bank Indonesia has the financial performance in the ranking of 2. That is, the Commercial Bank's financial performance continues to increase from year to year.

Keywords:
ANGELS, the health of banks, Islamic banking, syariah bank unum, multiple linear regression.

INTRODUCTION

Economic and financial conditions globally and nationally in general experienced a slowdown in 2013 compared to the previous period, but the performance and development of national Islamic banking and finance in general still have considerable growth positive. It is seen, one of the performance of Islamic banking, which in general is still recorded growth of business and financial performance are quite positive, seen from the growth of Islamic banking assets reached 24.2% and higher than the growth of national banking.

Slowing growth as part of the rebalancing process and continuing impact on the economic slowdown and the financial crisis are still felt and consolidation process that requires focus and a more adequate investment. However, the potential development of Islamic banking and finance in the future is still bright, though still faced with many challenges such as capital, human resources, business process, innovation and contract / contract products as well as education and understanding of a sustainable society.

Throughout the year 2013 the resilience of the financial system, particularly banks was maintained even though its performance slightly decreases with slowing economic growth. National credit expansion reached 21.4% (yoy) or slightly slowed from the year 2012 of 23.1%. Due to the impact of rising inflation and policy implementation Loan to value (LTV) on consumer credit. Necessarily so, intermediation is still positive performance is reflected in the increasing contribution of credit to productive sectors, while the growth of bank deposits recorded declines of 15.8% in 2012 to 13.6% in 2013. On the other hand, the resilience of the national banking capital is still quite adequate , even if credit expansion that occurs is still quite high. This is indicated by the average Capital Adequate Ratio (CAR) increased from the previous 17.3% to 18.4% (the Islamic financial year progress report 2013_OJK).

One indicator of the resilience of the economy in the Islamic banking system is owned by the soundness of the bank. A healthy bank is a bank that can perform its functions properly. A healthy bank is a bank that can preserve and maintain public confidence, can perform the intermediation function, can help smooth traffic and the payment can be used by the government in implementing various policies, especially monetary policy. By running these functions are expected to provide good service to the community as well as beneficial for the economy as a whole.

Health in Islamic banks can be measured using ANGELS analysis. ANGELS analysis is used to analyze and evaluate the financial performance of Islamic banks in Indonesia are regulated in Bank Indonesia Regulation Number 9/1 / PBI / 2007 concerning the Rating System for Commercial Banks based on Sharia principles.

DEVELOPMENT HYPOTHESIS

Soundness of a bank become one of the benchmarks the performance of the company. ANGELS is a standard that became the object of inspection carried out by the Islamic bank bank supervisors. ANGELS consists of six criteria, namely the trust management, non-economic wealth, give out, earnings, capital, assets, liquidity and sensitivity to market, and socio-economic wealth. The development of Islamic banking industry, especially syariah products and services are increasingly complex and diverse will increase the exposure risks faced by banks. Changes in the bank's risk exposure and risk management will affect the

bank's risk profile which in turn resulted in the overall condition of the bank. Therefore, Islamic banking companies need to constantly assess its financial performance. This is so that the company can always going concern and is always healthy. Well, what if the financial performance of Islamic banks use a ANGELS analysis that its operation is governed by the Regulation of Bank Indonesia Regulation Number 9/1 / PBI / 2007.

RESEARCH METHODS

Populationand Sample

Population and sample in this study are all companies listed on Islamic Banks (BUS) 2011-2013 which 11 Islamic banks, bringing the total for three years are 33 Islamic banks.

Operational definition and measurement of variables
table 1

No.	Variable definitions	Definition of Operasional	Measurement
1.	Amanah *Management*	Amanah displayed in the form: a. openness, b. honesty, c. optimal service d. ihsan (benevolence) in all respects. e. Tabliq, while providing an example to encourage other parties to implement the provisions of Islamic teachings in daily life	measured by using a nominal scale
2.	*Non Economic Wealth*	a. Ethics, morality and values that contain concrete norms that guide human life and grip in all life. b. ethics as a critical and rational reflection, meaning that it can be accounted	measured using dummy variables. Worth 1 if the Islamic banks have Shariah ethic and vice versa
3	*Give Out*	is defined as a financial institution / bank operations and products are developed based on the Quran and the Hadith of the Prophet Muhammad which provide results in the form of profit sharing.	Measured using dummy variables. Worth 1 if the Islamic banks do for the outcome and vice versa

4	*Earnings, capital and assets*	a. Earnings, using the ratio of NOM (Net Operating Margin) which describes the net operating income in order to know the ability of average earning assets in generating profits.	$$NOM = \frac{\text{Net Operating Income}}{\text{average earning assets}}$$ Rating 1 = NOM > 3% Rating 2 = 2% < NOM ≤ 3% Rating 3 = 1,5% < NOM ≤ 2% Rating 4 = 1% < NOM ≤ 1,5% Rating 5 = NOM ≤ 1%
		b. Capital, using CAR (capital adequate ratio) to measure the capital adequacy of banks to absorb losses and the fulfillment of the provisions of the capital adequacy in accordance with Bank Indonesia regulations.	$$CAR = \frac{\text{Capital Bank}}{\text{Total Risk Weighted Assets}}$$ Rating 1 = CAR ≥ 12% Rating 2 = 9% ≤ CAR < 12% Rating 3 = 8% ≤ CAR < 9% Rating 4 = 6% < CAR < 8% Rating 5 = CAR ≤ 6%
		c. Assets quality, using KAP (quality of earning assets) to determine the level of possibility of receipt of returned funds have been invested in an investment or financing is. Revenue .	$$KAP = \frac{\text{Earnings assets}}{\text{total assets}}$$ Rating 1 = KAP > 0,99 Rating 2 = 0,96 < KAP ≤ 0,99 Rating 3 = 0,93 < KAP ≤ 0,96 Rating 4 = 0,90 < KAP ≤ 0,93 Rating 5 = KAP ≤ 0,90
5	*Liquidity and sensitivity to market*	measure the bank's ability to maintain and meet the requirements of adequate liquidity and adequacy of liquidity risk management	$$STM = \frac{\text{short-term assets}}{\text{Short-term liabilities}}$$ Rating 1 = STM > 25% Rating 2 = 20% < STM ≤ 25% Rating 3 = 15% < STM ≤ 20% Rating 4 = 10% < STM ≤ 15% Rating 5 = STM ≤ 10%

6	*Socio-economic wealth*	a. Justice, which share the profits on the basis of real sales and the corresponding contribution of each party risk	Measured using a nominal scale.
		b. Partnership, which means that the position of investor clients (depositors), and users of funds, as well as the financial institutions themselves, parallel to each other as business partners who work together to make a profit	
		c. Transparency, Islamic financial institutions will provide financial reports in an open and continuous so that customers can know the condition of fund investors	
		d. Universal, which means that no distinction of race, religion, race, and class in society in accordance with the principles of Islam as rahmatan lil Alamin	

Source: Triyuwono2006andRegulation ofBank Indonesia Regulation Number9/1/PBI/2007

Method of collecting data

Data wascollectedby meansof documentation. Documentation techniquesisdata collection techniqueswith aview orrecord datafromsourcedata obtained(Ghozali, 2013). Documentationthrougha varietyof booksandjournalsthat supportthisresearch, as well asspreadingthe questionnairetothe banksin order to obtainvaliddataassociatedwithANGELS.

DataAnalysis Methods

Data analysis methodusedis multiple linear regressionwithregression modelasfollows:
$$Y = + \beta_1 X_1 + \beta_1 X_2 + \beta_1 X_3 + \beta_1 X_4 + \beta_1 X_5 + \beta_1 X_6 + e$$
Description:
Y=Financial Performance
α= Constant

X1=Amanahmanagement
X2=Noneconomicswealth
X3=Giveout
X4=Earnings, capital, andassets
X5=Liquidityandsensitivityto market
X6=Socio-economicwealth
$\beta 1$=CoefficientRegression

RESEARCH RESULT

Processed multiple linear regression showed the following results:

$$Y = 0.208 + 0,596A + 0,805N - 0,120G + 0,783E - 0,163L + 1,56S + e$$

The test results of regression models obtained significance value of 0.000. Then sig F (0,000) $<\alpha$ (0.05), it can be concluded that together variable ANGELS positive effect to improve the financial performance of Islamic banks. Thus the regression model is good.

The coefficient of determination shown by the adjusted R-square value is equal to 0.536. It can be interpreted that the ability ANGELS variables in explaining the independent variables (financial performance) amounted to 53.60%, while the rest is explained by other variables that are not observed in this study.

DISCUSSION

Amanah management
Overall results of test variable management mandate that includes openness, honesty, optimum service, charity, and tabliq significant positive effect on the financial performance t value of 0.596 with sig = 0.000 <0.05. This indicates that the variable management mandate has been applied to the Islamic Banks. Openness, honesty, service, charity and tabliq is something that is highly sought after and highly anticipated by both the general public as well as by potential investors. This management mandate to make customers feel comfortable in the transaction in Islamic Banks. This study according to Antonio (2001) and Triyuwono (2006).

Non economics wealth
The test results namely variable non economics wealth ethical values showed a positive and significant effect on the financial performance of Islamic Banks, the t value of 0.805 with sig = 0.001 <0.05. That is, people in financial transactions not only look from the returns they get, but they also look at the ethics inherent in the Bank. This is because, ethical values are a reflection of morality that contains values and norms that guide and a concrete grip of human life in all of life, so as to be accountable to God. This study according to Antonio (2001) and Triyuwono (2006).

Give out
Variables give out has a negative and significant impact on financial performance at Commercial Bank, visible from t value of -0.120 with sig = 0.000 <0.05. Give out on these variables, Commercial Bank returns to its customers in the form of profit sharing as agreed by both parties. But in reality, the concept for this result is not the reason customers choose to

transact in Islamic Banks, there are other reasons more than for the results. This study according to Antonio (2001) and Triyuwono (2006).

Earnings, capital, and assets
Based on t test obtained coefficient Earnings influence, capital, and asset against ROA is 0.783 with sig = 0.000 <0.05. It was shown that the variable Earnings (using Net Operating Margin_NOM) and capital (using a Capital Adequacy Ratio_CAR) positive and significant impact on the financial performance on Islamic Banks. Conversely, assets (using the Assets Quality _KAP) but not significant positive effect on financial performance in the Islamic Banks.

Increased distribution of funding to customers making bank into increased revenue. The amount of NOM suggests that reduced operating income for the fund operating costs reduced the result is greater than the average earning assets, resulting in increased revenue for the average yield on earning assets managed by the bank, then the possibility of a bank in error is getting smaller. This research was supported by Vishnu (2005), Yuliani (2007), Kartika and Indriastuti (2008), Sabir and Habbe (2012) on the contrary are not supported by Indriastuti and Ghofar (2013), Bestari and Abdul (2013).

The fulfillment of minimum capital of 8% has been made by all Islamic banks in accordance with the Regulation of Bank Indonesia Regulation Number 9/1 / PBI / 2007. This shows that over the last three years the quality of the CAR in Islamic banks have been very good, because the percentage figure is far above or exceeded as determined by Bank Indonesia of 8%. Under the provisions of Bank Indonesia, the healthy banks should have a CAR of at least 8%, so the probability of experiencing the condition of troubled banks is getting smaller. This research was supported by Hayat (2008), Kartika and Indriastuti (2008), Indriastuti and Ghofar (2013), and otherwise not supported by Vishnu (2005), Yuliani (2007), Sabir and Habbe (2012), Bestari and Abdul (2013).

The placement of asset quality management shows the ability of banks to manage problem loans granted by banks. KAP reflect the credit risk, the smaller the firm, the smaller the risk borne by the banks, but if the condition KAP a high bank will increase its productive asset allowance which can lead to potentially insolvent banks. Average - KAP average from 2011 to 2013 amounted to 4.04, indicating Islamic banks have met the maximum limit of 5% of KAP in accordance with the criteria KAP value allowed by Bank Indonesia. This research was supported by Yuliani (2007), Kartika and Indriastuti (2008), Sabir and Habbe (2012) and is not supported by Indriastuti and Ghofar (2013), Bestari and Abdul (2013).

Liquidity and sensitivity to market
Based on t test coefficient obtained STM variable influence on the financial performance is - 0.163 with a significance level (sig) = 0.001 <0.05. This shows that the ratio of STM have significant negative effects on financial performance. STM will affect the profitability of banks in the chance of getting interest from loans, so the larger the loans will increase the income of the bank, but the value is too high STM will disrupt the bank's liquidity. Average - average ratio of STM from 2011 to 2013 amounted to 41.36%, this shows that LDR is still in a healthy condition. Bank Indonesia requires STM ratio of 25% as the reference condition healthy banks Regulation of Bank Indonesia Regulation Number 9/1 / PBI / 2007. The finance portfolio to prospective clients is done with due regard to the principle of 5C comprising namely Character (character), Capacity (repayment ability), Collateral

(collateral), Capital (capital), and Condition (circumstances). This research was supported by Adi Stiawan (2009), Hutasuhut (2009) and is not supported by the Goddess (2010).

Socio economic wealth
The test results socio economics wealth variables showed positive and significant impact on the financial performance of Islamic Banks, the t value of 1.56 with sig = 0.000 <0.05. That is, people in financial transactions hope for justice, transparency, partnership, and universally applicable to all customers both small customers and large customers. This study according to Antonio (2001) and Triyuwono (2006).

CONCLUSION
The development of Commercial Bank's financial performance in 2011-2013 is quite good. This is because the sophistication of bank customers who are not only seen in terms of their returns (in this case is the result). But the more customers see how they get optimal service and be treated fairly without any distinction between small customers and large customers. There was also a lack of transparency on the part of Islamic Banks on the management and use of funds from customers, so that Islamic Banks can mempertanggungjawabakan any mandate that has been entrusted by the customer to God. Impact, Islamic Banks that have a financial performance continues to increase from year to year into the category of Bank Healthy. It is seen that the majority of Islamic Banks registered in Bank Indonesia financial performance ranks 2. This study was limited in that the sample data collection 11 companies listed on the Islamic banking Islamic Banks (BUS), so as to further research to increase the sample data of the company, eg sharia business unit.

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