Effect Of Operational Cost And Operational Revenue On Return On Asset Of SHARIA BANKING: Case Study On Sharia Business Division Of PT.Bank Sumut

Siti Mujiatun, Siska Handayani

Abstract: The purpose of this study is to determine the effect of Operational Costs And Operating Income Against Return On Assets (ROA) on the Division of Sharia Enterprises PT. Bank Sumut. This type of research is quantitative with SPSS Statistics data processing version 20. The data taken is secondary data, ie reports from the financial statements of PT. Bank Sumut period 2012-2016. The method of analysis used is simple linear regression analysis. Result of research indicate that Operational Cost And Operating Income have negative effect to Return On Asset (ROA). This means that the higher Operational Costs and Operating Income reflects the increasing lack of ability of the Bank in reducing operational costs and increase operating income. As a result, will decrease the profit generated Bank, and will eventually lower the Return On Assets (ROA).

Index Terms: Operational Costs And Operating Income, Return On Assets (ROA), and Sharia Divisions.

1 INTRODUCTION

Bank is one institution that has a very important role in encouraging economic growth of a country. Even the growth of Banks in a country is used as a measure of the country's economic growth. In the modern world, almost all business sectors desperately need the Bank as a partner in conducting financial transactions (Ismail:. 2013. p.2). The presence of sharia banking has proven to be a considerable acceptance in Indonesia. Moreover, the use of profit sharing scheme applied by sharia banking clearly shows the closeness of sharia Bank operating relationship with real sector (Imronudin and Annisa Ayu Ningrum;2017:p. 979). Given the magnitude of the Bank's influence on the economy of a country does not mean that the Bank has no constraints or problems. One of the problems facing banks is the Bank's performance problems (Riski Agustiningum;2013). Performance appraisal for management is an assessment of achievement. The measure of achievement can be seen from profitability. Banks need to maintain high profitability, emerging business prospects, distribute dividends well, and fulfill prudential Banking regulation requirements well, in order to perform well (Sri Wahyuni dan Kasbal;2012). The most appropriate indicator to measure the performance of a Bank is profitability (Sofiyan Baasir;2013). According to Karya and Rakhman, the Return On Assets (ROA) rate is used to measure the profitability of the Bank, as Bank Indonesia (currently the authority of the Financial Services Authority / OJK) as the supervisor and supervisor of banking is preferred.

- *Siti Mujiatun, Faculty of Economic, University of Muhammadiyah Sumatera Utara, Email: Sitimujiatun@gmail.com*
- *Siska Handayani, Faculty of Economic, University of Muhammadiyah Sumatera Utara.*

The profitability value of a Bank is measured from an asset whose funds come from the majority of public savings funds. The greater the Return On Assets (ROA) of a Bank, the greater the level of profit achieved by the Bank and the better the Bank's position in terms of asset use. ROA focuses the company's ability to earn earnings in the company's operations by utilizing its assets. So in this study ROA is used as a measure of banking performance. The Bank's main operational objective is to achieve maximum profitability. ROA is important for the Bank because ROA is used to measure the company's effectiveness in generating profits by utilizing its assets (Lukman Dendawijaya; 2009.) According to Yogi, an efficient bank is one that is able to reduce operating costs to obtain high profits and avoid the condition of problem banks (Dewi Septia Pratiwi,2010-2014) . OPERATIONAL COSTS AND OPERATING INCOME (OCOI) ratio shows the efficiency of banks in managing their funds to be distributed to debtors. The operational income of sharia banking comes from financing channeled to customers. In its operation, syariah banking of course requires a considerable operational cost. The proportion of operational costs to operating income indicates the extent of the efficiency of sharia banking operations. The ability of sharia banks to suppress the OPERATIONAL COSTS AND OPERATING INCOME (OCOI) ratio, the more efficient the banking operations will ultimately increase profitability. Conversely, The greater the ratio of OPERATIONAL COSTS AND OPERATING INCOME (OCOI), the greater the proportion of operational costs relative to operating income. This condition reflects the ineffectiveness of sharia banking operations. Inefficient banking management results in lower banking profits. Thus there is an opposite relationship between OPERATIONAL COSTS AND OPERATING INCOME (OCOI) and the profitability of sharia banking. The bigger the OPERATIONAL COSTS AND OPERATING INCOME (OCOI), the smaller the profitability and the smaller the OPERATIONAL COSTS AND OPERATING INCOME (OCOI) the greater the profitability of the banking (Imronudin and Annisa Ayu Ningrum; 2017:p. 982.). Factors affecting ROA include cash turnover ratio, receivable turnover ratio and inventory turnover ratio (http://www.kajianpustaka.com/2017/08/return-on-assets-roa.html).The Development of Sharia Business Division PT.

Bank Sumutin 2015 experienced negative growth, where the volume of sharia business decreased. Followed by changes in the impact of the decline in financial ratios that cause the level of efficiency of performance and productivity of the Bank decreased, so it takes special attention in the problems that occur in each financial ratios. But all of them are not just happening, Bank Sumut managed to print the highest net profit of more than half a century operating with a value of Rp584, 5 billion in 2016 which was approved in the Annual General Meeting of Shareholders (AGM) and Extraordinary GMS at the central building Bank of North Sumatra. Can be seen in the table below the development of OPERATIONAL COSTS AND OPERATING INCOME (OCOI) and ROA on the Division of Sharia Business PT. Bank of North Sumatra in the last 5 years such as in Table 1. (https://tengkudirkhansyah.wordpress.com/2015/06/03/mencermati-laporan-keuangan-publikasi-bank-sumut-3/)

Table 1. *Financial Data of PT BANK SUMUT Last 5 Years*

Financial Ratios	2012	2013	2014	2015	2016
Return On Assets (ROA)	2,99	3,37	2,60	2,31	2,74
Operational Costs And Operating Income	77,76	74,22	80,30	82,16	79,54

Source: *Annual Report Book Year 2016*

OCOI and ROA can be seen in the last 5 years at PT.Bank Sumut, namely ROA at the beginning of 2012 at 2.99%, growing in 2013 to 3.37%. But ROA declines in 2014 by 2.60%. Up to 2015 ROA of 2.31% indicates the Bank's ability to generate profits decreases further. In 2016 ROA of 2.74%, began to grow slowly from the previous year. While the initial OCOI in 2012 amounted to 77.76%, decreased in 2013 to 74.22%. OCOI in 2014 reached 80.30% indicates that the level of efficiency and productivity of the Bank decreased. Continued in 2015, OCOI of 82.16%. However, in 2016 OCOI successfully decreased to 79.54%. The Bank's productivity performance began to improve and began to shrink OCOI. spending and raise ROA.Based on the description above, the research on the effect of Operational Costs and Operating Income (OCOI) on Return On Assets (ROA) of Sharia Banking at the Division of Sharia Business PT.Bank Sumut interesting to do.

2 Previous Research

Ghozali (2007) conducted research on the variables that affect the profitability of Banks in Bank Syariah Mandiri in 2004-2007 by using CAR (Capital Adequacy Ratio), FDR (Financing to Deposit Ratio), OCOI (Operational Cost and Operating Income) and NPL (Non performing Loan) as independent variable and profitability as dependent variable. The analysis used is multiple linear analysis. The result of the research is CAR and NPL have negative and significant effect. While the FDR and OCOI variables are positively and significantly related to the profitability of the Bank in Bankan Syariah Mandiri in 2004-2007 (Central Library, State Islamic University Maulana Ibrahim Malik: p.12) Pandu Mahardian (2008) conducted a study aimed at analyzing the effect of Capital Adequacy Ratio (CAR), OCOI, Non Performing Loan (NPL), Net Interest Margin (NIM), and Loan to Deposit Ratio (LDR) to Return On Assets (ROA) . Tests of the study were conducted using multiple linear regression. The result of his research stated that CAR have positive significant effect to ROA, OCOI have significant negative effect to ROA, NIM have positive significant effect to ROA, and LDR have positive significant effect to ROA. While the NPL has no influence on ROA (Diana Puspitasari : p.39) Prastiyaningtyas (2010) entitled "Factors Influencing Banking Profitability (Study on Public Banks Go Public Listed in Indonesia Stock Exchange Year 2005-2008)" gives the results of Variable CAR, NIM, and Credit Share have a significant positive impact on the profitability of the Bank. Variable NPL, OCOI have a significant negative effect to profitability of Bank. The LDR variable has positive and insignificant effect on bank profitability.

Hypothesis in this research are:
H0: There is no significant effect of Operating Income Operating Cost (OCOI) on Return On Assets (ROA) on Division of Sharia Business PT Bank Sumut
Ha: There is a significant influence Operational Income Operating Cost (OCOI) to Return On Assets (ROA) on Division of Sharia Business PT Bank Sumut.

3 Research Methodology

1. Research Approach

The research approach used is quantitative research. Quantitative research is a research whose data is in the form of numbers ranging from data collection, interpretation of the data, and the appearance of the results (Sugiyono; 2014.p.8)

2. Operational Definition of Variables

In this study, as for the variables are as follows:
Operating Cost and Operating Income (OCOI) (X)
OCOI is the ratio used to measure the level of efficiency and ability of sharia bank in conducting its operational activities. OCOI becomes the independent variable (X), something that causes the change of value on the dependent variable (Azwar; 2014,p.22). Mathematically OCOI can be formulated as follows:

$$\text{OCOI} = \frac{\text{Operating Cost}}{\text{Operating Income}} \times 100\%$$

Return On Assets (ROA) (Y)
Return on Assets (ROA) is a ratio that shows the Bank's management capability in generating profits from the management of assets owned. The greater the ROA of a Bank, the greater the level of profit achieved by the Bank, and the better the Bank's position in terms of asset use (Titin Hartini;2016). ROA becomes the dependent variable (Y), the variable that is influenced, bound, dependent by another variable, that is the independent variable (Azwar; 2014,p.22). ROA is formulated as follows:

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

3. Description of Research Variables

In this chapter the researcher analyzed secondary data in the form of financial report of Sharia Division of PT.Bank Sumut period 2012-2015 which become object of research. Data processing using SPSS Statistics version 20. The results of data processing in the form of information to determine operational costs and operating income on return on assets.

4 RESULTS AND DISCUSSION

1. Normality Test

The normality test aims to test whether in the regression model the dependent variable and the independent variable both have a normal distribution or not. A good regression model is to have normal or near-normal data distribution. Normal distribution is the theoretical distribution of continuous random variables. The curve that describes the normal distribution is a symmetric normal curve. To test whether the research sample is a type of normal distribution then used Kolmogorov-Smirnov Goodness of Fit Test testing Against each variable. If the probability is> 0.05 then the data is normally distributed. Conversely, if the probability <0.05 then the data is not normally distributed (Ghozali, Imam;2011) . The explanation of the data normality test graphically histogram that compares the observation data with the distribution that detects normal distribution as figure IV.1. following (Ghozali, Imam,2009,p.147).

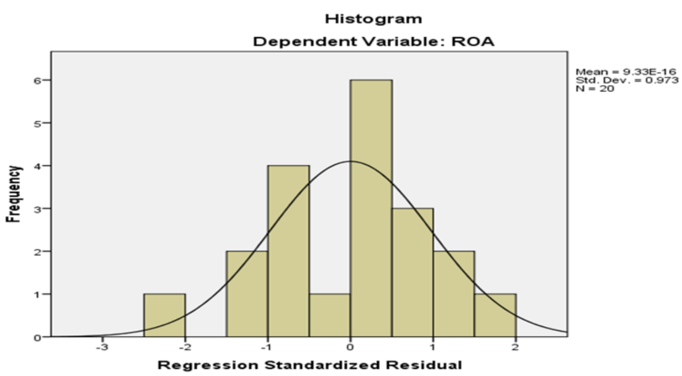

Figure 1.*OCOI Histogram Charts Against ROA*

Looking at the histogram graphic display, it can be concluded that the histogram graph provides a normal distribution pattern because the data approaches the direction line of the histogram line. On the other hand, a reliable method is to look at the normal probability plot, as shown in Figure 2 below:

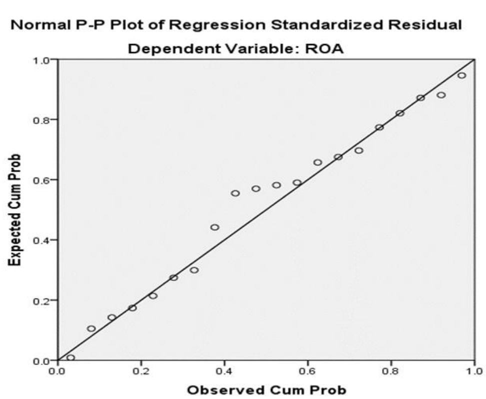

Figure 2 *normal probability plot*

Normal OCOI Plot Charts Against ROA

On a normal graph the plot looks dots scattered around the diagonal line, as well as the peyebaranya following the direction of the diagonal line. This graph shows that the regression model is worthy of use because of the assumption of normality (Ghozali, Imam,2009,p.112).

1. Test t

The t test is used to show how far the influence of individual explanatory or independent variables in explaining the variation of the dependent variable and is used to determine whether there is influence of each independent variable individually to the dependent variable tested at the 0.05 significance level (Ghozali, Imam,2009,p.98) The hypothesis is formulated as follows in Table 2 by (Dewi Septia Pratiwi, p.10). a) H0: bi = 0, meaning there is no significant influence of the dependent variable on the independent variable.

2.Result

Table 2. *Hypothesis formulated Result t Coefficients[a]*

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.177	.764		8.082	.000
	OCOI	-.065	.010	-.828	-6.257	.000

a. Dependent Variable: ROA

Based on table IV.3. it can be seen that the influence of OCOI on Profitability (ROA) can be seen from the direction of sign and significance level.OCOI has a regression value of -0.065 which shows the negative direction to profitability (ROA) and OCOI variable significant effect on profitability (ROA) because it has significant value <0, 05 ie 0,000. Based on the tcount table -6.257 and t table 2.101 (t table seen from table t, with alpha 0,05 and degree of freedom (df) = nk, where (n = amount of data and k = number of independent and bounded variables)) = 18. Then it can be explained -6,257 <2,101 then H0 is rejected and H1 is accepted means significant regression coefficient Answering from the hypothesis that has been described before, the result of OCOI variable has a negative and significant effect on ROA (Titin Hartini, 2016,p.30)

3. Coefficient of Determination Test (R2)

The coefficient of determination (R2) essentially measures how far the model's ability in explaining the variation of the dependent variable (not free). The coefficient of determination is between zero (0) and one (1). The small value of R2 means the ability of independent variables to explain the finite dependent variable. A value close to one means the independent variables provide all the information needed to predict the dependent variable (Priest, MultiVariate.2011).

Table 3.*Coefficient Determination Test Results (R2)*

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.828[a]	.685	.668	1.14586	.685	39.150	1

a. Predictors: (Constant), OCOI
b. Dependent Variable: ROA

The result of determination coefficient test show the correlation coefficient (R) and coefficient of determination (R Square). R square explains how big the variation of Y caused by X, from the calculation results obtained R2sebesar value 0.685x 100% = 68.5%. This means that 68.5% profitability level (ROA) is influenced by the independent variable OCOI. While the rest (100% - 68.5% = 31.5%) is influenced by other factors outside the model. So it can be concluded that profitability (ROA) is less able to be explained by the independent variable used in the model (OCOI) and has a strong correlation (Titin Hartini, 2016. p.29).

4. Model Test

Linear regression is a linear regression model whose dependent variable is a linear function of the independent variable. Regression analysis is used to know the strength of the relationship between ROA (dependent variable) with OCOI as variable that influence (independent variable) with equation:

$$ROA = a - b1\ OCOI + e$$

Information :
ROA= Return On Asset
a= Constants
b1 = Regression coefficient independent variable
OCOI = Operating Cost and Operating Income
e = error term.

Table 4. *Model Test Result (Simple Linear Regression)*

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.177	.764		8.082	.000
	OCOI	-.065	.010	-.828	-6.257	.000

a. Dependent Variable: ROA

In the table of coefficients that are interpreted are the values in column B, the first line shows the constants (a) and the next bar shows the constant of the independent variable. Based on the above table can be composed linear regression equation as follows:

ROA=a-b1 OCOI+e
= 6,177 -0,065OCOI + e

The above equation can mean that:
a. The constant is worth 6,177. This means that if the OCOI variable is ignored, the ROA value is 61.77%.
b. The value of regression coefficient is -0.065. This means that if OCOI increases 1%, it will decrease ROA value by 6.5%.

5 Discussion

Based on the result of research stated Operational Cost and Operating Income (OCOI) have negative effect to Return on asset. The negative value shown by OCOI is that the opposite relationship between OCOI and the profitability of sharia banking. Thus, the lower the OCOI means the more efficient the Bank is in controlling its operational costs, with the efficiency of costs, the Bank's profits will be greater and higher OCOI reflects the Bank's lack of ability to reduce operational costs and increase its operating income will result in a lack of profit generated by the Bank which in turn will lower ROA. The results obtained regression coefficient of -0.065 which shows the negative direction so that OCOI affect the ROA and significant value of 0.000 means less than 0.05. Because the level of significance is less than 0.05 and tcount (-6.257) <table (2.101) then in this case the effect of OCOI on ROA significant

6 Conclusion

Based on the results of research and discussion on the Division of Sharia Business PT.Bank Sumut can be concluded that:

1. Operational Cost and Operating Income (OCOI) have a negative and significant effect on profitability Return on asset (ROA) by obtaining regression coefficient of -0.065 and significant value of 0,000 with t-count (-6,257) <ttabel (2,101);
2. The higher Operational Costs and Operating Income (OCOI) reflects the Bank's lack of ability to reduce operating costs and increase its operating income will result in a lack of profit generated by the Bank that will ultimately decrease Return on Assets (ROA).

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