

Jurnal Indo-Islamika

Volume 13, No. 1, January-June 2023, (24-33)

Office : Graduate School Syarif Hidayatullah State Islamic University (UIN) Jakarta

Website OJS : journal.uinjkt.ac.id/index.php/indo-islamika

E-mail: indoislamika@uinjkt.ac.id

P-ISSN: 2088-9445 | E-ISSN: 2723-1135

Leveling and Worship in Islamic Banking to Increase the Value

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ABSTRACT

Article:

Accepted: June 30, 2023

Revised: May 12, 2023

Issued: June 30, 2023

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DOI: [10.15408/jii.v13i1.29317](https://doi.org/10.15408/jii.v13i1.29317)

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This study aims to analyze the level of reflexivity towards the merger activities of Islamic banks in Indonesia. The case studies that are the object of this study are 3 Islamic banks that have just merged. The data used in this study is secondary data sourced from financial reports issued by each Islamic bank or financial services authority. The measurement of this level of reflexivity uses bank performance values and Islamic values. This study aims to investigate the effect of various variables using multiple linear regression. The findings suggest that Hahslm has a reflective effect on both financial performance and worship. Additionally, it is suggested that the application of good prayer in Hahslm's activities contributes to the observed changes in these variables when comparing the results before and after to further analyze the results and understand the relationships between the variables, it would be helpful to know the specific independent variables included in the regression analysis. These independent variables could be factors related to Hahslm's operations, management practices, or any other relevant variables that might influence financial performance and worship. The use of multiple linear regression allows for the examination of the simultaneous impact of multiple independent variables on the dependent variables. By analyzing the regression coefficients, it is possible to determine the strength and direction of the relationships between the variables. This study will also look at the effect of variables using multiple linear regression.

Keywords; Hahslm Theory, Financial Ratio, and Islamic Bank Mergers

Introduction

The banking industry is quickly evolving due to the growth of Islamic finance. What once started as an infant branch of the banking world, Islamic Banking now stands as a firm alternative model within financial intermediation institutions and has been welcomed internationally in only 25 short years (Deniz, 2023). It's considered one of the most successful industries, outstripping its competition with incredible speed (Adam, 2014).

The progression of the Islamic banking segment in Indonesia is plain to see by analyzing some fiscal measures and metrics related with sharia-compliant lenders (Hayat et al., 2013). One instance would be a combining transaction undertaken lately between three major entities which generated increased numbers concerning Assets, Third Party Funds (DPK) and Distribution associated to loans within that field. This symbiosis has made it possible for an even more noticeable growth ahead (Kahveci, 2018).

Table 1. Banking Performance Position (Rp Billion as of June 2020)

Bank name	Asset	TPF	Financing
Bank Mandiri Syariah	114,400	101.782	75,611
BNI Syariah Bank	50,765	43,644	31,630
BRI Syariah Bank	49,580	38,598	37,431

Source: Bank and OJK Financial Report

Regarding the development and growth of the Islamic banking industry, banks in a country are very important because they play a role in the economic growth of a country (Pratami et al., 2022). The function of the bank as an intermediary institution that mobilizes funds from those who have excess funds to those who lack funds in the form of financing, this can encourage other sectors as a result of the productiveness of funds managed by banks (Altan, 2014). In fact, almost all economic activities always require banking services such as the need for international and local transactions, circulating money, and places to make investments. With this, the function of banking becomes wider and more necessary for a country as well as society, thus making the banking industry 'fertile' in society (Albderi, 2023).

As a nation with the largest Muslim inhabitants in the world, Indonesia should take a pioneering role when it comes to cultivating Islamic finance. The country has both responsibility and potential to progress this area of banking sector and must make use of them for successful outcomes (Thoi'in, 2019). The utilization of Islamic banking became more evident when Bank Syariah Indonesia (BSI) was formed by merging three previously established Shariah compliant banks namely BRI Syariah, BNI Syariah and Mandiri Syariah (Ibidunn, 2015). The impact of the SOE Islamic bank merger in terms of business is expected to be more efficient and competitive, expand business diversification, have the capacity to finance large projects and improve financial performance (Sultoni & Mardiana, 2021).

In early 2020, Indonesia was surprised to discover its first patient infected with the novel coronavirus.. Covid-19 not only causes shocks to the health crisis, but also shocks all sectors of the economy (Bidari, Simangunsong, & Siska, 2020). The collapse

of the economy is closely related to the collapse of other life orders, and the economy is at the center of the entire life order of all mankind. For in this aspect also the basic needs of human life are regulated, especially in the matter. Ensuring the integrity of livelihood, stomach and home life in all public spaces. (Kurniawan, Judge, & Olivia, 2020). The impact of the COVID-19 pandemic has also been seen in Islamic banks, especially due to disruptions in bank intermediation, causing concerns about funding and deposits at certain banks such as Sharia Mandiri Bank, Mega Sharia Bank and Sharia Bukopin Bank. is occurring Bank of Victoria Shariah and BJB Shariah (Mardhiyaturositaningsih & Mahfudz, 2020).

In our ever-complex world, economic efficiency has become essential to managing the increasingly intricate problems that face us daily. Traditional analytical methods, however have yet to find a way for data analysis to intersect with religion--remaining firmly entrenched in its more secular approach and linear thinking patterns; up until now without this overlap no holistic solutions can be achieved which encompass both science and spiritual worship together (Long et al., 2022). Recognising spirituality as an inherent part of human experience becomes thusly crucial when pursuing studies into economical conduct on any level. Instructions regarding worship given by Allah SWT come from the Kauliyah verse, namely the Al-Qur'an and As-Sunnah and the Kauniyah verse, namely the universe. This is in accordance with Adz Dzariyat: 56 which means:

“And I did not create the jinn and mankind except for worship”.

Based on the background above, the writer is interested in researching relation to worship with economic activities, with the title “**Leveling And Worship In Islamic Banking To Increase The Value**”.

Method

This analysis looks into the progress of Islamic banking in Indonesia when it comes to mergers and acquisitions to gain insight into this, data was obtained from relevant financial reports from banks or government agencies. By analyzing such records, an assessment could be made as to what extent merger activities had grown among these establishments. This study also looks at the effect of this level of reflexivity using Multiple Linear Regression and Islamic Values method (Quraishi et al., 2022).

Multiple regression is an analytics model involving more than a single explanatory variable. It can also be referred to as multivariable analysis, which uses two or more distinct predictors in its formulation. This analytical approach allows the user to assess the relationship between numerous independent variables and one dependent outcome at once - yielding valuable insights about influential components of prediction models used for forecasting outcomes over time.

Multiple refers to when multiple aspects are discussed together. Multiple Linear Regression is a statistical methodology that studies correlations between the dependent variable, which measures on an interval or ratio data scale, and several independent variables similarly measured through these scales. Furthermore, linear regression can use non-quantitative measures such as categorical attributes described by nominal or ordinal data known as 'dummy' variables too - this technique is called Dummy Variable Linear Regression then. According to (Narimawati, 2008) Multiple linear regression analysis examines the relationship between multiple independent variables and a single

dependent variable measured using interval scales. This type of analysis explores how changes in two or more variables may be associated to shifts in the value of the dependent variable.

In this research, multiple linear regression analysis seeks to investigate how profoundly the financial performance of the 3 bank amalgamations affect its weight. By bringing together two or more independent variables (X_1 and X_2) between a dependent variable (Y), this model gauges what happens to the depending factor should there be changes made in these respective indicators (Wulff et al., 2023). Thus, it serves as an essential technique for prognostication purposes.

Discussion

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.093	.021		4.462	.000		
	Income	.004	.006	.396	.614	.544	.055	18.053
	Burden	.002	.007	.224	.348	.731	.055	18.053

a. Dependent Variable: Weight_Salat

Multiple Linear Regression analysis has been performed on two research variables: income and load. We found that the importance of prayer was slightly influenced by both factors, with a variable income impact of 0.4% and a variable income impact of only 0.2%. Based on these results, when the company wants to increase its revenue in the coming period, the company must also increase the worship or religiosity side of the company. This is actually a way to balance the needs of the world and the hereafter as taught by religious doctrine to achieve a holistic balance.

Figure 1. Average Income and Growth of Sample Companies for the Period Q1-2018 to Q2-2020

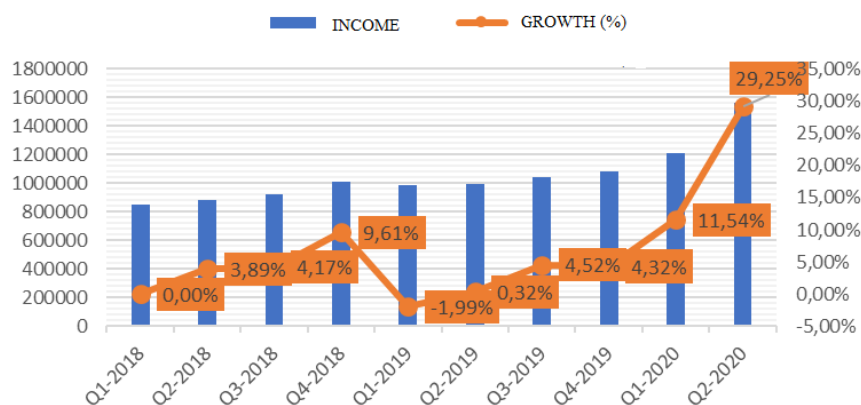
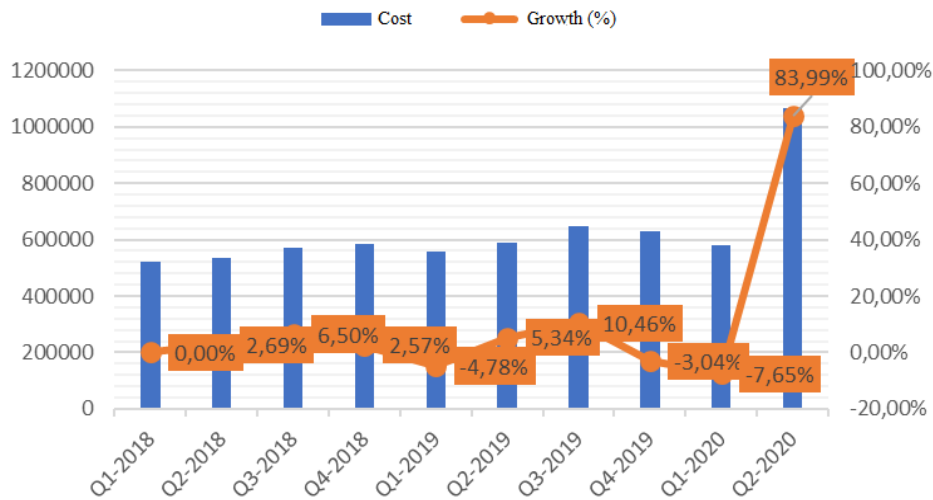


Figure 2. Average Expenses and Growth of Sample Companies for the Period Q1-2018 to Q2-2020



Revenue and expenses are two elements in a company that are side by side. When income increases, the actual expenses incurred by the company will also increase. Expenses can also be said as a fuel used to increase the company's income. In order to keep up their economic standing, corporations need to find methods of boosting revenues while at the same time reducing costs. This allows them to maintain success in spite of fluctuations and competition from other companies within the sector. Consequently, it is vital for businesses that they are able to strike a balance between income and expenditure so as to ensure stability both presently and long-term.

From the two graphs above, it can be seen that the income and expenses in a company fluctuate which varies in each period. Both always go hand in hand in each period as a form or performance indicator in a company. In the Q1-2019 period, there was a decrease in revenue by 1.99%. This decline was followed by a 4.78% decline in spending. A decrease in revenue indicates a decline in the amount of money generated from the company's business activities during that period. When expenses decrease by 4.78% following the decrease in revenue, it suggests that the company took measures to control its costs and reduce its overall expenses. This could involve cost-cutting strategies, efficiency improvements, or other initiatives aimed at managing and optimizing the company's expenditures. The best average performance of the research sample occurred in the Q2-2020 period, when income increased by 29.25% as well as expenses which recorded an increase of 83.99%.

As explained earlier, achieving a holistic balance is a must that must be taken by a company. Increasing the performance of a company will actually have an impact on the religiosity of a company. This can be proven by the test results using the Multiple Linear Regression method which shows that simultaneously or together, income and expenses can have a significant effect on the religiosity of a company. This can be explained through the table below:

Table 1. Research Variable Simultaneous Test ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	2	.000	8,239	.002b
	Residual	.001	27	.000		
	Total	.001	29			

- a. Dependent Variable: Weight_Salat
- b. Predictors: (Constant), Expenses, Revenue

Source: Secondary Data, processed with SPSS V.25

The significance value of 0.002 indicates that the probability that the relationship between the two research variables that affect company religiosity occurs by chance is very low. Usually, a significance level of 0.05 (or 5%) is generally used as a threshold for determining statistical significance. With a significance value of 0.002 which is less than 0.05, it indicates a statistically significant relationship between the variables analyzed. In this case it means that together the two research variables have a significant influence on the religiosity of a company. When written in the form of a mathematical equation, the above equation is as follows:

$$\text{Prayer_weight} = 0.093 + 0.004 \text{ Income} + 0.002 \text{ Expenses} + e$$

If we assume that the average movement of income and expenses is as shown in Figures 1 and 2 above, it can be predicted that the weight of the prayer in the sample companies will be:

$$\text{Prayer_weight} = 0.093 + 0.004 \text{ Income} + 0.002 \text{ Expenses} + e$$

$$\text{Prayer_weight} = 0.093 + 0.004 (7.29\%) + 0.002 (10.68\%) + e$$

$$\text{Prayer_weight} = 0.093 + 0.004 (7.29\%) + 0.002 (10.68\%) + e$$

$$\text{Prayer_weight} = 0.093 + 0.029\% + 0.021\% + e$$

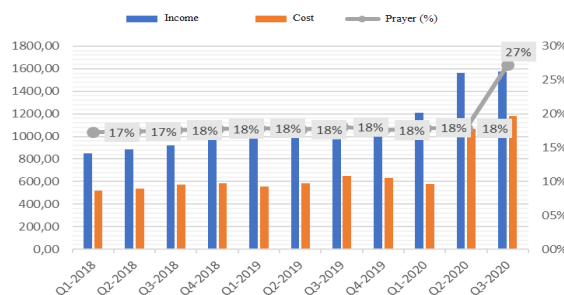
$$\text{Prayer_weight} = 0.093 + 0.029\% + 0.021\% + e$$

$$\text{Prayer_weight} = 9.351\%$$

So it can be concluded that, with an increase in average income of 7.29% and expenses of 10.68%, it will affect the increase in prayer weights of 9.351% which is predicted to occur in the Q3-2020 period. This again confirms that the true financial performance of a company will also affect the company's reliability.

With this, the relationship between income, expenses, and weight of prayer can be described in the form of the graph below:

Figure 3. Relationship between Income, Expenses, and Weight of Prayer



Analysis

Furthermore, to prove the effect of the merger of the three sample companies on prayer reflectivity, it can actually be analyzed in a simple way. Merger is a corporate action taken to combine several companies into one with the aim of forming a new, better company. The effect of the merger on the reflectivity of prayer can be explained through the following table:

Table 2. Revenue Beta Coefficient Value after Merger

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.147	.179		.821	.435		
	Income	.026	.012	.604	2.144	.064	1,000	1,000

a. Dependent Variable: Weight_Salat

Source: Secondary Data, processed with SPSS V.25

From the table shows the results of a multiple linear regression analysis, where one of the independent variables is income, and the dependent variable is the weight of prayer. The beta coefficient value for the income variable is given as 0.026. In the context of regression analysis, the beta coefficient represents the change in the dependent variable (in this case, the weight of prayer) associated with a one-unit change in the independent variable (income), while holding other variables constant. This value is certainly much greater than the value of the beta coefficient before the merger. At the time before the merger, the value of the beta coefficient of the income variable was only 0.4%. Therefore, it can be concluded that the existence of this merger has a positive effect on the income variable because with this merger, the influence of the income variable on religiosity becomes even greater. To see the effect of income on prayer reflectivity before and after the merger, it can be explained in the table below:

Table 3. Effect of Income Variables Before and After the Merger

Variable	Beta Coefficient		Prayer Weight		Reflexivity		
	before	After	before	After	before	After	Merger Effect?
Income	0.40%	2.60%	17.71%	53.12%	0.07%	1.38%	Positive

Table 4. Load Beta Coefficient Value after Merger

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.306	.167		1,831	.104		
	Burden	.016	.012	.429	1.345	.216	1,000	1,000

Source: Secondary Data, processed with SPSS V.25

a. Dependent Variable: Weight_Salat

According to the data in the table, it is evident that an increase of 1% in load results into an upsurge of approximately 1.6% in prayer weight which can be seen through its Beta coefficient value - 0.016; a much larger figure than previously witnessed before merging with other organizations. At the time before the merger, the beta coefficient of the load variable was only 0.2%. The effects of the fusion can be seen as advantageous with respect to how much impact the load factor has on religiosity. This occurrence enlarges and magnifies its influence over people's spiritual lives, providing further proof that it does make a difference. To see the effect of the load on the reflectivity of prayer before and after the merger, it can be explained in the table below:

Table 5. Effect of Variable Load before and after Merger

Variable	Beta Coefficient		Prayer Weight		Reflexivity		
	before	After	before	After	before	After	Merger Effect?
Burden	0.20%	1.60%	17.71%	53.12%	0.04%	0.85%	Positive

Conclusion

Based on the research findings and data analysis, it is concluded that Hahslm has reflectivity on both financial performance and worship. This conclusion is based on a comparison of the results before and after, indicating that the application of good prayer in Hahslm's activities has led to positive changes in these aspects. The research suggests that the practice of good prayer in Hahslm's activities has had a beneficial impact on its financial performance, potentially leading to improvements in revenue, profitability, or other financial indicators. Additionally, the application of prayer has also influenced the aspect of worship, possibly indicating a stronger connection to Islamic values and practices within the organization.

Maintaining and further increasing the Islamic values reflected through prayer is seen as desirable and beneficial. By continuing to prioritize and emphasize these values, Hahslm can foster a stronger sense of religious commitment and adherence, potentially leading to continued positive effects on both financial performance and worship. It's important to note that these conclusions are based on the specific research and data

mentioned, and the extent of the impact may vary depending on various factors and contexts. Nonetheless, the findings suggest a positive relationship between the application of good prayer, the reflectivity on financial performance and worship, and the potential for increased Islamic values within Hahslm.

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