

Islamic Bank Profitability: Financing Micro and Small Segment, Promotion, Financing Quality, Labor Aspects (Indonesia Cases)

Lucky Nugroho¹, Federica Miglietta², Erik Nugraha³, Socharjoto⁴

1 Universitas Mercu Buana, Jakarta, Indonesia.

Correspondence Author: lucky.nugroho@mercubuana.ac.id

2 Università degli Studi di Bari Aldo Moro, Italy

3 Universitas Sangga Buana YPKP, Bandung, Indonesia

4 Universitas Trisakti, Jakarta, Indonesia

Abstract - This study aims to analyze the effect of financing distribution (FDR), lending to micro and small business segments (MSF), promotion cost ratio (PCR), loan quality (NPF), and employee productivity ratio (LCR) on the profitability ratio of Islamic banks (Return on Assets-ROA). The method used in this study is a quantitative method using multiple regression models. The data used is secondary data from Islamic banks published during the 2012-2018 period. Furthermore, the number of samples from this study amounted to 42 samples of Islamic commercial banks. The results of this study are that the distribution of financing (FDR) has a positive and significant effect on the performance of Islamic banks (ROA), and the distribution of financing to the micro and small business segment has a positive and significant effect on the performance of Islamic banks (ROA). In addition, promotional activities and employee productivity also have a positive and significant impact on the performance of Islamic banks (ROA). At the same time, the quality of financing has a negative and significant influence on the performance of Islamic banks (ROA). The research implications are to provide information related to Islamic bank performance research regarding promotion effectiveness and employee productivity.

Keywords - Islamic Bank, Financing, Micro and Small Financing Segment, Promotion, Financing Quality, Productivity.

JEL classification: G02, G14, G21

I. INTRODUCTION

Islamic banking services in Indonesia have existed since 1992 when Bank Muamalat was the first Indonesian Islamic bank was established. Therefore, Islamic banks in Indonesia have served the Indonesian people for 29 years and should improve the Indonesian people's welfare. This follows the objectives of Islamic banks, namely, creating the social well-being of humanity [1], [2]. However, the current phenomenon is that the performance of Islamic banks still has challenges, as indicated by the market share for 29 years that has not been able to reach 10%. Figure 1. below is the achievement of Islamic bank market shares in the last four years:

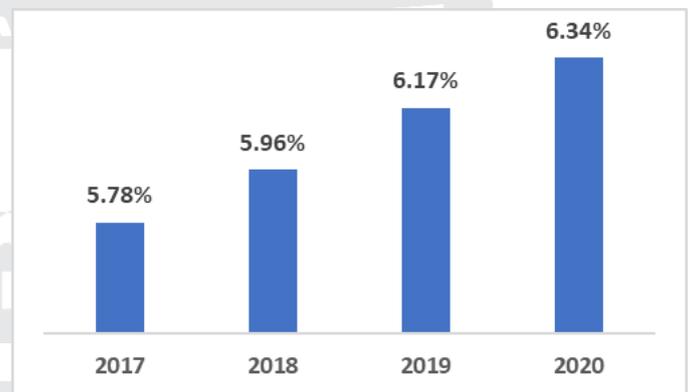


Figure 1. Development of Islamic Bank Market Share for the 2017-2020 Period

Source: [3]

Based on Figure 1 above, the growth of the Islamic banking market share is 6.34%. Therefore, if Islamic banks have existed for 29 years, the market share growth per year grows by 0.22%. This condition is contrary to the market potential of Indonesia as the country with the most significant number of Muslims in the world [4]. In addition, the government has a plan to make Indonesia the center of the Islamic economy and finance in the world. Therefore, the government should have a program to increase the market share of Islamic banks to increase the number of people using the products and services of Islamic banks [5].

Furthermore, compared to other countries, the performance of Islamic banks in Indonesia still needs to be improved. This phenomenon is shown in Figure 2 below:

Figure 2. Return on Assets (ROA) of Indonesian Islamic Banks and Islamic Banks in Middle Eastern Countries

Source: [6]

Referring to Figure 2 above, Islamic banks in Indonesia have the lowest Return on Assets (ROA) level compared to 10 other countries in the Middle East. Thus, the performance and profitability of Islamic banks in Indonesia still need to be improved. Based on the phenomenon of low ROA in the Indonesian Islamic banking industry, Islamic banks' contribution to improving people's welfare in Indonesia is still not optimal [7].

Furthermore, to improve the performance of Islamic banks, it is necessary to optimize product sales from Islamic banks. The main product of Islamic banks that directly increases revenue is the distribution of financing. Financing in Islamic banks is the distribution of loans with Shariah contracts consisting of buying and selling contracts (*murabahah*, *istishna*, *salam*) and cooperation contracts (*mudharabah* and *musharakah*), and rental contracts (*ijarah*) [8].

If the distribution of financing increases, it has the potential to increase income from Islamic banks. The type of income from Islamic bank financing depends on the financing contracts distributed by Islamic banks. Income from Islamic banks can be margin, *ujroh* (fee), or profit-sharing ratio [9]. In addition to optimizing the distribution of financing to improve performance, Islamic banks also need to improve performance by focusing on business segments, namely the distribution of financing to the micro and small business sectors. Dusuki (2007) and Arafah & Nugroho (2016) [10], [11] state that Islamic banks as banks that carry out their business activities based on sharia principles, must concern micro and small entrepreneurs. The majority of economic actors in Indonesia are micro and small entrepreneurs. So, focusing on channeling financing to the micro and small business sectors will impact helping to increase their business sales turnover [12]. The increase in business turnover from micro and small business actors will have implications for increasing their welfare [13], [14].

In addition to the low market share of Islamic banks, the Islamic financial literacy of the Indonesian people was also low in 2019. Islamic financial literacy only reached 11.10%. Furthermore, 11.10% Islamic financial literacy achievement shows that in the Indonesian population who understood

Islamic financial products in 2019, only 11.1% understood Islamic financial products. Meanwhile, the financial literacy of the Indonesian people has reached 38%, so there is a significant gap between Islamic financial literacy and financial literacy. Therefore, the low Islamic financial literacy has implications for the low number of people using financial products and services from Islamic banks [15], [16]. Therefore, to increase users of Islamic financial products and services, promotions are needed in the form of socialization and other forms of dissemination to provide information and education to the public regarding the products and services of Islamic banks [17].

Islamic bank's business performance determines its sustainability. The better the Islamic bank's business in distributing its funding with good qualities, the more the potential for the sustainability of the Islamic bank [6], [18], [18]–[20]. The sustainability of Islamic banks is highly dependent on the trust of Islamic bank stakeholders. The quality of the funding has to demonstrate the trust of stakeholders. If the distribution of Islamic bank financing is of quality, then the risks faced by the Islamic bank will be more measurable [21], [22]. Conversely, suppose the quality of Islamic bank financing distribution is low. In that case, the Islamic bank will be exposed to enormous risks in the future, so there is the potential to cause losses for the Islamic bank.

On the other hand, employee productivity must be increased as well. The higher the productivity of the workers, the higher the income of the Islamic bank. Employee creativity and innovation in making products and services that suit the needs and desires of the community. Thus, more and more people will use the products and services of Islamic banks, which will have implications for the increase in income of these Islamic banks [23]. Thus, based on the phenomena mentioned above, the problem statements in this study include:

- Does the distribution of financing affect (Financing to Deposit Ratio-FDR) the Return on Assets (ROA)?;
- Does the portion of micro and small business sector financing (Micro and Small Segment Financing-MSF) affect ROA?;
- Does the promotion (Promotion Cost Ratio-PCR) of Islamic banks affect ROA?;
- Does the quality of Islamic bank financing (Non-Performing Financing-NPF) affect ROA?;
- Does the productivity of Islamic bank employees (Labor Cost Ratio-LCR) affect ROA?.

Based on the problem statements, this study aims to analyze the factors that can affect the improvement of the performance of Islamic banks. The urgency of this research is to help the government identify the factors that can improve the government's performance to make Indonesia a center of world Islamic finance and economy. In addition, Islamic banks, as the locomotive of a country's economy, should have quality human resources. The productivity of human resources indicates this through innovation and creativity in developing products and services that are of interest to the public. Furthermore, the novelty of this study is that the analysis of profitability in terms

of business, productivity, promotion, and financing quality aspects have not been carried out by previous researchers. Therefore, the implications of this research will provide new information related to research topics in the field of performance of Islamic banks and give insight to the government to improve the performance of Islamic banks through the determinants factors included in this research.

II. LITERATURE REVIEW

Furthermore, the theoretical basis used in this study is the Tawhid String Relationship (TSR) which is a reference to the importance of performance for Islamic banks based on the Qur'an as a source of Islamic law. The explanation of the Qur'an related to the vital role of performance and profit is as follows:

- Performance is closely related to one's deeds as stated in the Qur'an Surah At Tawbah verse 105: And say, "Do [as you will], for Allah will see your deeds, and [so will] His Messenger and the believers. And you will be returned to the Knower of the unseen and the witnessed, and He will inform you of what you used to do."
- Performance in the Qur'an is also related to a person's good measure based on his deeds and deeds listed in the Qur'an Surah Al-Mulk verse 2: "[He] who created death and life to test you [as to] which of you is best in deed - and He is the Exalted in Might, the Forgiving."
- Furthermore, performance in Islam, as well as good practice, will have an impact on the safety of life in the world and as a provision for life in the hereafter, which is stated in the Qur'an Surah An-Nahl verse 97: "Whoever does righteousness, whether male or female, while he is a believer - We will surely cause him to live a good life, and We will surely give them their reward [in the Hereafter] according to the best of what they used to do."

In addition, the theory used in this study refers to agency theory, where agents will try to maintain the performance of the companies they manage so that they can survive in the company [24]. Furthermore, in maintaining the company's performance, there are key financial performance indicators, one of which is ROA [25]. ROA is the result or profit from the company's business activities. Therefore, the higher the ROA, it can be reflected that the management in the company has adequate ability to manage the company.

On the other hand, company profits come from the company's core business, [26]. Therefore, the variable used in this study is the distribution of financing because it is related to the performance of Islamic banks [27]. However, according to Dusuki [28], micro and small segment financing in Islamic banks must be the main concern and product. This is because Islamic banks must have social values that aim to benefit the whole community, especially low-income people [11]. However, banks are also financial institutions that are very sensitive to public trust [29]. Therefore, Islamic banks must also be able to maintain the quality of the financing that has been distributed so that the public has confidence that the funds placed in the bank are safe [30]. The better the quality of

the bank, the better the performance of the bank because it can mitigate risk optimally [31].

Furthermore, apart from the core business, banks must also be able to achieve the targets set through optimal promotional activities so that public literacy of the products and services owned by the bank can increase so that they decide to use the bank's products and services [16], [32]. Therefore, promotion costs are one of the variables used to determine the ROA of Islamic banks. Furthermore, human resources have a significant role in driving bank business activities. The more prosperous the employees are, the greater the work ethic will be [33]. Therefore, the higher the work ethic, the higher the innovation and creativity of the employee, which will increase the bank's productivity. Thus, increasing productivity will have an impact on optimal performance of the institution [34].

Therefore, discussions related to the productivity and profitability of Islamic banks are crucial for further analysis based on several aspects such as financing, micro, and small segment, promotion cost, financing quality, and labor cost.

III. METHODOLOGY

The research method used is a quantitative method using multiple regression analysis with a data panel. The data used is secondary data from the annual reports and published (audited) financial reports. The number of Islamic commercial banks used in this study from 2012 to 2018 was 12 banks. However, what can be used as samples are 6 Islamic commercial banks that have complete data according to the needs of this study. The details of the mechanism and the criteria for taking the number of samples are shown in table 1 as follows:

Table 1 Sample Selection Criteria

No	Criteria	Amount
1	Number of Islamic Commercial Banks in Indonesia operating during 2012 - 2018	13
2	Islamic Commercial Banks that do not have the complete data needed for research during 2012 -2018	(6)
The number of Islamic Commercial Banks used as samples in the study		7
Number of data samples observed 2012-2018 (7x6 years)		42

Source: Authors' elaboration

Furthermore, the development of hypotheses and operational variables from this study are as follows:

A. Effect of FDR on ROA

The main business of Islamic banks is to collect funds from the public and channel them back to the community in loans or financing. The distribution of financing to Islamic banks must be based on the real sector and underlying assets to impact national economic growth. In addition, the internal

distribution of Islamic bank financing will have implications for an increase in income so that the return on assets (ROA) ratio of the Islamic bank will also increase. The formula for FDR is as follows:

$$MSF = \frac{\text{Total Micro and Small Financing}}{\text{Total Financing}}$$

B. Effect of PCR on ROA

Promotion is an effort to introduce products and services to the public to increase public information about the promoted products and services. Increased information on products and information will motivate people to use or decide to buy these products [35]. Thus, the more influential the promotion of the products and services of Islamic banks will have implications for increasing the income of Islamic banks so that the ROA of Islamic banks will also increase. The variables of the promotion cost ratio (PCR) in this study are as follows:

$$PCR = \frac{\text{Promotion Cost}}{\text{Total Overhead Cost}}$$

C. Effect of NPF on ROA

The business activities of Islamic banks must be handled responsibly or called al “ghorm bil ghurmy, al kharaj bid dhamany”, namely business activities will be risky, and these risks must be managed responsibly [36]. Therefore, if financing distribution to Islamic banks is good, the risk of losing Islamic banks will be more predictable [37]. Thus, if the risk of loss from Islamic banks is low, the income received will also increase, so the ROA of Islamic banks will also be better. Therefore, the financing quality formula (NPF) is as follows:

$$NPF = \frac{\text{Bad Debt}}{\text{Total Financing}}$$

D. Effect of LCR on ROA

Employee productivity is measured by the results obtained compared to the costs incurred [38]. If the output produced is higher than the expenditure, the more productive the activity is [39]. Human resources are vital capital for Islamic banks to carry out the bank's business activities [40], [41]. Therefore, Islamic banks must focus on developing their human resource capabilities through training following the company's development needs and employee career development. Furthermore, the productivity of Islamic banks is determined by creativity and innovation in marketing and developing their goods and services to be accepted and used by the community. Therefore, the formula for the labor cost ratio is as follows:

$$LCR = \frac{\text{Labor Cost}}{\text{Total Revenue}}$$

E. ROA as Dependent Variable

The Islamic bank's performance achievement is vital for investors and stakeholders to ensure sustainability in its business activities [42]. One of the vital indicators to measure performance is profitability, represented by one of the key

financial indicators is return on assets (ROA) [43]. Moreover, the formula for ROA is as follows:

$$ROA = \frac{\text{Return}}{\text{Total Asset}}$$

Furthermore, based on the development of hypotheses and operational variables from this study, the equations of this research are as follows:

$$ROA = \alpha + \beta_1FDR + \beta_2MSF + \beta_3PCR - \beta_4NPF + \beta_5LCR + e \tag{1}$$

Remarks:

- ROA: Return on Assets;
- FDR: Financing to Deposit Ratio;
- MSF: Micro and Small Financing Ratio;
- PCR: Promotion Cost Ratio;
- NPF: Non-Performing Financing;
- LCR: Labor Cost Ratio.

IV. RESULTS AND DISCUSSION

The test model was first tested for normality of the residuals using the Jarque-Bera (J-B) test. In this study, the level of significance used was $\alpha = 0.05$. The basis for making decisions is to look at the probability numbers from the J-B statistics, with the following conditions:

- If the probability value of p 0.05, then the assumption of normality is fulfilled;
- If the probability < 0.05, then the normality assumption is not fulfilled.

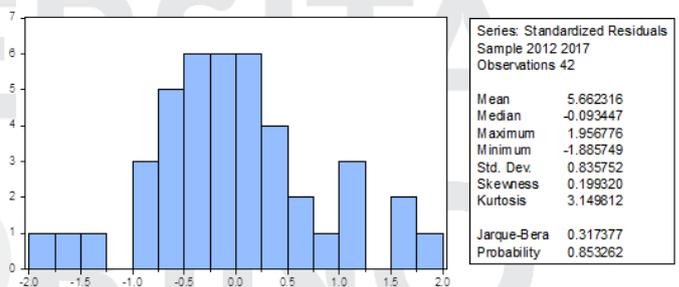


Figure 3. Jarque-Bera Normality Test
Source: Results of the Eviews 9 software

Based on figure 3 above, it is known that the probability value of the J-B statistic is 0.317. Because the probability value of p, which is 0.853, is greater than the significance level, which is 0.05. This means that the assumption of normality is met.

A. Multicollinearity Test

In this study, the symptoms of multicollinearity can be seen from the VIF value. [44] states that if the VIF value is > 10, this indicates multicollinearity. The results of the multicollinearity test are presented in table 2 below:

Table 2. Multicollinearity Test

Variable	Coefficient		
	Variance	Uncentered VIF	Centered VIF
C	0.699219	36.91701	NA
FDR	0.809947	1.661248	1.494840
MSF	0.009531	17.63686	1.936858
PCR	0.000763	2.718408	1.129617
NPF	2.77E-05	2.376449	1.128585
LCR	0.114247	9.392404	1.973143

Source: Results of the Eviews 9 software

Based on table 2 above, the results of the multicollinearity test show there are no symptoms of multicollinearity between the independent variables. The VIF value is not more than 10 [45].

B. Autocorrelation Test

Assumptions regarding the independence of the residuals (non-autocorrelation) can be tested using the Durbin-Watson test. The statistical value of the Durbin-Watson test ranged between 0 and 4. Statistical values of the Durbin-Watson test that were smaller than 1 or greater than 3 indicated an autocorrelation.

Table 3. Autocorrelation Test with Durbin-Watson Test

Log-likelihood	-51.55356	Hannan-Quinn criter.	2.831635
		Durbin-Watson stat	1.702421

Source: Results of the Eviews 9 software

Based on table 3 above, the value of the Durbin-Watson statistic is 1.702 because the value of the Durbin-Watson statistic is between 1 and 3, i.e., $1 < 2.240788 < 3$, then the non-autocorrelation assumption is met. In other words, there is no high autocorrelation symptom in the residuals.

C. Heteroscedasticity Test

Furthermore, to test whether there is heteroscedasticity or not, the Breusch-Pagan test can be used. Table 4 below presents the results of heteroscedasticity testing using the Breusch-Pagan test.

Table 4. Heteroscedasticity Test with Breusch-Pagan

F-statistic	5.030133	Prob. F (5,36)	0.3714
Obs*R-squared	17.27419	Prob. Chi-Square (5)	0.3540

Source: Results of the Eviews 9 software

Based on the results of the Breusch-Pagan test in table 4 above, it is known that the Prob. Chi-Square $0.3540 > 0.05$, which means there is no heteroscedasticity.

D. Chow Test

The Chow test is used to decide whether the model used is Common Effect or Fixed Effect, with the decision criterion that if the cross-section F prob score > 0.05 , then the Common Effect model will be used. However, if the cross-section F prob score < 0.05 , the Fixed Effect Model will be used. Table 5 below presents the results of the Chow test as follows:

Table 5. Chow test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.830911	(6,30)	0.5555
Cross-section Chi-square	6.456886	6	0.3740

Source: Results of the Eviews 9 software

Based on the results of the Chow test in table 5 above, it is known that the cross-section F prob score of $0.5555 > 0.05$, then the Common Effect model will be used.

E. Hypothesis Model Test

Moreover, to test the hypothesis of this study, a test was carried out, which included analysis of the coefficient of determination, simultaneous effect testing (F test), and partial effect testing (t-test). The results of the statistical values of the coefficient of determination, F test, and t-test are presented in table 6 below:

Table 6. Hypothesis Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.302120	0.836193	0.361304	0.7200
FDR	1.848839	0.899970	2.054333	0.0473
MSF	0.411366	0.097626	4.213707	0.0002
PCR	0.076515	0.027620	2.770304	0.0088
NPF	-0.013210	0.005259	-2.511705	0.0166
LCR	0.687303	0.338005	2.033410	0.0494
R-squared	0.551783	Mean dependent var	3.571905	
Adjusted R-squared	0.489530	S.D. dependent var	1.248340	
S.E. of regression	0.891903	Akaike info criterion	2.740646	
Sum squared resid	28.63770	Schwarz criterion	2.988884	
Log-likelihood	-51.55356	Hannan-Quinn criter.	2.831635	
F-statistic	8.863635	Durbin-Watson stat	1.680047	
Prob(F-statistic)	0.000015			

Source: Results of the Eviews 9 software

Based on table 6 above, it is known the value of Prob. (F-statistics), which is $0.000 < 0.05$, it can be concluded that all independent variables, namely FDR, MSF, PCR, NPF, and LCR, simultaneously significantly affect the ROA variable. Therefore, all independent variables used to determine their effect on ROA, including FDR, MSF, OCR, NPF, and LCR, can be used as determinants for practitioners in managing and improving the performance (ROA) of Islamic banks. Nevertheless, based on table 6 above, the following multiple linear regression equation is obtained:

$$ROA = 0.302 + 1.848FDR + 0.411MSF + 0.076PCR - 0.013NPF + 0.687LCR + e \quad (2)$$

Furthermore, according to equation 2 and table 6 then can be analyzed the factors that affect ROA are as follows:

- It is known that the regression coefficient value of FDR is 1.848 with a Prob value of 0.047, which is < 0.05 significance level, then FDR has a positive and significant effect on ROA;
- It is known that the regression coefficient value of MSF is 0.411 with a Prob value of 0.000, which is $<$ the significance level of 0.05, then MSF has a positive and significant effect on ROA;
- It is known that the regression coefficient value of PCR is 0.076 with a Prob value of 0.008, which is < 0.05 significance level, then PCR has a positive and significant effect on ROA;
- It is known that the regression coefficient value of the NPF is -0.013 with the Prob value of 0.016, which is $<$ the significance level of 0.05, then the NPF has a negative and significant effect on ROA;

- It is known that the regression coefficient value of LCR is 0.687 with a Prob value of 0.049, which is < 0.05 significance level, then LCR has a positive and significant effect on ROA.

The distribution of financing in Islamic banks has a crucial role in generating income. Therefore, the results of this study state that FDR has a positive and significant effect on ROA. Moreover, Islamic banks must compete with conventional banks in loan products so that people will be interested in using loan products from Islamic banks [46].

Furthermore, according to Nugroho et al. (2020) [47], the community's considerations in using sharia products are based not only on obedience to the teachings of Islam but also on their function, ease of access, and usefulness. During the industrial revolution 4.0, the VUCA Era (volatility, uncertainty, complexity, and ambiguity), and the current Covid-19 pandemic, the banking industry, including the Islamic banking industry, has digitalized products so that people can use banking services with limited mobility [48].

According to the results of this study, Islamic banks that have an identity as pro-social banks should have a business focus on micro and small entrepreneurs because these segments contribute to increasing income from Islamic banks. Loans to the micro and small business segment (MSF) have a positive and significant impact on ROA, so the more loans disbursed to this segment, the greater the potential for profit for Islamic banks. According to Maad et al. (2014) [49], micro and small entrepreneurs have responsible behavior in paying loan installments. Many micro and small entrepreneurs want to avoid borrowing from banks because they are afraid they will not pay the installments [50]. Therefore, most micro and small entrepreneurs have good and responsible behavior in terms of character. If micro and small entrepreneurs do not pay their loan installments, this is caused by problems their business conditions face [51].

The Islamic financial literacy of the Indonesian people still needs to improve. Therefore, Islamic banks need to promote and disseminate Islamic financial products and services to the public to increase information on the benefits, uses, and access to these products and services. This is evident from the results of this study, where the ratio of promotional costs (PCR) has a positive and significant effect on the performance of Islamic banks (ROA). Furthermore, Islamic banks must collaborate with all relevant stakeholders in carrying out promotions so that the information transfer process becomes more effective. Collaboration between parties such as Islamic banks, universities, government, and social institutions is vital. As a result, the socialization impact of Islamic financial products and services becomes more effective and significant.

The quality of financing for loans disbursed by Islamic banks is crucial in achieving performance. It is known from the results of this study that the quality of financing (NPF) has a negative effect on the performance of Islamic banks (ROA). The higher the NPF, the potential to reduce the profit of Islamic banks [19]. Therefore, the distribution of Islamic bank financing must apply the principles of three pillars which

include: (i) business aspects, (ii) risk aspects, and (iii) operational aspects.

Furthermore, the business aspect is that the financing distribution must follow the company's business focus and the portfolio guidelines owned by the Islamic bank. The risk aspect is applying risk acceptance criteria following the segment of the business distribution so that the risk of bad debts can be mitigated. In addition, operational aspects also need to be implemented to maintain good corporate governance in the distribution of financing so that there is no abuse of financing approval authority in implementing the four eyes principles [52].

Employee productivity as the principal capital of Islamic banks to achieve the performance of Islamic banks is a determining factor. It is known from this study that LCR has a positive and significant effect on ROA. Thus, Islamic banks' employee productivity, which includes professionalism, innovation, and creativity, becomes essential to improve their performance [53], [54]. In addition, the higher the ability to innovate and be creative of Islamic bank employees in making products and services that are to the needs and desires of the community, it will have an impact on increasing income from Islamic banks because more people will use the products and services of the Islamic bank.

However, based on the phenomenon of the low market share of Islamic banks and the results of this study, the input to the regulator is to help Islamic banks carry out socialization and dissemination related to products from Islamic banks to the public. In addition, the government also provides an option for state civil servants to receive their salaries using an Islamic bank account.

V. CONCLUSION

According to the results and discussion of the research, the conclusions of this study are as follows:

- The ratio of financing distribution (FDR) has a positive and significant effect on the ROA of Islamic banks. Therefore, Islamic banks must be able to compete with conventional banks in making loan products that follow the needs and desires of the community;
- The ratio of lending to the micro and small business (MSF) segment has a positive and significant impact on the ROA of Islamic banks. Thus, Islamic banks should have a business focus on the micro and small business segment so that the performance and reputation of Islamic banks that are pro-social towards improving welfare will increase in the community;
- Promotional activities (PCR) from Islamic banks positively and significantly affect ROA. Based on this, Islamic banks must actively promote and collaborate with all stakeholders, both educational institutions, regulators, and non-governmental organizations, to improve the Islamic financial literacy of the community;
- Financing quality (NPF) has a negative and significant effect on the ROA of Islamic banks. Therefore, the management of Islamic banks must focus on the quality

of the loans disbursed. In addition, the application of the principle of prudence is vital in mitigating risks that will arise in the future;

- Employee productivity (LCR) has a positive and significant effect on the ROA of Islamic banks. Thus, the management of Islamic banks must be concerned about increasing the ability, innovation, and creativity of Islamic bank employees to sell products and create products and services following public expectations.
- The implication of this research is to provide repertoire related to Islamic bank performance research based on the point of view of the effectiveness of the promotion and the productivity of the employees of the Islamic bank. In addition, this research also has implications for regulators and practitioners of Islamic banks to improve Islamic banks' performance. Several factors need to be a concern, including the ability to channel financing (FDR), lending to the micro and small business segment (MSF), increasing promotion (PCR), maintaining financing quality (NPF), and also increasing employee productivity (LCR). Nevertheless, the limitation of this study is that the use of factors that affect ROA is limited to the variables FDR, MSF, PCR, NPF, and LCR. Therefore, further research can add to the factors that affect ROA.

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