ANALYSIS OF THE PROFITABILITY RATIO OF SHARIA COMMERCIAL BANKS IN INDONESIA DURING THE COVID-19 PANDEMIC IN 2021

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ABSTRACT

This study aims to analyze the profitability ratio of Sharia Commercial Banks in Indonesia during the pandemic in 2021. This study uses quantitative methods to collect and analyze data from the financial statements of Sharia Commercial Banks registered in Indonesia. The data collected includes the Return on Assets (ROA) profitability ratio, which is an important indicator in measuring the efficiency of asset use and the ability of banks to generate profits from assets owned. This research involves collecting financial data from various Islamic Commercial Banks taken from the 2021 annual report or financial statements published by these banks. The data analyzed used statistical methods to identify trends and changes in profitability performance during the pandemic. The results of this study show that the profitability of BUS in Indonesia during the 2021 Pandemic experienced a low average level due to factors such as the impact of the pandemic, which made companies have to carry out various policies to maintain their business continuity.
Keywords: Profitability Ratio, Sharia Commercial Bank, COVID-19

INTRODUCTION

In December 2019, the world community faced a global challenge, namely the COVID-19 pandemic. This phenomenon has caused significant multidimensional impacts. The COVID-19 pandemic was triggered by infection with the SARS-CoV-2 virus that first appeared in Wuhan City, Hubei Province, China (Ihsan & Hosen, 2021). In the economic field, the COVID-19 pandemic has caused a global crisis with disruptions to supply chains, decreased industrial activity, and job cuts. *Lockdown* policies and mobility restrictions implemented have resulted in severe economic contractions, triggered recessions, and created instability in financial markets.

The first COVID-19 case in Indonesia was confirmed on March 2, 2020 (Ikmal & Noor, 2022). Due to the high transmission rate and demographic factors with a large population in Indonesia, this virus is spreading rapidly. Over time, the spread of this virus shows an exponential trend, where the number of new cases increases significantly daily. On March 11, 2020, the government designated COVID-19 a national disaster. Therefore, the government is trying to break the chain of spread of COVID-19 by enforcing various policies such as the implementation of WFH (*Work From Home*), social distancing, *3M campaigns (wearing masks, washing hands, and maintaining distance), vaccinations, PSBB (Large-Scale Social Restrictions), PPKM (Enforcement of Restrictions on*

Community Activities), lockdown and others (Ikmal & Noor, 2022).This policy was taken as an effort to control the spread of the virus and protect public health.

COVID-19 has had a significant impact on society. The economic impact is very complex and multidimensional. Restrictions on the movement of goods and people affect production, distribution, and trade activities. Many companies have been forced to stop or reduce their operations, resulting in decreased revenue and increased risk of bankruptcy. Disruptions to the supply chain can also lead to limited availability of goods and increased prices. The micro, small, and medium enterprises (MSMEs) sector was also severely affected. MSMEs that rely on direct sales to consumers are forced to close or face a significant decrease in demand. Limited access to markets and declining consumer purchasing power exacerbate this situation. Many workers working in the informal sector are also affected by the loss of livelihoods. The employment sector was also affected. Many companies are forced to make layoffs or reduce working hours to reduce operational costs. The high unemployment rate and limited new job opportunities are challenges for people looking for work. Financials are experiencing instability, with falling stock values and currency fluctuations. Investors have become hesitant to make long-term investments due to economic uncertainty caused by the pandemic.

Most researchers and economists consider that this outbreak triggered the most severe global financial crisis compared to the Asian financial crisis of 1997 and 1998 or the *subprime mortgage* crisis of 2008 . This pandemic has had a much broader and deeper impact on the global financial system, including the economies of developed and developing countries (Habibah, Nisa, & Risqi, 2020). The outbreak has caused severe economic shocks and extended to all sectors, including banking, stock markets, and international trade (Diana et al., 2021). A drastic decline in global economic growth, a sharp recession, and high volatility in financial markets marked the crisis. Regarding its impact on the financial sector, the COVID-19 pandemic has led to an increase in credit risk, a decrease in credit demand, and an increase in bad loans in most financial institutions. Limited liquidity and market volatility have also led to instability in the global financial system. In previous financial crises, such as the Asian financial crisis of 1997 and 1998 and the *subprime mortgage crisis* of 2008, the impact was limited to certain geographic regions or sectors. However, the COVID-19 pandemic has had a global impact and involved almost all sectors of the economy, including tourism, transportation, manufacturing, and others.

Many countries are facing economic recession due to a continued contraction in economic growth from the previous quarter, characterized by negative growth. The government and economic authorities implement various fiscal and monetary policies to overcome this situation to encourage consumption, investment, and production. In line with global economic conditions, the domestic economy contracted by -5.32% in the second quarter of 2020, which is a significant decrease compared to growth of 2.97% in the previous quarter. This decline occurred in all types of expenditures, especially declining consumption due to weak purchasing power that affected demand and investment related to business activities that have not fully recovered due to the implementation of the transitional PSBB (Febrianto &; Hidayati, 2021).

In difficult economic conditions due to COVID-19, analyzing the profitability ratio of Islamic commercial banks in Indonesia is very important. The profitability ratio is a tool used to measure a bank's efficiency and ability to make a profit (Diana et al., 2021). This analysis will provide deeper insights into the financial performance of Islamic commercial banks amid the COVID-19 pandemic. This analysis aims to evaluate the impact of the COVID-19 pandemic on the profitability performance of Islamic commercial banks in Indonesia in 2021. The profitability ratio consists of Return on Assets (ROA), *Return on Equity* (*ROE), Net Profit Margin (*NPM), and *Gross Profit Margin* (GPM) (Viaranti & Handri, 2021). These ratios will help us understand how Islamic commercial banks in Indonesia can deal with the challenges presented by this pandemic (Diana et al., 2021). In addition, this analysis will also discuss the factors that affect the profitability performance of Islamic commercial banks in Indonesia during the pandemic. This analysis will focus on factors such as increased credit risk, changes in customer behavior, interest rate cuts, and government policies. Understanding these factors will help us identify the challenges and opportunities Islamic commercial banks face in Indonesia. Through this analysis, valuable insights into the profitability performance of Islamic commercial banks in Indonesia in 2021 are expected. The results of this analysis can provide guidance and recommendations for Islamic commercial banks in Indonesia to overcome the challenges faced and improve their performance in the future. Based on this description, this study aims to analyze the profitability ratio of Islamic commercial banks during the COVID-19 pandemic in 2021.

LITERATURE REVIEW

Sharia Commercial Bank

Sharia Commercial Bank is a bank that carries out business activities based on Sharia principles in its activities to provide services in payment traffic (Riyadi et al., 2015). Islamic banks adopt Islamic economic principles prohibiting riba (interest), speculation, and unethical activities. The main objective of Sharia Commercial Banks is to provide financial products and services following Sharia principles to its customers. Sharia Commercial Banks offer various products and services, such as Sharia financing, savings, investment, and other banking services based on Sharia principles. In Islamic financing, this Bank does not provide loans with interest but applies a profit-sharing scheme or mudharabah. Sharia Commercial Banks also apply the principle of musharakah in the form of Islamic investment, were customers and banks share risks and benefits proportionally.

The development of Islamic banking performance in February 2021 showed positive results despite the COVID-19 pandemic. It can be seen from the growth of bank assets and third-party funds (DPK) of Sharia Commercial Banks (BUS), which is relatively higher than the growth that occurs in conventional banks (Ihsan & Hosen, 2021). In February 2021, Islamic banks experienced significant asset growth. This shows that Islamic banks can maintain and increase their asset portfolios, despite the challenging conditions due to the impact of the pandemic. In addition, the growth of third-party funds (DPK) at Islamic banks also increased higher than conventional banks (Ihsan & Hosen, 2021). Deposits reflect funds placed by customers in banks, such as savings, time deposits, and other deposits. The increase in deposits at Islamic banks shows the high public confidence in utilizing Islamic banking products and services.

The successful growth of Islamic bank assets and deposits can be attributed to factors such as increasing public awareness of Sharia-based finance, innovating products and services following Sharia principles, and Sharia banks' efforts to improve the quality of service to customers. In conclusion, despite the COVID-19 pandemic, Islamic banking achieved good performance development with relatively higher growth in bank assets and deposits compared to conventional banks. This demonstrates the potential and excellence of Islamic banking in facing global economic challenges and positively contributing to a sustainable economic recovery.

Profitability Ratio

Profitability is the final net result of various policies and decisions taken by a company. This ratio serves as a pen toolmaker to evaluate the company's ability to generate profits from each unit of sales currency (Widarjo & Setiawan, 2009). The profitability ratio is a metric used to measure a company's or financial institution's profit performance. This ratio shows the company's ability to generate profits based on its revenue and assets. The higher the profitability, the better the company's financial performance (Sholihah & Sriyana, 2014). The profitability ratio evaluates a bank's ability to generate profits over a certain period. In addition, this ratio also aims to measure the level of management effectiveness in running company operations (Diana et al., 2021). To assess the level of profitability of a company, the ratios used include Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE) (Viaranti & Handri, 2021). This study only shows the profitability ratio from *Return on Assets* (ROA) on Sharia Commercial Bank companies in Indonesia in 2021.

Return on Assets (ROA) Ratio

Return *on Asset* (ROA) ratio is a profitability indicator that describes the relationship between the profit generated by a bank and its total assets. This ratio reflects the level of efficiency in asset management by the Bank concerned (Rina & Rofiuddin, 2021). This ratio measures how efficient the company is in generating profits from its assets. The higher this ratio, the better the profitability performance of the company. The ROA formula is as follows:

$$\text{ROA} = \frac{Net\ Income}{Total\ Asset} \times 100\%$$

These profitability ratios provide important information in analyzing the financial performance of a company or financial institution, including Islamic Commercial Banks. Analysts can use these ratios to evaluate the level of efficiency and profit the Bank generates.

RESEARCH METHODS

In this study, the data analysis method used was a quantitative analysis method with a descriptive approach. Quantitative descriptive research is a research method that describes, researches, and explains something studied conventionally and draws conclusions from observable events using numbers (Agustin & Lestari, 2022). According to Arikunto, quantitative research requires numbers, starting from data collection and interpretation of the data, as well as the appearance of the results (Suharsimi, 2010) Researchers use quantitative descriptive methods to collect quantitative data, namely data in the form of numbers or numbers depicted in a table. Researchers interpret the data to provide a concrete picture of the state of Islamic Commercial Banks (Shabrina, 2019). The quantitative data used in this study is Return on Asset (ROA) profitability ratio data at Sharia Commercial Banks in Indonesia. The data to be analyzed is 2021 data.

RESULTS AND DISCUSSION

Financial Report of Sharia Commercial Bank (BUS)

Sharia Commercial Bank (BUS) financial statements are reports that contain financial information about the financial performance of Islamic banks. The report can serve as an evaluation tool for the financial performance of Islamic banks in terms of financial and social performance (Azita, 2018). BUS financial statements can be taken from secondary data such as BUS financial statements for a certain period.

While financial statements that provide information about a measurement of an opera's success The company during a certain period is called an income statement, financial statements can describe the company's financial condition in a certain period so that the resulting report can contain information about the weaknesses and strengths that the company has in the financial field. The company can consider the information obtained when making policies for the next period of improvement (Iswandi, 2022).

Table. 1 Net Income and Total Asset Data of BUS in 2021

No.	Bank Syariah Indonesia	Year	Net Income (Rp)	Total Assets (Rp)
1	PT. Bank Muamalat Indonesia, Tbk	2021	8.927.051. 000	58.899.174. 319.000
2	PT. Bank Mega Syariah	2021	537.707.206.000	14.041.750. 908.000
3	PT. Bank Syariah Bukopin	2021	232.283.491.422	6.220.221.221.378
4	PT. Bank Panin Dubai Syariah, Tbk	2021	818.112.377.000	14.426.004. 879.000
5	PT. Bank Victoria Sharia	2021	119.063.497.000	24.947.143. 045.000
6	PT. BCA Syariah	2021	87.442.212.976	10.642.337. 798.588
7	PT. Bank Jabar Banten Syariah	2021	21.898.773.000	10.358.849. 568.000
8	PT. Bank Aladin Syariah	2021	121.275.000.000	2.173.162.000.000
9	PT. Bank Tabungan Pensiunan Nasional yariah	2021	1.465.005. 000.000	18.543.856. 000.000
10	PT. Bank Aceh Syariah	2021	392.127.034.310	28.170.825. 805.198
11	PT. BPD West Nusa Tenggara Sharia	2021	138.349.258.121	11.215.180. 007.793
Minimum			-818.112.377.000	
Maximum			1.465.005.000.000	
Average			123.702.015.453	

Here is the table. 1 is a summary of financial statement data inIt is necessary to calculate the profitability ratio: On the table. 1 above, it can be seen that the highest value of BUS's net income in 2021 was 1.5 trillion obtained by PT. Bank Tabungan Pensiunan Nasional Syariah. This achievement is stated in its annual report that the improvement in the Bank's operational efficiency has reduced operating expenses to operating income to support net profit achievement. While the lowest net income occurred at PT. Bank Panin Dubai Syariah, Tbk, has a value of -818 billion. This is due to the impact of write-offs carried out by the company.

When viewed from the total assets of BUS in 2021, PT. Bank Muamalat Indonesia, Tbk, is the BUS with the highest total asset value of 58 trillion. The Bank said that this achievement came from a significant increase in investment in 2021 and public trust in Bank Muamalat, which succeeded in increasing fundraising. Then PT. Bank Aladin Syariah is the BUS with the lowest total asset value of 2.17 trillion. This is because the company does not have subsidiaries, associated entities, or joint ventures compared to another BUSs. BUS's average net income and total assets in 2021 were 123 billion and 18 trillion, respectively.

From the data in the table. 1, the *Return on Asset* (ROA) Ratio can be obtained as follows:

Table. 2 Return *on Asset* (ROA) Calculation Results

No.	Bank Syariah Indonesia	Year	ROA
1	PT. Bank Muamalat Indonesia, Tbk	2021	0,02
2	PT. Bank Mega Syariah	2021	3,83
3	PT. Bank Syariah Bukopin	2021	-3,73
4	PT. Bank Panin Dubai Syariah, Tbk	2021	-5,67
5	PT. Bank Victoria Sharia	2021	-0,48
6	PT. BCA Syariah	2021	0,82
7	PT. Bank Jabar Banten Syariah	2021	0,21
8	PT. Bank Aladin Syariah	2021	-5,58
9	PT. Bank Tabungan Pensiunan Nasional Syariah	2021	7,90
10	PT. Bank Aceh Syariah	2021	1,39
11	PT. BPD West Nusa Tenggara Sharia	2021	1,23
Minimum			-5,67
Maximum			7,90
Average			-0,01

Performance of Sharia Commercial Banks (BUS) Based on Profitability

Profitability in this study was measured using *Return on Assets* (ROA). This ratio describes the extent of the company's ability to generate profits seen from the total assets owned by the company.

The higher the company's profitability, the better the company's state. Based on the results percent on, table. 2 shows that the highest level of ROA BUS in 2021 was 7.90% obtained by PT. Bank Tabungan Pensiunan Nasional Syariah. This means that the Bank has a high profitability value where the company's condition shows very good even though it is in the Covid-19 Pandemic. This is due to the increasing level of efficiency of the company.

The company with the lowest ROA value compared to other BUS is PT. Bank Panin Dubai Syariah, Tbk, which has a ROA value of -5.67%. This shows that the company is in a very unhealthy state. The low ROA rate is caused by the company's policy towards write-off financing, which needs fixing.

When viewed from the average *return on* assets of BUS in 2021 of -0.01%, it means that the net loss obtained is 0.01% of total assets. So, from the analysis, the performance of Sharia Commercial Banks in Indonesia in 2021 based on the average return on assets is considered very unfavourable. However, companies below the average ROA level are still less than companies above the average even though they have a low ROA rate, namely four banks below the average and seven banks above the average.

This, the analysis results found that BUS is in bad condition, with the average profitability of BUS in Indonesia in 2021. This happens because many factors can affect the Bank. Among them is the impact of the Covid-19 Pandemic, where banks face various challenges. Banks must also maintain sustainability by making various policies to maintain liquidity against external parties.

CONCLUSION

Sharia Commercial Bank (BUS) financial statements are reports that contain financial information about the financial performance of Islamic banks (Iswandi, 2022). In comparison, financial statements that describe information explanation of a measurement of the success of a company's operations during a certain period is called the income statement.

Based on ROA data owned by BUS, the average profitability of BUS in Indonesia in 2021 is in bad condition. This happens because many factors can affect the Bank. Among them is the impact of the Covid-19 Pandemic, where banks face various challenges. Banks must also try to maintain sustainability by making various policies to maintain liquidity against external parties.

In this case, it is expected to provide a better understanding of the profitability performance of Islamic commercial banks in Indonesia during the Covid-19 pandemic. This information can be useful for regulators, decision-makers, and the Islamic banking industry to identify relevant policies and appropriate strategies in dealing with crises such as the Covid-19 pandemic.

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