Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE) Vol. 4 No. 1 July 2021
e-ISSN: 2621-606X Page: 287-299

THE EFFECT OF GOOD CORPORATE GOVERNANCE, THIRD PARTY FUNDS AND ASSET GROWTH THROUGH PROFITABILITY ON BANKRUPTCY RISK OF SHARIA COMMERCIAL BANKS LISTED ON THE INDONESIA STOCK EXCHANGE

Lu'lu'il Maknuun [1]
Institut Pesantren KH. Abdul Chalim Mojokerto
luluilmaknuun92@gmail.com

Muhtadina Annisa[2]
Institut Pesantren KH. Abdul Chalim Mojokerto
muhtannisa16@gmail.com

Abstract

This research aimed to examine the effect of good corporate governance, third party funds, and asset growth through profitability to the bankruptcy risk in Islamic Banking which is listed in Indonesia stock exchange. The subjects of the research were Islamic Banks listed in the Indonesia stock exchange. Technique in collecting data was the purposive sampling method in which it obtained three Islamic Banks. In analyzing the data, the researcher used Partial Least Square (PLS). The results of the research were good corporate governance had a significant negative effect on profitability, third-party funds had a significant positive effect on profitability, and asset growth had a significant positive effect on profitability. Then, good corporate governance, third party funds, and asset growth had significant negative toward the bankruptcy risk.

Keywords: good corporate governance, third party funds, asset growth, profitability, bankruptcy risk

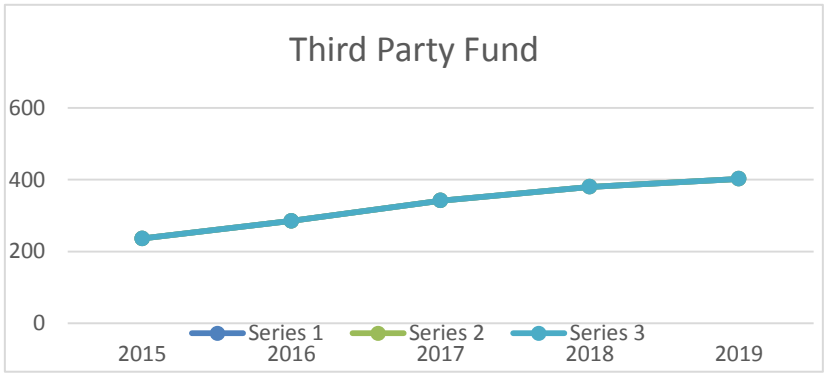
INTRODUCTION

Banks are mediating institutions in banking that have an important influence on the economy for every country, especially Indonesia (Agus, 2015). Banks in Indonesia use the Dual Banking System as their banking system. This system has been implemented by Indonesia since the amendment of the Law on Banking which explicitly states that banks can work if they follow the basic principles of Islamic law and also allow non-Sharia banks to work based on Islamic law (Suhendro, 2018).

An ideal bank must have an orderly process, structure, regulation, and system to be able to run the bank's operational system properly. The principle and movement of the company's operating system will be called Good Corporate Governance (Sukamulja, 2017). The successful implementation of Good Corporate Governance can lead the company to success, and vice versa if the implementation of Good Corporate Governance fails, the company will experience bankruptcy (Alif, 2017).

The operational activities of Islamic banks in collecting funds in the community and then channeling them to the community through financing are called Third Party Funds. Profitability has a very positive relationship with Third Party Funds (Tyahya, 2018). The more customers who deposit their funds in the bank will make the bank get high profitability and vice versa if there are fewer customers who deposit their funds in the bank, the profitability will decrease and can lead to the risk of bankruptcy (Uus, 2018). The growth of third party funds can be seen as follows:

Figure 1
The Growth of Third Party Funds

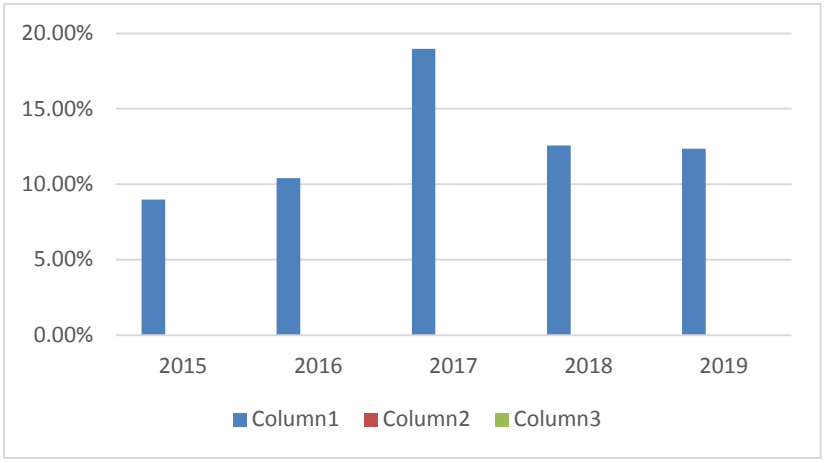


Source: Financial Services Authority 2020

In diagram 1 the graph shows TPF from each Islamic Banking from 2015-2019 has increased every year. In 2015 it was Rp. 236.02 Trillion, then in 2016 it was Rp. 285.02 Trillion, in 2017 it was Rp. 341.71 Trillion, in 2018 it was Rp. 379.96 Trillion and in 2019 it was Rp. 402.36 Trillion (OJK, 2020).

Another factor that causes bankruptcy risk is Asset Growth. Increased asset growth will make its profitability increase. However, nowadays what often happens in Islamic banking is that asset growth is increasing, the profit generated will be smaller so that which can cause the risk of bankruptcy (Uni Untari, 2019).

Figure 2
Asset Growth



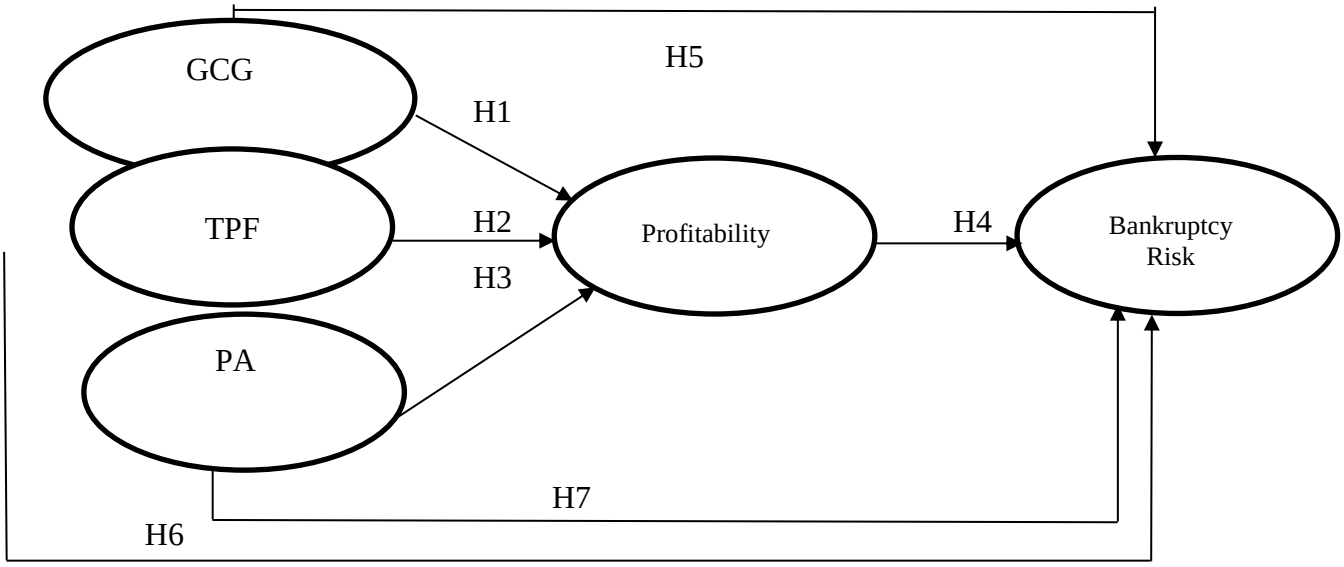
Source: Financial Services Authority 2020

The diagram above shows Asset Growth in Islamic Banking in 2015-2019. In 2015 the growth of Islamic banking assets was 8.99%, in 2016 it was 10.41%, in 2017 it increased by 18.97%, in 2018 it decreased by 12.57% and in 2019 it decreased by 12.36% where there is a phenomenon that in the last two years asset growth has decreased due to a large number of Islamic bank funds or capital that is not channeled to bank financing (OJK, 2020).

The Islamic capital market is one part of Islamic financial activities in Indonesia which is regulated by the OJK, especially the directorate of the Islamic capital market (Awaluddin, 2016). The beginning of the sharia capital market was the launch of the Indonesian Sharia Stock Index (ISSI) as a composite index of sharia shares, which consists of all sharia shares listed on the Indonesia Stock Exchange (IDX) in 2011, then the Sharia Online Trading System (SOTS) was launched in the same year. SOTS is the first system in

the world that was developed to make it easier for Islamic investors to conduct stock transactions under sharia principles. In 2013, Bank Syariah Mandiri became the first RDN Syariah Bank. In addition, in the same year, the first Sharia ETF was launched in Indonesia where Bank Panin Syariah became the first sharia issuer listed on the Indonesia Stock Exchange in 2014 (Ridwansyah, 2019) .

Figure 3
Conceptual Frame



Information:

H1 = Good Corporate Governance has a significant effect on profitability.
H2 = Third Party Funds have a significant effect on profitability.
H3 = Asset Growth has a significant effect on profitability.
H4 = Profitability has a significant effect on bankruptcy risk.
H5 = Good Corporate Governance has a significant effect on Bankruptcy Risk.
H6 = Third Party Funds have a significant effect on Bankruptcy Risk.
H7 = Asset Growth has a significant effect on Bankruptcy Risk.

RESEARCH METHOD

Research Design

In this study, researchers used quantitative methods. The data used are the types of data that are calculated in obtaining the right quantitative assessment results. The method used in the observation is a descriptive quantitative method where the data used is secondary data in the annual financial statements of Islamic banking companies listed on

the Indonesia Stock Exchange. There is also the data needed, namely Corporate Governance (GCG), Third Party Funds, Asset Growth (Sugiyono, 2017).

Research Variable

Variables can be defined as a person's material or an object that has a type between one person and another or one object with another object. The variables used in this study are the independent variables, namely Good Corporate Governance, Third Party Funds, and Asset Growth. The intervening variable is profitability and the dependent variable is bankruptcy risk (Sugiyono, 2017).

Population and Sample

This observation uses 6 Sharia Commercial Banks Listed on the Indonesia Stock Exchange for the population, while the sample used is 3 Sharia Commercial Banks. Processing of samples using purposive random sampling in which to select samples using criteria that have been determined by the researcher objectively. This method is used to obtain an accurate sample with the criteria set by the researcher (Sugiyono, 2017).

Data Analysis Technique

Data analysis in this observation uses a Structural Equation Model (SEM) approach which is carried out using partial least squares (PLS) statistical analysis. Researchers chose the Structural Equation Model (SEM) because this study uses structural equation modeling by entering variables that are difficult to observe but are only assessed indirectly by indicators of supporting variables or latent variables. Partial least square (PLS) was chosen by the researcher because PLS uses the bootstrapping method or random procurement and does not require data with the assumption of normality and also does not require a minimum number of samples (Azwar, 2018)

RESULTS AND DISCUSSION

Outer Model Evaluation

The outer model with reflective indicators is evaluated with convergent validity and discriminant validity from composite reliability indicators for block indicators (Azwar, 2018). The initial model of this research is as follows, the GCG construct is measured by 4 indicators, namely the Board of Commissioners, the Board of Directors, Institutional Ownership, and Managerial Ownership. Third-Party Funds are measured by 3 indicators,

namely savings, current accounts, time deposits. asset growth is measured by total assets for the current year minus last year's assets divided by last year's assets multiplied by 100%. Profitability is measured by 3 indicators, namely CAR, ROA, and ROE. Bankruptcy risk is measured by 3 indicators, namely working capital, retained earnings, and profit before tax.

Table 1
Cross Loading

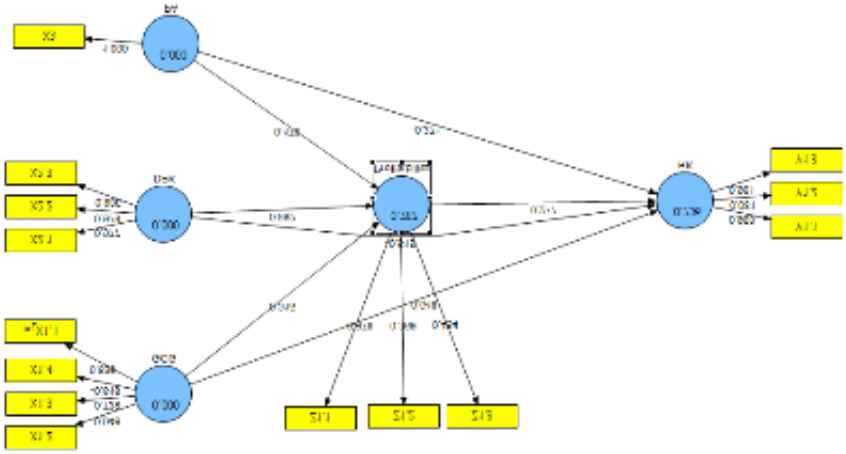
	DPK	GCG	PA	Profitability	RK
X1.1	0.420637	0.576169	0.204332	0.265628	-0.47549
X1.3	0.284825	0.880462	-0.54652	-0.35121	-0.64684
X2.1	0.977198	0.335235	-0.12136	0.743037	-0.4845
X2.2	0.979018	0.436122	-0.2731	0.590638	-0.62869
X2.3	0.985241	0.511506	-0.25841	0.579022	-0.6318
X3	-0.22126	-0.35234	1	0.418372	0.238013
Y1.1	-0.52118	-0.82457	0.294108	0.000897	0.965652
Y1.3	-0.62409	-0.62107	0.153733	-0.23318	0.954802
Z1.1	0.651076	-0.16228	0.418372	1	-0.11273

Source: Distributed by SmartPLS 2.0 (2020)

Convergent Validity

The purpose of Convergent Validity is to understand the validity of each relationship between indicators and their latent variables. Convergent validity with a reflexive indicator measurement model that is assessed based on the correlation between item scores and latent variable scores estimated with the SmartPLS program (Azwar, 2018).

Figure 4
PLS Data Processing 2020



Source: Distributed by SmartPLS 2.0 (2020)

Thus, it proves that the indicator variable that has a loading value less than 0.5 has a smaller validity value, so it cannot meet convergent validity and must be removed. The following is an image of convergent validity that has been reworked by removing indicators that have a value <0.5.

Average Variance Extracted (AVE)

The desired AVE value must exceed a value of 0.5 to determine the discriminant validity can be seen by the average variance extracted (AVE) method for each latent variable. This model has a better discriminant if the square root of the AVE for each latent variable is greater than the correlation between the two latent variables in the model (Azwar, 2018). In this study, the AVE value for each variable is seen in table 2 below:

Table 2
AVE Value

	AVE
DPK (X2)	0.961364
GCG (X1)	0.553592
Asset Grwoth (X3)	1.000000
Profitability (Z)	1.000000
Bankrupcy Risk (Y)	0.922065

Source: PLS Data Processing 2020

Judging from the AVE value above all the variables the value is > 0.05 so it can be said that each indicator that has been measured can reflect their respective variables validly.

Cronbach Alpha and Composite Reliability

The outer model can be measured by knowing the reliability of the latent variable which is measured by looking at the composite reliability value with a value of > 0.7 and Cronbach's alpha with a value of > 0.6.

Table 3
Cronbach Alpha and Composite Reliability

	Composite Reliability	Cronbach Alpha
Tird Party Fund (X2)	0.986781	0.986781
***Good Corporate Governance* (X1)**	0.703835	1.000000
PA (X3)	1.000000	1.000000
Profitability (Z)	1.000000	1.000000
Bankcruptcy Risk (Y)	0.959451	0.959518

Source: Distributed data by SmartPLS (2020)

Inner Model Evaluation

R Square (R^2)

Table 4
R Square

	R Square
Third-Party Fund (X2)	
***Good Corporate Governance* (X1)**	
Asset Growth (X3)	
Profitability (Z)	0.873340
RK (Y)	0.668485

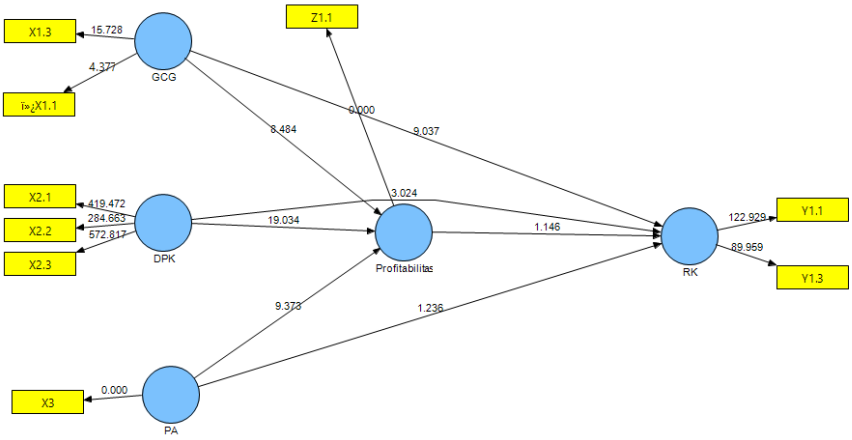
Source: Distributed data by SmartPLS (2020)

R Square (R2), usually called the coefficient of determination which explains how far the dependent data can affect the independent data. Table R2 above provides the following interpretation of the Bankruptcy Risk Variable (Y) obtaining an R2 value of 0.668485 which can be explained as 66.8%. Profitability variable (Z) R2 gives a value of 0.873340 which means 87.3%.

Bootstrapping

In SmartPLS to see the relationship between each variable using the bootstrapping method with samples. This test has the aim of neutralizing the problem if the data are abnormal. The following are the test results using the bootstrapping method from the SmartPLS analysis:

Figure 5
Bootstrapping



Source: Distributed data by SmartPLS (2020)

Table 5
Bootstrapping

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
DPK (X2)-> Profitability (Z)	0.846123	0.846478	0.042645	0.042645	19.84091
DPK (X2) Bankcruptcy Risk (Y)	-0.75337	-0.75943	0.113077	0.113077	6.662395
GCG (X1) -> Profitability (Z)	-0.3725	-0.3737	0.0505	0.0505	7.37627
GCG (X1)-> Bankcruptcy Risk (Y)	-0.4988	-0.49739	0.05117	0.05117	9.747944
Asset Growth (X3) -> Profitability (Z)	0.402008	0.397598	0.060799	0.060799	6.612093
Asset Growth (X3) -> Bankcruptcy Risk (Y)	-0.34709	-0.3524	0.102433	0.102433	3.388426
Profitability (Z) -> Bankcruptcy Risk (Y)	0.346041	0.353281	0.121443	0.121443	2.849415

Source: Distributed data by SmartPLS (2020)

Table 5 above shows the results that show a direct influence between variables. It is said that there is a direct effect if the value of T Statistics > T table (1.96).

Research Hypothesis Testing

H1: Good Corporate Governance has a significant effect on profitability

Based on the table above, the Good Corporate Governance (X1) variable on Profitability (Z) shows a significant relationship with the t statistic value of 7.73627, this value is greater than 1.96 and the value of the Original Sample (O) is negative, namely -0.3725.

H2: Third-Party Funds have a significant effect on Profitability

According to the results of the table above, the Third Party Funds variable (X2) on Profitability (Z) has significant results with a t-statistic value of 19.84059 this value is greater than the value of 1.96 and the value of the Original Sample (O) is positive at 0.846123.

H3: Asset Growth has a significant effect on Profitability

The results of the Asset Growth variable (X3) on Profitability (Z) show significant results with a statistical t value of 6.612093 this value is greater than the value of 1.96 and the value of the Original Sample (O) of 0.402008.

H4: Profitability has a significant effect on Bankruptcy Risk

The test results of the Profitability (Z) variable on Bankruptcy Risk (Z) showed significant results with a t-statistic value of 2.849415 this value was greater than the value of 1.96 and the value of the Original Sample (O) of 0.346041.

H5: Good Corporate Governance has a significant effect on Bankruptcy Risk

The estimation results from the table tell that the Good Corporate Governance (X1) variable on Bankruptcy Risk (Y) shows significant results to the t-statistical value of 9.747944 and this value is greater than 1.96 and the Original Sample (O) value is - 0.4988.

H6: Third-Party Funds have a significant effect on Bankruptcy Risk

Third-Party Funds (X2) on Bankruptcy Risk (Y) obtained significant results on the t-statistical value of 6.662395 greater than 1.96 and the value of the Original Sample (O) of -075337.

H7: Asset Growth has a significant effect on Bankruptcy Risk

Asset Growth (X3) on Bankruptcy Risk (Y) shows a significant result for the t-statistic value of 3.388426 which is greater than 1.96 and the value of the Original Sample (O) of -0.34709.

Mediation Effect Test (Path Test)

The value of direct and indirect influence can be seen as follows:

Direct Effect (X1) ➡ (Y) = -0, 4988Indirect Effect (X1) ➡(Z) ➡(Y) = (-0, 3725) x (0, 346041) = -0, 1289

Profitability can mediate the influence of Third Party Funds on Bankruptcy Risk

The value of direct and indirect influence can be seen as follows:

Direct Effect (X2) ➡(Y) = -0, 75337

Indirect Effect (X2) ➡(Z) ➡(Y) = (0, 846123) x (0,346041) = 0, 292793

Profitability is able to mediate the effect of Asset Growth on Bankruptcy Risk

The value of direct and indirect influence can be seen as follows:

Direct Effect (X3) ➡(Y) = -0, 34709

Indirect Effect (X3) ➡(Z) ➡(Y) = (0, 402008) x (0,346041) = 0,139111

The results of the hypothesis testing of Good Corporate Governance on Profitability are known to have a significant negative relationship with banking. This proves that the better the implementation of good corporate governance, the greater the ability of the bank to generate profits. This can be seen from previous research by Luh Putu Ari Anjani (2017).

The test results of third-party funds on profitability have a significant positive relationship. This is because Third Party Fund products can be the community's choice with a profit-sharing profile. After all, they are easily liquid and the public can easily add or withdraw their funds at any time. With the increase in TPF that has been channeled back to the community in the form of financing, it can increase profitability. This can be seen from previous research by Venny Nur Hidayati (2019).

The results of research on asset growth on profitability have a significant positive effect so that if asset growth increases it will be followed by increased bank profitability. This can be proven from previous research by Uni Untari S. (2019).

The results of profitability research on Bankruptcy Risk have a significant positive effect so that high profitability will reflect the ability of the bank to manage assets more effectively and efficiently. This was not found in previous research.

The results of the good corporate governance hypothesis test on the risk of bankruptcy are significantly negative. This shows that the GCG obtained by the bank does

not affect the BUS experiencing bankruptcy. The results of this study can be proven in previous research by Tri Mugiarti and Muji Murarani (2019).

The test results of third-party funds on the risk of bankruptcy are significantly negative. This is because Third Party Fund products can be the community's choice with a profit-sharing profile. After all, they are easily liquid and the public can easily add or withdraw their funds at any time. With the increase in TPF that has been channeled back to the community in the form of financing, it can increase profitability. In previous research, it has not been found so that it can be used as new research.

The result of the effect of asset growth on the risk of bankruptcy is a significant negative. This is if the growth of assets increases, the profitability of banks will increase so that there is no risk of bankruptcy. In previous research, it was not found so that this research can be said to be new research.

CONCLUSION

The effect of the relationship of Good Corporate Governance on Profitability is a significant negative for banking. The effect of the relationship between TPF variables on profitability has a significant positive effect. The relationship between Asset Growth and Profitability shows significant positive results. The effect of Profitability on Bankruptcy Risk shows significant positive results. The effect of the relationship of Good Corporate Governance on Bankruptcy Risk has a significant negative result. The influence of the relationship of Third Party Funds on Bankruptcy Risk is seen to have a significant negative result. The relationship between Asset Growth and Bankruptcy Risk has a significant negative result.

REFERENCES

Agus, A. d. (2015). Perkembangan Bank Syariah Di Indonesia. *Jurnal Ilmiah Ekonomi Islam,1*(2), 75-87.

Ahmad Husaeni, Uus. (2017). Analisis Pengaruh Dana Pihak Ketiga dan Non Performing Financing Terhadap Return On Asset pada BPRS di Indonesia. *EQULIBRIUM: Jurnal Ekonomi Syariah 5*(1), 1-16.

Alif, E. M. (2017). *The Power Of Good Corporate Governance* . Jakarta: Salemba..

Awaluddin. (2016). Analisis Penawaran Efek Syariah Di Bursa Efek Indonesia. *Maqdis: Jurnal Kajian Ekonomi Islam,* 1(2), 137-150.

Juliandi, Azuar. (2018). *Modul Pelatihan Structural Equation Model Partial Least Square (SEM-PLS) dan SmartPLS*. Batam: Universitas Batam.

OJK. (2020). *Laporan Keuangan.* OJK.

Ridwansyah, M. (2019). *Pasar Modal Syariah (PMS) Di Indonesia*. *Jurnal Ekonomi Bisnis, 2*(2), 91-107.

Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif dan R&D* . Alfabeta: Bandung.

Suhendro, D. (2018). Tinjauan Perkembangan dan Pertumbuhan Perbankan Syariah di Indonesia. *Human Falah: Jurnal Ekonomi dan Bisnis Islam, 5*(2), 211-227.

H. W., Andre & Sukamulja, A. H. (2017). Analisis Pengaruh Corporate Governance Terhadap Risiko Kebangkrutan, *Jurnal Manajemen Universitas Atmajaya Yogyakarta*.

Tyahya, S. P. (2018). Pengaruh Dana Pihak Ketiga, Kecukupan Modal dan Penyaluran Kredit Terhadap Profitabilitas Bank. *Jurnal Manajemen Strategi dan Aplikasi Bisnis, 1*(1), 9-18.

Untari S., Uni. (2019). Pengaruh Pertumbuhan Aset Terhadap Profitabilitas Pada PT Telekomunikasi Indonesia (PERSERO) Tbk. *Jurnal Manajemen Keuangan.* 1-21.