

## **The Effect Of Macroeconomic Variables And Sukuk Issuance Value On Profitability Of Sharia Commercial Banks In Indonesia**

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### **Article Info**

#### **Paper type:**

Research paper

#### **Keywords:**

Inflation; BI-rate; Exchange rate;  
Sukuk; Profitability

### **Article history:**

Received: June, 2023

Revised:

Accepted: August, 2023

Available online: August, 2023

### **Abstract**

Poverty is a phenomenon that is often highlighted in several countries including Indonesia, which in fact applies two economic policy systems. The policies enacted will be mutually sustainable to achieve national development goals, one of the main problems of which is reducing the poverty rate. However, in the 2019-2021 timeframe, the poverty rate in Indonesia has not shown a significant decline. This study aims to analyze the distribution of zakat funds and macroeconomic variables in influencing the poverty rate. The macroeconomic variables studied are government expenditure, human development index (HDI), inflation and gini ratio. The population in this study is poverty data in 34 provinces in Indonesia. The data used in this study is panel data from 34 provinces in Indonesia, with a total sample size of 102. The results showed that zakat distribution has a negative effect on the poverty rate. While government spending, human development index (HDI), and inflation do not affect the poverty rate. There is also a gini ratio that has a positive effect on the poverty rate.

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## Introduction

Poverty is a problem that is often highlighted in several countries, especially developing countries. In Indonesia itself, poverty is considered a very crucial problem, not only because of its increasing trend, but also because of its consequences, which not only cover the scope of the economy but also the problems of the state and domestic political instability. Therefore, poverty alleviation should be a top priority in economic development, both in the short and long term (Pratama, 2014). Reporting from BPS, when viewed from the average poverty data of all provinces in Indonesia during the 2019-2021 period, the percentage of poverty in Indonesia is in the range of 10% lift.

The financial industry with an Islamic concept or better known as Islamic Finance has experienced significant development for several countries with large Muslim populations to countries with minority Muslim populations in the world (Saeed, 1996). In 2011, at least 75 countries have succeeded in establishing more than 300 Islamic financial institutions in their countries. Referring to the results of research conducted by Perry & Rehman (2015), that the development of Islamic finance has reached any part of the country in the world.

The Islamic banking and financial system has achieved unprecedented success and achievements. Regardless of how massive the growth of Islamic banking itself is, the fact is that many conventional banking companies are interested and eyeing Islamic banking market share by establishing other subsidiaries with the Islamic financial system. In principle, the most fundamental difference between the Islamic and conventional banking and financial systems is that there is no interest in the Islamic banking and finance system. In addition, the sharia financial and banking system places more emphasis on sharia values, ethics and human morals.

As a country with the largest Muslim population in the world, Indonesia should be able to become the center of the economy and development of the Islamic financial system. Based on the financial report issued by the Global Islamic Financial Report, Indonesia ranks fourth with total assets of US\$35.65 trillion. But with a development of 56.6% in just the term within 10 years, Indonesia became the highest in the world. Domestically, according to data obtained from the OJK (2019), the share of the Islamic finance industry to banks has exceeded 6.01% as of October in 2019 or the equivalent of IDR 513 trillion. When we review this achievement, this is the highest achievement ever recorded in history and experienced an increasing trend from the first quarter of 2019 to the third quarter of 2019, which was 5.94%. The main factor for the massive development of Islamic banking in Indonesia is the high growth rate of BUS and UUS assets of 10.15% per October 2019 yoy or equivalent to IDR 499.98 trillion (kontan.co.id, 2019). The increase in Islamic bank assets was also driven by growth in total financing of IDR 345.28 trillion or an increase of 10.52% yoy and DPK which increased to IDR 402.36 trillion. This is in line with the sharia economic indicator roadmap launched by OJK for 2015-2019

**Table 1. Development of Islamic Commercial Banks for the 2014-2019 period**

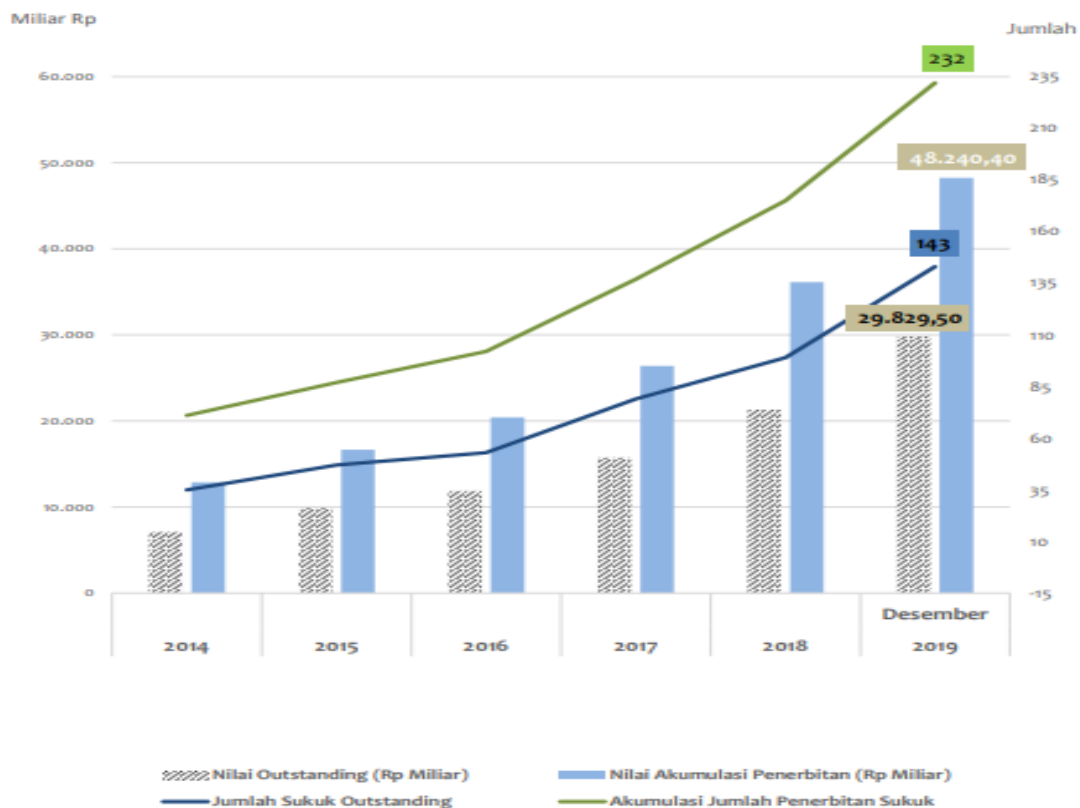
Indicator (Unit)	Year					
	2014	2015	2016	2017	2018	2019
Total of BUS (unit)	12	12	13	13	14	14
Total of UUS (unit)	22	22	21	21	20	20
Total assets (in billion Rupiah)	272.343	296.262	356.504	424.181	477.327	524.564
Total of Labor (in thousands of people)	44.043	55.816	55.597	55.746	54.471	54.480

Source : Sharia Banking Statistics, OJK (2014-2019)

Based on Table 1, it proves that from the 2014-2019 period there were several indicators that experienced an increase in Islamic banking. The total assets indicator is the most significant and even continues to increase in number from year to year. The number of offices and workforce tends to fluctuate. While the decline occurred in the number of UUS from 2016 to 2019, this was indicated by the transition of several UUS from conventional banks to BUS. It is UUS BPD Aceh which has transformed into Bank Aceh Syariah, so that it can be seen in the table that UUS has changed to become BUS (OJK, 2016).

The growth and development of bank financial institutions is largely determined by the level of profitability resulting from their operational activities. In this case the amount of incentives received by Islamic banks is the output of the profitability of Islamic banks in carrying out their functions as intermediary institutions. The higher the profit generated by the bank, the greater the opportunity for the bank to develop its business. There are several factors that can influence a bank to achieve a high level of profitability. According to Haron (2004) which states that the level of profitability of Islamic banks proxied by operating profit can be influenced by macroeconomic conditions and the bank's internal financial performance. Athanasoglou, et.al (2005), also stated the same thing that internal factors and external factors can affect bank profitability. Internal factors are specific factors related to bank governance that can determine profitability such as fundraising, capital management, liquidity management and cost management. While external factors are variables that are not related to bank governance such as inflation, bi-rate, exchange rate, and economic growth, but these factors have an effect on a country's economy which will indirectly affect the performance of financial institutions.

Then, the influence of the issuance value of sukuk on the profitability of Islamic banks is also interesting to study. By issuing sukuk, banks are considered to have helped develop Islamic financial instruments, especially in the Islamic banking industry itself. If the value of the issued sukuk is large, then the value of liquidity in the financial market will increase, this has an important role in the formation of benchmark yield curves and the development of the domestic bond market.



Source : Ministry of Finance, 2020

**Figure 1. Corporate Sukuk Development (2014-2019)**

Based on figure 1, until the end of 2019 total emissions from the issuance of sukuk reached IDR 232 trillion. Banking is a sector that dominates outstanding sukuk by 54% in addition to other entities such as mutual funds, insurance, pension funds and individual or individual funds (DJPPR, 2019). There are at least six advantages to be gained by Islamic banks when investing their funds in the form of investment in sukuk (Amirullah, 2011), among others, *fixed return*, a safe form of investment because it is guaranteed by the government, can be traded on the secondary market before maturity, has the opportunity to obtain capital gains in the secondary market, the profit-sharing tax is smaller than the profit-sharing tax on deposits and managed based on sharia principles.

But on the other hand, the banking sector also needs to consider the economic consequences of issuing this sukuk for the national economy. The large value of issuance of sukuk by banks has the potential to create reluctance for banks to channel financing to the private sector, because many bank funds are invested in the form of sukuk. So that this can hamper the long-term development and growth of banking.

Given the increasingly dynamic and difficult to predict movements in the macroeconomic environment, such as government policies that are biased towards predetermined targets, it is not even impossible to escape business activity disaster. In reality, not a few businesses have gone out of business due to unfriendly macro-environment turmoil. And also the trend of issuance of sukuk by Islamic banking which continues to increase and there is a potential slowdown in banking

growth due to ownership of sukuk by banks as stated above, this study estimates the Effect of Macroeconomic Variables and State Sukuk Issuance Value on the Profitability of Islamic Commercial Banks in Indonesia.

### **Literature Review**

Safitri (2018), estimates the Influence of Issuance of State Sukuk, Inflation, and Rate of Return on SBIS (Bank Indonesia Sharia Certificates) on the Development of Islamic Banks in Indonesia for the 2012-2016 period using quantitative research methods, data analysis methods using VECM (Vector Error Correction Model), the results of the study indicate that the factor of fiscal policy in the form of issuing state sukuk has no significant effect on the development of Islamic banks in Indonesia. Meanwhile, the macroeconomic factor of inflation has a significant positive effect on the development of Islamic banks in Indonesia in the long term. Iskandar (2014), conducted research on the Effects of State Sukuk Issuance as Fiscal Deficit Financing and Macroeconomic Conditions on the Development of Islamic Banking in Indonesia. Using quantitative research methods, the data analysis method used is multiple linear regression, the results of the study indicate that the ownership of domestic sovereign sukuk in Islamic banking has a positive and significant effect on the ratio of the total value of Islamic banking financing. Meanwhile, the rupiah exchange rate against the USD has a negative and significant effect on the level of Islamic banking financing, and inflation has a positive and significant effect on Islamic banking financing.

Widokariko et al (2016), conducted a study on the Impact of Internal Performance and Macroeconomic Conditions on Profitability in Banking using quantitative research methods, the data analysis method used is the granger causality test and VAR (Vector Auto Regressive) / VECM (Vector Error Correction Model), the results of the study show that the exchange rate and inflation variables have no significant effect on bank profitability. In contrast to conventional banks, which are more easily affected by the existence of the BI-rate.

Alim (2014), analyzed the effect of inflation and the BI-rate on the return on assets (ROA) of Islamic banks in Indonesia, using quantitative research methods, the data analysis method used was multiple linear regression. The results of the study show that the variable Inflation has a positive and insignificant effect on Return On Assets (ROA), while the BI-rate has a negative and insignificant effect on return on Assets (ROA), Inflation and BI-rate simultaneously have no effect on Return On Assets (ROA). This is because there is no interest system in Islamic bank operations so that the inflation and bi-rate variables do not really affect operational risk and financing risk.

Milhem and Abadeh (2018), see The Impact of Macroeconomic Variables On Banks Profitability and Liquidity: An Empirical Study on Islamic and Conventional Banks in Jordan, using quantitative research methods, the data analysis method used is multiple linear regression. findings from the study indicate that the inflation variable has a positive and significant effect on the liquidity (CAR) and (LDR) of conventional banks. While the insignificant effect is shown by the inflation variable on bank profitability. However, the GDP variable shows positive and

significant results on bank profitability (ROA), (ROE), and bank liquidity (CDR), (LDR). Then the insignificant results are shown by the variable inflation on profitability (ROA), (ROE), and liquidity (CDR), (LDR) of Islamic banks. Likewise with the GDP variable which has no significant effect on the liquidity and profitability of Islamic banks in Jordan.

Faza et al (2020), estimated the Macroeconomic Analysis and Financial Ratios on Sharia Commercial Bank Profitability: A Case Study of Indonesia, the research method used is a quantitative method with the panel data analysis method. The results of the study show that variables originating from the bank's internal factors in the form of Non-Performing Financing (NPF), Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), and Operational Efficiency Ratio (OER) have a significant effect on Return on Assets (ROA) sharia commercial banks in Indonesia. Meanwhile, macroeconomic variables originating from bank external factors in the form of Gross Domestic Product (GDP) and Exchange Rate have no significant effect on the Return on Assets (ROA) of Islamic commercial banks in Indonesia.

Research that has relevance to this research is research conducted by Intan Sandhyapranita (2018), entitled Analysis of the Influence of Macroeconomic Conditions on the Profitability of Islamic Banks in Indonesia for the 2007-2018 Period, using quantitative research methods, the data analysis method used is a linear regression model multiple times, the results of the study show that macroeconomic conditions such as GDP, inflation, and the BI-rate have proven to simultaneously have a significant effect on the profitability of Islamic commercial banks. For the partial test of GDP and BI-rate which can significantly influence the profitability of Islamic commercial banks, while inflation has no effect on the profitability of Islamic commercial banks. The similarity between this research and previous studies lies in the independent variables in the form of inflation, bi-rate, and economic growth. While the difference lies in the time period used, and this study adds independent variables from macroeconomic factors in the form of exchange rates and from fiscal policy factors in the form of the value of sukuk issuance by Islamic banking.

## Methodology

The data used in this study is secondary data in the form of published financial reports obtained from the Financial Services Authority (OJK). This study uses a quantitative approach with the type of panel data method which is a combination of cross section and time series data. Cross section data in this study were 8 sharia commercial banks in a sample that had been determined using a purposive sampling method. While the time series data in this study is in the form of quarterly data, namely data during the research period in the fourth quarter of 2010 to the first quarter of 2020. The time series data used in this study is published data released by the Central Bureau of Statistics (BPS), the Financial Services Authority (OJK), and Bank Indonesia (BI) which includes data on inflation, bi-rate, exchange rates, economic growth, and the value of sukuk issuance. To see the health rating of the ROA that is owned, that is by referring to Bank Indonesia regulations in SE No. 13/24/DPNP dated 5 October 2011 concerning the criteria for determining the profitability rating (ROA). From the panel data, the following research equations are:

$$ROA_{it} = \alpha + \beta_1 INF_{it} + \beta_2 BIR_{it} + \beta_3 NTK_{it} + \beta_4 PE_{it} + \beta_5 Skk_{it} + \varepsilon_{it}$$



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where ROA is profitability from Banks, INF is Inflation; BIR is BI rate; NTK is exchange rates; PE is Economic growth; Skk is Sukuk and  $\varepsilon$  is error term. The data that has been obtained is then processed using the Eviews10 application and then the data is processed using data analysis techniques, classical assumption test, multiple linear regression analysis, r square test, and hypothesis testing.

## Results and Discussion

### Classical Assumption Test Results

#### 1. Autocorrelation Test Results

The results of the Watson Durbin test to determine whether the model used is free from autocorrelation problems. The results of the Watson Durbin test to determine whether the model used is free from autocorrelation problems can be seen in table 2 below:

**Table 2. Durbin Watson values**

Cross-section fixed (dummy variables)			
R-squared	0.618188	Mean dependent var	1.096480
Adjusted R-squared	0.590587	S.D. dependent var	0.797828
S.E. of regression	0.510493	Akaike info criterion	1.562976
Sum squared resid	43.26019	Schwarz criterion	1.794462
Log likelihood	-126.8863	Hannan-Quinn criter.	1.656841
F-statistic	22.39739	Durbin-Watson stat	1.849140
Prob(F-statistic)	0.000000		

hen, if you look at the figure, the Durbin Watson value of 1.8491 lies in ( $du < d < 4 - du$ ) which means that the DW value has no positive or negative autocorrelation problems so that the decision is not rejected

#### 2. Heteroscedasticity Test Results

**Table 3 Glesjer Heteroscedasticity Test Results**

Dependent Variable: RESABS				
Method: Panel Least Squares				
Date: 09/15/20 Time: 12:42				
Sample (adjusted): 2011Q1 2020Q1				
Periods included: 37				
Cross-sections included: 8				
Total panel (unbalanced) observations: 179				
White cross-section standard errors & covariance (d.f. corrected)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.062389	0.346404	-0.180105	0.8573
X1	-0.043340	0.044171	-0.981174	0.3279
X2	0.007501	0.016820	0.445953	0.6562
D(X3)	-0.277177	0.297032	-0.933157	0.3521
X4	0.084226	0.055612	1.514518	0.1318
X5	-0.012807	0.019666	-0.651242	0.5158

The results of the Glesjer test to determine whether the model used has heteroscedasticity in it can be

seen in table 3. Based on the Glesjer test results in the table above it can be seen that the significance value of each independent variable produces a value greater than 5% or 0.05 (Sig > 0.05). So it can be concluded that the test results in this study did not have heteroscedasticity problems

### Results of Multiple Linear Regression Analysis

The existence of a multiple linear regression model can determine the effect of independent variables consisting of inflation, BI-rate, exchange rates, economic growth, and sukuk have a significant effect on the profitability of Islamic banks. The results of multiple regression can be seen in table 4.

**Table 4 Multiple Linear Regression Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.055564	0.377151	-0.147326	0.8831
X1	-0.171698	0.086031	-1.995770	0.0476
X2	-0.035997	0.036644	-0.982345	0.3274
X3	-2.305664	0.430115	-5.360573	0.0000
X4	0.303006	0.061641	4.915668	0.0000
X5	-0.054329	0.028512	-1.905491	0.0584

Based on the results of multiple linear regression analysis in the table above it can be seen that the equation of the multiple linear regression model in this study is as follows:

$$\text{ROA (Y)} = -0.0555 - 0.1716 (\text{Inflation}) - 0.0359 (\text{BI-rate}) - 2.3056 (\text{Exchange Rate}) \\ + 0.3030 (\text{Economic Growth}) - 0.0543 (\text{Sukuk})$$

### R Square Test Results

**Table 5 Test Results for the Coefficient of Determination**

R-squared	0.618188
Adjusted R-squared	0.590587

The results of the analysis of the coefficient of determination in this study amounted to 0.5905 which stated that the influence of the independent variables, namely inflation, the BI - rate, exchange rates, economic growth, and the value of sukuk issuance of 59.05% affected the dependent variable together, while the rest is influenced by other factors or other variables outside the variables above.

The results of the first hypothesis in this study indicate that the inflation rate has a negative and significant effect on the profitability of Islamic commercial banks in Indonesia. This means that high inflation rates can have an effect on decreasing the real value of savings because people will reduce the value of wealth in the form of money by holding cash and will use their assets to meet expenses due to rising prices of goods so that it will affect bank performance and profitability (Sukirno, 2016).

The above theory is reinforced by current quarterly inflation data in this study, in which there was a fairly high increase in the inflation rate of 2.46% in the fourth quarter of 2014. This high inflation rate cannot be separated from the government's policy of reducing fuel subsidies which has implications for rising fuel prices. So that the increase in fuel prices provides a multiplier effect in the form of price increases for other sectors such as rice, cayenne pepper, red chili, electricity rates, inner-city transportation, household fuel, gasoline, diesel, money transfer administration fees, and



ATM card administration fees. . Then this was exacerbated by the high level of natural disasters that hit a number of regions in Indonesia in 2014, disrupting the distribution channels of commodity goods and causing scarcity in the market.

In the perspective of Islamic economics, according to Al-Maqrizi the inflation conditions described in the previous paragraph are known as natural inflation. Namely inflation caused by natural factors that cannot be avoided by humans such as natural disasters, wars or embargoes and boycotts. This inflation occurs due to a shift in the aggregate supply curve ( $AS \downarrow$ ) to the left, resulting in an increase in prices ( $P \uparrow$ ).

Research conducted by (Javaid & Alalawi, 2018) and (Setyawati, 2017) supports the results of this study which reveal that inflation has a negative and significant effect on the profitability of Islamic banks. When viewed from the consumer side, high inflation will affect the decline in people's purchasing power. Then from the producer side, high inflation will increase the cost of production factors and selling prices. With the selling price increasing and people's purchasing power decreasing, it will affect the company's income. With decreased income, the real rate of return decreases, resulting in a reduced return on equity and investment which ultimately affects the bank's financial performance (Huybens & Smith, 1998)

The results of the second hypothesis in this study show that the BI-rate has a negative but not significant effect. This means that if the BI-rate increases, the bank's profitability will decrease, although at an insignificant level. The results of research conducted by Alim (2014) support this research which states that the BI-rate has a negative effect on the ROA of Islamic banks. This is because in the operational system of Islamic banks there is no interest like conventional banks. So that an increase or decrease in the BI-rate will not directly affect the ROA of Islamic banks.

The results of research conducted by Zulfiah and Susilowibowo (2014) also support this research which reveals that the BI-rate has a negative effect on ROA at Islamic commercial banks because an increase in the BI-rate will be followed by an increase in deposit and loan interest at conventional banks so as to attract interest. people to move funds to conventional banks to get a higher rate of return. The increase in interest rates on conventional bank savings will reduce the income and profits of Islamic banks (Karim, 2006). Therefore, to increase the loyalty of its customers, Islamic banks carry out an internal policy, one of which is by increasing the profit sharing ratio.

In the perspective of Islamic economics, it has been emphasized that the determination of a positive profit up front on a loan as a reward for waiting, according to sharia, is not permissible and is included in the class of usury. It makes no difference whether the percentage gain on the principal is fixed or changing, or a specified amount is paid up front or at maturity, or a gift or some form of service received as a condition of the loan. As explained in the Al-Qur'an surah Al-Baqarah verse 275 Allah swt says:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ ٢٧٥

*“Those who eat (take) usury cannot stand up but are like the standing of a person who has been possessed by a devil because of (pressure) madness. Their situation is like that, is because they say (opinion), actually buying and selling is the same as usury, even though Allah has justified buying and selling and forbidding usury. Those who have received a ban from their Lord, then stop (from taking usury), then for him what he has taken before (before the prohibition comes); and his affairs (submitted) to Allah. People who return (take usury), then that person is the inhabitants of hell; they abide therein.”*

The results of the third hypothesis in this study indicate that the exchange rate has a negative and significant effect on the profitability of Islamic commercial banks. This means that by decreasing the exchange rate, bank profitability will decrease. Exchange rates can determine an increase or decrease in the economy of a country. A declining exchange rate can be an indication of economic downturn due to declining net exports. With the decline in net exports, the company's profits and fundamentals have decreased. Then it will be difficult for companies to get capital loans from banks to expand their business and/or the number of defaults on credit/financing bills at banks will increase so that bank profitability will decrease (Mankiw, 2003).

In addition, fluctuations in the rupiah exchange rate are considered to affect profitability because the products issued by Islamic banks in Indonesia tend to only focus on financing the real sector. In contrast to conventional banks, which can take advantage of exchange rate fluctuations due to games or speculative actions on exchange rates, in the Islamic banking system, attempts to take advantage by speculating like this are forbidden because they contain elements of maysir.

Research conducted by Desi Marilyn & Rohmawati (2012) and Amalia Nuril Hidayati (2014) supports this research which reveals that the exchange rate has a negative and significant effect on the profitability of Islamic banking. This indicates that if the currency appreciates or depreciates, it will have an impact on the profitability of Islamic banks. In an Islamic economic perspective, the use of the gold standard is recommended as an exchange rate system because gold fulfills the Maqashid Al-Syariah criteria, which means that the use of gold is considered to have a value that tends to be stable and resistant to inflation. The stability of the exchange rate in Islam also depends on the strength of supply and demand that occurs in the money market. Therefore, Islam recognizes that changes in exchange rates are a market mechanism. The government can intervene only if stability in the financial market is difficult to achieve.

The results of the fourth hypothesis in this study indicate that the value of economic growth has a positive and significant effect on the profitability of Islamic commercial banks. This means that with increased economic growth, bank profitability will increase. The progress of an economy is determined by the amount of growth indicated by changes in national output. Total output growth (GDP) is an indication that there has been economic growth in a country. In general, every country in the world will experience a rate of economic growth. If the rate of economic growth is high, the production of goods and services will increase, then employment opportunities will also increase and the number of unemployed will decrease and allow for an increase in welfare.

Increased welfare is usually followed by increased income (Hasyim, 2016). On a macro-aggregate basis, an increase in income is directly proportional to consumption patterns. This also applies to people's saving behavior, when income increases, both consumption and savings will increase together. That way bank profitability will increase because banks will freely allocate their

funds in the form of credit/financing (Dumairy, 1996).

Research conducted by (Sodiq, 2015) and (Sahara, 2013) also supports this research which reveals that economic growth has a positive effect on the ROA of Islamic banks in Indonesia. Economic growth is considered to be able to influence customers in saving their funds in the bank. The positive influence of the increasing economy on consumer income can increase people's saving patterns. According to Dumairy (1996) economic growth can affect bank profitability, this is in line with the Keynesian theory that the size of people's saving patterns is not influenced by interest rates, but is influenced by the size of the level of consumer income.

Research conducted by (Sidhi Nyoman, Gede Luh, 2016) also agreed with this study which stated that economic growth has a positive effect on the profitability of Islamic banks because people's tendency to save is influenced by economic growth. In the perspective of Islamic economics, economic growth is considered not as the final goal as well as the concepts of economic development understood by western nations, but how economic development can bring prosperity to the world and the hereafter for humans. According to M. Umer Chapra in (Karim, 2004), there are at least four main elements of economic development in Islam. First, believe in and obey Allah SWT in all its relationships related to the affairs of others. Second, in the process of developing an Islamic economy, humans must comply with the rules of the universe regarding what is recommended and what is prohibited in Islam so that the benefit of nature, the state and others will be achieved. Third, as a caliph in the process of Islamic economic development, humans must always remember that everything that Allah SWT has entrusted to the world will be held accountable at the end of the day. And the fourth is to stick to the As- Sunnah as the previous prophets became good role models when they received a noble assignment from Allah SWT to advance Islamic civilization.

The results of the fifth hypothesis in this study show that the issuance value of sukuk (sukuk to equity ratio) has a negative but not significant effect. This means that with an increase in sukuk, the bank's profitability will decrease. It is suspected that an increase in outstanding sukuk as domestic debt will reduce the allocation of savings that can be used for private sector loans. This is because an increase in the stock of domestic bonds or sukuk not only attracts funds from new investors but can also divert the allocation of funds from savings in banks to sukuk. So this has an impact on decreasing the amount of funds that will be allocated to the private sector or the community in the form of credit or financing. In addition, the limited available funds (loanable funds) for the private sector will put pressure on interest rates thereby increasing the cost of capital which ultimately reduces the demand for private investment, capital accumulation, growth and welfare.

As research conducted by (Abbas & Christensen, 2007) reveals that the decision of banks to invest their funds in domestic government bonds can be seen as economically efficient from the perspective of risk diversification. However, on the other hand, it is necessary to consider the impact of this issuance on the national economy. In the long term, the rate of return on banking from loans by the private sector is negatively correlated with the bank's income from bonds, so the overall risk of the bank's portfolio will decrease. So that it will be counterproductive to the potential slowdown in the development of domestic Islamic banking.

Research conducted by (Karim, Houcem, Akram, & Moh'd, 2019) also supports this research

which reveals that sukuk can negatively affect the performance / profitability of Islamic and conventional banks. This happens because sukuk is an investment product that competes directly with Islamic bank products. This indicates the need to adjust the optimal level or amount of the proportion of outstanding sukuk for Islamic banking in the framework of the effective development and growth of Islamic banking in Indonesia as a part of the country's economic scene. The portion of state sukuk ownership in Islamic banking needs to be scrutinized and analyzed appropriately so that it is in a stable position to avoid weaknesses in the banking role in carrying out its function as a financial intermediary institution.

## Conclusion

Based on the results of the analysis and discussion that has been carried out in this study entitled "The Influence of Macroeconomic Variables and Sukuk Issuance Value on the Profitability of Islamic Commercial Banks in Indonesia for the 2010-2020 Period" it can be concluded that simultaneously macroeconomic variables are in the form of inflation, bi-rate, exchange rate, economic growth, and economic value. issuance of sukuk has an effect on the Return on Assets (ROA) ratio of BUS in the sample. Taken together the variable inflation, bi- rate, exchange rate, economic growth and the value of issuance of sukuk affect ROA by 59.05% and the remaining 42.23% is influenced by other factors or other variables outside the research. While partially the results of the analysis that has been carried out state that the independent variables in the form of inflation, bi-rate, exchange rate, economic growth, and the issuance value of sukuk have a significant negative, insignificant negative, significant negative, positive significant, and negative effect respectively. not significant to the dependent variable, namely the ratio of Return on Assets (ROA) of BUS in the sample.

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