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FACTOR AFFECTING PROFIT DISTRIBUTION MANAGEMENT IN ISLAMIC COMMERCIAL BANKS: MODERATION OF RETURN ON ASSETS

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ABSTRACT

This study aims to find empirical evidence of the influence of capital adequacy ratio (CAR), non-performing financing (NPF), and third-party financing (TPF) on profit distribution management, moderated by return on assets (ROA). This study employs a quantitative approach using panel data regression. The data is generated in numerical form using secondary data from financial reports obtained through the official website of the Indonesia Stock Exchanges (IDX). The Islamic commercial banks in Indonesia listed on the IDX 2016-2022 comprise the study population, and a purposive sampling method is used to determine the sample size so that a sample of 9 Islamic commercial banks with 63 observation data is obtained. EViews 10 is used for the data analysis method, and the random effect model (REM) is used for the research model. The research findings suggest that CAR, TPF, and ROA positively affect profit distribution management. Meanwhile, NPF does not affect profit distribution management. ROA is proven to strengthen the effect of CAR and TPF on profit distribution management. While ROA cannot moderate the relationship between NPF and profit distribution management. This study can complement existing theories, especially regarding the relationship between capital adequacy and third-party funds with profit distribution management moderated by ROA. The practical implications of these findings for Islamic bank policies regarding the importance of increasing profitability and reducing problematic financing to maximize profit-sharing management.

Keywords: CAR, NPF, TPF, ROA, profit distribution management.

INTRODUCTION

The banking industry is central to economic activities because it supports the financial system, which supports GDP (Gross Domestic Product). Bank financial institutions offer public banking services and facilities, including the ability to store, transfer, and provide money. This process of directly collecting funds from the public is a feature of bank financial institutions (Afrida 2016). *Muamalah*, or Sharia-based economic activity, is highly recommended for Muslims. The business community has access to various financing options from Islamic banks. Islamic financial institutions mostly follow Sharia law when conducting business. Islamic banks act as intermediaries and guardians of other people's money, like conventional banks; the difference is that they share profit and loss with their depositors. As a financial intermediary, debt and equity financing are the foundation of capital structure for Islamic banking lending (Suhendri et al. 2017).

The following Islamic banking Statistics are provided by the Indonesian Financial Services Authority (FSA) for seven years of financial performance (ROA) of Islamic commercial banks (ICB), i.e., 0.63% in 2016, 0.63% in 2017,

1.28% in 2018, 1.73% in 2019, 1.40% in 2020, 1.55% in 2021, and 2.02 in 2022 (FSA 2022). The financial performance attained by ICB from 2016 to 2021 demonstrates notable yearly fluctuations, which makes identifying and analyzing the underlying causes an intriguing phenomenon (Addury 2023). Profit distribution management (PDM) in Islamic banks is a process by which managers control profit distribution and meet their obligations to depositors regarding profit sharing. Bank Indonesia (BI) defines profit distribution as the monthly income distribution to depositors owned by Islamic banks per the original agreement specified ratio. Mutual agreements and well-established products are the revenue-sharing scheme's foundation (Parwati and Welkom 2024). Through the implementation of a profit-sharing mechanism, Islamic banks can serve their customers with transparency in their operations, allowing them to keep an eye on the bank's performance and activities regarding their earnings. However, if profits are not optimal, the distribution of profits to customers tends to decrease, which results in a fairer equality principle (Sutrisno 2020).

One factor influencing Islamic banks' profit distribution management (PDM) measurement is the capital adequacy ratio (CAR). In order to interpret the amount of money deemed adequate to manage possible risks, Islamic banks impose a metric known as CAR. Capital adequacy refers to a bank's capacity to manage capital to keep it at a level high enough to finance investment and fixed assets while mitigating the risk of losses from making riskier productive asset investments (Japalsyah and Hakim 2021). A higher CAR ratio strengthens the Islamic bank's capacity to assume the risk in any hazardous productive asset. Therefore, this ratio is very important to customers and should be carefully considered by the bank. A high CAR enables banks to lower associated risks, giving bank managers greater confidence to implement PDM, which pertains to interest rates, since banks are secure. The calculation of CAR at a specific level is meant to ensure that banks have enough capital available to minimize the risks associated with the growth or expansion of their assets, both risky and yielding (Santoso and Samboro 2022).

Another factor influencing profit distribution management (PDM) is the amount of financing measured by third-party financing (TPF), which measures how much the company can do. TPF is acquired from the community via deposits, savings accounts and giro (Aprilianto, Badina, and Ma’zumi 2018). The bank will reinvest the money it collects in financing. When investing in Islamic banks, depositors always think about the level of return they will get, and depositors will choose Islamic banks as a place to invest if the level of return is comparatively high. On the other hand, depositors will shift their money to conventional banks if they offer higher profits. Consequently, the degree of profit distribution is one element that determines whether Islamic banks are thriving in collecting TPF (Risfandy 2019). The profit-sharing features of the Islamic banking system offer an alternate banking structure that benefits the community while putting transaction justice, unity, and brotherhood in value creation and financial transaction speculation (Salman 2022).

Apart from CAR and TPF, another factor that influences profit distribution management is non-performing financing (NPF). Since financing represents Islamic bank's primary revenue, the financing distribution activities play a significant role in banks' operations. When financing through contracts such as

murabahah, *musyarakah* and *mudharabah*, customers of Islamic banks enter into agreements that carry a significant risk of problematic financing if improperly managed. Financing without first undergoing analysis can lead to problematic financing, which makes it extremely risky for Islamic banks (Eriyanti, Pratiwi, and Doddy 2019). The large NPFs negatively affect Islamic banks' ability to remain solvent, particularly when making money and growing their loan portfolio. On the other hand, a high NPF level denotes poor banking quality, which will eventually impact profitability. To reduce NPF, Islamic banks should keep disbursing more financing. Assuming the total amount of NPF remains constant, this will decrease the NPF ratio(Saputri and Ahmadi 2022).

However, the profit distribution management study in Islamic Commercial Banks is still minimally studied. The selection of Islamic banking is the research sample because this sector has an important role in Indonesia's economy. Research Parwati and Welkom (2024) have the weakness of only measuring profit distribution management with capital adequacy. Whereas in the study, Roziq and Sukarno (2021) have the weakness of only looking at the risk of financing with bad financing that occurred during that period, so it does not describe how profit distribution management will be carried out by Islamic commercial banks and study by Salman (2022) has the weakness of only measuring profit distribution management with Third Party Funds. Previous research that used return on assets as moderation of the influence of independent variables on profit distribution management has been carried out by Risfiati and Utama (2019); Japalsyah and Hakim (2021); Adlina, Ramadhan, and Nurlaila (2024) but did not discuss CAR and TPF. Furthermore, it was also carried out by Wahyudi, Mujibatun, and Riduwan (2019); Mais, Hendrawati, and Putra (2019); Pratiwi and Nabila (2022) but does not discuss NPF. This study was carried out because there are research gaps because the findings of earlier studies differ and are inconsistent. As a result, research has different companies. It should be carried out further in different periods, with research data and ROA as moderating variables, so this research has a novelty from previous research. Therefore, this study aims to show the effect of capital adequacy ratio, non-performing financing, and third-party financing on profit distribution management moderated by return on assets.

LITERATURE REVIEW

Signaling Theory

The signaling theory was first put forward by Spence (1973), who stated that by giving a signal, the party who owns the information is trying to provide information that can be used by the party who receives the information. Signaling theory explains that a company's strong financial statements indicate to its users that the business operations are proceeding satisfactorily (Bini, Dainelli, and Giunta 2011). The responder will respond well if the signal is in good condition. An informational announcement is given to investors as a cue to decide what to buy. The primary argument of this study, signaling theory, asserts that management will inevitably purposefully send signals to the market (Abdallah and Bahloul 2023). Financial reporting and disclosure may be crucial channels for management to convey company performance and oversight to external investors. Full disclosure and improved market value are the bank's highest profitability

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attributes. Outsiders shield themselves from the information they do not receive, which drives down prices for the company. Consequently, to lessen this, the organization sends accurate, accurate, and complete signals matching the manager's information (Budiman, Kristanti, and Wardhana 2017).

Profit Distribution Management (PDM)

Islamic banking regulations by Bank Indonesia require profit distribution management, the monthly allocation of Islamic bank profits to depositors according to a predetermined ratio. The calculation of the division of business between *Shahibul Maal* (funder) and also *Mudharib* (fund manager) is carried out by the Islamic bank following the ratio agreed upon at the beginning of the contract (Sulistyawati, Asmaraputri, and Santoso 2019). Profit distribution is business results, income and profit-sharing (Asrori et al. 2024). Disputes between the two parties about splitting profits may be partly avoided using the profit ratio. Instead of expressing the profit ratio as a fixed nominal value, it must be expressed as a percentage between the parties. In modern banking, negotiations regarding the ratio between capital owners (investors or depositors) and Islamic banks typically only take place for large depositors/investors due to their relatively high bargaining power. However, the exact ratio amount is decided upon by each contracting party's agreement (Mismiwati 2018).

Return on Asset (ROA)

One indicator of profit distribution management in Islamic banks is the level of profit generated, known as profitability. The difference between revenue received and expenses incurred by the business is a gauge of profitability (Trad, Trabelsi, and Goux 2017). For banks to compete and remain a viable business entity, measuring profitability is critical since it serves as a gauge of success and the foundation for evaluating the health of the banking industry. With greater profitability, banks will be able to boost their company cash flow and use it as a source of funding to boost productivity in the workplace (Istan and Fahlevi 2020). Increasing investor and customer confidence in Islamic banks through effective profitability generation will increase profit distribution. ROA is used as a metric to assess Islamic bank's financial performance because it measures how effectively companies use their assets to generate profits. By demonstrating how healthy company assets are used to cut costs, generate savings and ensure the company has enough cash to operate, profitability can be used to quantify the degree of profit distribution (Nugroho et al. 2021).

Capital Adequacy Ratio (CAR)

A bank's capital adequacy ratio (CAR) measures the level of risk attached to its assets. Banks use a metric capital adequacy that banks impose to interpret how much money is considered adequate for banks to manage possible risks. Because the bank obtained the capital from non-bank sources, it is inherently risky (Wahyudi, Mujibatun, and Riduwan 2019). Higher CAR values are associated with more funding available for company growth and can be used to forecast potential loan losses. Put another way, it will guarantee that banks have enough cash on hand if there is a risk of poor financing (Rahman, Mulyany, and Shabri 2023). The likelihood that a financial institution can support its objectives

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and endure the risks associated with financing score risk increases with the CAR. Higher CARs ultimately lead to higher profitability and bank financing disbursements (Muliadi 2022). The CAR decreases as banks disburses less money.

Non Performance Financing (NPF)

Most financing that falls under the non-performing financing (NPF) category is the source of financing risks. NPF is the amount of lousy financing set aside (Purbayanto et al. 2022). It quantifies a bank's assets and explains how it can distribute risks and recover funding in the event of a default. Bank losses will arise from troubled financing, specifically from non-payment of disbursed funds or unsatisfactory revenue-sharing proceeds. The categories included in NPF are substandard, questionable, and loss following standards established by Bank Indonesia (Fakhrunnas and Hasanah 2022). The greater the value of NPF, the worse the performance of the Islamic banks. Unsatisfactory funding represented in the NPF may cause the business to lose out on opportunities to earn money from the financing provided, which could impact profitability. Banks' profits decline due to increased problem financing, exacerbated by higher NPF ratios. As a result, the bank must absorb losses from its operational activities (Qolbi, Karisma, and Rosyadi 2020).

Third Party Financing (TPF)

Third-party financing (TPF) refers to public deposits placed with Islamic banks subject to withdrawal at any time without giving the bank advance notice and with specific drawdown restrictions. The majority of the money that banks rely on (between 80% and 90%) comes from public collections (Nawasiah, Hendratni, and Indrawati 2021). The ability of the bank to finance its operations through these resources is a key indicator of success as it serves as the primary source of funding for the bank's operation. The bank will use the money it receives from third parties as financing to maximize profit, reduce risk, and preserve the stability of bank liquidity (Trinugroho, Risfandy, and Ariefianto 2018). The amount of money channeled into financing increases with the amount of TPF the public contributes. Banks will receive income from third parties that they have directed as financing, and this income will have an impact on bank profits. The money raised from outside sources will boost the business's net profit and vice versa (Kurnia, Yoshanti, and Fenitra 2023).

Hypothesis Development

Using capital to cover risks means that the nominal income obtained from financing other than productive assets does not decrease, so the profit-sharing to customers does not decrease. The lack of CAR demonstrates that Islamic banking management is typically extremely cautious when controlling the risks presented by assets. The decline in profit-sharing financing can be attributed to several risks, including the possibility of a bank-financed business going bankrupt (Handayani et al. 2021). In signalling theory, Islamic banks with a high CAR level will provide positive signals to investors so that profitability increases. A high CAR means the public's view of the Islamic banks is good, indicating that the Islamic banks have been able to manage their finances well. A large CAR can support the

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development of Islamic banks' operations and cover risks, including financing, to increase the profitability of Islamic banks. This relationship occurs because, with large capital, the management of Islamic banks is more flexible in managing and utilising funds for profitable investment activities. The study results by Fitri, Adriyani, and Sutrisno (2018); Rahman, Mulyany, and Shabri (2023) found that CAR has positive and significant effects on profit. The following hypothesis is formulated H1: CAR positively affects profit distribution management.

A bank's inability to perform profit distribution can be attributed to a high level of financing risk (NPF), which suggests that the banks' ability to generate income will be negatively impacted, and customers will receive a small profit share (Atthaariq and Adityawarman 2022). A low NPF will result in a high opportunity for Islamic banks to obtain income from disbursed financing, thereby increasing profits. In signalling theory, Islamic banks with low NPF levels will give positive signals to investors so that profitability increases. The lower the NPF, the better the public's view and the Islamic banks efficiently manage their financial management. On the other hand, if the NPF decreases, it indicates that the Islamic bank's performance is in good condition, so it can generate a profit margin in financing, which adds value to profits. When financing is of high quality, there are fewer financing issues. One unique feature of the Islamic banking system that sets it apart from conventional banks is profit sharing, made available to the public. Maximal profit sharing will come from expanding the chance to earn income through financing. Research by Eriyanti, Pratiwi, and Doddy (2019); Mais, Hendrawati, and Putra (2019) shows that NPF positively and significantly affects profit distribution. The hypothesis of this study is H2: NPF positively affects profit distribution management.

The extent of Islamic banks' financing to the public will depend on the size of third-party financing (TPF). If TPF rises, financing will follow suit, and if TPF falls, financing will likewise fall. The public deposits that Islamic banks receive do not always translate into a higher percentage of financing for profit-sharing (Kaban and Pohan 2023). In signalling theory, Islamic banks with a high TPF rate will give a positive signal to investors so that profitability increases. This means that a high TPF in financial statements is useful for investors who will deposit their funds. This is because profit-sharing financing is long-term, whereas TPF is short-term. The bank makes money with little risk by allocating funds to specific instruments. To ensure liquidity and prevent problems should a customer withdraw or take their money at any point, the bank will occasionally withhold some of the funds it has received. This helps to ensure the bank's continued health and performance. A study by Siregar, Rokan, and Anggraini (2023); Zaini, Vitaloka, and Shuib (2023) states that there are significant positive effects between TPF and profit-sharing financing. The hypothesis of this study is H3: TPF positively affects profit distribution management.

The fund manager's ability to turn a profit will determine how much profit-sharing is received. A company's worth increases with its rate of return on assets, so profitable businesses with strong returns are better positioned to demonstrate promising performance prospects. A company that can make the most use of its resources will perform better in producing profits and will encourage investors to put their money into the company since they will receive a higher rate of return. According to signalling theory, increasing the return on assets can be a good

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indication for investors. This positive signal means the business uses and manages its resources as efficiently as possible to optimize profits. As a result of the company's increasing rate of return (profit-sharing), which draws in investors, its performance in making profits is improving and becoming more efficient. Islamic banks that manage assets profitably tend to have higher ROA. Based on the predetermined monthly ratio, Islamic banks share a larger portion of their profit with deposit customers. A Study by Mismiwati et al. (2020); Iswanto et al. (2023), ROA significantly positively affects profit distribution. The hypothesis of this study is H4: ROA positively affects profit distribution management.

A high ROA indicates that Islamic banks' financing quality is in good shape. The profit-sharing obtained is contingent on the fund manager's ability to generate income and is determined by the amount of ROA. The amount of CAR that Islamic banks own demonstrates their capital readiness to manage potential financing risks. According to the signalling theory, investors become interested in investing when the CAR is too high. This encourages management to raise dividends to improve the company image and signal investors to invest. Profit sharing will eventually be impacted by Islamic banks' ability to operate as efficiently as possible, indicated by a high CAR value. With every increase in CAR, the management believes it has a strategy to decrease the nominal, which is a profit-sharing mechanism that customers will receive. A study from Mais, Hendrawati, and Putra (2019); Risfiati and Utama (2019) shows that ROA can moderate the effect of CAR on profit distribution. The hypothesis of this research is H5: Return on assets moderates the effects of capital adequacy ratio on profit distribution management.

The income and profit will rise in proportion to the amount of financing. Once Islamic bank financing is realized, ongoing oversight is required to ensure that various roadblocks do not result in financing issues during the financing period. According to the signaling theory, stakeholders, especially investors, lose interest in investing when NPF is too high. This encourages management to raise dividends to improve the company image and send messages to potential investors. Reduced income will be the outcome of poor financing problems. Financial institutions are hesitant to increase funding allocations when there is NPF. Regardless of how profitable it is, the problem of profit distribution that all Islamic banks might encounter remains unaffected. In a study by Yusuf and Mahriana (2016); Gusmawanti et al. (2020), ROA can moderate the effect of NPF on profit distribution. The hypothesis of this study is H6: Return on asset moderates the effects of non-performance financing on profit distribution management.

Islamic banks' profitability (ROA) may rise in tandem with the higher TPF of these banks and the higher level of financing disbursed. As a result, profitable sharing from the financing will also rise. A higher ROA will lead to a higher profit distribution for Islamic banks, which is correlated with the high financing distribution. According to the signaling theory, a company's development receives a positive signal from strong asset growth. Businesses with substantial total assets will have an easier time attracting creditors and investors since they demonstrate their ability to make money that can be used to expand their assets and raise their value. One of the objectives of Islamic banks is to turn a profit to prevent Islamic banks from leaving the money it has collected alone. If the customers' businesses

make much money, this financing will be profitable. A study by Wahyudi, Mujibatun, and Riduwan (2019); Adlina, Ramadhan, and Nurlaila (2024) states that ROA can moderate the effect of TPF on profit distribution. The hypothesis of this study is H7: Return on assets moderates the effects of third-party financing on profit distribution management.

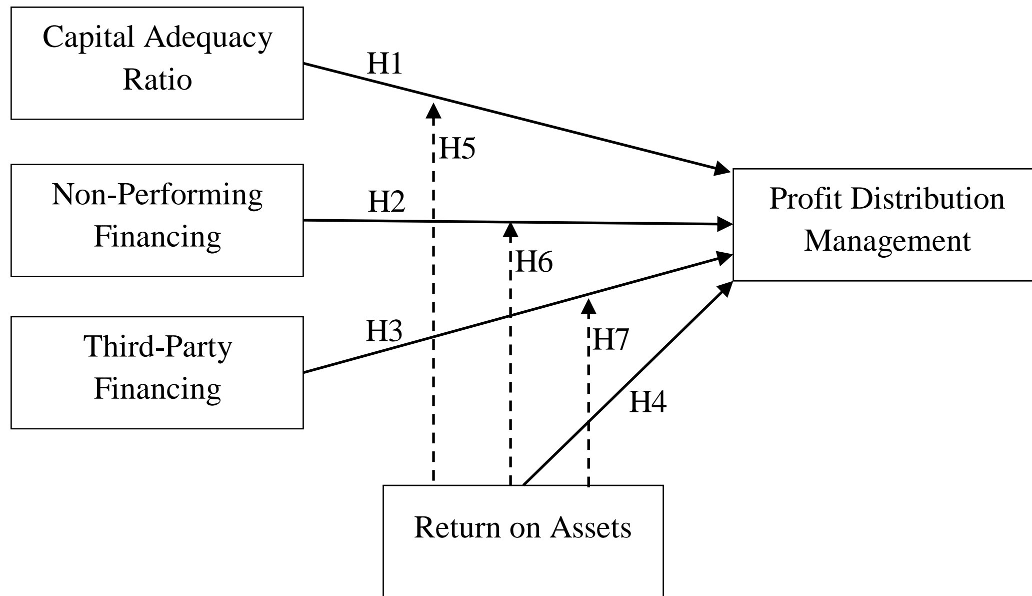

Figure 1 Research Model

METHOD

This study employs a quantitative approach using panel data regression. This study uses secondary data from financial reports obtained through the official website of the Indonesia Stock Exchanges (IDX); the data is generated in numerical form. The Islamic commercial banks listed on IDX 2016-2022 period comprise the study population, and a purposive sampling method was used to determine sample size with specific criteria (Table 1). In this research, sixty-three observation data from nine Islamic commercial banks as a result of the sample selection were obtained that met the criteria: BCAS, BMI, BTPNS, BSMI, BPDS, BAS, BNTBS, BBS and PDS. Based on the criteria, these banks have completed and consistent financial records, as reported in their annual reports from 2016 to 2022.

Table 1 Sample Determination

No	Sample Criteria	Amount
1	During 2016-2022 period, Islamic commercial banks (ICB) in Indonesia registered with the Financial Services Authority (FSA)	13
2	ICB which did not publish annual financial reports for the 2016-2022 period and published them on the FSA website	(4)
3	Number of Islamic business to be studied	9
4	Number of observation for 2016-2022 study period (annual financial reports) = 7 x 9	63

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The study method of data analysis is the random effect model (REM) with EViews 10. This study has dependent variables (profit distribution management), independent variables (capital adequacy ratio, non-performing financing, third-party financing), and moderating variables (return on assets), while the measurements can be seen in Table 2. This study employed the following four methods: descriptive statistics, pairwise correlation analysis, the classical assumption test, the determination coefficient test (R^2), and the T-test.

Table 2 Variable Measurements

Variables	Measurements	Scale
Profit Distribution Management	$\text{PDM} = \text{ROA} - \text{Average ROIAH}$ (Ernayani, Robiyanto, and Sudjinan 2017)	Ratio
Capital Adequacy Ratio	$\text{CAR} = \frac{\text{Capital of Banks}}{\text{Risk Weighted Asset}} \text{x } 100\%$ (Louati, Abida, and Boujelbene 2015)	Ratio
Non-Performing Financing	$\text{NPF} = \frac{\text{Non Performing FInancing}}{\text{Total Financing}} \text{x } 100\%$ (Hernawati et al. 2021)	Ratio
Third-Party Financing	$\text{TPF} = \text{Giro} + \text{Saving} + \text{Deposit}$ (Zaenudin and Saadati 2023)	Ratio
Return on Assets	$\text{ROA} = \frac{\text{Earnings After Tax}}{\text{Total Assets}}$ (Ibrahim 2019)	Ratio

RESULTS AND DISCUSSIONS

Descriptive Statistics

The purpose of the descriptive analysis was to provide an overview of each variable's research characteristics.

Table 3 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PDM	63	0.101925	4.592051	1.270688	1.257446
CAR	63	11.25275	39.56600	24.56540	21.12522
NPF	63	0.015300	0.464200	0.266339	0.055787
TPF	63	4.140000	6.566000	4.339500	2.759800
ROA	63	0.120000	1.167500	0.388250	0.045799

Source: secondary data (processed, 2024)

Table 3 shows the value of profit distribution management from a minimum of 0.101925 to a maximum of 4.592051 and an average of 1.270688. According to the PDM model, Islamic commercial banks (ICB) are categorized as having a healthy and high-profit distribution. The average value of capital adequacy is 24.56540 with a minimum value of 11.25275 and a maximum value of 39.56600; capital adequacy is already good. The financing risk has an average value of 0.266339, a maximum value of 0.464200, and a minimum value of

0.015300. Based on FSA regulations, a bank is considered healthy if its financing risk standard is NPF < 5%. The minimum value of third-party financing is 4.140000, with a maximum value of 6.566000 and an average of 4.339500, so the TPF receipts were balanced. With a minimum value of 0.120000, a maximum value of 1.167500 and an average of 0.045799, the ROA exhibits moderate variances in turning a profit based on total assets owned.

Regression Model Selection

Many tests are conducted on model specification to ensure the optimal model is utilized in panel data analysis to approximate panel data regression. The Chow test aims to identify which common and fixed effect models best fit the data. Acceptance of the Fixed Effect Model is based on the probability cross-section value of the Chow test being less than 5% (0.05). The Chow test findings indicate that a prob. value of 0.0125 is less than 0.05, so the fixed effect model is selected.

The optimal fixed effect or random effect model can be determined with the Hausman test. The model is considered acceptable if the random probability cross-section value of fixed effect models is less than 5% (0.05). For the random effect model to be accepted, the random probability cross-section value must be higher than 5% (0.05). A random effect model is selected because the prob. value of 0.1403 is higher than 0.05, as the Hausman test indicates. Based on the results of the Chow and Hausman tests, the random effect model was determined to be the best model in the model goodness test.

Classical Assumption Test

To find out if the data distribution is expected or not, one can perform a normality test. The data may be considered normal if Jarque-Bera's profitability value is greater than 0.05. Based on the normality test results, the probability of 0.085107 is greater than 0.05. The study data are, therefore, normally distributed.

The VIF value should be lower than 10 if the data lacks multicollinearity. Based on Table 4, the Multicollinearity test result, the probability value of the centered variance inflation factor (VIF) is less than 10.00, so there are no multicollinearity symptoms.

Table 4 Multicollinearity Test Results

Variables	Coefficient Variance	Uncertered VIF	Centered VIF
C	1.252550	15.66005	NA
CAR	1.284405	13.68875	1.159972
NPF	0.030858	4.819755	1.170488
TPF	0.069899	30.85335	1.358615
ROA	0.054070	13.40274	1.345518

Source: secondary data (processed, 2024)

One can employ heteroscedasticity tests to ascertain whether variables from observations or residuals are unequal to other observations in the regression model. Heteroscedasticity may not be present in the data if the profitability value is higher than 0.05. Based on Table 5, heteroscedasticity test results show no heteroscedasticity symptoms occur, with a higher probability value than 0.05.

Table 5 Heteroscedasticity Test Results

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	0.087455	1.085522	1.353633	0.0042
CAR	2.145822	2.779511	0.940828	0.7252
NPF	1.180042	1.778560	0.686388	0.1015
TPF	4.105711	6.558511	0.840829	0.5447
ROA	0.087680	0.175002	1.085833	0.1877

Source: secondary data (processed, 2024)

Durbin-Watson and LM tests help identify autocorrelation. The signifier does not form autocorrelation when the F-count is greater than 0.05. Autocorrelation is absent when D-W is less than (4-dU) and greater than (dU). Based on the autocorrelation test, the value of DW = 1.889628, dL = 1.4758, dU = 1.7319 and 4-dU = 2.2681. Also, 4-dL = 2.5242, so dL < dU < dw < 4-dU < 4-dL and probability value 0.000000 < 0.05, it can be said that there is no formation of autocorrelation.

Determination Coefficient Test

The percentage impact of the exogenous variable (X) on the endogenous variable (Y) can be ascertained using the results of the coefficient determination test (R^2). Table 6 shows that the R-Square value of 0.436778 (43,6%) indicates that CAR, NPF, TPF and ROA moderately affect profit distribution management. However, 56.4% may be impacted by other factors not considered. The return on assets has the R-Square value of 0.339930, indicating that CAR, NPF and TPF impacted 33,9% of the return on assets. While 66,1% may be impacted by other factors not considered.

Table 6 Determination Coefficient Test Results

	R-Square (R^2)
Profit Distribution Management (Y)	0.436778
Return on Assets (M)	0.339930

Source: secondary data (processed, 2024)

Hypothesis Testing

Based on Table 7, the constant (α) is a positive value (12.56682); this shows that if the CAR, NPF, TPF and ROA are 0 percent or unchanged, then the profit distribution management is 12.56682. In hypothesis testing, the probability value is sig < 0.05, so the effect of an exogenous variable on the endogenous variable is significant. While, if the probability value is sig > 0.05, then exogenous variables do not affect endogenous variables.

Table 7 shows the capital adequacy ratio positively and significantly affects profit distribution management. This is demonstrated by the probability value of 0.0001 < 0.05 and positive coefficient value of 2.455358, so H1 is accepted. In other words, profit distribution management and CAR are directly correlated. Non-performing financing does not affect profit distribution management. This is demonstrated by the probability value of 0.4415 > 0.05 and the positive coefficient value of 0.012489, so H2 is rejected. Therefore, profit distribution management will rapidly decline if the NPF increases, and vice versa.

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Third-party financing positively and significantly affects profit distribution management. This is demonstrated by the probability value of 0.0000 < 0.05 and coefficient value of 1.044259, so H3 is accepted. In other words, profit distribution management and TPF are directly correlated. The return on assets positively and significantly affects profit distribution management. This is demonstrated by the probability value of 0.0007 < 0.05 and the positive coefficient value of 1.157750, so H4 is accepted. Profit distribution management and ROA are directly correlated.

Table 7 Hypothesis Testing Results

Variables	Coefficient	Std. Error	t-Statistic	Prob.
CAR	2.455358	0.458018	5.337885	0.0001
NPF	0.012489	0.554688	0.006224	0.4415
TPF	1.044259	0.469019	4.227885	0.0000
ROA	1.157750	0.378265	3.605084	0.0007
CAR * ROA	0.220498	0.135765	3.555792	0.0019
NPF * ROA	0.709964	1.050618	0.515568	0.1385
TPF * ROA	1.448002	0.520809	3.495980	0.0009
C	12.56682	2.338265	4.180135	0.0010

Source: secondary data (processed, 2024)

Table 7 shows that CAR * ROA has a coefficient value of 0.220498 and a probability value of 0.0019 < 0.05, meaning return on assets strengthens the effect of capital adequacy ratio on profit distribution management, so H5 is accepted. NPF * ROA has a coefficient value of 0.709964 and a probability value of 0.1385 > 0.05, meaning return on assets cannot moderate the relationship between NPF and profit distribution management, so H6 is rejected. TPF * ROA has a coefficient value of 1.448002 and a probability value of 0.0009 < 0.05, meaning return on assets strengthens the relationship between TPF and profit distribution management, so H7 is accepted.

The Effect of Capital Adequacy Ratio on Profit Distribution Management

Based on the results, the capital adequacy ratio positively affects profit distribution management in Islamic commercial banks listed on the IDX 2016-2022 period. This means obtaining a high CAR at Islamic commercial banks increases the profit distribution. Judging from the data for 2016-2022, the CAR obtained exceeds the maximum required by Bank Indonesia, which is 8%. This condition is the ability of Islamic commercial banks to maximize the available financing to be used in profitable investments. The Islamic commercial banks are optimal in managing the available financing to maintain a healthy CAR value. The results of this study support the signalling theory that Islamic banks with high CAR levels will provide positive signals to investors so that profitability increases. A high CAR means the public's view of the Islamic banks is good, indicating that it has managed its finances well. Islamic banks will prioritize firm expansion when their capital is sufficiently large, and competition is fierce. This implies that Islamic commercial banks will support their capital's growth and acquire more assets. Islamic commercial banks will lower the spread to achieve intended growth, which will result in lower Islamic commercial banks'

profitability. This study's results align with research findings by Nawasiah, Hendratni, and Indrawati (2021); Rahman, Mulyany, and Shabri (2023), where profit distribution is significantly impacted by capital adequacy ratio.

The Effect of Non-Performing Financing on Profit Distribution Management

According to the results, non-performing financing does not affect Islamic commercial banks' profit distribution management. This means obtaining high or low NPF in Islamic commercial banks does not affect profit distribution management. This is because, in Islamic commercial banks, most financing products are based on the principle of *mudharabah* or *musharakah*, where the risk of non-performing financing (NPF) is shared between the bank and the customer. Thus, the direct impact of NPF on profit distribution is more spread out and does not fully burden the bank. As a result, bank income generated from financing does not always depend on the short-term performance of individual financing. Then, Islamic commercial banks manage customer funds as a mandate, so the focus is on implementing Sharia-based activities. Therefore, the profit that will be distributed to shareholders or customers who own investment funds depends on financing performance and the efficiency of overall asset management. On the other hand, Islamic commercial banks also earn income from non-financing activities, such as fee-based income, which is more resistant to the direct impact of NPF. This source of income helps maintain profit stability. Then, in managing *mudharabah* funds, Islamic banks tend to keep profit distribution stable to maintain customer trust. Even if there is an increase in NPF, banks can use risk reserves or other strategies to maintain profit distribution. The signaling theory explains that the absence of NPF influence on profit distribution management in Islamic commercial banks indicates that banks use profit distribution as a signal of stability, reputation, and efficiency of risk management to stakeholders. This shows that the implemented sharia mechanism can maintain financial performance despite external challenges, thus strengthening the positive perception of banks in the eyes of customers and investors. This study's results align with findings by Winarsih and Asokawati (2019); Nasokha and Yudiana (2022), who state that non-performing financing does not significantly impact profit distribution.

The Effect of Third-Party Financing on Profit Distribution Management

Based on the results, third-party financing positively affects profit distribution management in Islamic commercial banks listed on the IDX 2016-2022 period. This implies that the financing distribution will increase as the amount of third-party funding rises. Islamic banking uses third-party financing as its primary funding source to conduct various forms of financing, with the money subsequently being given to customers needing capital. The result of this study supports the signalling theory that Islamic banks with high TPF rates will give a positive signal to investors so that profitability increases. This means that a high TPF in financial statements is useful for investors who will deposit their funds. This is because profit-sharing financing is long-term, whereas TPF is short-term. Savings are one source of capital that banks can draw upon for funding. The more effectively financing is distributed, the more opportunities there are to make money. The research findings are consistent with the study by Siregar, Rokan, and

Anggraini (2023); Zaini, Vitaloka, and Shuib (2023) state that there are significant effects between TPF and profit-sharing financing.

The Effect of Return on Assets on Profit Distribution Management

Based on the results, return on assets positively affects profit distribution management in Islamic commercial banks listed on the IDX 2016-2022 period. A higher degree of profit sharing will result from more new investors being drawn in by the high profits of Islamic banks. According to the study findings supported by signalling theory, strong asset growth indicates that business is progressing well. Businesses with substantial total assets will have an easier time attracting creditors and investors since they demonstrate their ability to make money that can be used to expand their asset base and raise their value. The only way that ROA can assess how effectively capital is being used in Islamic banks is to compare operating capital to profit. The profit-sharing rate cannot be determined based on the company's capacity to generate profit from a portion of its assets. Due to the increasing rate of profit sharing offered by businesses, Islamic banks are performing better and more profitably, which draws investors to the company. Banks that manage their assets profitably tend to have higher ROA. The bank will earn more money if it manages its funds more effectively. According to the agreed-upon monthly ratio, Islamic banks share more of their profits with their deposit customers. This study's results align with research findings by Mismiwati et al. (2020); Iswanto et al. (2023), where profit distribution is significantly impacted by return on assets.

The Role of Return on Assets Moderating the Effect of Capital Adequacy Ratio on Profit Distribution Management

The study's findings demonstrated that return on assets strengthens the effect of the capital adequacy ratio on profit distribution management. A high ROA indicates that Islamic banks' financing quality is in good shape. The result of this study supports the signaling theory that when CAR is excessive, investors are interested in investing. This incentivizes management to increase dividends to boost the company's appearance and convey a signal to investors to invest. The profit-sharing obtained is contingent on the fund manager's ability to generate income and is determined by the amount of ROA. The amount of CAR that Islamic banks own demonstrates their capital readiness to manage potential financing risks. A high CAR value suggests that Islamic banks can operate as efficiently as possible, eventually impacting profit sharing. With every increase in CAR, management believes it has a strategy for decreasing the nominal, which is a profit-sharing mechanism that customers will receive. When banks have idle funds, the bank's opportunity to earn profits is wasted, which puts Islamic banks in a position where they cannot provide optimal profit sharing. This study's results align with research findings by Mais, Hendrawati, and Putra (2019); Risfiati and Utama (2019) state that ROA can moderate the effect of CAR on profit distribution.

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The Role of Return on Assets Moderating the Effect of Non-Performing Financing on Profit Distribution Management

The study's findings demonstrated that return on assets cannot moderate the effect of non-performing financing on profit distribution management. The income and profit will rise in proportion to the amount of financing. Once Islamic bank financing is realized, ongoing oversight is required to ensure that various roadblocks do not result in financing issues during the financing period. The result of this study supports the signaling theory that when NPF is excessive, stakeholders, particularly investors, lose interest in investing. Reduced income will be the outcome of poor financing problems. Financial institutions are hesitant to increase funding allocations when there is NPF. The return on assets does not directly affect financing problems. Instead, it has a greater influence on factors like operational scale, access to the financial market, and resource management efficiency. Regardless of how profitable it is, the problem of profit distribution that all Islamic banks might encounter remains unaffected. This study's results are consistent with those of Japalsyah and Hakim (2021); Pratiwi and Nabila (2022) state that ROA cannot moderate NPF towards profit distribution.

The Role of Return on Assets Moderating the Effect of Third-Party Financing on Profit Distribution Management

The study's findings demonstrated that return on assets strengthens the effect of third-party financing on profit distribution management. When Islamic banks' TPF and the amount of financing they disburse increase, their ROA may also increase. As a result, profitable sharing from the financing will also rise. A higher ROA will lead to a higher profit distribution for Islamic banks, which is correlated with the high financing distribution. Based on the study findings, which are supported by signaling theory, businesses with substantial total assets will have an easier time attracting creditors and investors since they demonstrate their ability to make money that can be used to expand their asset base and raise their value. One of the objectives of Islamic banks is to turn a profit to prevent the bank from leaving the money it has collected alone. To ensure they receive the highest profit possible, banks will seek to channel their funds as much as possible. Financing will be profitable if the customers make much money. This study's findings align with a study by Wahyudi, Mujibatun, and Riduwan (2019); Adlina, Ramadhan, and Nurlaila (2024) stated that the effect of third-party funds on profit distribution management can be moderated by return on asset.

CONCLUSIONS

The study findings, supported by data analysis and discussion, demonstrate that capital adequacy, third-party financing, and return on assets positively impact managing profit distribution. Meanwhile, non-performing financing does not impact Islamic commercial banks' profit distribution. The effect of capital adequacy ratio and third-party funds on profit distribution management is strengthened by the return on assets. While return on assets is unable to moderate the relationship between non-performing financing and profit distribution management in Islamic commercial banks listed on IDX 2016-2022 period.

The study's conclusions have implications for Islamic commercial banks in improving financial performance, especially in increasing profit sharing. In order to maximize Islamic commercial bank profits, the practical goal of this study is to identify the factors that influence profitability growth and reduce non-performing financing. Islamic banks should consider income volatility, stability, and risk mitigation associated with various financing models to maximize profitability. By comprehending the distinct effect of financing models on profitability, banks can improve their financial performance and effectively navigate the ever-changing Islamic banking market.

The research limitations include the small number of Islamic commercial banks that could be included in the sample because only seven years, from 2016 to 2022, were covered by all variables required for this study. The study recommended that further research add the number of sample companies so that they are not limited to Islamic commercial banks but can combine with Islamic business units and other Islamic rural credit banks, as well as extend the observation period for the findings of the research to describe the conditions more accurately and better.

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