

The Influence of Fee Based Income on Gross Profit Margin and Profit Margin Ratio of Sharia Commercial Bank in Indonesia Period 2018 to 2023

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Abstract

The purpose of this study is to ascertain how fee-based income affects Indonesian Islamic commercial banks' gross profit margin and profit margin ratio from 2018 to 2023.

The financial reports of Islamic Commercial Banks (BUS) for the years 2018–2023 that are posted on the websites of the Financial Services Authority (OJK) and associated Islamic Commercial Banks (BUS) serve as the primary source of secondary data for this quantitative research type study. Panel data regression with Fixed Effect and Random Effect models is the data analysis technique employed. E-Views 12 is the analysis tool that was utilized. The results of this study partially show that the Fee-based Income variable has no effect on the Gross Profit Margin of Islamic Commercial Banks for the 2018- s.d 2023 period with a t-statistic value $< t$ table ($0.384 < 1.970$) and a probability value of more than 0.05 ($0.70 > 0.05$). Fee Based Income has no partial effect on the Profit Margin Ratio of Islamic Commercial Banks with a statistical t value $< t$ table ($-0.258 < 1.970$) and a probability value greater than 0.05 ($0.79 > 0.05$). So it can be concluded that Fee Based Income has no partial effect on Gross Profit Margin and Profit Margin Ratio of Islamic Commercial Banks.

Keywords: *fee based income; gross profit margin; profit margin ratio*

INTRODUCTION

There has been significant discussion about the growth of the banking sector in Indonesia, and this sector is very important. A nation's banking system is crucial to its economics. The stronger a nation's banking industry, the stronger its economy will be. Sharia banking is the type of financial institution that is now emerging. A bank that operates differently from traditional banks is known as a sharia bank (Malahayati & Nurhalizah, 2020). In the midst of traditional banking, sharia banking developed to provide an alternative banking system for those in need of financial services without having to worry about interest (Shomad & Usanti, 2017).

The Indonesian banking sector is expanding in tandem with the growing demand for banking services from the general people. Because of this, the majority of customers urge banks to offer high liquidity, quick transaction times, and technology advancements that encourage easy transaction processing. (Nayana & Nadzifah, 2020)

In the current period, sharia banking is still used in terms of system and technological advancements (Rohman & Mamun, 2022). In order to boost public trust, it is unquestionably required to monitor the growth of banking Sharia in Indonesia in order to improve bank quality. Naturally, banks need to continue being sound (Fatimah, 2014).

Offering additional financial services is one of the banking activities in addition to receiving and transferring money. Supporting and facilitating these two endeavors is the goal. The better, the more comprehensive the banking services offered. Bank management must constantly strike a balance when conducting business operations between preserving liquidity, maintaining strong profitability, and having enough capital available given the circumstances surrounding the investment. This is required because banks offer additional services that bring in Fee Income (non-interest revenue) for their operations in addition to investing money in profitable assets. The profit made from transactions made through other financial services is known as fee-based income (Kasmir, 2012).

The rise in fee-based income in Indonesia's sharia banking sector has contributed to the growth of Islamic banking financial institutions and given banks more revenue. (Ulfa & Rafiqi, 2022). The expansion of Fee Based Income in Indonesian banks is crucial to the growth of Sharia from various service goods and administration fees. Islamic banks must constantly be profitable in order to sustain business continuity and operational stability. This is because profitable banks are seen as healthy and can win over more investors and members of the public. (Rohman & Mamun, 2022).

Because fee-based income carries a low risk and predictable income, maintaining the bank's financial health—as seen by its profitability—requires excellent financial management performance. (Niu and others, 2020). The ability to characterize the profits that investors should expect to get based on financial performance metrics from the prior year is provided by profitability ratios. Calculating Net Profit Margin (NPM) and Gross Profit Margin (GMP) might help increase profitability (Fahmi, 2020). A larger return on the company's gross profit on its net sales is shown by an increase in gross profit margin (GPM). Revenue will rise in proportion to how well a business can use its costs to support sales operations (Yuliantin & Aprianti).

Performance of Islamic banks is influenced by a number of parameters, including gross profit margin and profit margin ratio. The success of banking performance itself is demonstrated by the ability to develop gross profit margin and profit margin ratio. Every Sharia Commercial Bank must perform in order to raise the Gross Profit Margin and Profit Margin Ratio (Siregar & Simatupang, 2021).

The author chose the title "The Influence of Fee Based Income on Gross Profit Margin and Profit Margin Ratio of Sharia Commercial Banks in Indonesia for the 2018–2023 Period" based on the background information provided above. Because determining the extent to which Fee Based Income influences Gross Profit Margin and Profit Margin Ratio in Sharia Commercial Banks requires extensive research and knowledge. Thus, the author is motivated to learn more about the selected title.

The researchers selected the years 2018–2023 because, while the Covid-19 pandemic had not yet struck in 2017–2019, Sharia Commercial Banks had shown encouraging development, and Islamic banking faced challenges in expanding the diversification of its offerings. The pandemic struck in 2020–2022. The improvement in the number of new cases and active Covid-19 cases in Indonesia during the pandemic had an effect on the slow but steady recovery of economic activity, which in turn encouraged a rise in Sharia Banking's Gross Profit Margin and Profit Margin Ratio.

LITERATURE REVIEW

1. Sharia Banking

Islamic banks, also known as Islamic banking or interest-free banking, are a type of banking that operates without the use of an interest rate system, speculation (maysir), or ambiguity or uncertainty (gharallr). Put another way, Islamic banks are financial organizations that base their operations and product offerings on the concepts of fiqh and Islamic law, as found in the Al-Quran and Hadith. It can even be understood as a financial entity whose primary activity is the distribution of money in accordance with Islamic law and the provision of financial and other services. Wahid (2021). Islamic banks can act as middlemen for individuals, organizations, and/or entities that are having a cash shortage (deficit) (Badina, 2022).

2. Definition of Fee Based Income

The commission, provision, or fee income that banks obtain from marketing goods or from customer-charged banking service transactions related to the usage of banking goods and services is known as fee-based income. (Bankers Association of Indonesia, 2015).

3. Definition of Net Profit Margin

The gross profit as a percentage of sales is called the gross profit margin. Gross profit is divided by sales to get this ratio. Sales are deducted from cost of sales to get gross margin. Revenue in this context is defined as income (cash or credit) less returns, price modifications, and discounts. A larger gross margin indicates that sales create a higher gross margin. Low selling costs or high selling prices could be the cause of this. On the other hand, sales lower gross margin. Low selling prices and/or high selling costs could be the cause of this (Hery, 2017).

4. Financial statements

Accountants are expected to organize all accounting information in order to generate financial statements, as well as to interpret and analyze the financial statements they prepare. Financial statements are the result of a series of operations that gather and summarize data about business transactions.

In essence, financial reporting is the output of accounting and is a means of informing interested parties about the financial status of the business or its operations. Put differently, these financial statements serve as a conduit for information between the firm and its stakeholders, providing insight into the organization's financial standing and operational effectiveness.

5. Income statement

An assessment of the company's financial success throughout the course of the accounting period, either monthly or annually, is provided by the income statement. The income statement provides information on the company's earnings and losses over a specified time period, together with sales and expenses. It also allows one to compare the costs of obtaining revenues and expenses, which helps determine the efficiency level. Since it can be used as a tool to handle future cash flows, the income statement is crucial. The

income statement is a tool used by many financial organizations, including lenders and investors, to project future market circumstances.

RESEARCH METHODS

This type of research is descriptive quantitative with an associative approach, the population in this research is Sharia Commercial Banks (BUS) registered with the Financial Services Authority for the period 2018 to 2023, totaling 13 Sharia Commercial Banks registered with the Financial Services Authority, the sample method used is namely *purposive sampling* and the sample obtained was 10 Sharia Commercial Banks from 13 registered Sharia Commercial Banks because 3 Sharia Commercial Banks did not meet the criteria. The data collection method uses secondary data using the financial reports of Sharia Commercial Banks for the period 2018 up to 2023 which was published on the Financial Services Authority website, the data analysis method uses Panel Data Regression using the *E-views version 12 application*.

RESULTS AND DISCUSSION

1. Description of Research Objects

The present study was carried out on Islamic Commercial Banks that satisfied the eligibility requirements. These banks included those that were continuously registered with the Financial Services Authority between 2018 and 2023, as well as those that published an annual and quarterly reports. 10 total of 240 data points from these banks over a six year were included in the analysis. This research was conducted on Islamic Commercial Banks that have met the criteria, namely Islamic Commercial Banks registered with the Financial Services Authority consecutively from 2018 to 2023, Islamic Commercial Banks that publish Annual and Quarterly Reports 10 Islamic Commercial Banks that meet the criteria with a total of 240 data for 6 years. The following is a list of Islamic Commercial Banks in this study can be seen in Table I:

Table 1
Islamic General Bank

No	Islamic General Bank
1	PT. Bank Muamalat Indonesia
2	PT. Bank Mega Syariah
3	PT. Bank Panin Dubai Syariah
4	PT. BCA Syariah
5	PT. Bank Aceh Syariah
6	PT. Bank Victoria Syariah
7	PT.. Bank Tabungan Pensiun Nasional Syariah, Tbk
8	PT. Bank Syariah Bukopin
9	PT. Bank Jabar Banten

10	PT. Bank Nusa Tenggara Barat Syariah
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Source: Data processed by E-Views 12

2. Description of Research Results

The purpose of carrying out descriptive statistical analysis on each variable is to find out whether there is a deviation from the independent variable towards the dependent variable by looking at the standard deviation value and the average or *mean value*, if the mean value is greater than the standard deviation value then there will be no data deviation as well. on the contrary.

Table II
Result Descriptive Statistics
Fee Based Income Regarded Gross Profit Margin

	Y (GPM)	X (FBI)
Mean	1231838	83566.75
Maximum	57.11000	1128030
Minimum	-112.1000	145.0000
Std. Dev.	17.51952	147593.7

Source: Data processed by E-Views 12

Table III
Result Descriptive Statistics
Fee Based Income Regarded Gross Profit Margin

	Y (PMR)	X (FBI)
Mean	9.259875	83566.75
Maximum	43.50000	1128030.
Minimum	-112.0700	145.0000
Std. Dev.	14.37327	147593.7

Source: Data processed by E-Views 12

The results of the descriptive statistical analysis in table II show that there are 240 data consisting of 10 samples with a time span of the last 6 years, namely 2018-2023. The Fee Based Income (X) variable data shows that the minimum value of 145,0000 is

experienced by 10 Islamic Commercial Banks (BUS) which are samples from 2018-2023. While the maximum value is 1128030 with an average value (mean) of 83566.75 and a deviation value of 147593.7 From these results, it shows that the mean value of Fee Based Income is greater than the minimum value, therefore the Fee Based Income (X) variable is stated to vary. The Gross Profit Margin (Y) variable data shows that the minimum value is -112.11000 experienced by 10 Islamic commercial banks which are samples from 2018-2023. While the maximum value is 57.11000 with a mean value of 12.31838 and a standard deviation value of 17.51952. From these data, it shows that the mean value is closer to the minimum value, so the value in the Gross Profit Margin (Y) variable can be said to vary. The results of the descriptive statistical analysis in table III show that there are 240 data consisting of 10 samples with a time span of the last 6 years, namely 2018-2023. The Fee Based Income (X) variable data shows that the minimum value is 83566.75 experienced by 10 Islamic Commercial Banks (BUS) which are samples from 2018-2023. While the maximum value is 1128030 with an average value (mean) of 83566.75 and a deviation value of 1475937. From these results, it shows that the mean value of Fee Based Income is greater than the minimum value, therefore the Fee Based Income (X) variable is stated to vary. The Profit Margin Rasio (Y) variable data shows that the minimum value is -112.0700 experienced by 10 Islamic commercial banks that were sampled from 2018-2023. While the maximum value is 443.50000 with a mean value of 9.259875 and a standard deviation value of 14.37327. From these data, it shows that the mean value is closer to the maximum value, so the value in the Gross Profit Margin (Y) variable can be said to vary

3. Model Estimasi Regresi Data Panel

a. Common Effect Model

The first stage is data processing using the Common Effect Model (CEM) approach by simply combining all time series and cross section data, then estimating the model using the Ordinal Least Squares (OLS) method. The results of processing using the Common Effect Model are as follows:

Tabel IV
Result Regresi Data Panel Common Effect Model
Fee Based Income Regarded Gross Profit Margin

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.09895	1.298914	10.08454	0.0000
X	-9.34E-06	7.67E-06	-1.217769	0.2245
R-squared	0.006192	Mean dependent var		12.31838
Adjusted R-squared	0.002017	S.D. dependent var		17.51952
S.E. of regression	17.50184	Akaike info criterion		8.570788
Sum squared resid	72902.85	Schwarz criterion		8.599793
Log likelihood	-1026.495	Hannan-Quinn criter.		8.582475
F-statistic	1.482962	Durbin-Watson stat		0.820521
Prob(F-statistic)	0.224518			

Source: Data processed by E-Views 12

b. Fixed Effect Model (FEM)

The second stage is data processing using the Fixed Effect Model (FEM) approach to compare with the Common Effect Model method. The results of processing using the Fixed Effect Model are as follows:

Tabel V
Result Regresi Data Panel Common Effect Model
Fee Based Income Regarded Profit Margin Ratio

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.854979	1.066101	9.243945	0.0000
X	-7.12E-06	6.30E-06	-1.131160	0.2591
R-squared	0.005347	Mean dependent var		9.259875
Adjusted R-squared	0.001168	S.D. dependent var		14.37327
S.E. of regression	14.36487	Akaike info criterion		8.175747
Sum squared resid	49111.19	Schwarz criterion		8.204752
Log likelihood	-979.0896	Hannan-Quinn criter.		8.187434
F-statistic	1.279524	Durbin-Watson stat		0.981531
Prob(F-statistic)	0.259126			

Source: Data processed by E-Views 12

c. Fixed Effect Model (FEM)

The tal is carried processing of ta and the Model FEM) approach to the framework with *Common Effect Model* . results processing using *Fixed Effect Model* are as :

Tabel VI
Result Regresi Data Panel Fixed Effect Model
Fee Based Income Regarded Gross Profit Margin

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.97350	1.074769	11.14053	0.0000
X	4.13E-06	8.17E-06	0.505121	0.6140
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.483810	Mean dependent var		12.31838
Adjusted R-squared	0.461269	S.D. dependent var		17.51952
S.E. of regression	12.85902	Akaike info criterion		7.990718
Sum squared resid	37866.17	Schwarz criterion		8.150248
Log likelihood	-947.8862	Hannan-Quinn criter.		8.054997
F-statistic	21.46354	Durbin-Watson stat		1.567311
Prob(F-statistic)	0.000000			

Source: Data processed by E-Views 12

Tabel VII
Result Regresi Data Panel Fixed Effect Model
Fee Based Income Regarded Profit Margin Ratio

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.031087	0.930006	9.710786	0.0000
X	2.74E-06	7.07E-06	0.387256	0.6989
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.425773	Mean dependent var	9.259875	
Adjusted R-squared	0.400698	S.D. dependent var	14.37327	
S.E. of regression	11.12701	Akaike info criterion	7.701378	
Sum squared resid	28352.57	Schwarz criterion	7.860907	
Log likelihood	-913.1653	Hannan-Quinn criter.	7.765656	
F-statistic	16.97972	Durbin-Watson stat	1.692286	
Prob(F-statistic)	0.000000			

Source: *Data processed by E-Views 12*

d. Random Effect Model (REM)

This method carried carrying the test , carried by processing using the Rural Effect | REM method to be compared the Fixed *FEM*) . results of things using *Ra ndom Effect* are as follows

e. Random Effect Model (REM)

This method is carried out after conducting the chow test, data processing is carried out using the Random Effect Model (REM) approach method to be compared with the Fixed Effect Model (FEM). The results of processing using the Random Effect Model are as follows:

Tabel VIII
Hasil Regresi Data Panel Random Effect Model
Fee Based Income Regarded Gross Profit Margin

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.06130	4.271878	2.823420	0.0052
X	3.08E-06	8.00E-06	0.384464	0.7010
Effects Specification				
			S.D.	Rho
Cross-section random			13.08162	0.5086
Idiosyncratic random			12.85902	0.4914
Weighted Statistics				
R-squared	0.000622	Mean dependent var	2.423389	
Adjusted R-squared	-0.003577	S.D. dependent var	12.82002	
S.E. of regression	12.84292	Sum squared resid	39255.88	
F-statistic	0.148183	Durbin-Watson stat	1.511734	
Prob(F-statistic)	0.700621			
Unweighted Statistics				
R-squared	-0.004750	Mean dependent var	12.31838	
Sum squared resid	73705.57	Durbin-Watson stat	0.805155	

Source: Data processed by E-Views 12

Tabel IX
Results Data Panel Random Effect Model
Fee sed Income Regarded Profit Margin

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.111269	3.302086	2.759246	0.0062
X	1.78E-06	6.89E-06	0.258210	0.7965
Effects Specification				
			S.D.	Rho
Cross-section random			10.02829	0.4482
Idiosyncratic random			11.12701	0.5518
Weighted Statistics				
R-squared	0.000281	Mean dependent var	2.045447	
Adjusted R-squared	-0.003920	S.D. dependent var	11.09035	
S.E. of regression	11.11206	Sum squared resid	29387.75	
F-statistic	0.066852	Durbin-Watson stat	1.632517	
Prob(F-statistic)	0.796200			
Unweighted Statistics				
R-squared	-0.003004	Mean dependent var	9.259875	
Sum squared resid	49523.55	Durbin-Watson stat	0.968751	

Source: Data processed by E-Views 12

4. Selection of Panel Data Estimation Model

Test Chow

Tabel X
Result Data Chow
Fee Based Income Regarded Gross Profit Margin

Effects Test	Statistic	d.f.	Prob.
Cross-section F	23.543144	(9,229)	0.0000
Cross-section Chi-square	157.216692	9	0.0000

Source: *Data processed by E-Views 12*

Based on results the test, are listed the table in table the the value of the - *Chi* - obtained *re da n Cross-Section F* as large as 1 0.0000, which 0.05 so that of sta tistic is rejected H1 accepted , ma l that correct model is be regression in fixed

If chow results model results *are* using Fixed Model, often necessary test to the model. the more precise this used when *Effect Model* and *Random Effect Model*. Before carrying usma test, *effect* regression is carried first .

Tabel XI
Result Data Chow
Fee Based Income Terhadap Profit Margin Ratio

Effects Test	Statistic	d.f.	Prob.
Cross-section F	18.629412	(9,229)	0.0000
Cross-section Chi-square	131.848645	9	0.0000

Source: *Data processed by E-Views 12*

5. Hausman test

Based on the results of the chow test listed in table XI, the probability value of the Cross-Section Chi-Square and Cross-Section F is 0.0000, which means ≤ 0.05 , so statistically H0 is rejected and H1 is accepted, therefore the appropriate estimation model to use in panel data regression is the Fixed Effect Model. Because the results of the chow test show that the more appropriate model is the Fixed Effect Model, a hausman test is needed to test the more appropriate model to use between the Fixed Effect Model and the Random Effect Model. Before the hausman test is carried out, a Random Effect Model regression is carried out first.

Table XII
results H m
Fee sed Income Termed Gross Profit Ma

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.404398	1	0.5248

Source: Data processed by E-Views 12

Based the of Halal results , it is of probabilities of s the obtained *Cross-section random* is as large as r 0.5248, which that value is > 0.05 so In of , accepted is , model is appropriate to be regression analysis la h *Random Effect Model*.

Table XIII
Hal test results
Fee sed Income Regarded Profit Ma Ra tio

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.361057	1	0.5479

Source: Data processed by E-Views 12

Based the of Halal Test , obtained value of the of bilita the *The cross-section random* is as large as 0.5479, which the value l so that the l H0 is accepted H1 is rejected, al model is yes more to be used in effect .

6. Lagranger Multipler (LM) Test

Lagranger Multiplier test aims determine model short *Random Effect* or *Common Effect* which more inversely choose the data panels. Hypotheses *Multiplier* Test are as

H0 : *Common Effect*

H1 : *Ra ndom Effect*

criteria :

If value i Both > 0.05 so H0 accepted .

If value i Both < 0,05 so H1 accepted

This is XIV
Multiplier Test
Fee Based Income Regarded Gross Profit Margin

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	562.8320 (0.0000)	0.732947 (0.3919)	563.5650 (0.0000)
Honda	23.72408 (0.0000)	-0.856123 (0.8040)	16.17009 (0.0000)
King-Wu	23.72408 (0.0000)	-0.856123 (0.8040)	19.65904 (0.0000)
Standardized Honda	26.34371 (0.0000)	-0.733402 (0.7683)	13.38957 (0.0000)
Standardized King-Wu	26.34371 (0.0000)	-0.733402 (0.7683)	17.80538 (0.0000)
Gourieroux, et al.	--	--	562.8320 (0.0000)

Source: *Data processed by E-Views 12*

Based on the results of the Lagrange Multiplier Test, the Breusch-Pagan probability value is 0.0000, which means the value is < 0.05 , so statistically H_0 is rejected.

Table XV
Multiplier Test
Fee Based Income Regarded Profit Margin

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	425.1294 (0.0000)	0.106097 (0.7446)	425.2355 (0.0000)
Honda	20.61867 (0.0000)	-0.325725 (0.6277)	14.34928 (0.0000)
King-Wu	20.61867 (0.0000)	-0.325725 (0.6277)	17.30758 (0.0000)
Standardized Honda	22.94297 (0.0000)	-0.192858 (0.5765)	11.40813 (0.0000)
Standardized King-Wu	22.94297 (0.0000)	-0.192858 (0.5765)	15.21126 (0.0000)
Gourieroux, et al.	--	--	425.1294 (0.0000)

Source: *Data processed by E-Views 12*

Based on the results of the Lagrange Multiplier Test in table XV, the Breusch-Pagan probability value is 0.0000, which means the value is < 0.05 , so statistically H_0 is rejected.

and H1 is accepted, so the more appropriate model to use in panel data regression is Random Effect.

7. Random Effect Model Regression Estimation Results

Based on the chow test, hausman test and lagrange multiplier test, the appropriate panel data regression model to be used in this study is the Random Effect model. The results of the regression of the Random Effect model used are as follows:

Table XVI
Results Data Panel *Random Effect Model*
Fee Based Income Regarded Gross Profit Margin

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.06130	4.271878	2.823420	0.0052
X	3.08E-06	8.00E-06	0.384464	0.7010
Effects Specification				
			S.D.	Rho
Cross-section random			13.08162	0.5086
Idiosyncratic random			12.85902	0.4914
Weighted Statistics				
R-squared	0.000622	Mean dependent var	2.423389	
Adjusted R-squared	-0.003577	S.D. dependent var	12.82002	
S.E. of regression	12.84292	Sum squared resid	39255.88	
F-statistic	0.148183	Durbin-Watson stat	1.511734	
Prob(F-statistic)	0.700621			
Unweighted Statistics				
R-squared	-0.004750	Mean dependent var	12.31838	
Sum squared resid	73705.57	Durbin-Watson stat	0.805155	

Source: *Data processed by E-Views 12*

Based on the results of the Random Effect Model regression listed in Table XVI, the results of the panel data regression model equation between the dependent variable, namely Gross Profit Margin (Y) and the independent variable, namely Fee Based Income (X) are as follows:

$$Y_{it} = 12.06 + 3.08X_{it}$$

Information

Y = *Gross Profit Margin*

α = *Constant*

β_1 = *Independent Variable Coefficient*

X = *Fee Based Income*

i = *Total h Bank General Syariah As a of k 10 Bank*

t = *Research Period n (2018-2023)*

Based the of analysis the in data data are explained in balance

- a. Based on the regression results, the optimal constant is 12.06. This value is independent, then *Fee Income* has a value of 0, *Gross Profit Margin* is 12.06.
- b. The value of the coefficient of *Bal Income* shows that when *Fee Based Income* decreases by 1%, *Gross Profit Margin* will increase by 3.08%.

8. Results of Random Effect Model

Based on the Chow test, Hausman test and Lagrange multiplier test, the appropriate panel data regression model to be used in this study is the Random Effect model. The results of the regression of the Random Effect model used are as follows: **Table XVII**

**Results Data Panel Random Effect Model
Fee Based Income Regarded Profit Margin**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.111269	3.302086	2.759246	0.0062
X	1.78E-06	6.89E-06	0.258210	0.7965
Effects Specification				
			S.D.	Rho
Cross-section random			10.02829	0.4482
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Weighted Statistics				
R-squared	0.000281	Mean dependent var	2.045447	
Adjusted R-squared	-0.003920	S.D. dependent var	11.09035	
S.E. of regression	11.11206	Sum squared resid	29387.75	
F-statistic	0.066852	Durbin-Watson stat	1.632517	
Prob(F-statistic)	0.796200			
Unweighted Statistics				
R-squared	-0.003004	Mean dependent var	9.259875	
Sum squared resid	49523.55	Durbin-Watson stat	0.968751	

Source: Data processed by E-Views 12

Based on the results of the Random Effect Model, which listed XVII results are results of the panel data regression model that *Profit Margin Ratio* (Y) is a dependent variable and *Fee Based Income* (X) is an independent variable. The regression equation is as follows:

$$Y_{it} = 9.11 + 1.78X_{it}$$

Information

Y = Profit Margin Ratio

α = Constant

β1 = Independent Variable Coefficient

X1 = Fee Based Income

i = Total BUS

t = Research Period (2018-2023)

Based the of analysis the in data data are explained in balance

- a. Based on sal rka n persa m a in a ta s, the of constant 9.11 . This shows if value independent then *Bal Income* is worth 1 , mal ka *Profit Margin Ratio* a da la h 9.11.
- b. coefficient value *Fee Bal Income* is this shows that when *Fee Based Income* decreases by 1%, *Profit Margin Ratio* will increase by 1.78% .

Results of Determination Coefficient R^2)

aim of *R re ya test* is to assess extent the variable describe influence varia dependent bell.

- 1) Based results of regression in with the *Effect* , is that - value is 0.000622 This the *Gross Profit* of Company is influenced by independent variable *Bal Income* of % and remaining is by variables from research .
- 2) Based results of regression in with the *Effect* , is that - value is 0.000281 This shows value is *Ma rgin simultaneous ratio* influenced an variable which of *Bal Income* amounting to % and remainder %

Hypothesis Testing

Results t test

The test carried with aim knowing impact general variables on da p va ria dependent bell.

If value the value is (5 % of the independent has on da p va ria dependent bell. The results are in following :

- a) *Fee Based Income* terhadap *Gross Profit Margin*

Based the , *Fee sed Income* value is and value . For the value of of 1 as large as 0.70, which 0.05 . main hypothesis based results :

H0 : *Fee sed Income* has significant on 1 .

H1 : *Fee sed Income* has significant on 1 .

With criteria :

- 1) If t statistic > t table then H0 is rejected and H1 is accepted.
- 2) If t statistic < t table then H0 is accepted and H1 is rejected.

or

- 1) If the probability value < 0.05, then H0 is rejected and H1 is accepted.
- 2) If the probability value > 0.05, then H0 is accepted and H1 is rejected.

Based on the explanation above, it shows that *Fee Based Income* does not have a partial effect on the *Gross Profit Margin* of Islamic Commercial Banks for the period 2018-2023.

Fee Based Income to Profit Margin Ratio

Based on table XVII, the t-statistic value of *Fee Based Income* is 0.258 and the t-table is 1.970. The probability value is 0.79, which means > 0.05. The hypothesis on the *Profit Margin Ratio* is as follows

H0: *Fee Based Income* has a partial effect on *Profit Margin Ratio*.

H1: *Fee Based Income* has a partial effect on *Profit Margin Ratio*.

With the following criteria:

- 1) If t statistic > t table then H0 is rejected and H1 is accepted.
- 2) If t statistic < t table then H0 is accepted and H1 is rejected.

or

- 1) If the probability value < 0.05 , then H_0 is rejected and H_1 is accepted.
- 2) If the probability value > 0.05 , then H_0 is accepted and H_1 is rejected.

H_1 : *Fee Based Income* has a impact spirit *Gross Profit Margin* .

H_0 : *Fee Income* does not have simultaneous influence *Margin Ratio*

H_1 : *Fee Income* has influence on *Margin Ratio* .

Based on the explanation above, it shows that Fee Based Income does not have a partial effect on the Profit Margin Ratio of Islamic Commercial Banks for the period 2018-2023.

bF Test

The F test is conducted to determine whether all independent variables have a simultaneous effect on the dependent variable. The F test hypothesis in this study is:

H_0 : Fee Based Income does not have a simultaneous effect on Gross Profit Margin.

H_1 : Fee Based Income has a simultaneous effect on Gross Profit Margin.

H_0 : Fee Based Income does not have a simultaneous effect on Profit Margin Ratio.

H_1 : Fee Based Income has a simultaneous effect on Profit Margin Ratio.

With the criteria:

1) If F statistic $>$ F table, then H_0 is rejected and H_1 is accepted.

2) If F statistic $<$ F table, then H_0 is accepted and H_1 is rejected

or

1) If the probability value < 0.05 , then H_0 is rejected and H_1 is accepted.

2) If the probability value > 0.05 , then H_0 is accepted and H_1 is rejected.

Based on table XVI, the F statistic is 0.14 and the F table is 3.88, which means that the F statistic $<$ F table and the probability value is 0.70, which means > 0.05 . So it can be concluded that partially the independent variable Fee Based Income does not have a simultaneous effect on the dependent variable, namely Gross Profit Margin. Based on table XVII, the F statistic is 0.06 and the F table is 3.88, which means that the F statistic $<$ F table and the probability value is 0.79, which means > 0.05 . So it can be concluded that simultaneously the independent variable Fee Based Income does not have a simultaneous effect on the dependent variable, namely Profit Margin Ratio

DISCUSSION OF RESEARCH RESULTS

1. The partial effect of fee-based income on gross profit margin

Fee Based Income is a profit obtained from transactions provided in other bank services. *Fee Based Income* provides more profits for banks so that banks have more savings and meet Bank Indonesia standards. Banks in managing their *Fee Based Income* have different strategies and from there the bank carries out many innovations in its products in order to attract new customers and get more *profits* every year.

The rise and fall of *Fee Based Income* in sharia banking is based on the banking strategy of utilizing the income sector outside of profit sharing income, namely transfer fees, collection fees, sharia bank clearing fees, *Safe Deposit Boxes*, and so on. *Fee Based Income* is income from fees, *fees* or commissions obtained by banks which is not interest income. *Fee Based Income* is needed so that banks can achieve stability in their financial balance. Stability of a bank's financial balance is needed to be able to compete with other

banks. Apart from maximizing income from *Fee Based Income*, Islamic banks must also be able to maximize income from profit sharing or what can be called *Profit Sharing Based Income*.

Based on the tests that have been conducted in this study, the results obtained that the t-statistic of Fee Based Income is 0.384 and the t-table is 1.970. The probability value is 0.70, which means > 0.05 . So the hypothesis that states that Fee Based Income has a partial effect on Gross Profit Margin is not accepted. It can be concluded that Fee Based Income does not have a partial effect on Gross Profit Margin. Because Fee Based Income is an administrative cost that comes from service transactions, namely: transfer, collection, clearing, bank guarantee, letter of credit and other payment services. Thus, the commission received by the bank from product marketing or banking service transactions charged to customers in connection with products and services is not that large. In addition, it was also found that Fee Based Income is not one of the large and significant sources of operational income obtained from banking operational activities so that Fee Based Income has no effect on Gross Profit Margin. Other factors that can affect Gross Profit Margin are Current Ratio, Debt ratio, Sales growth, and Inventory turnover ratio. Gross Profit Margin is one of the determining factors of Islamic bank performance. This is in line with research conducted by Sifauroh Rohma, Sukrom Amun and Maltin (2022) entitled *The Influence of Profit Sharing Burden and Fee Based Income on Bank Jabar Banten Syariah Profit*. The partial test results show that there is no significant influence of Fee Based Income on Bank Profit.

2. *Fee Based Income partially against Profit Margin Ratio*

Fee Based Income is a profit obtained from transaction activities provided in banking services. The purpose of providing banking services is to facilitate the collection of funds and distribution of funds to drive the economy of a country. The more diverse the services provided, the greater the profit obtained because it can increase the bank's Fee Based Income. Based on the tests that have been carried out in this study, the results obtained show that the t-statistic value of Fee Based Income is 0.258 with a negative direction and a probability value of 0.79 which means > 0.05 so that the hypothesis stating that Fee Based Income partially has a positive effect on the Profit Margin Ratio is not accepted. So it can be concluded that Fee Based Income does not have a partial effect on the Profit Margin Ratio. The net profit value when viewed from the income statement is influenced by two factors, namely income and expenses. If income is greater than expenses, the company will make a profit. If expenses are greater than income, the company will lose money. Likewise, the Profit Margin Ratio value is also influenced by income and expenses in the income statement. If a company has a profit but has a large burden, it will reduce the net profit margin or Profit Margin Ratio, likewise if the profit obtained is large and the burden incurred is small, it will increase the net profit margin or Profit Margin Ratio will increase.

In addition, it was also found that Fee Based Income is not one of the large and significant sources of operational income obtained from banking operational activities so that Fee Based Income does not contribute or affect the Profit Margin Ratio. Other factors that can affect the Profit Margin Ratio include the current ratio factor, debt ratio, sales growth, inventory turnover and working capital turnover ratio. Profit Margin Ratio is one of the determining factors for the performance of Islamic banks.

This is in line with research conducted by Fitria Niu, Greatafiq and Sjamsuddin Antuli (2020) entitled *The Effect of Fee Based Income on the Net Profit Margin of PT. Bank Rakyat Indonesia (Persero)*. With the results of the study on the t-test, there was no significant effect between Fee Based Income on Net Profit Margin.

CONCLUSION

Based the of the research the drawn it 1) Income has no effect the *Margin* of Sharia Commercial *Banks* in Indonesia for the 2018 to 2023 period, 2) *Fee Based Income* partially has no effect on the *Profit Margin Ratio* of Sharia Commercial Banks in Indonesia for the 2018 to 2023 period.

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