

CHAPTER I

INTRODUCTION

A. Research Background

Indonesia and Malaysia are two nations that are the highlight within the improvement of sharia economy, particularly within the field of sharia managing an account. In its improvement, Malaysia has continuously been prevalent in its Islamic managing an account framework to Islamic managing an account in Indonesia. A country that is able to maintain and even always increase economic growth is one of the achievements which certainly requires planning and vigilance in the implementation of economic activities.¹ The following is data on economic growth in Indonesia and Malaysia for the period 2020-2023.

In 2020, Indonesia experienced a decline in economic value of -2.07% due to the impact of the phenomenon in that year. However, the economy began to recover in 2021 with a growth of 3.70%. Recovery was driven by increased economic activity. In 2022, economic growth increased in 2022 by 5.31%. This reflects better stability in the sustainability of the global economy. In 2023, there was a slight decline in economic growth to 5.05%.² In 2020, Malaysia experienced a decline in economic value of -5.6% due to the impact of the phenomenon in that year. However, the economy began to recover in 2021 with a growth of 3.1%. The recovery was driven by the easing of social restrictions and a mass vaccination program. In 2022, economic growth increased in 2022 by 5%. This reflects better stability in the sustainability of the global economy. In 2023, there was a slight decline and a slight slowdown in economic growth to 4.5%.³

¹ Andi Triyawan, *et.al.* "Infl uence of Export and Import Toward Economic Growth in Canada", *Jurnal Ilmiah Ekonomi*, Vol.6, No.2. (2020), p. 342.

² Badan pusat Statistik. *Ekonomi Indonesia Triwula IV-2023 Tumbuh 5,04 Persen (y-on-y)*. 2023. <https://www.bps.go.id/>. As of 12 December 2024.

³ CEIC. *Malaysia Pertumbuhan PDB Riil*. 2021. <https://www.ceicdata.com/>. As of 12 of December 2024.

However, not all countries are able to achieve the great of economic. In Indonesia, improvement and foundation are interrelated with the economy. In supporting the improvement, it is vital in terms of financing in carrying out the advancement. One of the variables of financial development in a nation is a keeping money, which includes a work as a collection and subdizing institution.⁴ Managing an account agreeing to Law No. 7 of 1992 changed by Law No. 10 of 1998 states that a bank could be a trade substance in an exertaion to progress the level business of the community, collect stores from the community and after that disperse them to the community within the shape of credit and others.⁵

Banking has a role in economic activities in every country. Correlation of banking performance to economic growth, banks as investment financing institutions in various economic sectors. Stability in banks is important to maintain trust in the financial system. The role of banks is able to control inflation, controlled inflation will encourage stable economic growth. Within the exercises carried out by investors to the bank, they will know the budgetary execution of the bank getting superior or more regrettable.⁶ In Islamic banks, the implementation of operations uses the sharia system. Islamic banks use contracts in their operations, this distinguishes them from conventional banks. In Islamic banks, there is supervision by the DPS and DSN. The role of the DPS is to supervise operations at banks and sharia audits, while the role of the DSN is to make fatwas in developing products and services.

Budgetary execution may be a result of work accomplished in a company. Budgetary exeurion has the reason of analyzing the degree to which a Company executes and employments money related implementation rules properly and

⁴ Helma Renanda Y.P, "Analisis Pengaruh Tingkat Kesehatan Bank dengan Metode CAMEL terhadap Profitabilitas pada Bank Konvensional yang Tercatat di BEI", *Jurnal SINOMIKA: Publikasi Ilmiah Ekonomi dan Akuntansi*, Vol.1, No.4. (2022), p.758.

⁵ Yoga Adi Surya and Binti Nur Asiyah, "Analisis Perbandingan Kinerja Keuangan Bank Bni Syariah Dan Bank Syariah Mandiri Di Masa Pandemi Covid-19", *Iqtishadia Jurnal Ekonomi & Perbankan Syariah*, Vol.7, No.2. (2020), p. 60.

⁶ Hustna Dara Sarra, *et.al.* "Analisis Pengaruh Tingkat Kesehatan Bank Menggunakan Metode RGEC terhadap Profitabilitas Perusahaan Perbankan Periode 2015-2019", *Jurnal Manajemen Dinamis*, Vol.6, No.2. (2022), p. 111.

frequently.⁷ Monetary execution may be a apparatus to degree the money related execution of a bank in a certain period, both in terms of collecting and conveying stores.⁸ The decay in financial development has driven to decay in execution in different divisons, one of which is the managing an account sector.⁹

Banking financial performance reflects the health condition of the bank. The assessment of the health level of general banks according to Bank Indonesia Regulation No. 6/10/PBI/2004 and Bank Indonesia circulars on various aspects that affect a bank's performance through the assessment of capital, asset quality, management, earnings and liquidity aspects or abbreviated as CAMEL.¹⁰ Changes in the assessment method for Bank Health refer to Bank Indonesia Regulation No. 13/1/PBI/2011 concerning the assessment of the health level of General Banks using the risk profile, good corporate governance, earnings and capital approaches, thus abbreviated to RGEC.¹¹

Banking financial performance reflects the health of the bank, Researchers chose Indonesia and Malaysia because both countries are countries with the largest Muslim majority in ASEAN. Among the various banks in Indonesia and Malaysia, in terms of history between the two banks, namely PT Bank Muamalat Indonesia was the first bank established in Indonesia on March 21, 1992, becoming the first Islamic bank established in Indonesia. Bank Muamalat Indonesia has an international network by opening a branch in Kuala Lumpur, Malaysia in 2009. Bank Muamalat Indonesia is known as a domestic bank with the implementation of the Islamic system. Bank Islam Malaysia Berhad is one of the general banks that

⁷ Ihami dan Husni Thamrin. "Analisis Dampak Covid 19 terhadap Kinerja Keuangan Perbankan Syariah di Indonesia", *Jurnal Tabarru'*: *Perbankan dan Keuangan Islam*, Vol.4, No.1. (2021), p. 40.

⁸ *Ibid*, p. 40.

⁹ D Pratomo dan R F Ramdani. "Analisis Pertumbuhan Kinerja Keuangan Syariah dan Perbankan Konvensional di Era Pandemi Covid 19", *Derivatif: Jurnal Manajemen*, Vol.15, No.2. (2021), p. 261.

¹⁰ Widhian Hardiyanti Pipin Lestari. "Analisis Bank Umum Syariah di Indonesia dan Malaysia Penggunaan", *Jurnal Ilmiah Akuntansi Terkomputeisasi*, Vol.13, No.1. (2020), p. 89.

¹¹ Putri Awaliana Ramdan, *et.al.* "Analisis Perbandingan Kinerja Keuangan Bank Umum Konvensional Dengan Bank Umum Syariah Di Indonesia Menggunakan Metode RGEC Periode 2018-2022", *Alexandria (Journal of Economics, Business, & Entrepreneurship)*, Vol.4, No.2. (2023), p. 69.

operates with the Islamic system and is a pioneer in the growth of the banking industry in Malaysia and is a good example for Islamic banks in the world. Bank Islam Malaysia Berhad is officially not considered an international bank and is better known as a domestic bank. Focus on the implementation of Islamic banking principles in Malaysia. Both banks are Islamic general banks in their respective countries and are domestic banks that have extensive networks and customers.

Previous research using CAMEL analysis on financial performance includes 17 previous studies, including, there are few ponders conducted in Indonesia examining the budgetary execution between two banks in Indonesia and Malaysia.¹² within the journal that was inquired about, said that (NPF, NPM, BOPO) showed significant differences, while the variables (CAR, ROA, and FDR) there were no critical contract between Indonesian and Malaysian bank¹³, he contended that the monetary execution of Islamic commercial banks in Indonesia and Malaysia has noteworthy contracts. The research results of CAMEL analysis in Indonesian and Malaysian banking show that the variables of CAR, FDR, LTA and NPF between Indonesian and Malaysian Islamic banking have significant differences.¹⁴

By using the CAMEL method to find the performance of financial performance analysis. Researchers chose the CAMEL method because the difference with previous research is in the ROA ratio and NPM ratio. ROA is used to measure the effectiveness of a company in generating profits and utilizing assets owned by the bank. The NPM ratio is used to generate net profit on sales, if it increases, the income that will be received by the shareholders will increase. Shows the management's ability to manage the company is quite successful. The period 2020-2023 because in the four-year recovery period, there were regulatory changes that could affect the performance of Islamic banks and compare the performance of

¹² Widhian Hardiyanti Pipin Lestari. "Analisis Bank Umum Syariah Di Indonesia Dan Malaysia Menggunakan", *Jurnal Ilmiah Komputerisasi Akuntansi*, Vol.13, No.1. (2020), p. 89.

¹³ Sarwenda Biduri, *et.al.* "Kinerja Bank Keuangan Syariah Di Indonesia Dan Malaysia Di Kawasan ASEAN Yang Menjadi Pionir", *Iqtishaduna: Jurnal Ekonomi Islam*, Vol.11, No.1. (2022), p. 8.

¹⁴ Fadilla Muhammad Mahdi. "Perbandingan Kinerja Keuangan Perbankan Syariah Indonesia Dengan Malaysia", *Jurnal Revenue : Jurnal Ilmiah Akuntansi*, Vol.2, No.1. (2021), p. 87.

Islamic banks between the two countries, especially in facing an unstable economic situation.

B. Research Question

Based on the foundation clarification that has been clarified over, the definition of the issue within the think about is how the analyze the budgetary execution of Indonesian Islamic Banks with Bank Malaysia within the period of 2020-2023?

C. Research Objectives

Based on the detailing of issues said over, the reason of this ponder is to analyze the money related execution between Indonesian Islamic banks and Malaysian banks in 2020 to 2023.

D. Research Benefits

1. Academic Benefits

This investigate is expected to increase academic insight and deeper understanding of the determinants of financial performance of sharia Banks of Indonesia and Malaysia for the period 2020-2023. This research contributes to the development of theories related to financial performance, sharia banking and CAMEL analysis.

2. Practical benefits

This investigate can be an input for Indonesian Islamic banks with Malaysian banks. With the point of assesing the Company's budgetary execution within the future. The presence of this consider provides opportunities for banks to from choises on administration and operational exercuses s at banks. And give input for banks as a thought in decision-making, expanding information within the managing an account world.