



Banking Ethics : Performance Of Sharia Bank And Social Bank

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Abstract

This paper aims to prove that: The activities of financial institutions, positive social impact and performance improvement. And prove that SRI (Socially Responsible Investment) has more impact than CSR (Corporate Social Responsibility). There is a causal relationship between Financial Inclusion and Banking performance. Economics is also widely understood as a moral science. Even M Yunus (2012) the Nobel winner and his financial institutions have the responsibility of narrowing the gap between rich and poor. Furthermore, Orlizky et al (2003) and Roland Benedikter (2011) conclude that there is a relationship between company performance and investment that has social and environmental impacts, in the face of global competition. This study compares Islamic Banks with Social Banks in GABV, which are two types of ethical financial institutions, micro-business drivers, which have successfully escaped the financial crisis, compared to conventional banking which is only profit-oriented, namely banks that must be liquidated or receive bailout funds when the global crisis occurs. The approach of this paper uses mixed methods : qualitative and quantitative, which analyzes the financial performance of each type of bank, qualitative analysis examines banking organizations and the impact of their investments on social and environmental conditions, and quantitative analysis which analyzes the financial performance of several types of banks, quantitative analysis aims to determine their stability.

Keywords; Islamic Bank, Social Bank, Performance

Abstrak

Tulisan ini bertujuan untuk membuktikan bahwa: Aktivitas lembaga keuangan, berdampak positif terhadap sosial dan peningkatan kinerja. Serta membuktikan bahwa SRI (Socially Responsible Investment) memiliki dampak yang lebih besar dibandingkan CSR (Corporate Social Responsibility). Terdapat hubungan kausalitas antara Inklusi Keuangan dan Kinerja Perbankan. Ilmu ekonomi juga dipahami secara luas sebagai ilmu moral. Bahkan M Yunus (2012) sang peraih Nobel dan lembaga keuangannya memiliki tanggung jawab untuk mempersempit kesenjangan antara si kaya dan si miskin. Lebih lanjut, Orlizky et al (2003) dan Roland Benedikter (2011) menyimpulkan bahwa terdapat hubungan antara kinerja perusahaan dengan investasi yang berdampak sosial dan lingkungan, dalam menghadapi persaingan global. Penelitian ini membandingkan Bank Islam dengan Bank Sosial dalam GABV, yang merupakan dua jenis lembaga keuangan etis, penggerak usaha mikro, yang berhasil lolos dari krisis keuangan, dibandingkan dengan perbankan konvensional yang hanya berorientasi pada laba, yaitu bank yang harus dilikuidasi atau menerima dana talangan ketika krisis global terjadi. Pendekatan dalam makalah ini menggunakan metode campuran: kualitatif dan kuantitatif, yang menganalisis kinerja keuangan masing-masing jenis bank, analisis kualitatif meneliti organisasi perbankan dan dampak investasi mereka terhadap kondisi sosial dan lingkungan, dan analisis kuantitatif yang menganalisis kinerja keuangan beberapa jenis bank, analisis kuantitatif bertujuan untuk menentukan stabilitasnya.

Kata Kunci; Bank Islam, Bank Sosial, Kinerja

Introduction

History The financial crisis in 1997-1998, the credit segment that was hardest hit was corporate credit, which had a large scale and risk. Micro and small loans are relatively safe because the risks are small, so there is an awareness that the bank's business is run by spreading the risk that initially focused on the corporation, then into the micro business. With the argument that if something happens to corporate credit, it can be compensated with other segments with better performance. This is the substance of the universal banking flow. Although the involvement of banks in micro-scale businesses is growing rapidly, the degree of financial inclusion in Indonesia remains low. As an illustration, according to a World Bank survey, less than 50% of Indonesian families have bank accounts, and only 19% of Indonesians have savings in



banks. This data contrasts with the development of the telecommunications industry. Currently, almost all residents already have a cell phone. The penetration rate, namely the ratio of the number of telephones to the total population of 125%. This means that far more people have cellular phones than those with bank accounts or automated teller machines (ATM). The population's still low access to banking services is an important reason for the high interest rates in banking, especially for micro loans. The inability of the poor to access formal banking causes them to fall into the valley of loan shark services (informal credit sector) whose interest rates are very high. In this context the authors focus on Islamic banking in Indonesia, which is experiencing rapid growth and Social Banks as a comparison in financial inclusion, social mission and risk. Because of the uniqueness of Islamic banks and social banks that are members of the GABV¹, they are the two institutions that managed to escape the world crisis in 2007-2010, even social banks in Europe can come out as winners compared to conventional banks. Historically, Indonesia is a relatively late country in Islamic banking. The Suharto government officially recognized it in 1983, the same time Islamic banks were established in Malaysia, a few years after Saudi Arabia (1975), Pakistan (1979) and Egypt (the world's first modern Islamic bank in 1971). Bank Muamalat, was opened in 1991 which was the first official Islamic bank and his further emphasized the control over it in Indonesia, which had to wait until the following year, the legal basis for haria finance, when Law Number 7 of 1992 concerning Indonesian Banking was passed.

Since then Islamic banking has developed in Indonesia from small to growing as part of the financial sector and Islamic banking law. Furthermore, Law No. 10 of 1998 concerning Completion of Law No. 7 of 1992 concerning Banking is a step forward in the development of banking, especially for Islamic banking. In this law, Islamic banking is given the same treatment (equal treatment) with conventional banking. In fact, if you look at the numbers, when the law was passed, there was only one Islamic bank - Muamalat Bank and around 70 BPRS. (Compare with 400 conventional banks and 8000 conventional BPR. The enactment of Law No. 10 of 1998 has opened wider opportunities for Islamic banks to develop. This law does not even mention Islamic banks side by side with conventional banks in article by article. but also states in detail the principles of Islamic financial products, such as *Murābahah*, *salam*, *Ishtisna*, *Muḍārabah*, *Mushārahah* and *Ijārah*, even though in Law No. 7 of 1992 concerning banking, the name of sharia is not mentioned at all. Islamic banking is based on a clear prohibition in the Qur'an verses 2:278 and 3:130 to take or receive what is known as Riba. Supporters of Islamic banking interpret it to mean any form of interest payment, but this is not universally accepted in Indonesia. The two largest ulama organizations in Indonesia (MUI and Muhammadiyah), which were reached without political controversy, state that transactions involving the return of money (paying interest) are prohibited. In January 2004 the MUI issued a fatwa, which is a similar fatwa. However, Nahdlatul Ulama (NU), the largest fatwa issuing organization in Indonesia, and supposedly the largest Islamic organization in the world, sees the issue as *khilāfiya*, that is, subject to differing or unresolved opinions. In each case, the majority of Indonesian Muslims – perhaps more than 90 percent – still use conventional banking services despite the debate between the ulama. most of them are still within the institutional framework of conventional banking.

The high growth of Islamic banks in Indonesia should also be balanced with income distribution, which is currently still a high gap between rich and poor. The indicator is HDI (Human Development Index) or human development in 2009 from 184 countries, Indonesia ranked 111th with an HDI of 0.734, still below Muslim countries such as Azerbaijan, then Indonesia's Life Expectancy Index (LEI-Life Expectancy Index) is far from other Muslim countries. Whereas the main purpose of banking is for justice and equity, sustainable development, eradicating poverty, bringing prosperity and protecting the environment. Moreover, the important basic characteristics of Islamic economics are monotheism (Qur'an 2:107, 5:17 & 120, 24:33), Justice (Qur'an 49:9, 60:8, 5:42), Nubuwwah (QS 19:56-57, 2 :253, 94:4) Khilafah (Surah 22:41), and Ma'ad (Surah 28:7). This is the basis of Islamic economics, one must consume according to the prophetic treatise (nubuwwah) and life in this world is only temporary (ma'ad). The definition of consumption in Islam and conventional is different, in Islam it means useful consumption. After studying Islamic banking in Indonesia in particular, in this context it is necessary to understand social banking in Europe, to see what can be gained from his experience in getting out of the crisis.² At first the explanation of social banking uses a different perspective. In this context, the main part of social which includes establishment is a direct relationship

¹ Aprilliantoni, "Exploring the Advantages and Challenges of Islamic Banking and Finance," *International Journal of Multidisciplinary Research and Growth Evaluation* (2023).

² Rindawati Maulina, Wawan Dhewanto, and Taufik Faturohman, "The Integration of Islamic Social and Commercial Finance (IISCF): Systematic Literature Review, Bibliometric Analysis, Conceptual Framework, and Future Research Opportunities," *Helikon* 9, no. 11 (2023).



between borrowers and lenders without a specific purpose for social impact. Second, especially in developing countries, social banks are often defined as subsidized ones (government or development banks),³ Third, usually with an appreciation of developing countries, social banks are very commonly associated with microfinance or microcredit. Fourth, the term is used for banks primarily or specifically services are socially oriented or help customers. Finally, especially in the northern hemisphere (European Union), the term social bank is used for banks that only strive for business with social impacts, in other words social banks can be interpreted as sustainable or alternative banks.⁴ Following the last idea and definition of a social bank as a bank that aims to have a positive impact on people and the environment. Furthermore, there is a small group of 10-20 social banks around the world, members of the Global Alliance for Banking on Values (GABV) which is a worldwide association for social banks,⁵ describing its members as social banks and its main mission is investing in social fields that develop value.⁶ -human values, social cohesion and responsibility for the natural environment. Here are shown the members of the alliance consisting of their location position and size of assets as shown in table 2. Apart from GABV many social banks that fit the above definition are also members of other associations such as International Association of Social Finance Organization (INAISE) or the European Federation of Ethical and Alternative banks (FEBEA).

For all these banks have a positive social impact in their mission although all also recognize the need for the survival of their activities. Thus many banks grew strong in terms of assets, number of clients and financial income. Some even achieved an increase in their assets of more than 30% per year over previous years, when some of their non-social partners struggled to keep afloat during the financial crisis. Social banks are needed, because of the improvements they receive, even if their businesses do not have to be expensive to operate but contribute to the welfare of the larger community. With an environment that is more aware of the behavioral information of business organizations, in order to remain successful, business organizations take account not only of the needs and objectives of their shareholders but also of all other shareholders. So far the social bank can be considered as a successful example of an organizational model that creates not only economic but also social impact and environmental value.⁷ Social banks provide savers and investors to achieve financial income, while simultaneously channeling funds to borrowers or people who need investment funds that are assumed to have a positive impact on the social environment.⁸ These banks usually open their loans and investment portfolios to the wider community in a very transparent and detailed manner. This provides information for shareholders to have access to whether or not core business activities meet their expectations. Thus, social banks can be seen as a contributor to transparency and democratization of finance and economic processes. As a result of the crisis, social banking became an important trend among bank customers in Europe. And in fact social banks in Europe as the bank that emerged victorious from the crisis, grew by more than 20% per year and assets doubled between 2007 and 2010. The crisis transformed small social banks into large ones.⁹ This success has been accompanied by a growing number of customers in Europe, as social banks are less speculative and more responsible, ethical, community-oriented than conventional banks.

Methodology

In this paper, the research is focused on a comparative analysis of the performance of two types of banking and the measurement of bank soundness. The approach used is as follows

1. Comparative Analysis of the Performance of Two Types of Banking

³ Jiajun Xu et al., "What Are Public Development Banks and Development Financing Institutions? —Qualification Criteria, Stylized Facts and Development Trends," *China Economic Quarterly International* 1, no. 4 (2021): 271–294.

⁴ Eirini Stavropoulou et al., "The Role of Social Banking in the Success and Sustainable Business Continuity of SSMEs," *International Journal of Financial Studies* 11, no. 3 (2023).

⁵ Adriana Kocornik-Mina, Ramon Bastida-Vialcanet, and Marcos Eguigurenhuerta, "Social Impact of Value-Based Banking: Best Practises and a Continuity Framework," *Sustainability (Switzerland)* 13, no. 14 (2021): 1–43.

⁶ Noemi Sinkovics, Rudolf R Sinkovics, and Mo Yamin, "The Role of Social Value Creation in Business Model Formulation at the Bottom of the Pyramid – Implications for MNEs?," *International Business Review* 23, no. 4 (2014): 692–707.

⁷ A Stauropoulou et al., "The Effects of Economic, Environmentally and Socially Related SDGs Strategies of Banking Institutions on Their Customers' Behavior," *World Development Sustainability* 2 (2023).

⁸ Hidajat Sofyan Widjaja and Dwi Pramaya Bhakti, "Inter-Relation between Digital Finance, Green Finance and Social Finance," *Seminar Nasional Perbanas Institute* (2022).

⁹ I Krasonikolakis, M Tsaropoulos, and T.-Y Eng, "Are Incumbent Banks Bygones in the Face of Digital Transformation?," *Journal of General Management* (2020).



In the statistical analysis section, the performance of socially responsible investment (SRI) of social banks and Islamic funds, or Sharia funds, is compared with each other, and the benchmarks used are the main financial standards namely CAR, ROA, ROE, NPF. The logic of the comparison of social and sharia-based bank funds is that both use certain restrictions (or filters) to limit their investments and will therefore optimize their investments based on non-standard investment analysis criteria. According to the main financial literature, it means that in the long run, the performance of both types of banking industries in asset management is expected to have a good return, lower at the same level of risk or the same higher level of risk. A relatively large database of results of Social and Islamic funds will be compared empirically with the help of statistical methods with each other. Financial performance is a financial picture of every economic result achieved by banks in a certain period through their activities to generate profits efficiently and effectively, whose growth can be measured by analyzing financial data reflected in financial statements. For this reason, financial ratios are tools used to analyze the financial condition and performance of banks. This study measures various ratios, because in this way a useful comparison can be obtained rather than the raw numbers themselves, some of the financial ratios used are capital ratios (Solvency). Then the ratio of NPL (Non-performing Loan) or in Islamic banks is referred to as NPF (Non-Performing Financing) to measure the ability of bank management in managing non-performing loans provided by banks. Credit risk accepted by the bank is one of the bank's efforts, resulting from uncertainty in loan repayment or resulting from non-payment of credit provided by the bank to the debtor.

Furthermore, there is a profitability ratio (Earning) which is used to analyze or measure the level of business efficiency and profitability achieved by the bank, the ratios used in this study are *Return on Equity and Return On Assets*. Another way to find out if a bank is liquid is that the bank can fulfill its debt obligations, can repay its deposits, and can fulfill credit or loan requests without any suspension. This liquidity ratio is conducted to analyze the bank's ability to fulfill its obligations. In this study, the liquidity ratio used is Loan to Deposit Ratio (LDR) or in Islamic banks it is called FDR (Financing Deposit Ratio). The recent financial crisis has exposed the weakness of conventional banking as mainstream. As a result, alternative forms of banking are now in the spotlight. The worldwide social banking sector, however, presents strong geographic heterogeneity. To provide a meaningful comparison between social banks and Islamic commercial banks, the authors focus on European social banks, a strong place in terms of social banking. In Europe, the combined assets currently amount to around €14 billion. They have doubled over the last few years and are steadily increasing. European social banks had experienced impressive growth prior to the recent crisis. Their activities have progressed rapidly since then. Overall, the average annual growth rate of their assets was above 20% during the 2007-2010 period. European social banks are characterized by a dual purpose - social and financial, although they usually focus on social achievement as their main goal.¹⁰ In this context, financial concerns are justified by the need for economic sustainability rather than profit maximization. In addition, social banks are governed by key governance principles, such as transparency and responsibility.¹¹ As for Islamic commercial banks, in this study selected Islamic commercial banks that were established before 2007-2010, a time when the global financial crisis occurred, which is the main topic of this research.

Table 1 Social Banks in GABV vs Islamic Commercial Banks in Indonesia
Descriptive Statistics (in %) data processed from Euro
GABV (Global Alliance for Banking on Values)

Bank	Loan /asset	Deposit /asset	Capital /asset	ROA	ROE	Asset Growth (2007-2010)
GLS Bank (Germany)	76.28	85.91	9.25	0.4	8.32	111
Triodos (Holland)	60.88	86.95	14.96	0.36	3.4	54.87
Crédit Coop	81.11	52.12	11.56	0.34	3.28	-1.75

¹⁰ Thijs H J Geradts and Elisa Alt, "Social Entrepreneurial Action in Established Organizations: Developing the Concept of Social Intrapreneurship," *Journal of Business Research* 151 (2022): 197–206.

¹¹ Firman Billy Fanandi and Nurul Asfiah, "The Implementation Of Good Corporate Governance On Banking Industry In Indonesia: Bibliometric Analysis Of GCG," *Jurnal Manuhara* 2, no. 3 (2024): 58–71.



(France)						
Merkur Bank	64.14	81.48	13.37	0.04	0.33	54.87
Alternative Bank	74.7	92.78	11.90	0.04	0.7	60.32
Average Stdv	71.4 (8,55)	79.8 (16)	12.2 (2.1)	0.236 (0.18)	3.21 (3.19)	55.9 (39.9)

Commercial Banks in Europe

Deutsche Bank (Germany)	21.4	28.02	7.83	0.14	5.5	-10.87
Credit Suisse (Swis)	21.21	27.86	14.48	0.49	14.4	-9.18
BNP (Perancis)	34.27	29.07	9.13	0.39	12.3	6.17
Barclays Bank (Inggris)	28.73	23.21	7.78	0.2	7.2	-5.96
ING (Belanda)	49.17	41	9.80	0.28	9.7	-14.45
Average Stdv	30.95 (11.55)	29.83 (6.64)	9.8 (2.75)	0.3 (0.14)	10.5 (3.8)	-6.86 (7.9)

Source : data processed from GABV and Commercial Banks in Europe

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Source : data processed from GABV and Commercial Banks in Europe

Commercial Banks in Indonesia



Bank Mandiri	54	80	13.4	3.5	33	22
Bank BNI	54.8	78	18.6	2.5	24.7	26
Bank BCA	47.4	85.5	13.5	3.5	33.3	32.8
Bank Permata	69	80	14.1	1.9	21.5	46,7
Average <i>stdv</i>	56.3 (9.1)	80.9 (3.22)	14.9 (2.5)	2.85 (0.79)	28 (5.9)	31.8 (10.8)

Source : data processed from Bank Umum Syariah and Commercial Bank in Indonesia

From the presentation of table 1 shows social banks that are members of GABV versus conventional banks in Europe and Islamic commercial banks versus conventional banks in Indonesia. The data is processed from the annual report of the Global Alliance for Banking on Values (GABV) and the annual report of Islamic Commercial Banks in Indonesia. All of them recorded assets above 10 trillion. The performance in table 1 shows that social banks are significantly larger for deposits / assets (3rd party funds compared to assets) than commercial banks in Europe, namely 79.8 compared to 29.8 as well as Islamic commercial banks are larger than commercial banks in Indonesia. , which is 85.2 compared to 80.9. While Loans / assets (loans compared to assets), Social Banks and Islamic Commercial Banks are larger than commercial banks (71.4 vs 30.9 and 73.8 vs 56.3). Then the Return on Assets (ROA) is not significantly different between social banks and commercial banks, but there is a difference between Islamic commercial banks and commercial banks (4.4 vs 2.85). Next, the Return on Equity (ROE) of social banks is lower than commercial banks, even lower than the ROE of Islamic banks. The ROE comparison of commercial banks in Indonesia is also lower than Islamic banks. A lower ROE indicates a social mission over a profit maximization mission. In the data above for the level of capitalization, the difference in the ratio of capital to assets (capital over assets ratio), the table shows that social banks are larger than commercial banks, this shows that both social banks have significantly more capitalization than commercial banks. In Table 1, the asset growth of Islamic commercial banks is significantly no different from that of social banks around 53-55%.

The explanation of the facts above shows that both ethical financial institutions are stronger than commercial banks, this can be seen from Solvency (capitalization), liquidity and asset growth, even commercial bank assets for the period 2007-2110 growth were negative, The above reality shows that the social mission of Islamic banks in Indonesia has proven to be not optimal, the social mission is not yet visible (there is still profit maximization), this still leaves a few questions, which will be tested in measuring bank health.

2. Bank Health Measurement

This paper also aims to compare the stability of Islamic banking in Indonesia with social banking in Europe. In this case, the level of banking stability is measured individually using one accounting-based bank soundness measurement called the Z indicator (Z-score)¹², pioneered by Altman (1968) with the period 1946-1966 used a sample of 33 manufacturing companies in the USA that went bankrupt and 33 companies not bankrupt. Through multiple discriminant analysis and the 5 most significant financial ratios measuring profitability, liquidity, and solvency. The limitation of this paper is for the period 2007-2010 where the global crisis occurred, and the strongest bank is chosen to represent each type of bank and region. The original formula for the Z score is as follows :

$$Z = 1,2 X_1 + 1,4 X_2 + 3,3 X_3 + 0,6 X_4 + 1,0 X_5$$

$X_1 = \text{Working Capital to Total Assets}$
 $X_2 = \text{Retained Earning to Total Assets}$
 $X_3 = \text{Earning Before Interest and Taxes (EBIT) to Total Assets}$
 $X_4 = \text{Market Value of Equity to Book Value of Total Debt}$
 $X_5 = \text{Sales to Total Assets}$
 $Z = \text{overall index}$

Then the value of the calculation is compared with the provisions that already apply, namely:

- a. If $Z < 1,81$ then including the company bankrupt / unhealthy.

¹² Coskun Tarkocin and Murat Donduran, “Bank Stability and Systemic Risk Measurement: Application of Z-Score Variations to the Turkish Banking Sector,” *International Journal of Finance & Banking Studies* 12, no. 1 (2023): 63–73.



- b. If $1,81 < Z < 2,99$ then it is a gray area (critical critical condition)
- c. If $Z > 2,99$ then including healthy companies do not go bankrupt

This paper is new, especially the topic of a review of Islamic banking in Indonesia by social banking in Europe. Previous studies have only compared Islamic banking with conventional banking in one country, or in a regional area (Asean or GCC countries) or at the world level. Referring to the Z Score model, the group of Ethical Banks (Social Banks and Islamic Commercial Banks) is healthier than Commercial Banks and this result answers the remaining questions in the comparison of the performance of each type of bank. The Z Score model looks at the condition of the company's balance sheet and developments in the stock market, so this analysis can be used to make predictions about the company. Therefore, the results shown by the Z Score model, apart from looking at bank health, can also be used as predictions. However, the Health measurement theory with the Altman model has a few weaknesses, namely the existing theory still uses microeconomic data, namely from quarterly or annual bank financial reports (audited) which are often difficult to obtain in crisis conditions, while macroeconomic data such as currency exchange rates, inflation, GDP, External Debt, Financial Policy, Government Expenditure Deficit, political situation are not considered as independent variables affecting bank bankruptcy.¹³ After developing the stability model, then the regression model is used to test the variables that affect credit risk. Comparison of the impact of each of these variables to observe whether credit risk is higher or not in the two banks in each country.¹⁴

Step : Measuring credit risk based on financial ratios of two types of banks Ethical

$$CR_{it} = \lambda_0 + \lambda_1 ROA_{it} + \lambda_2 CAR_{it} + \lambda_3 \ln ASET_{it} + \lambda_4 LDR_{it} + \lambda_5 EQTA_{it} + \varepsilon_t$$

With i : selected bank, t : tahun, λ : predicted parameters

ε : error,

NPL (non Performing Loan) as proxy Credit risk,

With description as independent variable :

ROA : *Return On Assets*

CAR : *Capital Adequacy Ratio*

ASET : *total assets*

LDR : *Loan to Deposits Ratio*

EQTA : *ratio of equity to assets*

some variables were converted to natural logs to correct for non-linearity and reduce multicollinearity

Classic assumption test

In this study, the classical assumption test will be used, namely the Normality Test, Multicollinearity Test, Heteroscedasticity Test, Autocorrelation Test, GCT and ADF Augmented Dickey Fuller Unit Root Test.¹⁵

Regression result reading with Eviews 8 . program

- R square > 60%, meaning that the existing variables can explain the dependent variable, the rest is explained by variables outside the existing independent variables.
- F stat < 80 %, means that the variables together significantly affect the dependent variable
- Prob or P value < 5% means significant,
- Tstat = estimated coefficient / standard error, t stat >> p value

Results & Discussion

The results of the calculation of ethical banks and conventional banks using the Z score model, using data from Barclays bank, triodoos bank, and independent sharia bank covering current assets, current liabilities, working capital, total assets, EBIT, retained earningsbook value of total debt and sales, it is obtained that ethical bank groups (Social banks and Islamic banks) were healthier than conventional banks during the 2007-2010 crisis. From the results of

¹³ Thanh C. Nguyen, Vitor Castro, and Justine Wood, "Political Environment and Financial Crises," *International Journal of Finance and Economics* 27, no. 1 (2022): 417–438.

¹⁴ Jamil Sharif, Mohammed Ashiqur Rahaman, and Mohammad Moniruzzaman, "The Impact of Credit Risk and Bank-Specific Variables on Financial Performance of the Listed Commercial Banks in Bangladesh," *International Journal Of Research And Innovation In Social Science* 7, no. 7 (2023): 1175–1189.

¹⁵ Debby Alita, Ade Dwi Putra, and Dedi Darwis, "Analysis of Classic Assumption Test and Multiple Linear Regression Coefficient Test for Employee Structural Office Recommendation," *Indonesian Journal of Computing and Cybernetics Systems* 15, no. 3 (2021).



Regression presenting and analyzing descriptive statistics, the independent variables of Islamic banking, social banks and conventional banks with EVIEWS 8 software, show that the credit risk of Ethical banks (Islamic banks and social banks), with the hypothesis H₀: residual distribution has been distributed normally and through probability Jarque-Bera and 95% significance level ($\alpha = 5\%$) Regression results, factors that influence credit risk ethical banking (represented by Islamic banks and social banks) For Ethical banking, the variables ROA, CAR, ASSET, LDR EQTA, are significantly related to credit risk, while the r square which is 60.25 in ethical banking shows that These variables collectively have a strong influence of 60.25 on credit risk, the remaining 39.85 are influenced by other factors. While the asset coefficient is statistically significant at a significance level of 90% ($\alpha = 10\%$) related to credit risk in ethical banks.

Conclusion

By comparing two types of banks, namely Social Banks and Islamic Banks and measuring banking health, there are several things that can be concluded and are related to the initial hypothesis. The results of the study show that the two ethical financial institutions are stronger than conventional banks, this can be seen from the solvency (capital), liquidity and asset growth, even when the assets of conventional banks for the period 2007-2010 grew negative.

The results of the study show that the social mission of Islamic Commercial Banks in Indonesia has proven not to be optimal, its social mission is not yet visible (there is still a profit maximization agenda), Compared to Social Banks. That Islamic banks should still be able to grow rapidly like Social Banks, even during the Global crisis, and provide Socially Responsible Investment. Therefore, OJK needs to encourage and make regulations so that Islamic Financial Institutions can increase Partnership products such as Muḍārahah and Mushārakah compared to financing products or also increase Tabarru' contracts (gratuitous contracts), namely all kinds of agreements related to non-profit transactions (non-profit transactions). Transactions that are basically not business transactions for commercial gain. The Tabarru' contract is carried out with the principle of helping each other in order to do good. Doing good that expects a reply from Allah SWT alone. As the principle of muamalah, every Muslim is free to do whatever he wants as long as it is not prohibited by Allah based on the Qur'an and Sunnah and as an effort to realize economic benefits. Especially here, with the launch of financial inclusion by facilitating access to banking for the micro sector, one of which is the encouragement of branchless bank service initiatives, which is an important milestone. Indonesia is too large and has areas that are difficult to reach with branch offices. Appreciation is given to BRI for making technological breakthroughs by purchasing its own satellite. The combination of technology and officeless is a solution and is supported by SRI (Social Responsible Investment) which is shown by Social Banks and Micro banks such as Grameen Bank, to become the strength of Islamic Banks in Indonesia in the future, so that the mission of Islamic banks in Indonesia can be achieved as ethical financial institutions in carrying out activities Its efforts are brotherhood (ukhuwah), justice ('adālah), benefit (maslahah), balance (tawazun) and universalism (syumuliyah).

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