

THE EFFECT OF PROFIT SHARING ON PERFORMANCE OF ISLAMIC BANK IN MUSLIM COUNTRIES

Ely Masykuroh¹

Abstract

The main principle of Islamic economics is the prohibition of riba (usury). Riba is understood as an advantage in borrowing money, so in practice the Islamic banking that every interest - even to the lowest rate- is usury. Interest not only have to be set, but banned altogether. Prohibition of interest creates a need for interest-free banking system. Two main types of transactions are used in Islamic banking are profit margins and profit sharing (hereinafter PLS) and the mark-up system.

Profit and Loss Sharing (PLS) as *mudaraba* or *Musharaka*, claimed as one of the characteristics as trade mark of shari'ah banks in introducing the world. This study attempted to examine the effect is there a performance level of the PLS with the Finance Islamic banking both in terms of profitability, liquidity, credit risk and efficiency. This study tried to compare the PLS on in Muslim countries in the world, also to investigate the effect of PLS on Financial performance in Islamic bank in the Moslem Countries. The finding research there is no significant effect of PLS on the financial performrnace in that countries.

Keywords: Murabaha, Mudaraba, Musharaka

A. Introduction

The development of Islamic banking so quickly led to some experts claim that the Islamic economy is a new economic paradigm. It is emphasized Choudhury² he even claimed that the Political Economy of Islam is different epistemology. Some Western scholars has the same opinion, as Nienhaus (2000), he writes:

“despite the fact that progress is slow and not always continuous, Islamic economics clearly beginning to the establish itself as a science, which will not

¹ The author is a lecturer at the Department of Islamic banking in the Islamic State Institute (STAIN) Ponorogo, East Java, Indonesia

² Choudhury, M.A. 1997. *Money in islam: A Study in Islamic Pokitical Economy*. London, New York: Routledge

allow it to degenerate into an ideology or a social revolution or a veneer for conservative dogmatism”.³

The development of Islamic banking has undergone significant progress not only in Islamic countries, but in western countries such as Europe, Australia and America. Even in the US there is flexibility and innovation of government regulation as a positive response to the establishment of Shariah banking in this country⁴. Beginning of Mit Ghamr in Egypt in 1960 that operates as a social rural bank⁵ then developed in 1978 by the Faisal Islamic Bank, with assets of \$ 2 billion⁶. Further development of the country to Pakistan, Kuwait, United Arab Emirates, Malaysia, Iran, Turkey, and Indonesia in 1992⁷.

Islamic financial institutions (includes Islamic banking) is an organization whose mission and goals are very noble, that is profit-oriented and socially oriented.⁸ That is, the operational principles in line with both these objectives should be a priority. It is also in line with Choudhury (1991), that any economic activity of both individuals and institutions in Islam should make the social welfare as a purpose other than purposes that are individuals or groups⁹.

One form of the social role of Islamic banking is *qordhul hasan* (charity fund), the implementation of the reception and distribution of Zakat funds, Infak, Shodaqah (ZIS) and the principle of financing priorities for the results (Profit and Loss Sharing) in the form of *Mudharabah* and *Musharaka* products. This is because, PLS financing urgency to contribute to economic growth in the real sector, employment as well as an

³ Nienhaus, V. 2000. *Islamic Economic: Dogma or Science ? in Hafez, K (ed) The Islamic World and The West ; An Introduction to Political Cultures and International Relations*. Trans. Marry Ann Kenny. Leiden, Boston, Klon: Brill, 98

⁴ Taylor, J. Michael. 2003. *Islamic Banking – The feasibility of Establishing anIslamic Bank in the United States*, 40 AM.BUSB.J, 385, 416

⁵ Scharf, Traute Wohler, 1983. *Arab & Islamic Banks; New Business Partner for Developing Counries* (Paris:Development Centre of the Organization for Islamic Cooperation and Development)

⁶Kazarian, E.G. 1993. *“Islamic Versus Traditional baking; Financial Innovation in Egypt”*, Boulder: WestView Press

⁷ Antonio, Syafi’i. 2001. *Perbankan Syariah dari Teori ke Praktek*, Jakarta: Gema Insani Press

⁸ Adnan, M Akhyar dan Muhammad, 2007. Agency Problems in mudharabah financing: the caseo shari’a a rural banks in Indonesia, *IIUM Journal of Economics nad Management*, Vol. 15 (2), 219-243

⁹ Choudury, Masudul A, 1991. Social choise in an Islamic economic framework, *The American Journal of Islamic Social Science*. Vol. 8 (2), 259-275

emphasis on inflation¹⁰. It required a commitment to increase the *musharaka* and *mudharaba* financing schemes as a form of transaction that uses the principle of sharing.

Profit and Loss Sharing (PLS) as *mudaraba* or *musharaka*, are claimed as one of the contracts as trade mark syari'ah banks to introduce in the world. In other words, Islamic economists agree that the majority of Islamic banking should be done on the basis of partnership. Mark-up method is allowed if the partnership can not be done, but it should not be a funding priority in this system. However, for decades the reality is different conditions. For example Ariff (1988) shows some empirical evidence: "The most common mode used in financing 'markup' is called murabaha"¹¹. presenting detailed data for some Islamic banks as well as some aggregate findings from the 1980s and early 1990s and shows that the portion of the PLS financing consistently fell below 10 percent. They also reported that although fully Islamic Bank PLS system relies in large portions, but the principle of mark-ups are still greater¹².

Sramek also argue that the claims of higher economic efficiency in Islamic banking. Even some other researchers who also tried to assess the financial performance syarah related ability to generate profits and efficiency levels shown the mixed results. Among Rosly and Abu Bakr¹³, Abdullah et.al¹⁴ Marzuki et.al¹⁵ Ashraf¹⁶ and also Kauser et al¹⁷.

Based on these findings draw to be tested against there any influence between PLS level with the Finance Islamic banking performance both in terms of profitability,

¹⁰ Adnan, M Akhyar dan Muhammad, 2007. Agency Problems in mudharabah financing: the caseo shari'a a rural banks in Indonesia, IJUM *Journal of Economics nad Management*, Vol. 15 (2), 219-243

¹¹ Agarwal R.K and T. Yousef. 2000. Islamic Bank and investment financing. *Journal of Money, Credit and Banking*. Vol. 32 (1), February 2000. 93-120

¹² Ondrej Sramek. 2009. Islamic Economics: new economic paradigm, or political agenda?. *Journal of New Perspective On Political Economy*. Vol. 5 (2), 137-167

¹³ Rosly, Saiful A & Abu Bakar, 2003. Performace of slamic and mainstraims banks in Malaysia, *International Journal of Social Economics*, Vol. 30 (11/12), 1249-1265

¹⁴ Abdullah, Fikriyah & Taufiq hasan,2007. Investigation of performance of Malaysia Islamic Trust Fund comparation with conventional unit Trust Fund. *Managerial Fianance* Vol 33 (2), 142-155

¹⁵ Marzuki, Rosnia and Nurhazina Ibrahim, Elmirin Osman dan Hishamuddin Abdul Wahid. 2010. "Financial Performanceof malysa Islamic Banks versus Conventional Banks". Working paper

¹⁶ Ashraf, A Mia & Ziaur Rehman. 2011. The performanceanalysis of Islamic and conventional bank in Pakistan perspective.*Journal of Money, Investment and Banking*. Vol.22 (1), 99-114

¹⁷ Kueser, Rehana & Irum Saba. 2012. Gauging the financial performance of banking sector using CAMEL model: comparation of conventional bank, mixed and pure Islamic bank in Pakistan. *International Journal of Finance and Economics*.Issues 82, 67-89

liquidity, credit risk and effisiensinya. And this study tried to do an analysis of the influence of PLS in some Muslim countries in the world.

B. PLS as Core of Islamic Banking

Islamic financial institutions (include the Islamic banks) is an organization whose mission there is a very noble goal, which are profit and socially oriented¹⁸. That is, the operational principles in line with both these objectives should be a priority. It is also in line with Choudhury (1991)¹⁹, that in Islam every economic activity of both individuals and institutions must make a social choice as a destination other than the destination that is the individual or group.

One form of the social role of Islamic banking is the presence of products *qordhul hasan* (charity fund), the implementation of the reception and distribution of Zakat funds, Infak, Dole (Shodaqa) (ZIS) and the principle of financing priorities for the results (Profit and Loss Sharing) in the form of products *mudaraba* and *musyarakah*. This is because, PLS financing urgency to contribute to economic growth in the real sector, employment as well as an emphasis on inflation²⁰, it is necessary to komitmen to improve *musharaka* and *mudaraba* financing schemes as a form of transaction that uses the principle of sharing. However, in reality financing products still dominated by finance products with sale and purchase agreement (*tijarah*). In Egypt, this funding amount exceeding 50% of the total financing from the bank. While at Bank Islam Malaysia (BIM), the financing by the principle of mark-up since the year 1983 to 1994 reached an average of 95.3%. Except in Iran, financing with the principle of PLS (Profit and Loss Sharing) konsis below 10% (1986-1987), only in Iran PLS financing indicate significance although still under financing based on the principle of mark-ups.²¹

This condition is also experienced by the Islamic banking in Indonesia, where according Ascarya (2006) level of financing with the principle of profit sharing is

¹⁸ Adnan, M Akhyar dan Muhammad, 2007. Agency Problems in mudharabah financing: the caseo shari'a a rural banks in Indonesia, *IJUM Journal of Economics nad Management*, Vol. 15 (2), 219-243

¹⁹ Choudury, Masudul A, 1991. Social choise in an Islamic economic framework, *The American Journal of Islamic Social Science*. Vol. 8 (2), 259-275

²⁰ Adnan, M Akhyar dan Muhammad, 2007. Agency Problems in mudharabah financing: the caseo shari'a a rural banks in Indonesia, *IJUM Journal of Economics nad Management*, Vol. 15 (2), 219-243

²¹ Agarwal R.K and T. Yousef. 2000. Islamic Bank and investment financing. *Journal of Money, Credit and Banking*. Vol. 32 (1), February 2000. 93-120

musharaka (19.4%) and *mudharaba* (16.3%) so from both reached 35.7% of the total financing. While for others *murabaha* financing and reaching 64.4%²². Thohirin (2004), there was a lack of financing and *musharaka* in which to reach 6% -7% of the total *murabaha* financing which reached 80% from the total of financing.

This phenomenon can be seen not only in Shariah banking financial institutions, but also present in Baitul Maal wa Tamwil (BMT). A study of the implementation of *murabaha* at BMT in Yogyakarta, composition *Musharaka* financing for an average of 12%, 20% and *murabaha mudaraba* reach 63% of the total financing, while other types of financing 5%²³. Furthermore, in the study, there was an incompatibility with the implementation of shari'ah principles.

Table. 1.1
Previous Research On Islamic Bank
(*Mudharabah, Musyarakah dan Murabahah*)

RESEARCHER	TITLE	OBJECTIVE	METHODOLOGY	RESULT
M Akhyar Adnan & Muhammad (2007)	Agency Problems in Mudharabah Financing: The Case of Shari'a (Rural) bank in Indonesia	To conduct mudharabah financing with agency Theory	Description Analysis with Factor Analysis	The preference of customer to muharabah mutlaqah with short time financing On Trading Industry
Ashrof Wadji Dasuki (2009)	Commodity Murabahah Programme (CMP) an Innovative Approach to Liquidity Management	Analysis of Tawarru' pada CPM for knowing the value added by combining the interest rate and investation	Deskriptive analysis with management of likuidity	SAC of Malaysia allow the tawarruk dan bai' al ainah
Ascarya & Yumanita (2006)	The lack of Profit and Loss Sharing Financing in Indonesia Islamic Bank: Problem of alternative solution	Investigate the factors influence the lack of PLS Financing comparing with Murabahah	Descriptive Analysis by deep interview with economics, managers of Islamic banks and Government police	The solution to improve the PLS financing by stakeholders contribution, Government dan bankers

²² Ascarya, and Yumanita, 2006, "The Lack of Profit and Lost Sharing Financing in Indonesia Islamic Banks: Problems and Alternative Solution, paper INCEIF *Islamic Banking and Finance Education Colloquium*, KL Convention Center , Kuala Lumpur Malaysia, April 3-5 . 2006

²³ NurCholis, 2007. Evaluation to the practice of *murabahah* in the operations of *baitul mal wattamwil* (BMT), *Journal of Islamic Economic La_Riba*, Vol. 1 (1), July 2007, 95-112

C. Development of Hypotheses

1. PLS

Sramek (2007) found that adherence to Islamic principles, especially PLS financing in Islamic countries (Iran and Pakistan) is still low compared to the majority of Muslim countries such as Indonesia. Thus the hypothesis is built as follows:

H1. Social performance of Islamic banking in Muslim majority countries is higher than the Islamic state.

2. Effect on Performance PLS Financial (Financial Performance)

Based on previous research related to financial performance (financial performance) is performed by Rosly (2003), the financial performance of Islamic banks in Malaysia have a high level of profitability. Kauser (2012) also by assessing the ability to generate profits (earnings) in pure sharia banks higher than dual banking system. Usman (2012) to assess the financial performance of banks in Pakistan, and found results that Islamic banks is better in terms of profitability. So the research hypothesis is built as:

H2a: There is a significant influence positive between PLS and profitability of Islamic banks in Islamic Countries

In Islam, forbidden silencing assets in idle state (idle) and only a handful of people gathered in the course:

كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ ﴿٧﴾

"... That the treasure was not only circulated among the wealthy among you" (Surat al-Hashr: 7).

Money concept in Islam is that money is a public good that should rotate so that the economy can be run properly. The concept of the use of money if it is associated with the liquidity ratio, it is in line with research conducted by Kader & Asorpate (2007), Hanif et. al (2012) in which Islamic banks liquidity is lower than conventional banks. So wake hypothesis of this study is:

H2b: There is a significant positive effect between PLS and liquidity of Islamic banks in Islamic Countries

Meanwhile, if you look at the level of credit risk / financing in Islamic banks, according to research conducted by Hanif (2012), Kader (2007) and Ansari (2010) Islamic banks found to be higher than conventional banks. This is possible due to the implementation of the principle of profit and loss sharing, where the financing (loans) working capital, then there is a distribution of profit and loss of business. While the conventional bank that uses the principle of interest, profit or loss in a state still charged interest on loans received. So the hypothesis is built are:

H2c: There is a significant positive effect between PLS and credit risk of Islamic banks in the Islamic State

The financial performance of the efficiency ratio on research conducted Rosly (2003) found results Islamic banking is lower than with conventional banks effisiensi level. In line with Rosly (2003), Ashraf (2011), Ansari (2010) and Sramek (2009) also found a high level of efficiency in the Islamic banks.

H2d: There is a significant negative effect between PLS and Efficiency of Islamic banks in Islamic Countries

D. Research Methods

This research is a quantitative research, which is measured with a numerical scale. Data used in the study is a secondary data from the annual report of financial statements from 2008 until 2011. The number of sample is 32 Islamic banking in consecutive published reports of knowledge since 2008-2011. From 32 islamic banks from several Muslim countries can be classified based on the form of the state as follows:

Tabel. 1.2 Research Sampel of Shari'a banks

STATE	NUMBER Of BANKS	NUMBER OF SAMPLE
Islam State	17	68
Moslem Mayority State	15	60
	32	128

Source: Primary Data processed, 2014

Variable Measurement Techniques

1. Financial Performance is measured by the ratio:

- a. Profitability is calculated by $ROA = EBT / \text{Total Assets}$
- b. Liquidity is calculated by $FDR = \text{Total Financing} / \text{Total Third Party Funds}$
- c. Credit risk is calculated by $NPF = \text{Non Performance Financing} / \text{Total Financing}$
- d. Efficiency is calculated by $ROA = \text{Operating Expenses} / \text{Operating Income}$

2. Profit And Loss Sharing (PLS) Financing was measured by summing the Total of *Mudaraba* and *Musharaka* financing divided by the total financing ($PLS = \text{Mudaraba} + \text{Musharaka} / \text{Total Financing}$)

Analysis Technique

To investigate the existence and comparison PLS financing and financial performance of Islamic banking of samples in both forms of the State using ANOVA-MANOVA analysis model. The effect on the financial performance of PLS (profitability, liquidity, credit risk and efficiency) in the banking samples using regression analysis.

The influence of each variable used ordinary linear regression analysis using the formula:

$$ROA = a + b_1 PLS + e$$

$$LDR = a + b_1 PLS + e$$

$$NPL = a + b_1 PLS + e$$

$$ROA = a + b_1 PLS + e$$

Specification:

Y = dependent variable (ROA, LDR, NPL and ROA)

X1 = independent variables (PLS)

a = constant (value Y 'if X1 = 0)

b = regression coefficient X1- PLS

ε = error term.

E. Existence PLS In Islamic Banking in Muslim Countries

The results of the analysis using ANOVA and MANOVA to compare the financial performance in both forms of the country shows that from the aspect of PLS performance calculated from the ratio divided Sharing Financing Total financing in Islamic countries of N as many as 68 have an average (mean) of 24.18 with a standard deviation (Std Deviation) 16.02. PLS in Muslim majority countries (N = 60) has an average (mean) of 18.97 with a standard deviation of 18.89.

Tabel 1.3.Profit and Loss Sharing (PLS)

	State	Mean	Std. Deviation	N
KS_PLS	1	24.1793	16.02828	68
	2	18.9722	18.89278	60
	Total			128

Source: Data processed, 2014

Profitability (ROA) there is a significant difference (0.00) where the Islamic State ranked the highest with an average score of 1.57 compared with the value of Muslim majority countries average of 1.24. The ROE ratio was not found significant differences between these two forms of the State

The level of liquidity (FDR) of both forms of state also no significant difference (> 0.05), where the majority of Muslim countries have a higher level of liquidity than Islamic State. Comparison of the average LDR 76.83: 66.39. The high level of liquidity in the Muslim majority country side shows the level of safety of the banking institutions to provide liquid funds for the benefit of society, but on the other result in low levels of

earnings or profitability of the bank. This analysis is consistent with the findings of data processing where the level of profitability of Islamic banking in the Muslim majority countries lower than the average profitability of Islamic banking in the Islamic state, although it is also possible existence of other factors that cause the condition. While the level of credit risk (NPF) of the three forms of State also found a significant difference (0.00) where the majority of Muslim countries have high levels of credit risk are the highest (32.84) than the Islamic State (5.59). The high level of credit risk in Islamic banking in the Muslim majority countries indicate that there is some form of financing are less productive and even experiencing congestion / loss, but if it is associated with the composition of the Profit and Loss Sharing (PLS), indicating that high PLS financing does not impact on the high credit risk on Islamic banking.

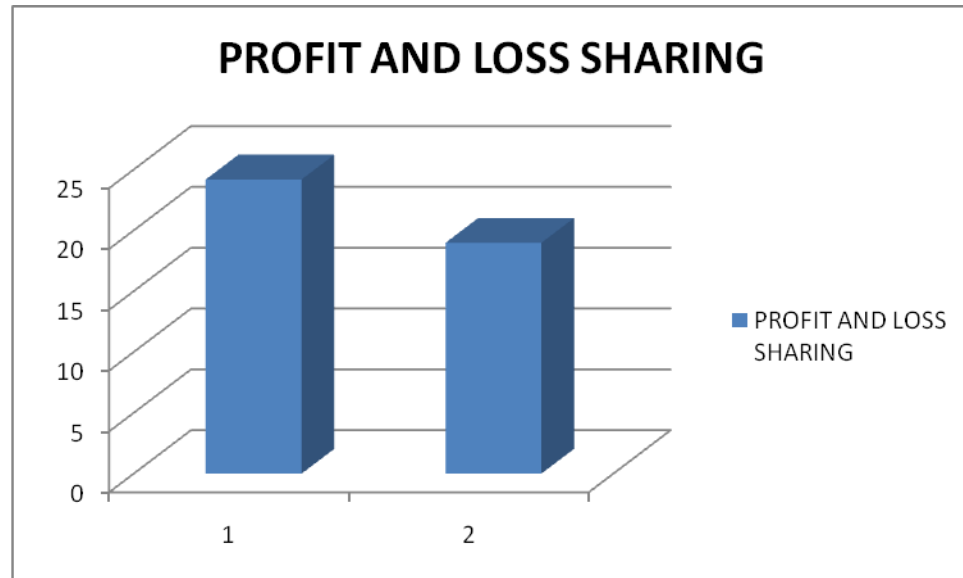
Based on the results if the data also found significant differences in the level of efficiency of the two forms of state (0.00) where Islamic banking in the Islamic state is more efficient with an average of 49.27 compared BOPO Muslim majority countries have an average ROA 73.62 which means has a level of efficiency low.

Tabel. 1.4. Estimate Marginal Means

Dependen Variabel	STATE	Mean	Std Error	95% Confidence Interval	
				Lower	Upper
PLS	1	24,18	2,38	19,49	28,87
	2	18,97	2,53	13,98	23,97
ROA	1	1,57	0,37	0,84	2,31
	2	1,24	0,40	0,46	2,03
ROE	1	18,69	2,04	14,6	22,72
	2	13,82	2,18	9,53	18,12
FDR	1	66,39	4,08	58,34	74,44
	2	76,83	4,34	68,27	85,40
NPF	1	5,59	4,08	-2,46	13,65
	2	32,4	4,34	23,97	41,11
BOPO	1	49,27	4,14	41,10	57,44
	2	73,62	4,41	64,92	82,31

Source: Primary Data processed, 2014

PLS performance in muslim country greater influence to the financial performance on the Islamic banks in Muslim majority countries (24.18: 22.29), These findings indicate that the hypothesis (H1) is not supported,



F. Effect of PLS On Performance of Islamic Banks in Muslim Countries Islamic State

The next objective of this research is to investigate the influence of PLS on the financial performance of Islamic banking in some form of state using regression analysis. Looking at the results of the influence of PLS performance on financial performance of Islamic banking in the Islamic State in Table 1.6 it can be concluded that the PLS variables, no significant effect on the financial performance of Islamic banking in the Islamic State. These findings indicate that the hypothesis (H2) are not supported,

The absence of effect on the financial performance of PLS performance on Islamic banking in the Islamic State could have been influenced by many factors, including the low financial performance itself. As already described in the analysis of the comparative performance in some groups of countries, found that the financial performance of Islamic banking in the Islamic state is lower than the financial performance of Islamic banking in the country and the majority of Muslim countries in particular for the performance of ROE, FDR, NPF, ROA.

Moslem Majority State

Looking at the results of the influence of PLS data if the financial performance of Islamic banking in Muslim majority countries partially on the table it can be concluded that the variable 4.7 PLS found the significant influence on FDR Islamic banking in the country. The findings of this study indicate that the hypothesis (H2) is not entirely rejected or supported.

Table. 1.6 Effect of PLS Performance to Financial Performance
in the Islamic State.

SOCIAL PERFORMANCE	FINANCIAL PERFORMANCE	α	CONCLUTION
PLS	ROA	0,413	No Significant
PLS	ROE	0,967	No Significant
PLS	FDR	0,422	No Significant
PLS	NPF	0,701	No Significant
PLS	BOPO	0,224	No Significant

Source: Primary Data processed, 2014

Table. 1.7 Effect of PLS Performance to Financial Performance
in the Moslem Majority State.

SOCIAL PERFORMANCE	FINANCIAL PERFORMANCE	α	CONCLUTION
PLS	ROA	0,247	No Significant
PLS	ROE	0,387	No Significant

PLS	FDR	0,002	Significant
PLS	NPF	0,162	No Significant
PLS	BOPO	0,239	No Significant

Source: Primary Data processed, 2014

From the coefficients in the regression equation above can be made to influence the social performance of financial performance on Islamic banking in the Islamic state as follows:

$$\text{FDR} = 85.914 + 0.431 \text{ PLS} + e$$

Interpretation of the regression equation above is, Liquidity performance of Islamic banking in the Muslim majority country in the average is 85.914. However Likuidias performance is influenced by PLS financing. Each increase of 1 PLS affect 43% increase in the FDR.

G. Conclusion

Referring to the research objectives mentioned in the first chapter, is to determine the differences in the performance of Islamic banks related PLS financing in Muslim countries (Islamic State and Muslim Majority State), as well as the performance of the PLS to determine the effect on the financial performance of Islamic banking in Muslim countries, then from the results if Data and analysis also concluded:

1. There are differences in the level of performance of the PLS showed findings of differences in which PLS financing rate in Muslim-majority countries is lower than in the Muslim majority country, however the difference is not significant.
2. The effect on the financial performance of PLS financing in Islamic countries found that the results were not significant. This shows that there were no significant relationship between the performance of PLS in general with good

financial performance ROA, ROE, FRD, NPF and ROA. It shows that the hypothesis is not supported by the built research results.

3. In the Muslim majority state hypotheses about the influence on the performance of the financial performance of the PLS is not fully supported, but also completely rejected sodium absorption ratio. In this study it was found that the PLS influence on FDR and no effect on ROA, ROE, and ROA NPL. This is demonstrated all that H2a, H2b, H2C, and H2d not supported.

The low level of financial performance and liquidity ratios profitability and high levels of credit risk in Islamic banking in Islam and Muslim-majority countries indicate that there is some form of financing that are less productive. But if it is associated with the composition of financing in Islamic banking, especially the financing Profit and Loss Sharing (PLS) is quite high. This suggests that high PLS financing has no impact on the high credit risk in Islamic banking. However this needs to be done further research on the effect of PLS financing to credit risk in Islamic banking, in-depth research is also needed to examine the causes of the high level of credit risk in the banking Islamic banking and banking in general

The low level of financial performance and liquidity ratios profitability and high levels of credit risk in Islamic banking in Islam and Muslim-majority countries indicate that there is some form of financing that are less productive. But if it is associated with the composition of financing in Islamic banking, especially the financing Profit and Loss Sharing (PLS) is quite high. This suggests that high PLS financing has no impact on the high credit risk in Islamic banking. However this needs to be done further research on the effect of PLS financing to credit risk in Islamic banking, in-depth research is also needed to examine the causes of the high level of credit risk in the Islamic banks.

Other interesting findings from this study is that the shape and status of the State in general does not affect the performance of both financial performance and social performance. For those reasons, further research for the State as a variable shape as moderation needs to be done to see the effect of the form of the State to the performance of Islamic banking.

BIBLIOGRAPHY

- Abdullah, Fikriyah & Taufiq Hasan. 2007. Investigation of performance of Malaysia Islamic unit trust fund comparison with conventional unit trust funds. *Managerial Finance* Vol. 33(2), 2007, hal. 142-155
- Adnan, M Akhyar and Muhammad, 2007, Agency problems in mudharabah financing: the case of shari'a (rural) banks in Indonesia, *IIUM Journal of Economics and Management*, Vol 15 (2), 219-243
- Agarwal R.K and T. Yousef. 2000. Islamic Bank and investment financing. *Journal of Money, Credit and Banking*. Vol. 32 (1), February 2000. 93-120
- Ashraf, A Mia & Zia ur Rehman, 2011. The performance analysis of Islamic and conventional bank the Pakistan perspective. *Journal of Money, Investment and Banking*. Vol. 22 (1), 99-114
- Ascarya dan Yumanita, 2006, "The Lack of Profit and Lost Sharing Financing in Indonesia Islamic Banks: Problems and Alternative Solution, paper INCEIF *Islamic Banking and Finance Education Colloquium*, KL Convention Center , Kuala Lumpur Malaysia, April 3-5 . 2006
- Bank Indonesia, *Laporan Keuangan Tahunan Perbankan Syariah 2007-2010*. Jakarta: Direktorat Perbankan Syariah Bank Indonesia.
- Buang, Ahmad Hidayat. 2012. "The Role of Sharia Economy in The Contemporary World: Challenges and Possibility for Reshaping the Global Economic Order" paper presented at *International Seminar on Sharia Economics* STAIN Ponorogo, 4 of July 2012
- Burgent, I and Fuß, 2004, " Islamic banking credit products in Germany and in the UK", working paper series no. 12, Dept. of Finance, European Business school, International University Scholar Reichartshausen
- Carrol, A.B, 1999. Corporate social responsibility; evaluating of a definitional construct. *Business and Society Journal*, Vol. 3 (3) hal 268-295
- Choudury, Masudul A. 1991, Social choice in an islamic economic framework, *The American Journal of Islamic Social Sciences*, Vol. 8 (2), 1991,259-275
- 1997. *Money in islam: A Study in Islamic Pokitical Economy*. London, New York: Routledge
- Esposito, J.L. 2002. *Contemporary Islam in Moslem Country*. Syracuse Ltd. USA.
- Freeman, R Edward. 1984, *Strategic Management: A Stakeholder Approach*, (London: Pitman).

-Lorenzo Salconi, Margaret Blair & Alessandro Vercelli. 2010. *Corporate Social Responsibility and Corporate Governance The Contribution of Economic Theory and Related Disciplines*. Kindle Edition. Palgrave Macmillan Publisher.
- Friedman, M. 1970. 'The Social Responsibility of Business is to Increase its Profits'. *New York Times Magazine*, pp: 33.
- Freadman, Andrew L Mills & Samanth. 2002. Developing stakeholder theory . *Journal of Management Study*. Vol. 39 (1), pp: 1-21.
- Gujarati, D. N, 2003, *Basic Econometrics*, Fourt Edition, Mc Grow Hill.
- Hameed, Shahul, Ade Wirma, Bakhtiar Ar Rrazi, M Nazli bin Mohamed Nor & Sigit Pramono, 2004. "Alternative Disclosure dan Performance for Islamic Bank's. *Proceeding of The Second Conference on Administrative Science: Meeting The Challenges of The Globalization Age*. Dahran, Saud Arabia.
- Hamid, Kashif, Rana Shshid Imdad Akash, Muhamamd Ashgar & Sajjad Ahmad. 2011. Corporate social performance, corporate financial performance and market value behavior: an informantion asymmetry perspective. *American Journal of Business Management*. Vol. 5 (15), 2011, pp: 6342-6349.
- Hanif, Muhammad & Mahris Tariq Arsshiya Taher Wajesh ul Momeneen. 2012. Comparative performance study of conventional and Islamic banking is Pakistan. *International Research Journal of Finance and Economics*, Issues 83 (2012), pp: 62-73.
- Kauser, Rehana & Irum Saba. 2012. Gauging the financial performance of banking sector using CAMEL model: comparition of conventional bank, mixed and pure Islamic bank in Pakistan. *International Research Journal of Finance and Economics*. Issues 82 (2012), hal.67-89
- Marzuki, Rosnia & Nurhazlina Ibrahim, Elmii\rin Osman, dan Hishamuddin Abdul Wahid. 2010. "Financial Performance of Malaysia Islamic Banks versus Conventional Banks. Working paper
- Muhammed, N. 1998. Principles of Islamic Contract Law. *Journal of Law and Relegion*. Vol. 6 (1) , 115-130
- Nienhaus, V. 2000. *Islamic Economic: Dogma or Science ? in Hafez, K (ed) The Islamic World and The West ; An Introduction to Political Cultures and International Relations*. Trans. Marry Ann Kenny. Leiden, Boston, Klon: Brill
- Nur Cholis, 2007. Evaluation to the practice of murabahah in the operations of baitul mal wattamwil (BMT), *Journal of Islamic Economic La_Riba*, Vol. 1 (1), July 2007,

95-112Rivai, Veithzal. 2007. *Bank and Financial Institution Management Conventional & Sharia System*. Jakarta: PT RajaGrafindo Persada

Rosly, Saiful a & Mohd A Abu Bakar, 2003, Performance of Islamic and mainstream banks in Malaysia, *International Journal of Social Economics*, Vol 30 (11/12), 1249-1265