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## **The Effect of Profit Distribution Management on Islamic Commercial Banks' Performance with Return on Assets as a Moderating Variable**

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***Abstract:***

*The purpose of the study is to examine the impact of ROA as a moderator on earnings management, CAR, NPF, TPF. Data from financial reports, obtained through the official website of the Indonesia Stock Exchange (IDX). Sharia Commercial Banks on the IDX in 2017 - 2022 are the research population. The sample size with a purposive sampling technique. Nine BUS with 54 samples. The data analysis technique uses EViews 10, while the research model uses a random effect model. The results of the study are that DPK, CAR, and ROA have a major influence on earnings management. However, NPF has no effect on earnings management. ROA can reduce the impact of DPK and CAR on earnings management. ROA does not moderate the relationship between NPF and earnings management.*

**Keywords:** TPF, NPF, CAR, ROA, PDM

Submitted: 18 July 2024, Accepted: 10 August 2024, Published 18 August 2024

### **1. Introduction**

Banking industry plays a central role in economic activities cause supports the financial system, which in turn supports GDP (Gross Domestic Product). Bank financial institutions offer the general public banking services and also facilities, including the ability to store, transfer, and provide money. The direct receipt of funds from the general public is one feature of bank financial institutions (Triwiyanti & Suci Rahmawati Prima, 2023). For Muslims, engaging in sharia-based business is strongly advised (muamalah). Islamic banks provide a range of financial choices to the business community. Islamic financial institutions are ones that mostly follow Sharia law when conducting business. Islamic banks act as intermediaries and also guardians of other peoples money in similar manner to conventional banks, by the difference that they share profit and loss with their depositors. As a financial intermediary, debt and also equity financing are the foundation of capital structure for Islamic banking lending (Firmansyah, 2021)

The Indonesian Financial Services Authority (OJK) reports that the Islamic Commercial Banks (BUS) enjoyed a profitable six-year period. (ROA) of 0.6% in 2017, 1.28% in 2018, 1.73% in 2019, 1.40% in 2020, 1.55% in 2021, and 2.02 in 2022. These are the Sharia Banking Statistics for the period. Given the significant annual variations in BUS's financial performance from 2017 to 2021, it is fascinating to investigate and assess the underlying causes of these swings (ODEBODE,

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OLUMIDE KELVIN et al., 2024). Analyzing financial ratios is a common technique used to assess a company performance (Salman, 2022). Its goal is to establish financial policy (Addury, 2023). According to OJK (2022), Islamic Commercial Banks financial risks for the six year, from 2017-2022 including Third Party Financing (TPF) was 238.22 bn in 2017, 257.61 bn in 2018, 288.98 bn in 2019, 322.85 bn in 2020, 365.42 bn in 2021 and 429.02 bn in 2022. The percentage of Non-Performing Financing (NPF) was 4.76% in 2017, 3.26% in 2018, 3.23% in 2019, 3.13% in 2020, 2.59% in 2021, and 3.35% in 2022. Operational risk was 94.91% in 2017, 89.18% in 2018, 84.45% in 2019, 85.55% in 2020, 84.33% in 2021 and 77.28 in 2022. Meanwhile, Capital Adequacy Ratio (CAR) was 17.91% in 2017, 20.39% in 2018, 20.59% in 2019, 21.64% in 2020, 25.71% in 2021 and 26.28% in 2022.

Profit Distribution Management (PDM) is the method by which managers oversee profit distribution and fulfill their duties to depositors about profit sharing. It treats the management of Profit Distribution (PD) in Islamic banks as a unique responsibility (Yu et al., 2022). Profit distribution, according to Bank Indonesia, is the monthly distribution of profits to depositors owned by Islamic banks in accordance with the original agreement's set ratio. Established items and mutual agreements form the basis of the revenue sharing program (Parwati & Welkom, 2024). Islamic banks are able to provide their clients with operational transparency by using profit-sharing schemes, which enable them to monitor the bank's performance and activities concerning profits (Junaid et al., 2020). This principle guarantees that the level of profit obtained will be high if the number of customers who transact with the bank is also high. However, if profits are not optimal, the distribution of profits to customers tends to decrease, which results in a fairer equality principle (Sutrisno, 2020).

One indicator to of Profit Distribution Management (PDM) measurement in Islamic banks is Third Party Financing (TPF) which measures how much the company ability to profits sharing. According to (Dak-Adzaklo & Wong, 2024), the TPF is acquired from the community via deposits, savings accounts and giro. The bank will reinvest the money it collects in financing. When making investments in the Islamic banks, depositors always think about the level of return they will get, and depositors will choose Islamic banks as a place to invest if the level of return is comparatively high (Almansour et al., 2023). On the other hand, depositors will shift their money to the conventional banks if they offer higher profits. Consequently, one of the elements that determines whether Islamic banks are successful in collecting TPF is degree of profit distribution (Pangestika Nur Handayani, Saniman Widodo, 2024). The profit-sharing features of the sharia banking system offer an alternate banking structure that benefits the community as a whole while putting transaction justice, unity, brotherhood in value creation, and financial transaction speculation (Salman, 2022). There are several factors that affect the financial performance-profitability (in this case with ROA/Return On Asset) of Islamic banks, and one of them is Non-Performing Financing (NPF) (Purnomo, 2023).

Non-Performing Financing (NPF), a measure of financing quantity, is another aspect that affects Profit Distribution Management (PDM). The NPF ratio can be used to

characterize the managerial ability to foresee non-performing finance default. Given that financing is Islamic banks' primary source of revenue, the activities associated with finance distribution are crucial to the operations of banking (Nasirudin & Saibil, 2023). When financing through contract such as Murabahah, Musyarakah and Mudharabah, customers of Islamic banks enter into agreements that carry a significant risk of problematic financing if improperly managed. Financing analysis is a necessary step before financing can be distributed, though. Financing without first undergoing analysis can lead to problematic financing, which makes it extremely risky for Islamic banks (Amin et al., 2023). Large NPFs have a detrimental impact on Islamic banks' capacity to continue operating profitably, particularly in terms of making money and growing their loan portfolio. Conversely, a high NPF level indicates subpar banking quality, which will ultimately affect profitability. The Islamic banks should continue to disburse more financing in order to lower NPF. The NPF ratio will drop as a result, assuming the overall amount of NPF stays the same (Saputri & Ahmadi, 2022).

Apart from Third Party Financing (TPF) and Non-Performing Financing (NPF), another factor to consider is the Capital Adequacy Ratio (CAR) that affects Profit Distribution Management (PDM). Banks apply the CAR parameter, which is an assessment of the amount of money deemed adequate for banks to manage potential risks (Soesetio et al., 2022). Capital adequacy refers to a bank's capacity to manage capital in order to keep it at a level high enough to finance investments and fixed assets while also mitigating the risk of losses from making riskier productive asset investments (Japalsyah & Hakim, 2021). The bank's capacity to assume the risk of any hazardous productive asset is strengthened by a higher CAR ratio (Omitoyin & Adediran, 2022). Therefore, the bank must give serious consideration to this ratio as it is a critical worry for clients. With a high CAR, banks can lower associated risks and provide bank managers more assurance to carry out PDM, which deals with interest rates. To ensure that banks have enough capital on hand to lower the risks associated with the growth or development of their assets, both yielding and risky, CAR is calculated at a specific level (Santoso & Samboro, 2022).

There are some research gaps from several studies. Research by (Salman, 2022) has the weakness of only measuring profit distribution management with Third Party Funds, this result in a picture of the performance of profit distribution management that cannot be seen as a whole as profit distribution management is influenced by a number of factors other than party funding. Nevertheless, in the study (Roziq & Sukarno, 2021) has the weakness of only looking at the risk of financing with bad financing that occurred during that period so that it does not describe how profit distribution management will be carried out by Islamic Commercial Banks. Meanwhile, study (Parwati & Welkom, 2024) has the weakness of only measuring profit distribution management with Capital Adequacy, so this results in a picture of the performance of profit distribution management that cannot be seen as a whole because capital adequacy is only one of the factors that influence profit distribution management. Research by (Arisnawati, 2024) only looked at profit distribution

management with ROE, However, as a moderating variable in this study, was determined by Return on Assets (ROA).

Earnings management is practice that generates a lot of controversy. There is currently dearth of research on earnings management from Islamic perspective, despite the topic being one that would be of interest to writers (Hanushek & Woessmann, 2021). This study can add to the body of knowledge on profit distribution management for academics and Islamic banking professionals alike, both practically and theoretically. With return on assets serving as a moderator, this study aims to investigate the effects of capital adequacy ratio, non-performing financing, and third-party financing on profit distribution management in Islamic commercial banks. With the advent of technology, investors and financial analysts have access to vast amounts of information that can influence their decisions (Albart et al, 2023).

## 2. Methodology

Panel data regression is a quantitative method used in this study. By using relevant journal and book articles as theoretical underpinnings, this research integrates literature studies. The data, which is provided in numerical form, is derived from secondary data in financial reports available on the official website of the Indonesia Stock Exchange (IDX). Data was gathered through observation and documentation of Sharia Commercial Banks (BUS). In this study, the population is 12 BUS and sample size is determined by purposive sampling technique. The sample selection results in 54 samples from 9 BUS were obtained that met the criteria, these are BTPN Syariah, Bank NTB Syariah, BJB Syariah, BMS, BCAS, BAS, BMI, BPDS, and BBS with the criteria of Sharia Commercial Bank (BUS) which had consistent and complete financial records through the publication of annual report in 2017-2022.

With panel data regression analysis, the study model employs the random effect model (REM) with one dependent variable, three independent variables, and one moderation variable. The data analysis techniques make use of EViews 10. The four methodologies used in this study are as follows: Tests for descriptive statistics, pairwise correlation analysis, classical assumption testing, determination coefficient testing (R<sup>2</sup>), F-test, T-test, and descriptive statistics test number one through four

## 3. Empirical Findings/Result

### Descriptive Statistics Analysis

Giving an overview of each variable's research features, including its lowest, maximum, mean, and standard deviation values, was the aim of the descriptive analysis in this study.

**Table 1. Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
PDM	54	0.102815	3.582041	1.180587	1.248236
TPF	54	3.130000	5.455000	4.228400	0.549488
NPF	54	0.004200	0.354400	0.155228	0.044658

CAR	54	12.34286	49.67700	20.34330	9.200664
ROA	54	0.110000	1.067000	0.277240	0.035689

Source: Data processed with EViews 10 (2024)

With an average of 1.180587, the Profit Distribution Management value spans from a low of 0.102815 to a maximum of 3.582041. The PDM model classifies Islamic commercial banks as being in good health and possessing strong profit distribution management. The values of Third Party Financing (TPF) range from 3.130000 at the lowest to 5.455000 at the highest, with an average of 4.228400. The TPF receipts from Islamic Commercial Banks were balanced. This is demonstrated by the largest value, which is not unduly high in comparison to the average value. The financing risk (NPF) is represented by an average value of 0.155228 and a minimum value of 0.004200, maximum value of 0.354400. Islamic Commercial Banks are considered healthy banks according to the OJK rules, which stipulate that their financing risk requirement should not exceed 5%. The capital adequacy has an average value of 20.34330, with a minimum value of 12.34286 and a maximum value of 49.67700. This indicates that Islamic Commercial Banks have sufficient capital as of right now. This is indicated by the average CAR value over the specified standard value. The ROA low is 0.110000, the ROA maximum is 1.067000, and the average is 0.277240 when considering all assets owned. These figures demonstrate the rather varied profitability of the company.

### Regression Model Selection

Several model specification tests are conducted in panel data analysis to ensure that the best model is selected. The optimal panel data model can be ascertained using the Chow and Hausman tests (Kurniasari & Oktavilia, 2023). The Chow test is used to determine which of the common effect and fixed effect models more closely fits the data. The Common Effect Model is recognized if the probability cross section value of the Chow test findings is higher than 5% (0.05). Based on the Chow test results, Probability Worth 0.0000 is less than 0.05, which is why the Fixed Effect Model is selected.

**Table 2. The Chow-Test Results**

Redundant Fixed Effects Tests			
Effects Test	Statistic	d.f	Prob.
Cross-Section F	48.448509	(12.46)	0.0000
Cross-Section Chi-Square	135.884117	12	0.0000

Source: Data processed with EViews 10 (2024)

By using the Hausman test, the best model between the fixed effect and random effect models can be found. With a probability value of 0.0403, which is less than 0.05, the Hausman test results show that the fixed effect model is selected (Kurniasari & Oktavilia, 2023). Fixed effect models can be approved if a random probability cross-section value in the results is less than 5% (0.05).

**Table 3. Hausman-Test Results**

Correlated Random Effects - Hausman Test			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-Section Random	9.846654	3	0.0403

Source: Data processed with EViews 10 (2024)

The results of the Chow test and the Hausman test, which were previously discussed, indicated that the fixed effect model was the best model in the model goodness test. Thus, there is no execution of the Lagrange Multiplier test that contrasts the random effect and common effect models(Ozili et al., 2023).

### Classical Assumption Test

An analysis of normality can be used to determine whether or not the data distribution is predictable. Should the Jarquw-Bera profitability value exceed 0.05, the data may be considered typical.

**Table 4. The Normality Test**

Jarque-Bera	Probability
1.306765	0.585745

Source: Data processed with EViews 10 (2024)

The probability is 0.585745, which is greater than 0.05, according to the findings of the Normality Test. Thus, according to (Tsang et al., 2021) the data in this investigation are regularly distributed.To find out how well independent variables are correlated, perform a multicollinearity test. The VIF number should be less than 10 if the data are not multicollinear.

**Table 5. The Multicollinearity Test Results**

Variable	Coefficient Variance	Uncertered VIF	Centered VIF
C	1.151460	20.42663	NA
TPF	0.058799	40.96224	1.259714
NPF	0.020757	5.718644	1.260488
CAR	1.195506	15.57762	1.148861
ROA	0.052970	12.30274	1.245517

Source: Data processed with EViews 10 (2024)

The multicollinearity test findings, according to(Bisma & Hadi, 2024), show that there are no multicollinearity symptoms because the probability value is less than 10.00.To find out if there is a variable inequality in the regression model between the residuals or other observations, one can perform heteroscedasticity tests. If the profitability value exceeds 0.05, the data may not be heteroscedastic.

**Table 6. The Heteroscedasticity Test Results**

Dependent Variable: Profit Distribution Management				
Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	0.095655	1.075433	1.114668	0.1656
TPF	1.802512	2.518712	1.759968	0.0755
NPF	1.190052	2.668505	0.576398	0.3025
CAR	2.245711	2.668511	0.930829	0.5447
ROA	4.155610	6.406825	1.075822	0.7584

Source: Data processed with EViews 10 (2024)

In light of the heteroscedasticity test results (Helen Omugo et al., 2020), Heteroscedasticity is absent when the probability value is greater than 0.05.To find autocorrelation, use the LM and Durbin-Watson tests. An autocorrelation is not produced by the signifier when the F-count exceeds 0.05. The absence of autocorrelation is observed when D-W exceeds (dU) or falls below (4-dU).

Table 7. the Autocorrelation Test Results

R-squared	0.332582	Mean dependent var	0.025447
S.E. of regression	0.068385	Akaike info criterion	3.130878
Sum squared resid	0.068109	Schwarz criterion	3.849757
Log likelihood	65.05880	Hannan-Quinn criter.	3.221753
F-statistic	2.904885	Durbin-Watson stat	1.989628
Prob (F-statistic)	0.000000		

Source: Data processed with EViews 10 (2024)

The investigation's autocorrelation test results demonstrate that the test is satisfied. In this instance,  $DW = 1.989628$ ,  $dL = 1.4758$ ,  $dU = 1.7319$ ,  $4-dU = 2.2681$ , and  $4-dL = 2.5242$ . The table indicates that if  $dL < dU < dw < 4-dU < 4-dL$  and the probability value is  $0.000000 < 0.05$ , then no autocorrelation is formed.

### Panel Data Regression Coefficient Estimation and Hypothesis Testing

The T-test results can be used to determine part of the impact of the independent variable (X) on the dependent variable (Y). If the probability value is smaller than the significance level ( $\text{sig} < 0.05$ ), a relationship between the independent and dependent variables is found. However, if the probability value exceeds the significance level ( $\text{sig} > 0.05$ ), the independent variable has no effect on the dependent variable.

**Table 8. Estimation of Panel Data Regression Coefficient Values**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TPF	0.656762	0.043742	6.833122	0.0001
NPF	0.002478	0.443587	0.005223	0.5455
CAR	1.155259	0.359019	6.227885	0.0000
ROA	1.258866	0.268150	3.593094	0.0004
TPF * ROA	0.120498	0.035765	3.666782	0.0023
NPF * ROA	0.898864	1.040517	0.416648	0.1785
CAR * ROA	1.448002	0.520809	3.495980	0.0011
C	22.46792	3.448265	4.160126	0.0010
R-squared	0.885712			
Adjusted R-squared	0.868302			
F-statistic	51.88359			
Prob(F-statistic)	0.000000			

Source: Data processed with EViews 10 (2024)

Based on the table above, regression line equation can be formed, namely:

$$PDM = 22.46792 + 0.656762 \text{ TPF} + 0.002478 \text{ NPF} + 1.155259 \text{ CAR} + 1.258866 \text{ ROA} + 0.120498 \text{ TPF*ROA} + 0.898864 \text{ NPF*ROA} + 1.448002 \text{ CAR*ROA}$$

Just a few of the explanations behind the regression equation model above are:

- A positive sign (22.46792) indicates a one-way influence between the independent and dependent variables, as indicated by the constant ( $\alpha$ ). This demonstrates that the profit distribution management is 22.46792 if the TPF, NPF, CAR, and ROA are all at zero or remain constant.
- The Third Party Financing (TPF) has significant effects on profit distribution. This is demonstrated by the probability value of  $0.0001 < 0.05$  and positive coefficient

- value of 0.656762. To put it another way, profit distribution management and TPF are directly correlated.
- c. The Non-Performing Financing insignificant effects on profit distribution. This is demonstrated by the probability value of  $0.5455 > 0.05$  and positive coefficient value of 0.002478. Therefore, profit distribution management will rapidly decline if the NPF increases, and vice versa.
  - d. The Capital Adequacy Ratio (CAR) have a significant effects on profit distribution. This is demonstrated by the probability value of  $0.0000 < 0.05$  and positive coefficient value of 1.155259. To put it another way, profit distribution management and CAR are directly correlated.
  - e. The distribution of profits is significantly impacted by return on assets, or ROA. The probability value of  $0.0004 < 0.05$  and the positive coefficient value of 1.258866 serve as evidence for this. Thus, there is a clear correlation between ROA and profits distribution management.
  - f. With a likelihood value of  $0.0023 < 0,05$  and a coefficient value of 0.120498, f. shows that the Return on Assets can mitigate the impact of Third Party Financing on profit distribution management.
  - g. Return on Asset, with a probability value of  $0.1785 > 0,05$  and a coefficient value of 0.898864, is unable to moderate the relationship between profit distribution management and NPF.
  - h. Return on Assets, with a likelihood value of  $0.0011 < 0,05$  and a coefficient value of 1.448002, can mitigate the relationship between profit distribution management and CAR.

The percentage impact that the independent variable (X) has on the dependent variable (Y) can be ascertained by utilizing the coefficient of determination test (R<sup>2</sup>) results. When an independent variable's R<sup>2</sup> value is low, or zero, it limits its ability to explain a dependent variable. However, if the value is close to 1, the independent variable almost totally reveals information about the dependent variable.

**Table 9. Test Coefficient of Determination (R<sup>2</sup>)**

	R-Square (R <sup>2</sup> )	Adjusted R-squared
Profit Distribution Management (Y)	0.535667	0.516166
Return on Assets (M)	0.428820	0.407548

Source: Data processed with EViews 10 (2024)

With an R-square value of 0.535667, or 53,5%, the results show that the effects of Return on Assets (M), Non-Performing Financing (X<sub>2</sub>), Capital Adequacy Ratio (X<sub>3</sub>), and Third Party Financing (X<sub>1</sub>) on Profit Distribution Management (Y) are modest. While 46,5% may be impacted by other factors that were not looked at. The R-square value of the Return on Assets (M) was 0.428820, meaning that TPF (X<sub>1</sub>), NPF (X<sub>2</sub>), and CAR (X<sub>3</sub>) accounted for 42,8% of the Return on Asset. On the other hand, 57,2% were impacted by variables that were not examined in this investigation.

## Discussion

### The Effect of Third-Party Financing on Profit Distribution Management

With a coefficient value of 0.656762 and a p-value of  $0.0001 < 0,05$ , the data analysis results indicate that Third Party Financing has a significant impact on Profit

Distribution Management in Islamic Commercial Banks. Therefore, H1 is accepted. This implies that as the amount of third-party funding rises, so will the financing distribution. Sharia banking uses third-party financing as its main source of funding to conduct various forms of financing, with the money subsequently being given to customers in need of capital. One way to gauge the degree of public trust in a bank is to look at the amount of money it collects. Savings is one source of capital that banks can draw upon for funding. The more effectively financing is distributed, the more opportunities there are to make money. Thus, Islamic banks operations are improving, and many customers are interested in saving funds. This study findings align with those of previous research conducted by (Siregar et al., 2023; Zaini et al., 2023), which states that there is has a significant influence between TPF on profit-sharing financing.

### **The Effect of Non-Performing Financing on Profit Distribution Management**

With a coefficient value of 0.002478 and a p-value of  $0.5455 > 0.05$ , the data analysis indicates that non-performing financing has no discernible impact on profit distribution management in Islamic commercial banks, and so H2 is rejected. The quality of financing from Islamic banks decreases with increasing NPF. A high level of financing risk (NPF) in a bank means that it will be less able to generate income and that it will give customers a smaller profit share, which will have an impact on the banks ability to distribute profits. The main source of revenue for Islamic banks is financing. Islamic banks have the potential to impede the flow of working capital if their NPF value is high (Rana & Singh, 2022). The management of Islamic Commercial Banks will assess their performance by temporarily halting financing distribution until the NPF falls if the banks show a relatively high loss financing. The NPF does not impact the distribution of profits because the Islamic Commercial Banks for the years 2017–2022 demonstrate that it is comparatively small and that there are few defaults. This study findings align with those of previous research conducted by (Kuenzler & Stauffer, 2023), the Non-Performing Financing insignificant effects on profit-sharing-based financing.

### **The Effect of Capital Adequacy Ratio on Profit Distribution Management**

With a coefficient value of 1.155259 and a p-value of  $0.0000 < 0.05$ , the data analysis results indicate that capital adequacy ratios have a substantial impact on profit distribution management in Islamic commercial banks, indicating the acceptance of hypothesis H3. Financing is the dominant activity in all Islamic Commercial Bank operations, so this activity becomes the banks main source of income. If the banks own capital is increased, most of the funds will be used for financing activities. The higher the financing risk that Islamic commercial banks face, the more allowance will be formed for asset losses from equity owned, resulting in decrease in equity stock, which is a component of capital adequacy. Islamic commercial banks will prioritize firm expansion when their capital is sufficiently large and competition is fierce. This implies that Islamic commercial banks will support the growth of their capital as well as the acquisition of more assets. Therefore, Islamic commercial banks will lower the spread in order to achieve the intended growth, which will result in lower Islamic commercial bank profitability. This study findings align with those of previous

research conducted by (Fitriyana et al., 2018; Rahman et al., 2023), the Capital Adequacy Ratio has significant effect on Profit Distribution Management.

#### **The Effect of Return on Assets on Profit Distribution Management**

According to the data analysis results, H4 is acceptable because Return on Assets has a significant impact on Profit Distribution Management in Islamic Commercial Banks, with a coefficient value of 1.258866 and a p-value of  $0.0004 < 0.05$ . The high profitability of Islamic banks will attract more new investors, which will lead to a bigger degree of profit sharing. The only way that ROA can assess how effectively capital is being used in Islamic banks is to compare operating capital to profit. The profit-sharing rate cannot be determined based on the company capacity to generate profit from a portion of its assets. Due to the increasing rate of profit sharing offered by the business, Islamic banks are performing better and more profitably, which draws investors to the company. Banks that manage their assets profitably tend to have higher ROA. The bank will earn more money if it manages its funds more effectively. Islamic banks share more of their profits with their deposit customers, according to a monthly ratio that is agreed upon. This study findings align with those of previous research conducted by (Haryadi et al., 2020; Iswanto et al., 2023), ROA have a significant effect on profit distribution.

#### **The Effect of Third Party Financing on Profit Distribution Management Moderated by Return on Assets**

With a coefficient value of 0.120498 and a p-value of  $0.0023 < 0.05$ , the data analysis results indicate that Return on Assets can reduce the impact of Third Party Financing on Profit Distribution Management in Islamic Commercial Banks, indicating the acceptance of H5. Islamic banks' profitability (ROA) may increase in direct proportion to their increased TPF and the amount of financing they disburse (Frank et al., 2020). As a result, profitable sharing from the financing will also rise. A higher of ROA will lead to a higher profit distribution for Islamic banks, which is correlated with the high financing distribution. One of the objectives of Islamic banks is to turn a profit in order to prevent the bank from leaving the money it has collected alone. To ensure they receive the highest profit possible, banks will seek to channel their funds as much as possible. As long as the customers businesses are making a lot of money, this financing will be profitable. This study findings align with those of previous research conducted by (Adlina et al., 2024; Wahyudi et al., 2019), the Return on Asset can moderate the effect of Third-Party Funds on profit distributuon management.

#### **The Effect of Non-Performing Financing on Profit Distribution Management Moderated by Return on Assets**

With a coefficient value of 0.898864 and a probability value of  $0.1785 > 0.05$ , the data analysis results indicate that Return on Assets is unable to regulate the relationship between Non-Performing Financing and Profit Distribution Management in Islamic Commercial Banks, indicating the rejection of hypothesis H6. The income and profit will rise in proportion to the amount of financing. Once Islamic bank financing is

realized, ongoing oversight is required to ensure that various roadblock don't result in financing issues during the financing period. Reduced income will be the outcome of poor financing problems. Financial institutions are hesitant to increase funding allocations when there is NPF. The Return on Assets does not directly affect financing problems. Instead, it has a greater influence on factor like operational scale, access to financial market, and resource management efficiency (Bucks et al., 2021). Regardless of how profitable it is, the problem of profit distribution that all Islamic banks might encounter remains unaffected. This study findings align with those of previous research conducted by (Japalsyah & Hakim, 2021; Pratiwi & Nabila, 2022) state that ROA unable moderate NPF towards profit distributuon.

### **The Effect of Capital Adequacy Ratio on Profit Distribution Management Moderated by Return on Assets**

With a coefficient value of 1.448002 and a probability value of  $0.0011 < 0.05$ , Return on Assets can moderate the association between Capital Adequacy Ratio and Profit Distribution Management in Islamic Commercial Banks, indicating that H7 is accepted based on the data analysis results. A high ROA suggests that the quality of financing provided by Islamic banks is sound. The profit-sharing obtained is contingent on the fund managers ability to generate income, and is determined by the amount of ROA. The amount of CAR that Islamic banks own demonstrates their capital readiness to manage potential financing risks (Gad, 2023). A high CAR value suggests that Islamic banks can operate as efficiently as possible, which will eventually have an impact on profit sharing. Every increase of CAR, the management believes that it has a strategy in decreasing the nominal which is a profit-sharing mechanism that will be received by customers. When banks have idle funds, the banks opportunity to earn profits is wasted, which puts Islamic banks in a position where they cannot provide optimal profit sharing. This study findings align with those of previous research conducted (Kumar et al., 2024), state that ROA can moderate the effect of CAR on profit distribution

## **4. Conclusions**

The study's conclusions, which are based on the analysis and discussion of the data, show that the Return on Assets (ROA), Capital Adequacy Ratio (CAR), and Third-Party Financing (TPF) have a major influence on the management of profit distribution. However, the distribution of profits by Islamic Commercial Banks is unaffected by non-performing financing (NPF). Return on Assets (ROA) has been shown to be able to lessen the negative effects of Third-Party Financing and Capital Adequacy Ratio on the management of profit distribution. Return on Assets, however, is unable to regulate the relationship between Non-Performing Financing (NPF) and profit distribution management in Islamic Commercial Banks listed on IDX for the 2017–2022 period. According to research findings, the existence of Islamic banks in Indonesia's banking sector strengthens the system's stability by increasing profitability (Razak et al., 2020). It is suggested that future study increase the number of sample organizations to include not only Islamic Commercial Banks but also Islamic Business Units and other Islamic Rural Credit Banks in order to improve the

accuracy and better depict the conditions observed in the research results. The observation duration ought to be prolonged as well.

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