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FUNCTIONALITY AND ROLE OF MANAGERS IN INCREASING THE FINANCIAL PERFORMANCE OF SHARIA BANKING

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ABSTRACT

The stock price determines the company's value and sound company operations. Suppose the company's operations are going well. In that case, the company's value also has a good effect on what is regulated in management with the scientific problems companies face. The manager's role in managing the company's organization in achieving the company's goals makes the knowledge used by the company, such as planning, organizational structure, and decision making, as well as managers in providing communication, influence from leadership, direction, control, evaluation and assessment. In this study, the authors used the literature study method to obtain secondary data to analyze managers' roles and influences on improving Islamic banking finance sector.

Keywords: Manager, Performance, Finance, Banking, Sharia.

INTRODUCTION

The value of the company is reflected in the company's stock price, if the company's operations are going well, then the company's value will increase and have a positive effect on the survival of the company(Ardana, 2019). In running an organization with all kinds of problems, a technique called management is needed which is carried out by people who are responsible for the organization in achieving its goals, called managers.(Herawati, 2019). The role of the manager should be scientific in nature that occurs in terms of decision making, planning, designing organizational structures with the help of leadership, communication, direction and control processes.(Ardana, 2019). Apart from the reasons for achieving common goals, functional management is also needed in maintaining a balance between conflicting goals between several interested parties both within the organization and outside environment.(Herawati, 2019). Management's goal is also to achieve organizational effectiveness and efficiency where without achieving these two benchmarks, management is not needed in organizations and anywhere(Adiputra & Mandala, 2017).

The company's financial performance shows the company's ability to manage the company's financial resources. Good financial performance shows how well a company generates profits for the company(Supriadi & Ariffin, 2013). The ability of a company to earn high profits has a positive effect on the company. Companies become more attractive to investors to influence the company's stock price(Muchtar & Darari, 2016). To improve financial results, companies often use external sources of financing in the form of debt(Ayuningtyas, Hendra Titisari, & Nurlaela, 2020). There is also the company's main goal to increase the company's value which is influenced by many factors, based on extensive previous research conducted on factors that affect the company's intrinsic value, including company financial performance, dividend policy, management and so on, one of the things that is closely related to the value of a company is the company's financial performance(Fitroh, Astutik, & Author, 2022).

There are things that distinguish conventional and sharia banking, besides having a Sharia Supervisory Board (DPS), from an investor's point of view, sharia mutual funds can be purchased by anyone, both Muslims and non-Muslims.(Ufi Anjani, Zahroh, Fransisca, & Budi, 2022). Administratively, conventional and Islamic banking are basically the same, the same applies to purchases and transactions(Zaini, 2020). In terms of performance, Islamic banking can offer diversification because it focuses more on the real estate, infrastructure, manufacturing goods and business services sectors, which have a lower default risk because they avoid companies with high leverage.(Purnomo & Astuningsih, 2021).

In this study discusses the functions and roles of financial managers in improving the financial performance of Islamic banking which contains previous studies and has links with financial performance.

LITERATURE REVIEW

The bank is an institution for the public to save money, in addition to being a place to borrow money for people in need with conditions regulated by law, this is in accordance with the development of the banking world, giving rise to a new color with the birth of the concept of Islamic banking.(Fajrul Ilmi, 2020).

Islamic banks are banks that carry out banking activities based on sharia principles or based on MUI fatwas. In addition, according(Mahdi, 2021)the purpose of sharia banking is to increase justice, togetherness, and equal distribution of people's welfare. Islamic banks which have been in their development phase for 27 years, developing in the majority environment, receive special attention. This is reflected in the efforts of the Indonesian government to introduce Sharia Banks through Law no. 7/1992 paragraph (2) concerning Indonesian sharia banking, the first to be known was Bank Muamalat Indonesia (2013), the second effort is the socialization of Islamic banking, actually it has been a long time but many Indonesian people do not understand Islamic banking so that the use of Islamic banks is still very minor in Indonesia(U Anjani et al., 2022).

Banking, will be assessed from the benefits obtained by the community as a business institution in banking itself. According to(Irawati, Snow, & Hapid, 2019)one of the most important measures in order to gain public trust with the financial performance of Islamic banks. This is in line with opinion(Iswandi, 2022)that a company has a value that is displayed by the company for public trust.

Increasing the value of a company cannot be separated from the role of human capital in the company(Adiputra & Mandala, 2017). One such capital is the company manager who is responsible for directing the company in achieving company goals. The task of a company manager is to be able to integrate various types of variables contained in the company into the form of identical company goals for an application in the form of an adaptation mechanism of company variables(Nailufarah, Jefri, & Febriyanti, 2021). Manager's work means we talk about the functions and roles of managers in relation to improving the performance of the company they lead(Iswandi, 2022).

Of course the goal of managing a company by a manager is expected to be at the point of increasing the company's finances. In the following, we will first discuss the functions and roles of a manager in relation to improving the company(Hananto, 2022). There are five specific functions of a manager in a company, namely 1) Planning Function: A manager participates in planning steps in achieving company goals together with other ranks of the company. Managers also need to consider the resources needed to achieve the planned goals. 2) Management Function: In the regulatory function the manager must be able to organize and coordinate his staff to achieve the company's objectives. Managers are also responsible for drawing up the organizational structure of a company. Not only that, but also responsible in terms of giving authority and responsibility to everyone who is appointed to be involved as the manager of the organization. 3) Supervision Function: The manager will supervise his staff to be able to determine whether his team's performance is good or needs to be improved. 4) Leadership Function: Managers must be able to lead their teams in order to determine the steps that must be taken to achieve company goals. The ability to lead is the most important ability that must be possessed and mastered by a manager. Finally 5) Evaluation Function: The last management function is to evaluate the work that has been done based on the planning and quality standards that have been made at the beginning The ability to lead is the most important ability that must be possessed and mastered by a manager. Finally 5) Evaluation Function: The last management function is to evaluate the work that has been done based on the planning and quality standards that have been made at the beginning The ability to lead is the most important ability that must be possessed and mastered by a manager. Finally 5) Evaluation Function: The last management function is to evaluate the work that has been done based on the planning and quality standards that have been made at the beginning(Wahjono, 2022). Managers can evaluate in various ways, such as using a SWOT analysis. The results of the evaluation can be used for company development.

After knowing the function of a manager in a company, there is also an overview of the role of a manager in a company, such as: 1) Interpersonal Roles: This Interpersonal Role Category is the role category of a manager to provide information and ideas. 2) Figure or Figure: A manager has legal, social, ceremonial responsibilities and also acts as a symbol of the company. A manager is expected to be a source of inspiration(Intia & Azizah, 2021). For example, a manager will usually do ceremonial things such as attending the ribbon-cutting ceremony, signing legal documents, greeting company guests and hosting the reception. 3) Leader: A manager serves as a leader in his team, department or organization. Selects and trains its employees as well as manages the performance and motivates its employees. 4) Liaison (Liaison): A manager must establish and maintain communication with the company's internal contacts and external contacts of the company. For example participating in meetings with representatives from other divisions/departments or other organizations. 5) Informational Roles (Informational Roles): A manager acts as a manager of information(Iswandi, 2022).

The other functionalities of the manager's role are: 1) Monitor: In this Monitoring Role, a manager acts as a seeker of information related to the industry and its organization(Ayuningtyas et al., 2020). A manager also monitors the team he leads both in terms of productivity, performance and work comfort of his team members. 2) Information Disseminator: After obtaining information, a manager must disseminate and communicate this information to other people in his organization or communicate this information to his team members or other relevant employees within the company. An example of the role of a manager as an information disseminator is conveying memos, e-mails or reports to his subordinates regarding the information and decisions that have been taken. 3) Spokesperson (Spokesperson): A manager also acts as a Spokesperson who forwards information about his organization and its goals to outsiders. 4) Decision Making Roles (Decisional Roles): A manager also plays the role of entrepreneur, problem solver, resource sharer and negotiator. These four roles fall into the category of Decisional Roles(Hananto, 2022).

According to(Mahrani & Soewarno, 2018)Financial reports can also be used to determine company performance. The company's financial performance is a process of evaluating the economic prospects and risks of the company. The health condition of the company can be reflected in its financial performance. This is because the company's financial performance report is useful as information about planning, funding, investment and company operations. And do the analysis using financial ratios(Supriadi & Ariffin, 2013).

Financial performance is a form of description of the company's financial condition in a certain accounting period, both concerning aspects of raising funds and distributing funds, which are usually measured by indicators of capital adequacy, liquidity and also profitability. According to(Faradisa, Qori, Widyastuti, & Gde, 2020), the performance of part of the control system is carried out to determine the level of efficiency and effectiveness of the organization in achieving the set goals. Financial performance is an analysis made to see a company has carried out everything in accordance with the rules of financial implementation properly and correctly. The company's financial performance is a description of the financial condition of a company using financial analysis tools, so that to determine whether a company's financial condition is good or bad can be seen from the reflection of work performance in a certain period.

Financial performance appraisal is a form of responsibility and obligation to report activities, resources and performance achieved by the company. To measure whether the goals that have been set have been achieved properly is not an easy thing, this is because there are not the least aspects of management(Febriyantoro & Arisandi, 2018). Measuring a company's financial performance can be seen in two ways, namely: the internal side of the company by looking at the financial statements and the external side of the company, namely the value of calculating the company's financial performance using financial ratios(Ayuningtyas et al., 2020).

In the financial sector, especially Islamic banking, financial ratios are needed to determine financial performance. Ratio measurement is needed and becomes very important because banking performance is one of the benchmarks that underlies the entire performance of a company(Mahdi, 2021). High or low financial performance of a company can be measured using financial ratios.

Financial performance in Islamic banks can be measured by the following ratio(Iswandi, 2022):

1) *Return On Assets*(ROA) this ratio is used to measure management's ability to obtain overall profit (profit). The greater the ROA, the greater the level of profit achieved by the company and the better the company's position in terms of asset use.

$$Assets = \frac{Net\ Income}{Total\ Assets}$$

2) *Return on Equity*(ROE), ROE is usually used to find out how big the level of profitability is, but what matters is ROE will be calculated by comparing the value between the amount of profit after tax and the core capital of Riyadi Islamic banks, in Pundail; 2018). The higher this ratio, the bank's ability to earn more profits. The formula for knowing this ratio is as follows:

$$ROE = \frac{\text{Laba setelah pajak}}{\text{Modal inti}} \text{X } 100\%$$

3) *Return on Equity (ROE)*measures the ability of bank management to manage existing equity to obtain net profit. ROE shows the effectiveness and efficiency of using capital to generate profits. ROE is directly related to shareholder wealth. The higher the ROE of a company, the better the company is in managing its management.

$$Return\ On\ Equity = \frac{Net\ Profit}{Total\ Equity}$$

4) *Revenue Operating Costs (BOPO),*BOPO is a comparison between operational costs and operational income of Islamic banks. The lower the BOPO ratio indicates that Islamic banks are efficient in using their resources. The formula for calculating this ratio is as follows:

$$BOPO = \frac{\text{Total beban operasional}}{\text{Total pendapatan operasional}} \text{X } 100\%$$

5) *Financing to Deposit Ratio(FDR),*FDR is a ratio that shows the performance of Islamic banks in channeling financing. This ratio is measured by comparing the amount of financing provided with the amount of third party funds (Riyadi, 2006). The formula for calculating this ratio is as follows:

$$FDR = \frac{\text{Pembiayaan}}{\text{Dana pihak ketiga}} \text{X } 100\%$$

Through the analysis of financial ratios, it is not only possible to find out how much profit or loss is obtained by Islamic banks, but also forknowhow is the condition of the bank's own business as a whole. It is clear that every bank demands profit from the business activities carried out. the relation between the function and role of a banking manager is that the performance of a manager will be a benchmark for improving the financial performance of a bank (Wahjono Imam, 2022).

6) Net Operating Margin (NOM) is a competitive nature of the bank as well as the profitability side with small margins indicating a competitive banking system with low intermediation financing, reflecting high margin stability.

$$NOM = \frac{(PO - DBH) - BO}{Rata - Rata\ AP}$$

7) Non-Performance Financing (NPF)
NPF is the level of financingreturngiven by the depositor to the bank (rate of return) default costs on the bank.

$$NPF = \frac{Pembiayaan\ (KL, D, M)}{Total\ Pembiayaan}$$

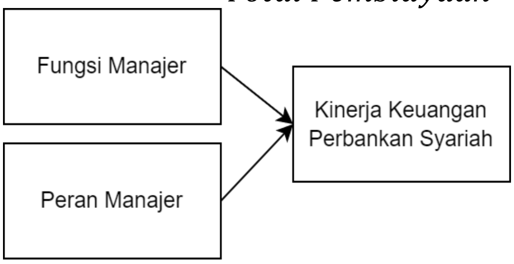

Figure 1. Framework of thinking

RESEARCH METHODS

The data used in this research is qualitative data. Qualitative data is data that is descriptive in the form of descriptions and uses analysis. Source of data taken in this research is secondary data. Secondary data is data obtained from various guidelines so that it is adapted to the research carried out.

In its implementation the analytical method used is a qualitative method of previous literature review. Qualitative research is research that is used to investigate, find, describe a problem. This research departs from data, utilizes existing theory as explanatory material and ends with a theory(Ayuningtyas et al., 2020).

RESULTS AND DISCUSSION

Even though the authority and position of a manager is not a shareholder, managers are given the authority to make decisions in running Islamic banking. Managers who function and play a role well will have a positive impact on Islamic banking. One of them is an increase in financial performance.

This is consistent with the results of research which states that good corporate governance (GCG) has a positive and significant effect on the financial performance of Islamic Commercial Banks. In this study, GCG is measured by 6 indicators and financial performance is measured by 2 indicators. The research results show that the more effective GCG will improve the financial performance of Islamic Commercial Banks. In other words, these practices can improve company performance, reduce risks that may be carried out by the board with decisions that benefit themselves and generally can increase investor confidence to invest capital that has an impact on performance.(Nur & Tirta, 2019).

These results are also in line with research which states that the implementation of GCG has a positive and significant effect on NPF. This positive result shows that the better the GCG composite value, the lower the level of non-performing financing at Islamic Commercial Banks in 2014-2016. From the results of hypothesis testing it was also found that the implementation of GCG had a positive and significant effect on BOPO. This positive result shows that the better the GCG composite value, the lower the expenditure level of Islamic banks in 2014-2016. As previously mentioned, if the composite index of GCG is lower, it indicates that the implementation of GCG in Islamic Banks is getting better(Pudail, Fitriyani, & Labib, 2018).

In testing the other hypothesis which states that the implementation of GCG has an effect on the financial performance of Islamic banking as measured by ROA, ROE and NOM with the control variables firm size and leverage proven. This means the hypothesis is accepted. Thus, GCG implementation is an important step in building market confidence and encouraging more stable, long-term international investment flows. The higher the level of GCG implementation, the higher the company's value, which is indicated by the high company's stock price(Farida, 2018).

CONCLUSION

Directors have a positive effect on financial performance. Directors have considerable responsibility in company activities, where directors must be able to manage company assets, be able to make policies based on complete data, and ensure the integrity of company accounting. Directors who act to make decisions related to the company's operational activities. With a large number of members of the board of directors, decision making is not only focused on one party. There are also points of suggestion which the author summarizes as follows:

1. Advice for Banking
   Banking should be able to maintain and improve its performance. This performance improvement is by implementing Good Corporate Governance properly and correctly, namely choosing the Board of Commissioners, Board of Directors and Audit Committee more selectively because these positions determine the success and improvement of company performance.
2. Advice for Investors
   Investors should consider various aspects when investing, especially in the implementation and application of Good Corporate Governance so that investors' rights will be protected.
3. Suggestions for Further Researchers
   Future researchers should add other variables that can affect financial performance.

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