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Tabarru' Fund and Solvability In Affecting The Profitability of The Life Insurance Sharia in Indonesia

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Abstract

The purpose this research is to determine influence between solvability and tabarru' fund on profitability in the life Insurance of Sharia in Indonesia. This research using data analysis test detailed statistics with multiple linier regression by statistical program E-view. Research found that investment by companies it can affect the financial performance or profitability. The ability of the sharia insurance company in Indonesia adequate to repay short-term not influenced on the ability of the company to pay the debt through the ratio of DER. So it is possible that the results obtained the ratio of DER cannot affect ROA. Tabarru' fund can influence to profit generated by the company.

Keywords : *life insurance, tabarru', solvability, profitability, return*

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1. INTRODUCTION

Profitability ratio is the ratio that is used to calculate or measure the profit obtained by the company as well as to measure the productivity of the entire capital of the company that is used either in the form of loan capital or equity capital for a certain period (Kasmir: 2015). In running the business, the company will certainly look for the advantages or profits that are useful to develop the company and hire employees. In this case, the ratio of profitability is needed to determine the advantages or profits of the company each year. Profitability is also a thing to consider when choosing or diversification financing by companies that cannot be separated from sharia insurance (Prastiwi & Anik, 2021)

By the high profitability ratio, then it will indicate the high company profits and increase the prosperity of the shareholders in the form of dividends. In the other hand, the low profitability ratio will indicate that there is a problem in the company which reduces the profit of the company (Henny & Susanto, 2019).

Sharia insurance according to The Law no. 40 of 2014 is a business to help *(ta'awuni)* and protect each other *(takafuli)* among the participants through the formation in collecting of funds (tabarru' fund), which is managed in accordance with the principles of sharia to face certain risk (Utami et al., 2016)**.** Sharia insurance is a business of helping fellow customers, which is done through a fund or *tabarru'* who were gathered together by the customer and managed in accordance with sharia principles in the face of certain risks. The contract that is used in the general insurance sharia is akad *tabarru'* (contract grant) and akad *wakalah bil ujrah*. Akad *tabarru'* is an agreement that aims for the good and not-for-profit. While akad *wakalah bil ujrah* is a type of akad *tijarah* that is used for business commercial (for profit) (Pusputasari, 2012)

Along the development era, sharia insurance became known to the public and started a lot of people who become customers of sharia insurance.The development of sharia insurance is evidenced by the growing sharia insurance company in Indonesia. The development of sharia insurance can be seen in the following table overview asset productive

Table 1.1 The Development Of Sharia Insurance Overview Of The Asset Productive Sharia Insurance Per The End Of December 2016 – 2019

Description	The End Of December Of The Year (In Billion)			
	2016	2017	2018	2019
Sharia Life Insurance	24.565	30.417	31.882	34.327
Sharia General Insurance	3.160	3.677	3.783	4.031
Reinsurance	1.081	1.216	1.305	1.488
Total	28.807	35.310	36.969	39.846

Source : Annual IKNB Statistic OJK RI Table 1

Table 1.1 shows the development of the productive asset of sharia insurance in 2016 until 2019. The number of productive asset in sharia insurance in the last 4 years has increased significantly. Starting in 2016 with the number of productive asset of Rp 28.807 billion then increased by Rp 6.503 billion continue to rise until 2019, total assets productive asuransi syariah Rp 39.846 billion.

Whether or not the performance of a company, especially in companies insurance services can be aware by the financial statements that have been made in period or periodically, suppose quarter, quarter, semester, or a year. Financial statements are used as guidelines for the performance assessment of a company includes a *balance sheet* or the balance sheet and *income statement* or profit and loss statement. Sharia insurance in the management of the funds obtained from the participants should be there is akad Tabarru' which is intended to help one another among the participants of sharia insurance. Tabarru' fund is done collectively and in accordance with the agreement, so that the grant can be utilized by other participants (Fadilah & Makhrus, 2019).

Sharia insurance needs to keep the existence of tabarru' fund this is so in the fulfillment of a claim can be fulfilled easily so *the return that earned is* still mantained, so the availability of tabarru' fund is important for the consideration of the financial health of company (Pangestika & Widia, 2019). In addition, financial reports can also be used as input for users to make the decision (Rofiudin et al., 2019)**.** Financial ratios are divided into four, such as liquidity ratios, solvability ratios, activity ratios and profitability ratios.

In general, solvability is one of the financial ratios that describe whether a company can pay off all of its liabilities, both short term and long term. For insurance companies that are sharia-compliant, the solvability ratio is regulated through the Financial Services Authority Regulation (POJK) No. 72/POJK.05/2016 about the Financial Health of Insurance Companies and Reinsurance Companies with the Principles of Sharia (Nurvianda et al., 2019) . So it can also be the focus of the important by the sharia insurance company.

In a study conducted by Hidayati & Ayu (2018) that tested the effect of *solvability* on profitability of the produce that the solvabilitybof a significant negative effect on profitability. The other research done by Supriyono & Agung Eko (2019) showed a negative influence solvability on ROA amounted to 44%. Similar study is also done by Henny & Susanto, (2019), with the independent variable *Solvabilita* however, the results indicated the influence significantly. There are differences in the results of the research of the second of these studies, namely *liquidity* on the research Audina Ayu Hidayati (2018) there has no negative effect while the study Henny & Susanto (2019) has a positive effect. Similar study is also done by (Soniati et al., 2020) show different results which are *Risk Based Capital* has a positive effect on ROA, with the effect of 44,9%. Another study conducted by Agustin et al., (2016) that produce *Premium Growth Ratio* and *Risk-Based Capital* does not affect ROA.

Based on the existence of the phenomenon and the difference in the result of research that has been described, this study has the objective is to determine whether or not the influence between the DAR, DER and tabarru' fund on profitability ratio (ROA) in the life Insurance of Sharia in Indonesia.

2. RESEARCH METHOD

The population used for this research is the Sharia Insurance Company in Indonesia.While the sample used is based on the criteria on purposive sampling with the provisions of some of the provisions include (1) a Sharia Life Insurance Company registered in Financial Services Authority, (2) a Sharia Life Insurance Company publish its financial statements in the period of 2016-2020.(3) life Insurance Company of Sharia that have the data needed in the study. The five-year period was selected in order to see the trend of the value of the companies sampled in this study.

Methods of data analysis done using the test detailed statistics. Data analysis was aided by the *statistical* program E-Views by using multiple linear regression. Based on the hypothesis in this study the method of data analysis used in quantitative terms of several factors, singly or together against the dependent variable. The influence between the independent variables with the dependent variable can be done with regression.

3. RESULT AND DISCUSSION

3.1. Result

Normality Test

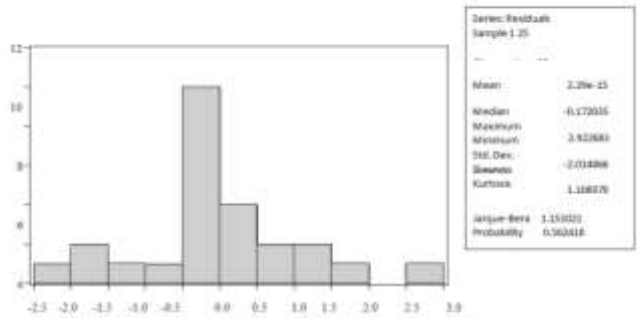

Table 1.1 The Results Of Normality Test

Based on the results of normality test with Kolmogrov Smirnov shows that the variable used is tabarru' fund, *debt to asset ratio, debt to equity ratio* and *return on assets* shows the normal data. Seen from the Significance value which indicates the number is more than 0.05. It can be concluded that the data used is the normal distribution.

Multicollinearity Test

Table 1.2 The Results Of Multicollinearity Test

	DAR	DER	LG_TABARU
DAR	1.000000	-0.236476	0.437462
DER	-0.236476	1.000000	-0.170349
LG_TABARU	0.437462	-0.170349	1.000000

Output Multicollinearity test shows that the correlation between the DAR (Debt to Asset Ratio) with DER (Debt to Equity Ratio) is -0.236. The result shows that the absence of correlation between variables is high above 0.90. The output also shows that the correlation between the DAR (Debt to Equity Ratio) with Tabaru is 0.437. the result shows that the absence of correlation between variables is high above 0.90. While the correlation between DER (Debt to Equity Ratio) with Tabaru is -0.170. The result shows that the absence of correlation between variables is high above 0.90. So it can be concluded that there is no multicollinearity between independent variables.

The Results Of The Regression Test

The results of the hypothesis test and the coefficient of determine from the influence of *Debt to The Ratio of Assets*, *Debt to Equity Ratio* and Dana Tabarru ' against *Return on Assets* (ROA) is designated in the table bellow :

Table 1.3 The Results Of The Multiple Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.810666	2.730482	- 3.226780	0.0040
DER	-8.197842	8.050826	- 1.018261	0.3201
DAR	6.561112	1.438975	4.55 9572	0.0002
LG_TABARU	0.825823	0.282191	2.92 6467	0.0081
Adjusted R-squared	0.691585			
Prob (F-statistic)	0.000003			

The appearance of the output above shows the magnitude of the Adjusted R-square of 0.69. this showed that 69% of the variation in ROA (*Return Of Assets*) can be explained by the variation of the third independent variable that are DAR (*Debt to Asset Ratio*), DER (*Debt to Equity Ratio*) and Tabaru. While the remaining 31% is explained by other variables outside the model. *Standard Error of Regression* shows 1.18 the smaller the value of the regression model is more appropriate in predicting the dependent variable.

Based on the output that can be obtained value prob F-Statistics of 0.000003 , because its value is less than 0.05 it can be concluded that all the variables simultaneously affect ROA (*Return Of Assets*). This also means that the value of the coefficient of determination R^2 is not equal to zero or insignificant. Table 1.3 above shows that the variable DAR (*Debt to Asset Ratio*) and Tabaru significant effect because the value of the probability that show less than of 0.05.. Whereas the DER (*Debt to Equity Ratio*) effect but not significant because the value of the probability on the results of the statistic shows the value of 0.32 which means that is more than 0.05. So hioitesis 1 and 3 received, and hypothesis 2 was rejected.

3.2. Discussion

The influence of debt to the ratio of assets (DAR) on return on assets (ROA)

Based on the results of statistical tests conducted to show the influence of the DAR on ROA is significantly positive. That thing shows that the greater the DAR will further increase the value of ROA. The value of the DAR perceived as a ratio showing the ability of the company to meet its obligations. While ROA is the ability of the company's capital invested in total assets to generate earnings (Kamal Basri, 2016). The results of this study showed that in a life insurance company sharia sampled in making decisions in financing consider the benefits of such investment. Based on the trade of theory which explains the absence of consideration when investing in the company, it is done because of the decision of the debts of the company will affect on the profitability of the company.

The financial policy of the company is identical to always give the best in generating return. So the return value of the company when it is reported to appear good results, which means that the company is able to manage their assets to generate maximum profits. It is always concerned about the debt policy made by the company by comparing the fees and taxes on any debt that will be done. Make the consideration for the company's operations so that the financial performance in particular the profitability of the company is maintained. The results that have been found are supported by research conducted by Simanggunsong, (2020) and Henny & Susanto, (2019) that produce the same effect between the DAR to ROA.

The influence of debt to equity ratio (DER) to return on assets (ROA)

The result of the statistical test shows that the effect of DER on ROA is negative but not significant. That means that any increase in the presence of DER will not affect the increase or decrease against ROA significantly. The meaning of DER is to show the ability of the company in making the proportion of the capital between the outside and from the owners of the company. The ability of the company on life insurance in sharia repay the debt does not affect the success of the company to generate profits. The ability of the company in achieving good financial performance is not influenced on the ability of the company to pay the debt through the ratio of DER. The Sharia Insurance company tend to use long-term debt to fulfill capital of the company and have a longer time to pay the debt, so the company has enough time in doing the payment. Payment of short-term debt can also be overcome by the insurance company so that it can reduce the burden of the company. On the possibility of the value of the debt on the capital in the company can not affect the company's ability to generate earnings over the company's assets. The results of this study are supported by research conducted by Nababan (2021) which showed that the DER has no significant effect on ROA in the company of the road sector told an the construction of the bridge in Indonesia Stock Exchange (IDX) for the period 2014-2018.

The influence of Dana Tabarru ' to return on assets (ROA)

Statistical tests on the results demonstrate that the influence of tabarru’ fund has a value of positive and significant. This means that if there is an increase in tabarru’ fund then it will affect or will increase the value of ROA. Tabarru’ fund is the collection funds which the use of its mechanism is in accordance with the akad tabarru’. The presence of such funds become one of the main fund used in the process of takaful business.The Meaning of sharia insurance istakaful or mutual help and / or protect each other between a number of people or the community through the investment in the form of asset. This Tabarru’ fund also gives the system returns in the face of certain risks based on the contract that complies with sharia (Yuniarti, 2020).

The Dana tabaruu’ helps the company in generating good financial performance, especially on ROA. Tabarru’ fund which became the primary funding for a business process to make the company more capable to make assets that they have can generate a higher profit. So the effect when danatabarru’ continues to increase then the value of ROA will also increase. Sharia insurance has the concept of risk sharing that if there is a loss suffered by the company in investing divided equally by the participants and sharia insurance company. Different with conventional insurance that do not use the system for risk sharing but using risk transfer or the transfer of risk that if there is a loss then the insurance fully guarantee. Othewise, if it generates a profit, it also becomes the right of the company. In the perspective of Sharia, sharia insurance is allowed to be one of the valid objects muamalah for the moeslem community, but must use a system that is different with the conventional insurance so that the various elements that are not allowed or haram does not exist in sharia insurance.

This result is supported by research conducted by Yuniarti (2020) which shows that tabarru’ fund has a significant positive influence on ROA on sharia insurance company in the year 2015-2019. Similar results were also shown by research Al-Amri et al., (2021) which explains that the sharia insurance company shows the development of the excellent result of the company's performance in efficiency and in getting Dana tabarru’.

4. CONCLUSION

According to trade off theory, which explained that the absence of consideration of the investment made by companies need to be done because it can affect the financial performance or profitability of the company, it depicted also on the sharia insurance company that the ability of the company to fulfill its obligations will affect the return on assets that is produced. The ability of the sharia insurance company in Indonesia adequate to repay short-term debt, the company in achieving good financial performance is not influenced on the ability of the company to pay the debt through the ratio of DER. So it is possible that the results obtained the ratio of DER can not affect ROA. Tabarru’ fund owned by the company's insurance sharia influence to the profit generated by the company. The presence of tabarru’ fund high to make the company get the financial performance of good in particular on the performance of the asset. This Tabarru’ fund is the main fund in the process of takaful business which will be used in the concept of risk sharing that keeps the elements of sharia that will make the company capable of doing good financial performance especially in generating return on asset a person has.

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