Quest Journals
Journal of Research in Business and Management
Volume 9 ~ Issue 8 (2021) pp: 48-55
ISSN(Online):2347-3002
www.questjournals.org

Research Paper

The Effect of Efficiency on Financial Distress Through Financial Performance: Empirical Study At Islamic Commercial Banks in Indonesia

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ABSTRACT: *The purpose of this study is to examine the direct and indirect effects of efficiency on financial distress. The indirect effect is through financial performance. The study was conducted at a Sharia Commercial Bank in Indonesia. The data analyzed are all Sharia Commercial Banks issued by the Financial Services Authority. The sampling method uses a census. The data analysis technique used is path analysis. The results showed that efficiency had a significant effect on financial distress, both directly and indirectly, through financial performance.*

KEYWORDS: *Efficiency, Financial Performance, Financial Distress*

Received 02 August, 2021; Revised: 14 August, 2021; Accepted 16 August, 2021 © The author(s) 2021. Published with open access at www.questjournals.org

I. INTRODUCTION

The existence of this bank is very much needed by the people, especially to be able to avoid or eliminate the practice of interest-based banking (usury). Interest in the Islamic concept is identical to Riba. This is in accordance with the MUI Fatwa No. 1/2004 concerning Interest (Intersat/Fa'idah), January 24, 2004. Then there are regulations from the government, including the issuance of Law no. 7 of 1992 concerning Banking in conjunction with Law no. 10 of 1998 concerning BUS, including branch offices of banks domiciled abroad. While specifically for BUS (Islamic commercial bank) and UUS (Islamic business unit), PBI No. 09/19/PBI/2007 concerning the Implementation of Sharia Principles in the Activities of Funding and Distribution of Funds and Services for Sharia Banks, Law no. 21 of 2008 concerning Islamic Banking.

Islamic banks as one of the banks that serve the people must implement sharia principles consistently. It is not only a matter of managing public funds and carrying out regulatory provisions from the government and others but also having to pay attention to the level of profitability. Because this profitability can be done by maximizing profit. That is by carrying out the intermediation function and raising funds from the public based on sharia principles (mudharabah, murabahah, musyarakah, ijarah, salam, istishna', other banking services and qardul hasan). Based on the agreement, Islamic banks can sell their products to customers in the form of demand deposits, savings and time deposits. In its operations for the collection and distribution of funds, Islamic banks can act as managers (mudharib) and owners of funds (shohibul mal). Hassoune (2005), that profit sharing makes banks much more efficient due to the availability of large amounts of non-remuneration deposits which can reduce funding expenses. Islamic banks that apply the principle of profit sharing in their intermediation function can reduce operational efficiency. Meanwhile, Ramlan and Adnan (2016)This study finds that Islamic banks are more profitable than conventional banks while the total loan to total assets for Islamic banks is higher than conventional banks.

This research was inspired by research conducted by Kurniawansyah (2016), namely by collaborating with several other studies, including updating research variables and adding several variables, one of which is financial distress. Financial distress is a condition where there is a periodic decline in financial condition. This is the beginning of bankruptcy or liquidation conditions. Rahman and Masngu (2014), that all Islamic banks have a higher ETA (total assets) ratio which describes good capital performance and tends not to face financial difficulties. Regarding asset quality, all Islamic banks are not likely to face financial stress as they are able to handle their non-performing loans throughout the year. according toPlatt and Platt (2002), that the usefulness of information if a company is in financial distress there are 3 things, namely: 1) Accelerating management actions to prevent problems before bankruptcy. 2) Management can immediately take action to carry out a merger or takeover. 3) Provide an early warning sign (signal) of the possibility of bankruptcy in the future. In addition, this research is based on several previous studies, including those conducted by Rahman (2014), based on the ratio and shari'ah compliance ratio (CAMELS) that Islamic banks in Malaysia show good performance. Kurniawansyah (2016), that efficiency is an intervening variable in the relationship between profit loss sharing funding and profit sharing financing in relation to the level of profitability. Dhiyaul-Haq and Santoso (2016), profitability, The award and type of BUS ownership partially have no effect on the disclosure of ISR (Islamic Social Reporting). Then Sufian and Kamarudin (2014), that income efficiency is different between domestic and foreign Islamic banks. Domestic Islamic banks show a better level of efficiency. So income efficiency is the main factor that affects the level of inefficiency, both for domestic and foreign Islamic banks. Several factors relevant to the possibility of financial distress in the United Arab Emirates (UAE), according to So income efficiency is the main factor that affects the level of inefficiency, both for domestic and foreign Islamic banks. Several factors relevant to the possibility of financial distress in the United Arab Emirates (UAE), according to So income efficiency is the main factor that affects the level of inefficiency, both for domestic and foreign Islamic banks. Several factors relevant to the possibility of financial distress in the United Arab Emirates (UAE), according to Zaki et al. (2011) are: 1) capacity, expense to revenue ratio (CIF). 2) capital, the ratio of capital to total assets. 3) collateral, total asset growth and 4) condition (internal), indicating credit risk (represented by non-performing loans to total loans). Then macroeconomic factors do not significantly affect the financial distress of financial institutions in the UAE. Ismawati (2015) suggests that the Capital Adequacy Ratio (CAR) has no effect on the probability of banking financial distress.

Therefore, in its operations, Islamic banks must be able to manage funds efficiently, minimize risk, maximize profits to increase profit sharing. Profitability for efficiency is the income obtained from the capital investment made. So the element of efficiency is very important in an effort to create an optimal level of profitability. In this achievement, it should be in accordance with sharia principles and the provisions set by the MUI through its fatwa. Until the goal of obtaining profit (profitability level) can be achieved in a fair, reasonable and realistic manner. The results of Ismawati's research (2015) that ROE has no effect on the probability of banking financial distress. Baskoro (2014) found that ROA is a ratio that measures a bank's ability to earn profits and overall efficiency, this ratio proved significant. Saleh and Sudiyatno (2013) found that ROA and ROE can predict the probability of bankruptcy. There are differences in the results of this study, so researchers are interested in conducting research.

The reason for choosing Islamic banks is because Islamic banks will bring 'benefits' for economic improvement and equitable distribution of public welfare. First, Islamic banks are closer to the real sector because the products offered, especially in charging, always use underlying transactions in the real sector so that the impact is more tangible in encouraging economic growth. Second, there are no speculative products (gharar) so that they have strong durability and have been tested for their toughness from the direct hit of the global financial crisis. At the macro level, Islamic banks can provide support for the creation of financial system stability and the national economy. Third, the profit-loss sharing system which is the spirit of Islamic banking will bring fairer benefits to all parties.

II. LITERATURE REVIEW

2.1. Signal Theory

If the profit reported by the company increases, the information can be categorized as a good signal because it indicates good bank conditions. On the other hand, if reported profits decrease, the bank is in bad news or bad news. According to Brigham and Houston (2001), a signal is an action taken by company management that gives instructions to investors how management views the company's prospects for the future. Companies with favorable prospects will avoid selling shares and seek any new capital in other ways.

2.2. Financial Distress

According to Hanafi and Halim (2007:278) financial distress can be described from two extreme points, namely short-term liquidity difficulties to insolvability. Short-term financial difficulties are usually short-term in nature, but can develop to be severe. Financial distress indicators can be seen from cash flow analysis, company strategy analysis, and company financial statements.

Fahmi (2013:158) defines financial distress as the stage of decline in financial conditions that occurs before bankruptcy or liquidation occurs. Financial distress begins with the inability to fulfill its obligations, especially short-term obligations including liquidity obligations, and also includes obligations in the solvency category. According to Indri (2012), financial distress is a situation where the company's operating cash flow is inadequate to pay off current liabilities (such as trade payables or interest expense) and the company is forced to take corrective action.

2.3. Islamic Bank Financial Performance

According to Fahmi (2012:2) financial performance is an analysis carried out to see the extent to which a company has implemented it using financial implementation rules correctly. The results of the activities of Islamic banks in the current period must be compared with the financial performance of the past, the balance sheet and profit and loss on the average financial performance of similar banks. The financial performance of Islamic banks is a measure of success for the bank management (bank directors) concerned, so that if the Islamic bank experiences poor (bad) financial performance, it becomes the responsibility of the management/board of directors (Muhammad Ali and Habe, 2012).

2.4. Efficiency

Efficiency is the ability of a company or Islamic bank to produce the required output with the minimum possible burden. This variable is projected by BOPO. Efficiency is the best comparison between inputs and outputs, between profits and the resources used, and the maximum results achieved using limited resources. Efficiency indicators can be seen by paying attention to the ratio of operating expenses to operating income (BOPO) and the ratio of Non Performing Financing (NPF), (Harjun and Puspita, 2007). Financial difficulties and a significant negative relationship between profitability ratios and financial difficulties, while efficiency ratios have no relationship with financial difficulties (Kamaluddin, et al, 2019).

III. RESEARCH METHODS

3.1. Variable Operational Definition

a. *Financial Distress*

*Financial distress*is a decrease in the financial condition that occurred in the company before the bankruptcy. The financial distress variable is measured using a dummy with the following conditions:

1) If the NPF ratio 5% there is a tendency to experience financial distress
2) NPF < 5% tendency not to experience financial distress

b. Financial performance

Financial performance is an evaluation carried out to measure performance in the financial sector on the performance of a company, which is carried out by comparing financial ratios with the company average. Financial performance is proxied by Return on Equity (ROE). ROE is a ratio used to assess the company's performance and to measure the rate of return on capital from the company

c. Efficiency

Efficiency is the bank's ability to produce output using the minimum possible load. Efficiency is proxied by Operating Expenses to Operating Income (BOPO). BOPO is a ratio used to measure the ability of bank management in controlling operating expenses to operating income.

3.2. Population, Research Sample and Sampling Technique

The population in this study is Islamic Commercial Banks (BUS) in Indonesia as many as 13 BUS. The sampling method uses a census, where all Islamic commercial banks are observed. Sholihin and Ratmono (2013), the sample size is basically not a problem of identification and the model can still be estimated even with a small size (35-50) and can achieve quite high statistical power with a small sample size.

The samples of this research are 13 Islamic commercial banks which include:PT Bank Syariah Mandiri, PT Bank Muamalat Indonesia, PT Bank BNI Syariah, PT Bank BRI Syariah, PT. Bank Mega Syariah, PT Bank Jabar and Banten Syariah, PT Bank Panin Syaria, PT Bank Syariah Bukopin, PT Bank Victoria Syariah, PT Bank BCA Syariah, PT Maybank Syariah Indonesia, PT Bank Syariah National Pension Savings and PT Bank Aceh Syariah. The number of samples in this study is the same as the total population of 13 banks.

3.3. Data analysis technique

The analysis technique in this research is as follows: descriptive analysis and path analysis. By using descriptive analysis, information can be obtained that is related to descriptive statistics (mean, median and others). Path analysis is a model similar to multiple regression models. In path analysis, the beta values that make up the structure.

IV. RESULTS AND DISCUSSION

4.1. Results

The results of the path analysis of each variable are presented in the following figure.

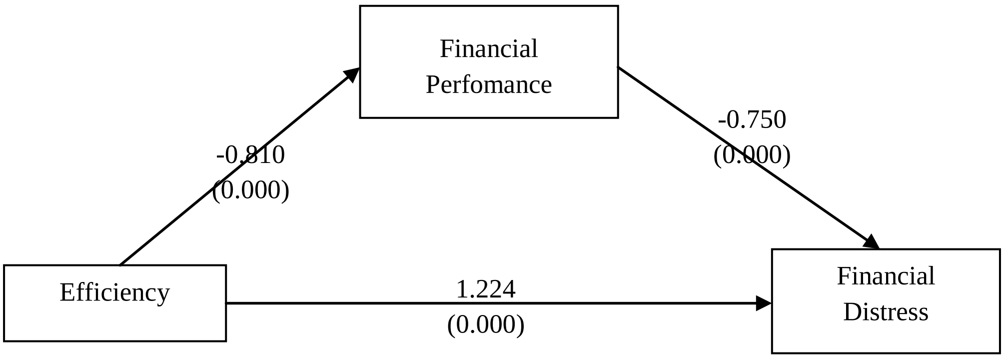

Figure 1. Path Analysis Results

Hypothesis test

a. First Hypothesis Testing

The first hypothesis which states that efficiency has a significant effect on financial performance. The results of the analysis show that efficiency has a significant effect on financial performance. The magnitude of the effect of efficiency on financial performance is -0.810 with a significance value ofof 0.000 is less than 0.05.It means, efficiency has a significant effect on financial performance. Thus the first hypothesis is statistically tested.

b. Second Hypothesis Testing

The second hypothesis states that efficiency has a significant effect on financial distress. The results of the analysis show that efficiency has a significant effect on financial distress. The magnitude of the effect of efficiency on financial distress is 1.224 with a significance value ofof 0.000 is less than 0.05. It means, efficiency has a significant effect on financial distress. Thus the second hypothesis is statistically tested.

c. Third Hypothesis Testing

The third hypothesis which states that financial performance has a significant effect on financial distress. The results of the analysis show that financial performance has a significant effect on financial distress. The magnitude of the influence of financial performance on financial distress is -0.750 with a significance value ofof 0.000 is less than 0.05. It means, financial performance has an influence on *financial distress*. Thus the third hypothesis is statistically tested.

d. Fourth Hypothesis Testing

Hypothesis fourth which states that efficiency has a significant effect on financial distress through financial performance.Analysis of the effect of efficiency through financial distress on efficiency, it is known that the direct effect given by efficiency on financial performance is -0.810 with a significance value of 0.000 less than 0.05, while the effect of financial performance on financial distress is -0.750 with a significance value of 0.000 smaller of 0.05 and the total effect value is greater than the direct effect. The results show thatefficiency affects *financial distress* through financial performance. Thus the fourth hypothesis is statistically tested.

4.2. Discussion

Efficiency as proxied by BOPO shows that banks are quite efficient in managing bank operations. Judging from the BOPO, it shows that Islamic commercial banks are categorized as healthy because they do not exceed the BI standard of 110%. Efficiency for a bank as a whole is the most important aspect to be considered to realize a healthy and sustainable financial performance. In addition, efficiency measurements for banks are carried out to determine the extent to which inputs are used to produce output, or in other words whether the quantity of output produced is in accordance with the inputs used. The bank can also find out which inputs are not being used efficiently so that improvements can be made to these inputs, It can also be seen the outputs that must be increased with the available inputs. AsHadad's opinion (2003) that efficiency is the ability of Islamic commercial banks or Islamic banks to produce the required output with minimal costs.

Financial performance, which is proxied by ROE, shows that the bank is able to generate profits. This shows that ROE becomes an investor's consideration when buying or not buying shares of Islamic commercial banks. The greater the ROE value, the greater the funds that can be returned from the company's equity into profit, which means the greater the net profit obtained by the Islamic commercial bank, the better the performance of the Islamic commercial bank. As opinionHelfert (2003:67) is the result of many individual decisions made continuously by management.

The results of the description show that most banks do not experience financial distress. *Financial distress*according to Hanafi and Halim (2007:278) can be described from two extreme points, namely short-term liquidity difficulties to insolvability. Short-term financial difficulties are usually short-term in nature, but can develop to be severe. Financial distress indicators can be seen from cash flow analysis, strategy analysis of Islamic commercial banks, and financial statements of Islamic commercial banks. *Financial distress* is a condition that causes a business to go bankrupt and this financial difficulty is common in a competitive market environment (Kamaluddin et al., 2019).

4.2.1. Effect of Efficiency on Financial Performance

Efficiency proxied by BOPO has a significant effect on financial performance as proxied by ROE. The lower the BOPO ratio means that the bank is more efficient and the bank's management is able to optimize greater income in order to cover the bank's operational costs, so that the impact on financial performance has increased.This is because the level of efficiency of the bank in carrying out operations affects the profit generated by the bank which is an aspect used in measuring the bank's ability to increase profits. The success of the bank in controlling operating income expenses can increase the level of net profit. Therefore, Islamic banks are very interested in calculating operating income expenses accurately and precisely. The low efficiency of Islamic banking is due to the fact that the business scale of Islamic banking is generally smaller than conventional banking, so that the income earned is not too large, while the costs of technology and human resources are still quite high. In addition, Islamic banking human resources are not as strong as conventional banks. Until now, financing is still dominated by Murabahah financing (sale and purchase of goods). In fact, there are other financing products such as musyarakah (business/project financing) and mudharabah (special investments). This banking efficiency is one of the priorities to increase higher profits.

The calculation of operating income expense is used to determine the average operating income expense paid by the bank, as well as to measure the efficiency of bank activities. By knowing the actual operating income expense incurred by the bank to obtain funds, it can be seen how large the possible profits are with the risks that may be faced in an effort to maximize the bank's operating results. Management of operational efficiency by calculating the operating expenses incurred and operating income obtained or in other words using the ratio of Operating Costs to Operating Income (BOPO) is very important for a bank to do in order to obtain an optimal level of profit or profit.BOPO is the ratio between Operating Costs and Operating Income, the lower the BOPO ratio indicates that the better the bank's management performance, because the bank is more efficient in using the resources available to the bank. Therefore, banks in improving financial performance, banks need to pay attention to the BOPO ratio, because an increase in operational costs can reduce the bank's income, so banks must identify the bank's operational system, sources of operational risk and monitor the implementation of the process so that expenses can be minimized. The higher BOPO indicates that the bank has too high operational costs that have not been covered by a larger increase in income, so it is said to be less efficient.

4.2.2. Effect of Efficiency on Financial Distress

Efficiency proxied by BOPO has an effect on financial distress. This is because the BOPO variable is a ratio related to the bank's ability to manage bank efficiency in carrying out its operations. The increasing BOPO ratio can show uncontrolled expense management, with large operating expenses that are not matched by operating income which will cause banks to experience financial difficulties as an introduction to bank bankruptcy.BOPO is a ratio that shows how much the operating expenses incurred by the bank against the operating income generated by the bank. Therefore, the high ratio will have an effect on increasing financial distress which is a condition where the initial stage of bankruptcy is.With a significant relationship between BOPO and financial distress, the BOPO ratio can be used as an Early Warning System to prevent financial distress in Islamic Commercial Banks.The BOPO ratio shows how much the bank can reduce the bank's operational costs, and how much it can increase the bank's operating income. The smaller the value of the BOPO ratio, the more it shows how much the bank can perform cost efficiency based on company management. The greater the BOPO ratio, the smaller the bank's profit which increases the possibility of the bank experiencing financial distress. The results of this study support Pratama (2016) which states that efficiency has an effect on financial distress. However, the results of this study are not consistent with Zahronyana and Mahardika (2018) which state that BOPO has no effect on financial distress.

4.2.3. The Effect of Financial Performance on Financial Distress

Financial performance proxied by ROE has an effect on financial distress. This shows that the high and low financial performance of Islamic commercial banks is the cause of financial distress. The high level of Islamic banking financial performance can minimize the possibility of banks experiencing financial distress. high ROEi shows that Islamic commercial banks have the ability to use equity to generate profits, and the better the bank's financial performance in terms of internal funding for investment, so as to reduce the occurrence of financial distress.. This indicates that companies that have a high ROE from their fixed costs that do not change will increase the company's profits available to shareholders. The results showed that Islamic banks with large retained earnings would prefer to use retained earnings before using debt.

If investors want to choose one of the many types of shares, then the elements of the balance sheet are: andIncome statements must be compared to find out which companies are the most productive in terms of return on equity. The higher the Return on Equity (ROE), the better because the profit generated by the company will be greater, and vice versa, the lower the Return on Equity (ROE) of a company or Return on Equity (ROE) leads to a negative number, the company will loss. Or in other terms, the smaller the ROE will have implications for the soundness of Islamic banks.

Based on Letter Circular Bank Indonesia No.9/24/DPbS of 2007, Islamic banks should pay attention to the level of achievement of ROE. Because this will ultimately affect the level of financial distress tendency.This means that the management of own capital available to generate profits can be used in predicting bank financial distress because the higher the profit, the higher the obligation to provide minimum capital. If the capital provided is getting bigger, it indicates that the bank is not expansive enough in its operationsit. The results of this study support Saleh and Sudiyatno (2013), Baskoro (2014), Rudianto and Nurhayati (2015), Pratama (2016) which state that ROE has an effect on financial distress.

4.2.4. Effect of Efficiency on Financial Distress through Financial Performance

Financial performance mediates the effect of efficiency on financial distress. This shows that the lower the BOPO ratio, the more efficient the bank is in managing its operational costs. BOPO is used to measure the level of efficiency and ability of the bank in carrying out its operations, this shows that the bank is able to regulate the balance between the operational costs incurred in carrying out the costs of its main business activities such as:staffing expenses, marketing expenses, interest expenses, and other operating expenses to generate revenue. For example badministrative expenses, provision for impairment losses on financial assets and allowance for losses on productive assets, depreciation expense on fixed assets is an element of fixed expense for a sharia bank. This expense cannot be carried out efficiently because of its fixed nature, so any income earned will show the same amount of expenditure for Islamic banks. Meanwhile, non-fixed expenses include profit-sharing expenses for subordinated securities issued, provision for impairment losses on non-earning assets, reversal/(formation) of estimated commitment and contingency losses, wadiah deposit bonus expenses, non-operating expenses, income tax expenses and expenses. other. This burden is relatively controllable or controlled by the management or management of Islamic banks because the size of the expenses incurred depends on the activities. The more activities, the greater the burden issued by Islamic banks and vice versa. Although this component of operating expenses is relatively different for every Islamic bank, in terms of policy (efficiency) it can be done for every Islamic bank. The smaller the value of the BOPO ratio, the more it shows how much the bank can perform cost efficiency based on the company's management. The greater the BOPO ratio, the smaller the ROE of the bank which increases the possibility of the bank experiencing financial distress because banking losses are an indicator of financial distress. The more activities, the greater the burden issued by Islamic banks and vice versa. Although this component of operating expenses is relatively different for every Islamic bank, in terms of policy (efficiency) it can be done for every Islamic bank. The smaller the value of the BOPO ratio, the more it shows how much the bank can perform cost efficiency based on the company's management. The greater the BOPO ratio, the smaller the ROE of the bank which increases the possibility of the bank experiencing financial distress because banking losses are an indicator of financial distress. The more activities, the greater the burden issued by Islamic banks and vice versa. Although this component of operating expenses is relatively different for every Islamic bank, in terms of policy (efficiency) it can be done for every Islamic bank. The smaller the value of the BOPO ratio, the more it shows how much the bank can perform cost efficiency based on the company's management. The greater the BOPO ratio, the smaller the ROE of the bank which increases the possibility of the bank experiencing financial distress because banking losses are an indicator of financial distress. Although this component of operating expenses is relatively different for every Islamic bank, in terms of policy (efficiency) it can be done for every Islamic bank. The smaller the value of the BOPO ratio, the more it shows how much the bank can perform cost efficiency based on the company's management. The greater the BOPO ratio, the smaller the ROE of the bank which increases the possibility of the bank experiencing financial distress because banking losses are an indicator of financial distress. Although this component of operating expenses is relatively different for every Islamic bank, in terms of policy (efficiency) it can be done for every Islamic bank. The smaller the value of the BOPO ratio, the more it shows how much the bank can perform cost efficiency based on the company's management. The greater the BOPO ratio, the smaller the ROE of the bank which increases the possibility of the bank experiencing financial distress because banking losses are an indicator of financial distress.

BOPO is a ratio to measure how efficient Islamic banks are in using costs when carrying out their operational activities. Islamic banks will gain increased profits when Islamic banks are able to reduce operational costs in managing the business of Islamic banks. If the bank is efficient inpush operational costs, Islamic banks can reduce losses due to the inefficiency of Islamic banks in managing their business so that the profits obtained will also increase and do not experience financial distress.

Islamic banks perform efficiency in order to determine the ability in the operation of Islamic banks. Especially those related to the main business of Islamic banks and carried out properly and used to show that Islamic banks have used all of their production factors in an effective and effective manner. In the end, the level of operational efficiency of an Islamic bank that can affect the performance of the Islamic bank concerned, so that ROE is expected to increase.

On the other hand, operating income is highly dependent on management's ability to manage its business. For example, operating incomefrom sale and purchase/murabahah profit, istishna income, income from rental (ijarah/IMBT), income from profit sharing, mudharabah profit sharing, musyarakah revenue sharing, other main business income and other non-business income. The sizeThe operating income that will be obtained depends on the wishes of customers (buyers, tenants and investors) in using Islamic bank products. This is beyond the control of management because it is external except for internal ones, for example service, speed and ease of access, facilities provided, product variety, and other factors can be carried out by Islamic bank management.

This is an update resulting from this research. Because through an indirect relationship, namely efficiency affects financial distress through financial performance projected by the ROE variable. Because the higher the ROE, the higher the profit level. Therefore, the efficiency level factor is the key word in the management of an Islamic bank. Because according to (OJK, 2018) that The efficiency level of Islamic banks is still high, with an average of 91.68% as of September 2017. However, it tends to improve at the end of September 2018 to 88.08%, meaning that the management of Islamic banks is getting better and more efficient. So the demand for efficiency in the management of Islamic banks is very necessary, to avoid the problem of financial distress (financial distress) through financial performance.

V. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusion

This study analyzes the effect of efficiency on financial distress either directly or through financial performance. The study was conducted at Islamic Commercial Banks in Indonesia.Based on the results of the analysis and discussion, it can be concluded as follows.

1) Efficiency for a bank as a whole is the most important aspect to pay attention to in order to realize a healthy and sustainable financial performance, in this case it is proven that BOPO/efficiency has an effect on ROE. The results of this study support research conducted by Saleh and Sudiyatno (2013), Baskoro (2014), Rudianto and Nurhayati (2015), Pratama (2016) which states that ROE has an effect on financial distress.
2) Banks that can perform efficiency in improving financial performance will have an effect on financial distress, meaning that the more efficient they can reduce the tendency of financial distress. The results of this study support research conducted by Rudianto and Nurhayati (2015), Kurniawansyah (2016) and Idrus (2018).
3) Banks will not experience financial distress if they are able to manage costs as efficiently as possible and improve financial performance. Therefore, good financial performance affects financial distress, meaning that better financial performance can avoid financial distress.This result is consistent with the research of Pratama (2016) which states that efficiency has an effect on financial distress. However, the results of this study are not consistent with Zahronyana and Mahardika (2018) which state that BOPO has no effect on financial distress.
4) Financial performance mediates the effect of efficiency on financial distress. The more efficient the bank in managing the bank can reduce financial distress, if it is supported by the bank having good financial performance.High financial performance can minimize the possibility of banks experiencing financial distress.

5.2. Suggestion

1) For Islamic commercial banks to maintain good financial performance and to improve poor financial performance such as ROE, so as to increase the attractiveness of investors to invest funds in Islamic commercial banks, because the rate of return will be greater and increase the use of technology in order to

minimize costs. manpower in improving operational cost efficiency and improving bank services so that the bank's operating income increases.

2) For the public, it is hoped that the results of this study will be useful for potential investors in knowing the financial performance of banks and serve as material for making decisions for potential investors in choosing Islamic commercial banks to invest their funds. By knowing the financial performance of Islamic banks, both efficient and inefficient stocks in order to make the right investment decisions, which stocks will provide the most optimal rate of return and risk level and are higher than the expected rate of return.
3) The results of this study can be used as a reference for the next researcher, and the next researcher can improve this research by researching from other sectors, as well as adding other variables that can affect financial performance and financial distress.

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