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COMPARATIVE ANALYSIS OF THE EFFECT OF LOAN/FINANCING TO DEPOSIT RATIO, LABOR COSTS GROWTH AND PROMOTION COSTS GROWTH TO RETURNS ON ASSETS IN ISLAMIC BANKS AND CONVENTIONAL BANKS IN INDONESIA

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Abstract:

The banking industry is the locomotive of economic growth in a country. Therefore, the performance of the banking industry must be the focus of all stakeholders. This study compares the factors that influence the performance represented by the Return on Asset (ROA) ratio in both the Islamic banking industry and the conventional banking industry. The factors that affect the ROA used in this study are the distribution of financing (FDR/LDR), growth in labor costs, and growth in promotion costs. The method used in this research is quantitative by using *a panel data regression test. The data used are primary data from Islamic banks and conventional banks for four years, namely in the 2014-2018 period. Moreover, the research questions are: (i) Are there differences in FDR's effect on ROA between Islamic banks and conventional banks?; (ii) Are there differences in the effect of growth in labor costs on ROA between Islamic and conventional banks?; (iii) Are there differences in the influence of the growth in promotion costs on ROA promotion between Islamic banks and conventional banks? The results of the study show that the distribution of financing (FDR) to Islamic banks and conventional banks positively and significantly affects ROA. The growth of labor costs in Islamic banks and conventional banks has a negative and significant effect on ROA. At the same time, the growth in promotion costs between Islamic banks and conventional banks is different. Promotion cost growth in Islamic banks has a negative and significant effect on ROA growth. However, in conventional banks, the growth in promotion costs has a positive and significant effect on ROA.*

Key Words: ***Islamic Banks, Conventional Banks, ROA, FDR/LDR, Labor Cost Growth, Promotion Cost Growth***

1. Introduction

In the era of globalization, competition in the banking industry has become a necessity. Therefore, every organization or company must make changes adaptation to survive (Levinthal, 1991). On the other hand, customers have benefits where the tight competition can get excellent quality service (Podolny, 1993). However, on the other hand, the internal bank competition impacts the requirement for banks to run their operations efficiently and increases bank income through their business optimally. The increased competition was due to an increase in the number of banks. The increase in the number of banks was due to a policy from the regulator, a policy package dated 1 June 1983, and a policy dated 27 October 1988, which opened up opportunities to grant permits to open new bank operations. This policy has implications for the relative ease of opening a new bank. The requirement for a new bank following the regulation is that investors are permitted to open new banks with a capital of Indonesian Rupiah (IDR) 10 billion (Ihwanudin, Maulida, et al., 2020). Therefore, the growth of banks in Indonesia in the 1990s experienced significant growth.

Furthermore, in the 2000-2020 era, competition in the banking industry also increased, resulting in many banks closed due to failures in managing these banks. During the 2005-2018 period, 92 banks were closed, both rural banks (BPR) and commercial banks (Setiyaningsih, 2019). One of the commercial banks that was liquidated and brought to the public's attention was the case of Century Bank at the end of 2008, which resulted in state losses of Rp6.4 trillion (Dharmasaputra et al., 2010). The impact of Century Bank's liquidation declined the public trust to place their funds in Bank financial institutions. On the external side, the global economic condition is still relatively sluggish and unable to provide good prospects for entrepreneurs and investors, which is a challenge for the banking sector to channel funds to the public. Another external factor that causes banks to implement efficiently and have effective strategic initiatives to improve their performance is the existence of growth in financial technology services (fintech) which is currently able to replace the function of banking services (Hiyanti et al., 2019; Nugroho et al., 2020; Zafani & Arifqi, 2020). According to Iqbal Fasa et al. (2020) and Soeharjoto et al. (2019), there is a phenomenon that the existence of fintech can threaten the business of banking. The fintech existence that can threaten the banking business include: (i) The banking services that can replace with fintech services are cash transfers and online loan applications; (ii) the high growth of fintech providers in Indonesia; (iii) Fintech services facilitate financial transactions for people living in rural and remote areas, thereby increasing financial inclusion; (iv) Digital-based businesses such as fintech have promising prospects in the future, and (v) fintech services can beat the popularity of current banking services, where the majority still rely on physical outlets.

Currently, the Indonesian government has plans and programs to make Indonesia the center of the world's sharia economy, finance, and business. Therefore, one of the government programs is to advance Islamic banking as a locomotive for Islamic business in the growing national business and economics as same as with conventional banking. Based on intense competition and demands for quality services, Islamic banks must increase productivity compared to conventional ones. One of the bank profitability indicators and a critical financial indicator is the return on assets (ROA). ROA is a financial indicator that functions to analyze a bank's business activity's ability to manage its productive assets to generate optimal profits (Akgün & Şamiloğlu, 2016; Satibi et al., 2018). Islamic banks in Indonesia are new players in the banking industry compared to conventional banks. The comparison of the existing gap between Islamic banks and conventional banks is quite far away from where conventional banks have existed since 1896, namely Bank Rakyat Indonesia (BRI), while Islamic banks were only established in 1992, which was marked by the establishment of Bank Muamalat Indonesia (BMI) (Ihwanudin, Maulida, et al., 2020).

This study continues from the author's team's previous research regarding the business continuity of Islamic banks from the perspective of Islamic banks' ability to generate profits (Nugroho et al., 2019). At the same time, this research's novelty uses the variables of production factor determination, namely operational costs and salary costs, including financing deposit ratio (FDR), labor costs, and promotion costs that can affect revenue. One of the leading banking businesses is channeling funds to the public, wherein the bank will get optimal returns or income (Gavalas & Syriopoulos, 2014; Paisittanand & Olson, 2006). Furthermore, indicators to determine whether the distribution of funds to the public are the financing to deposit ratio (FDR) in Islamic banks and the loan to deposit ratio (LDR) in conventional banks, the better the function of the bank to channel funds to the public (Ramlan & Adnan, 2016). Also, labor costs are the dominant cost in bank operations. Nearly 70% of banks operating costs are spent on paying employees (Portillo & Stinn, 2018). Therefore, the more productive the bank employees work on marketing the bank's products and services, the better their income (Swierczek et al., 2005).

On the other hand, the decision to use and choose a service product is based on information obtained from the public from various sources, especially from social media (Bienstock & Royne, 2007). Therefore, promotion is an essential medium for disseminating information related to Islamic banks and conventional banks (Ivan, 2012). Furthermore, following the phenomenon mentioned above, this study aims to compare and analyze the influence of factors including the FDR ratio, the growth in promotion costs, and the growth in labor costs on ROA.

Also, this study contributes to stakeholders in the banking sector, bank management funds, in particular, in making decisions related to the amount of employee productivity and promotion to improve performance from the ROA perspective. Thus, according to the phenomenon and background, the formulation of the problem in this study is: (i) Are there differences in FDR's effect on ROA between Islamic banks and conventional banks?; (ii) Are there differences in the effect of growth in labor costs on ROA between Islamic banks and conventional banks?; (iii) Are there differences in the influence of the growth in promotion costs on ROA promotion between Islamic banks and conventional banks?

2. Literature Review

Legitimacy has an essential role in running an organization. This is because legitimacy is an acknowledgment of the public or society related to company operations and activities (Hansen Löfstrand, 2015). Thus, in running its business, the banking industry needs legitimacy because it is a business that requires trust from the public (Ki, 2013). Banks are financial institutions that manage and mobilize funds from and for the community. People who invest and save their money in the bank must have confidence that the money invested and stored is safe. According to Nugroho (2014), it is necessary to have regulations or laws that guarantee these regulations' implementation to implement legitimacy. Legitimacy can be a tool to govern or provide instructions to carry out something, and if it does not implement these rules, there will be sanctions imposed (Yang et al., 2009). On the other hand, in the Stakeholder theory, companies must maintain relationships with stakeholders by accommodating existing wants and needs, especially stakeholders who have power over the availability of resources used for company operational activities, such as labor, customers, and owners (Riyadi et al., 2018). Therefore, the organization's sustainability depends on its stakeholders' support, so that the company's activity is to seek that support.

According to Law no. 21 of 2008, there are two banking industry categories: the conventional banking industry and the Islamic banking industry. Referring to the law, Islamic banks are banks that operate and carry out their business activities based on sharia principles of Islamic law. Furthermore, in establishing sharia principles, Islamic banks must refer to and follow the Indonesian Ulema Council's fatwa (MUI). Therefore, the operational bank of Islamic banks and the central bank or Bank Indonesia (BI) regulations, and the Financial Services Authority (OJK) must comply with the MUI fatwa. In contrast to conventional banks that operate only based on regulations from BI and OJK. Islamic banks' fundamental principle is to provide fair, balanced financial services, provide benefits, and provide services with Universalism values.

Thus, according to Sukmadilaga & Nugroho (2017) dan Ihwanudin et al. (2020), transactions at Islamic banks must be free from MAGHRIB, namely maysir (transactions that contain elements of gambling and speculation), gharar (transactions whose designation is not clear), and riba (transactions that are detrimental to other parties or borrowers where the borrower must return the principal of the loan plus a certain percentage of the principal amount of the loan).

Fundamental principal differences between Islamic banks and conventional banks have implications for the bank's activities' objectives. Islamic banks are banks looking for profit and care about social problems such as poverty, low education, and low quality of health. Apart from the social aspect, Islamic banks also have a responsibility towards environmental sustainability because doing damage in the world is one of the actions that Allah SWT doesn't like. Following Q.S Al-Qashash verse 77: “But seek, through that which Allah has given you, the home of the Hereafter; and [yet], do not forget your share of the world. And do good as Allah has done good to you. And desire not corruption in the land. Indeed, Allah does not like corrupters." Meanwhile, conventional banks carrying out and carrying out their business activities are based on the vision and mission set by all the conventional bank stakeholders.

These differences impact the different perspectives and ways of working employees and stakeholders on performance and its factors. Islamic banks should prioritize profit or ROA and how Islamic banks can alleviate poverty (Nugroho et al., 2020). On the other hand, the productivity of Islamic bank employees should be better than that of conventional bank employees. This is because the purpose of working for Islamic bank employees is to carry out worship (Nugroho and Hidayah et al., 2020). On the other hand, Islamic banks carry out sales promotions on media that are under sharia principles. The marketing communication function of a sharia bank must choose promotion channels that are under sharia compliance.

The company or organization is established to provide added value, both material and non-material. Therefore, all company activities must be able to provide added value to all stakeholders of the company. The banking industry is a financial industry that supports the financial and commercial transaction activities of the public. The public has the confidence to invest and place their money in the bank because banks can manage the funds they collect correctly. One of the performance indicators that a bank can manage its earning assets well is the return on assets (ROA). ROA in banking shows that banks can generate income and manage banking operations efficiently to generate profits, according to agreed targets, and become all stakeholders' commitment (Pelham, 1997). The main business to generate income is channeling its money to the public as working capital or business investment to drive society's economy. The indicator for channeling funds to the public is the loan to deposit ratio (LDR) in conventional banks or the financing to deposit ratio (FDR) in Islamic banks. The better the distribution of funds to the public, the bank's potential to get optimal profit (Sufian, 2009).

The bank must compensate its workers for managing and running the bank's operations on the expenditure side. Therefore, labor costs are an essential element in the bank's sustainability. However, the higher the costs incurred for labor costs, the higher the demand for higher income (Durand, 1952). Therefore, employee productivity is an essential indicator in company operations, including the banking industry (Narwal, 2016).

Also, promotional costs are an essential factor in selling products and services owned by a company and a bank (Mullineaux & Pyles, 2010). Furthermore, banks must increase public trust for their products and services through effective communication (Semuel, 2012). At present, effective communication through social media is one of the primary keys that these products and services are chosen by society (Zhao, Li, He, Wen, & Li, 2016)

3. Methodology

The going concern of the organization, including the banking industry, is very dependent on profit, so this study compares the factors that affect ROA in Islamic banks with conventional banks. Based on the above phenomena and literature review, the framework for this research is as follows

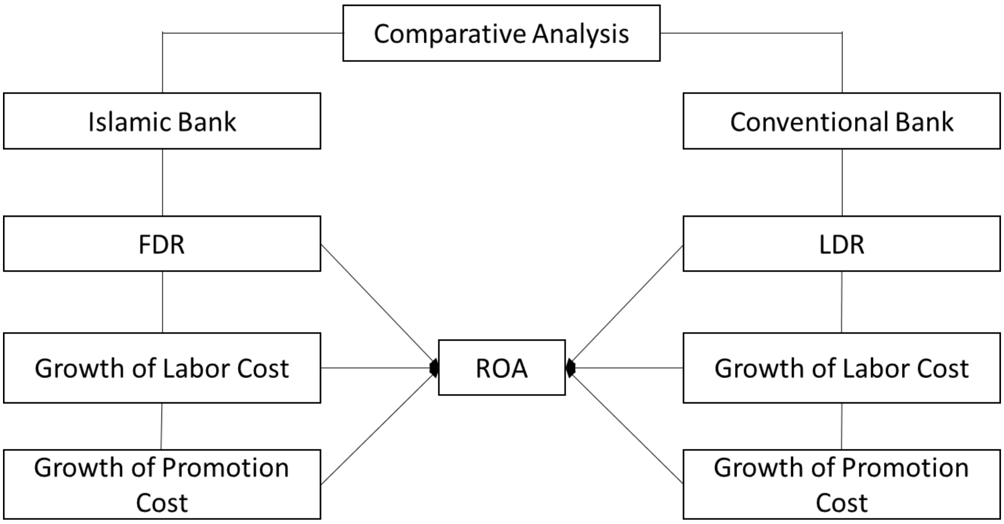

Figure 1. Conceptual Framework

According to Figure 1, the conceptual framework, the research hypothesis is as follows: Ha_1: There is a difference in the effect of FDR on ROA between Islamic banks and conventional banks; Ha_2: There is a difference in the effect of the growth in labor costs on ROA between Islamic banks and conventional banks; Ha_3: There is a difference in the effect of the growth in promotion costs on promotion on ROA between Islamic banks and conventional banks; Ha_4: There are differences in the effect of FDR, growth in labor costs, and promotion costs on ROA between Islamic banks and conventional banks. The data collection period for conventional banks and Islamic banks in four years, namely 2015 to 2018. This study uses data during this period because, when using data in 2019 and 2020, data bias is possible due to the bank's business conditions during the Covid-19 pandemic.

The number of banks taken in this sample is 16 conventional banks and 8 Islamic commercial banks. Therefore, this study's total observation for conventional banks is 64 banks, and Islamic banks are 32 banks. This research uses descriptive quantitative and causal explanatory methods of testing one variable that causes changes in other variables or not (Napitupulu et al., 2020; Nugroho, 2020; Sekaran & Bougie, 2016). The research object is a variable being researched or measured where the objects in this study include: (i) Profitability or Return on Assets (ROA); (ii) Financing to Deposit Ratio (FDR); (iii) Growth in Labor Costs; (iv) Growth in Promotion Costs. Furthermore, the variable formula in this study consists of four variables, as follows:

Profitability Variable

Variable profitability uses ratio scale measurements. Furthermore, the profitability as performance variables of conventional banks and Islamic banks are represented using ROA (Return on Asset). Furthermore, according to Ihwanudin, Wicaksono, et al. (2020), the ROA proxy formula is as follows:

$$ROA = \frac{Profit}{Total\ Asset}$$

Variable Financing to Deposit Ratio (FDR) or Loan Deposit Ratio (LDR)

Financing / Loan to Deposit Ratio (FDR/LDR) is the ratio of the ability of banks, both Islamic banks and conventional banks, to channel the funds they have collected. The ratio representing a bank's capacity to channel financing is the FDR in Islamic banks or LDR in conventional banks. According to Ihwanudin, Wicaksono, et al. (2020), the formula is as follows:

$$FDR/LDR = \frac{Total\ Lending}{Total\ Funding}$$

Labor Cost Growth Variable

In this study, labor costs (BTK) are proxies as the cost of employee salaries and the bank's total allowances and incentives as a reward for their contribution. Moreover, according to Maulida (2019) the formula used for the BTK growth indicator is:

$$\Delta BTK = \frac{BTK}{BTK - 1}$$

Promotion Cost Growth Variable

Promotion costs in this study are costs incurred to market products and services from the Bank. According to Maulida (2019), the formula used for the approximation of promotion cost growth is:

$$\Delta Promotion\ Cost = \frac{Promotion\ Cost}{Promotion\ Cost - 1}$$

4. Results and Discussion

4.1 Determinants of ROA in Islamic Banks

After the classical test has been carried out and has met the requirements for the panel data multiple regression tests, the following data are obtained:

Table 1. Statistical Value the Coefficient of Determination, F-test, and t-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.832331	0.543349	7.053173	0.0000

FDR/LDR	0.230464	0.089671	2.570094	0.0158
BTK	-0.016649	0.007015	-2.373477	0.0247
Promotion Cost	-0.290673	0.141024	-2.061153	0.0487

R-squared	0.385467	Mean dependent var	3.343125
Adjusted R-squared	0.319625	S.D. dependent var	1.231931
S.E. of regression	1.016157	Akaike info criterion	2.986401
Sum squared resid	28.91209	Schwarz criterion	3.169618
Log likelihood	-43.78242	Hannan-Quinn criter.	3.047132
F-statistic	5.854361	Durbin-Watson stat	1.835018
Prob(F-statistic)	0.003098		

Source: Software Eviews 9

Based on table 1 above, it is known that the results of the F test of all financing, distribution variables, labor cost growth (BTK), and promotion cost growth have significant implications for ROA. This is because the Prob (F-statistic) is 0.003098 <0.05 (table 1). While the formula for the equation results from the T-test is as follows:

$$ROA = 3.832 + 0.230FDR - 0.016BTK - 0.290\ Promotion\ Cost + \ e \qquad (1)$$

According to table 1 and equation (1), each independent variable influences the ROA variable as follows:

- Financing disbursement proxied by FDR has a positive and significant effect on ROA. This is because the Prob FDR value is 0.015 lower than 0.05. Therefore, the greater the distribution of financing, will have implications for an increase in profit or ROA (Nugroho et al., 2019). Based on the results of the statistical test, the hypothesis Ha1 can be accepted. Thus, to get optimal ROA, Islamic banks must have the ability to market their financing products. Islamic bank financing products are still the main product of Islamic banks in generating income, both margin income and profit-sharing (Ihwanudin, Maulida, et al., 2020; Nugroho, Ghazali, et al., 2020). Furthermore, in channeling financing, there are risks that Islamic banks will bear in the future if the debtor is unable to pay or has terrible faith. Mitigation of moral hazard and asymmetric information means that the account officer of a sharia bank must carry out an adequate business feasibility analysis to reduce the potential for future risks (Nugroho & Malik, 2020; Nugroho, Villaroel, & Utami, 2018).

- The growth in labor costs has a negative and significant effect on ROA. This is because the Prob value is 0.024, which is lower than a significance level of 0.05 (table 1). Therefore the hypothesis Ha2 can be accepted. Furthermore, based on statistical tests, Islamic banks must control their labor costs because the higher the growth in labor costs will have implications for the decreased performance or ROA of Islamic banks. Islamic banks that following sharia principles must be more productive than conventional banks. The employees in Islamic banks should believe that work is a part of worship (Bhatti, Aslam, Hassan, & Sulaiman, 2016). Moreover, work aims to benefit society (Arafah & Nugroho, 2016; Vizano, Utami, & Johanes, 2021).
- The growth of promotional costs has a negative and significant impact on ROA. The higher the cost of promotion, the more impact the decline in performance is proxied by ROA. This is because the Prob value is 0.048, which is lower than a significance level of 0.05, so that the hypothesis of Ha3 can be accepted (Table 1). Thus, Islamic banks' promotional costs were not able to generate optimal profits. There is a possibility that the promotional mechanisms carried out by Islamic banks have not been right on target (Irfan Harmoko, 2017).

As for the overall independent variables, both the distribution of financing (FDR), the growth of labor costs (BTK), and the growth of promotional costs simultaneously have an effect of

0.3196 or 31.96% (Adjusted R-squared) on ROA (table 1). Meanwhile, 68.1% are influenced by other variables.

4.2 Determinants of ROA in Conventional Banks

Data processing results using multiple regression panel data for conventional banks are carried out after fulfilling all the classical test provisions. The results of the data processing are as follows:

Table 2. Statistical value the coefficient of determination, F-test, and t-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.518430	0.424761	8.283312	0.0000
FDR/LDR	0.198736	0.063005	3.154291	0.0025
BTK	-0.013551	0.006639	-2.041169	0.0456
Promotion Cost	0.071819	0.034662	2.071975	0.0426
R-squared	0.295736	Mean dependent var		3.566094
Adjusted R-s(quared	0.260523	S.D. dependent var		1.163540
S.E. of regression	1.000561	Akaike info criterion		2.899460
Sum squared resid	60.06730	Schwarz criterion		3.034390
Log likelihood	-88.78270	Hannan-Quinn criter.		2.952615
F-statistic	8.398456	Durbin-Watson stat		1.024626
Prob(F-statistic)	0.000095			

Source: Software Eviews 9

According to table 2 above, it is known that the Prob value. (F-statistics) That is 0.000095 <0.05, which means all independent variables, including the distribution of financing (FDR), labor cost growth, and promotion cost growth, simultaneously significantly affect the ROA variable. While the formula for the equation results from the T-test is as follows:

$$ROA = 3.518 + 0.198LDR - 0.013BTK + 0.071\ Promotion\ Cost +\ e \tag{2}$$

According to table 2 and equation (2), each independent variable influences the ROA variable as follows:

- Lending disbursement (LDR) to conventional banks positively and significantly affects these conventional banks' ROA. Thus, the better the function of lending, it will have implications for an increase in ROA from conventional banks. This is because the LDR Prob value is 0.025, which is lower than a significance level of 0.05 so that the hypothesis of Ha1 can be accepted. Conventional banks must manage credit well so that bank performance or ROA has an optimal ratio. Several ways to mitigate credit are adequate analysis of account officers, good willingness to pay from customers, and intensive credit monitoring (Brown & Zehnder, 2007; Ding & Abdulai, 2018; Hoffmann & Kleimeier, 2021).
- Furthermore, the growth in conventional banks' labor costs has a negative and significant effect on the bank's ROA. This is indicated by the value of the probability of growth in labor costs (BTK) is 0.044, which is lower than a significance level of 0.05. The hypothesis of Ha2 can be accepted. Conventional banks must control labor costs so that ROA can be optimized so that all conventional bank stakeholders have trust in their fund placement (Muniarty et al., 2020; Schanz, 2009).
- Promotion cost growth has a positive and significant effect on ROA. This is because the probability value for the growth of promotion costs is 0.042, which is lower than the 0.05 significance level. Thus, the hypothesis of Ha3 can be accepted, and where the higher the growth in promotional costs, it will impact the increase in the conventional bank's ROA. In other words, the promotion target of conventional banks has been effective or right on

target. It has implications for an increase in opinion to directly increase conventional banks' ROA (Teck Weng & Cyril de Run, 2013).

Furthermore, based on table 2 above, it is known that the value of the coefficient of determination (adjusted R-squared) is 0.2605. This value can be interpreted as the distribution of financing (FDR), growth in labor costs (BTK), and growth in promotional costs simultaneously or jointly affect ROA of 26.05%. Other factors influence the remaining 73.95%.

4.3 Comparison Analysis of ROA Determinants Islamic Bank VS Conventional Banks

The factors that affect ROA in both Islamic banks and conventional banks, which include: distribution of financing (FDR), growth in labor costs (BTK), and growth in promotional costs, simultaneously have a significant effect. However, if it is analyzed based on each variable, there are differences which include the following:

- The distribution of financing to Islamic banks has a positive and significant effect on ROA. Likewise, lending to conventional banks has a positive and significant effect. This is because the bank's primary business is channeling funds to the public, resulting from accumulating savings from the community. Islamic banks' primary income is margin income and profit-sharing from the distribution of financing under a sale-purchase agreement or financing under a cooperation agreement (Huda, 2012). Meanwhile, the primary income of conventional banks is interest income from lending. In Islamic banks and conventional banks, income from lending reaches around 80% (Bahnsen et al., 2015; Suprapty et al., 2021). The rest can be in the form of fee-based income from other bank services such as remittance fees, loan administration fees, mobile banking usage fees, internet banking fees (Uppal, 2010). Therefore, both Islamic banks and conventional banks rely on income from distributing their funds to the public. Therefore, the banking industry must maintain the quality of the distribution of these funds (Hang, Ha, & Thanh, 2020; Nugroho, Villaroel, & Utami, 2017). According to Nugroho & Malik, (2020), to maintain the quality of disbursement of funds, the banking industry must have the ability to analyze the distribution of these funds to mitigate risks in the future to provide optimal income for banks.

- Furthermore, the growth in labor costs in Islamic banks and conventional banks has a negative and significant effect on ROA. Therefore, the banking industry, both Islamic banks and conventional banks, must increase their employees' productivity. Also, in the era of VUCA (volatility, uncertainty, complexity, and ambiguity) and the industrial revolution 4.0, innovations in digital and information technology are needed, reducing the number of employees in the banking industry. According to Banker et al. (1995), labor costs are the most significant portion of overhead costs, and increasing employee productivity will impact the banking industry's cost-efficiency. Based on these conditions, the banking industry, both Islamic banking and the conventional banking industry in the future, must consider the number of employees they currently have. Furthermore, employees in the banking industry must innovate and demonstrate creativity and marketing skills where the impact public wants to purchase the products they have created.
- However, it is different from the impact of the growth in promotion costs on ROA. The growth of conventional bank promotion costs has a positive and significant impact on ROA. Therefore, the promotional activities carried out by conventional banks have succeeded in boosting the sales growth of conventional bank products and increasing their income. Thus, the cost of promotion effectively has significant implications for the increase in ROA. Conversely, the growth in promotion costs in the Islamic banking industry has a negative and significant effect on ROA. Thus, Islamic banking's promotional activities were not on target, so that they have not been able to increase sales of products from Islamic banks. There are several possibilities that Islamic banks' promotional activities will have a negative and significant impact, namely: (i) Public

understanding of Islamic products is still low compared to conventional banks. According to data from the Financial Services Authority (OJK), Islamic financial literacy is still very low, amounting to 8.93%, while financial literacy is 38% (Intan & Yolandha, 2020); (ii) The number of outlets of Islamic banks is still limited compared to conventional bank outlets. The total number of Islamic bank outlets as of December 31, 2020, only reached 2034 outlets, while conventional banks were 28,699 outlets (OJK, 2020).

Based on the discussion of the ROA determination in the aspect of financing distribution, growth in labor costs have the same behavior where the distribution of financing to Islamic banks and conventional banks has a positive and significant influence on ROA. However, on the other hand, the growth of labor costs will have a negative and significant impact on ROA both in Islamic banks and conventional banks. Therefore, for both Islamic banks and conventional banks to improve their profitability indicators (Return on Asset), Islamic banks and conventional banks must channel their funds derived from the community in the form of loans and financing. Thus, the funds obtained from the community become productive assets and provide optimal profits. In addition, for the aspect of labor cost growth, both Islamic banks and conventional banks have a negative and significant influence which means that the increase in labor costs will impact the decrease in ROA. Thus, the productivity of Islamic bank employees and conventional banks is still low. Therefore, increasing employee productivity takes efforts from Islamic banks and conventional banks to provide motivation, development of employee knowledge, and even optimal welfare improvement to be more innovative, creative, and passionate in carrying out their work activities. However, on the influence of increased promotional costs between Islamic banks and conventional banks, there is a difference in influence. The increase in promotional costs at Islamic banks has a negative and significant effect. If there is an increase in promotional costs at Islamic banks will have an impact on reducing profitability. Thus, Islamic banks' management and use of promotional costs has not been on target and has not been effective.

5. Conclusion

The Islamic banking industry and conventional banks are almost identical. This is indicated by analyzing three variables that can affect the performance (ROA) of Islamic banks and conventional banks. These variables include the distribution of financing (FDR), growth in labor costs (BTK), and promotion costs. These three variables simultaneously have a significant effect on the ROA of Islamic banks and conventional banks. However, when analyzed further, these variables affect ROA with the following explanation:

- The distribution of financing to Islamic banks and conventional banks affects the bank's ROA. The effect of loan distribution (FDR/LDR) on ROA is positive and significant. Thus the better the intermediation function of Islamic banks and conventional banks will impact improving performance (ROA);
- The growth in labor costs in Islamic banks and conventional banks affects these banks' ROA. The effect of growth in labor costs (BTK) is negative and significant. Thus, the higher the growth in labor costs (BTK), will lower the performance (ROA). Therefore, the banking industry must consider the current workforce with its phenomena, namely the VUCA era and the 4.0 industrial revolution. With the VUCA era and the 4.0 industrial revolution, the banking industry will tend to use digital services and reduce the number of physical outlets to digital outlets, so it is predicted that the number of workers in the banking sector will also experience a downward trend;
- There are differences in the growth in promotion costs between Islamic banks and conventional banks. Sharia bank promotion cost growth has a negative and significant effect on performance (ROA). On the other hand, the growth of conventional bank promotion costs has a positive and significant effect on performance (ROA). Regarding these differences, conventional banks' performance (ROA) is supported by a promotion strategy that is right on target, a good marketing communication function, and an excellent

public response to conventional bank products. On the other hand, as newcomer banks with a limited number of outlets and low Islamic financial literacy, Islamic banks have not optimized their promotion and communication functions optimally.

This research implies that Islamic banks must collaborate with the government and educational institutions (triple-helix collaboration) to increase the effectiveness of promotions so that they can impact performance or return on assets.

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