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THE EFFECT OF RISK BASED CAPITAL ON THE PROFITABILITY OF INSURANCE COMPANIES REGISTERED WITH THE FINANCIAL SERVICES AUTHORITY

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Abstract
This research aims to determine the development of Risk Based Capital, profitability, and the effect of Solvency Rate Limit (RBC) on profitability in Syariah Unit Insurance registered with the Financial Services Authority. This research is a quantitative research, and the source of data obtained is secondary data. The population is 25 Syariah Unit General Insurance companies registered with Financial Services Authority (OJK). This research sample uses a purposive sampling technique by 9 Syariah Unit General Insurance companies registered with OJK using annual financial statements in accordance with the variables used during the period (2018-2023). The data analysis uses multiple linear regression analysis with a constant of 41.513 which means, if the Risk Based Capital variable is fixed, then the Return On Asset will increase by 41.513 and the regression coefficient value for the Investment variable in the regression equation shows a positive value of 0.023 X, this means that if the Risk Based Capital variable is fixed, then the Return On Asset variable will increase by 0.023. The Coefficient of Determination (R) for Risk Based Capital on Return On Asset is 0.609, then for the Risk Based Capital variable on Return On is 0.515. And the Analysis of the Hypothesis Test is known that Risk Based Capital (X) shows at an alpha coefficient of 5% (t-stat = 3.119 > 1.674) and prob. 0.006 < 0.05. So the hypothesis is accepted, namely Risk Based Capital has a significant effect on Return On Equity in the Alpha 5% Syariah unit insurance company.

Keyword*: Risk Based Capital; Profitability; Financial Services Authority*

INTRODUCTION

Syariah insurance is believed to be able to meet the risks that people always face in all aspects of life, thereby protecting themselves or family members and property from events that can harm or destroy their life goals. Syariah insurance emerged with the principle of muamalah based on the principles of morality and justice, which is in accordance with Islamic syariah and is more beneficial. The development of a healthy and competitive syariah insurance industry continues to be carried out by the Indonesia government. The Government of Indonesia will continue to develop a competitive syariah health insurance industry. One of them, the government issued regulations on the financial health of insurance companies and insurance companies in the form of Minister of Finance Regulation (KMK) 424/KMK.06/2003. According to the Decree of the Minister of Finance No. 424/KMK.06/2003 in Article 3 it is stated that: "Risk-based minimum capital is the amount of funds needed to anticipate the risk of losses that may arise as a result of deviations in asset management and liabilities". Therefore, the risk-based minimum capital is also popularly known as the Minimum Solvency Level Limit, which is measured by Risk Based Capital. The solvency level is described in the achievement ratio (RBC).

According to Pramestika (2019), the concept of RBC is different in conventional insurance and syariah insurance. Conventional insurance applies the principle of risk transfer, so the company must have sufficient solvency to handle future liabilities/claims. However, syariah insurance companies do not cover participant claims, but carry out the concept of risk sharing which is borne by Risk Based Capital. The company carries out its function to measure the ability of a company or syariah unit to provide relief in the event of a deficit of tabarru funds. Therefore, if the minimum solvency level is less than 120% of the funds needed to overcome the risk of losses that may arise as a result of deviations in asset management and liabilities, then in accordance with the regulation of the Minister of Finance in PMK No. 424/KMK.06/2003 insurance companies are obliged to submit a financial recovery plan and prohibit the distribution of dividends to shareholders or compensation in any form. Moreover, if the solvency rate of syariah insurance companies is less than 40%, the company will be subject to the first and last warning sanctions.

Sunyoto & Putri (2017) explained that the financial statements of insurance companies are greatly influenced by estimation elements, for example the amount of premiums that are not yet income (unearned premium). According to IAI (2018) Financial Accounting Standard [PSAK] No. 30 concerning Loss Insurance Accounting, 1994), the income statement is greatly influenced by the element of estimation, for example the estimate of the amount of premiums that are not yet income (unearned premium income). Financial statements are heavily influenced by the element of estimation, the amount of premiums that are not yet income (unearned premium). In addition, profit and loss is one of the main components in the formation of return on assets (ROA). return on assets (ROA) is calculated from net profit before tax with total assets. The increase in the attractiveness of the company makes the company more attractive to investors, because the rate of return will be even greater. This will also have an impact that the share price of the company in the Capital Market will also increase so that ROA will affect the company's share price. (Rinati, in Fitriani, 2021).

Munawir (2004) argues that the company's financial performance is one of the bases for assessing the company's financial condition based on the analysis of the company's financial ratio. Interested parties urgently need the results of measuring the company's financial performance to be able to see the company's condition and the company's success rate in carrying out its operational activities. By comparing financial ratios in several assessment years,

it can be seen how the progress or decline of financial performance is in accordance with the usefulness of each ratio. In accordance with the Decree of the Minister of Finance Number 53/PMK.10/2011 Article 2 paragraph 1, insurance companies and reinsurance companies are at all times obliged to meet the solvency level of at least 120% (one hundred and twenty percent) of the risk of losses that may arise as a result of deviations in the management of wealth and liabilities. In accordance with the Regulation of the Minister of Finance, No. 11/PMK/0.10/2011 stipulates that the solvency level of the tabarru fund (syariah premium) of syariah insurance companies is at least 30% of the funds needed to anticipate the risk of losses that may arise due to deviations in the management of wealth/liabilities.

Every insurance company wants to achieve a predetermined target, namely achieving the Risk Based Capital required by the government and also achieving a high level of profitability (ROA) to meet the interests of the company and investors. To be able to achieve the required Risk Based Capital, insurance companies will tend to avoid absorbing risks that are too high. In the relationship between Risk Based Capital and profitability (ROA), there is a situation where a certain circumstance, the interest of Risk Based Capital is in accordance with the profitability interest (ROA) of a company in its operations, the level of performance or efficiency and effectiveness of the resources of the insurance company, one of which is the assessment of Risk Based Capital to determine how much profitability level in the company. In addition to the uncertain economic conditions in Indonesia, the challenge that must also be faced by syariah insurance is the issue of capital. This is because it is very closely related to risk absorption. The greater the risk absorbed, the greater the capital that must be owned. Considering that the funds collected by insurance companies are community funds, Syariah Insurance companies are required to manage risks and investments in a professional, responsible and in accordance with syariah principles. This will lead to the health of the syariah insurance business. The assessment of business health in syariah insurance is indeed very important to ensure the interests of policyholders as insured parties as well as for the company's resilience to the current global conditions that must be faced. Related with the background described above, this research takes the title "The Effect of Risk Based Capital on the Profitability of Syariah Unit Insurance Companies Registered with the Financial Services Authority" to determine: (1) Does Risk Based Capital have a significant effect on Return On Asset in Syariah Unit Insurance Registered with the Financial Services Authority?, (2) Does Risk Based Capital have a significant effect on Return On Equity in Syariah Unit Insurance Registered with the Financial Services Authority?

METHOD

This research uses quantitative approach research. Quantitative Research Approach is a research that emphasizes more on the aspect of objective measurement of social phenomena. To be able to make measurements, each phenomenon is described into several components of the problem, variables and indicators. Where the data used, the data for the previous five years is 2018-2023. To calculate how much the variable (X) affects (Y). This research uses a type of quantitative data, namely data that is calculated using numbers, which is obtained from financial statements that have been published in the www.ojk.co.id in the form of financial statement documents consisting of balance sheet statements, profit/loss and financial health levels. The data sources used by the researcher is secondary data, namely data obtained in a ready-made form, financial statement data that has been collected and processed by other parties, data that is directly related to the research. The population in this study is all Syariah Unit Insurance companies registered with the OJK in 2018-2023 as many as 25 companies. The sample of this research is Family Takaful Companies registered with the Financial Services Authority (OJK), the

period from 2018 to 2023 which is determined using purposive sampling so that 8 companies were obtained.

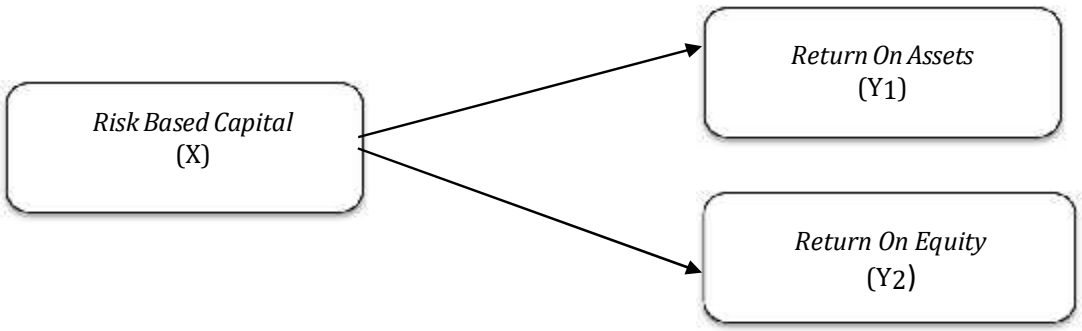

Figure 1. Conceptual Framework

The data in this research were analyzed and tested by descriptive statistical analysis, classical assumption test, and regression analysis for research hypothesis testing.

RESULT

Normality Test Results

The normality test used is the Kolmogorov Smirnov test to see whether a data can be said to be normal or not, assuming that if the significant value produced > 0.05, then the distribution of the data can be said to be normal.

Tabel 1. Normality Test Results

		Risk Based Capital	Return On Asset	Return On Equity
N		9	9	9
Normal Parameters[a,b]	Mean	231,6667	46,8387	36,7298
	Std. Deviation	72,20725	101,00954	42,57672
Most Extreme Differences	Absolute	,121	,321	,230
	Positive	,093	,296	,230
	Negative	-,121	-,321	-,194
Test Statistic		,121	,321	,230
Asymp. Sig. (2-tailed)		,283[c]	,118[c]	,422

Based on the table of normality test results, it can be seen that the output produced from each variable has a significant value > 0.05, namely the Risk Based Capital variables 0.283 > 0.05, Return On Asset 0.118 > 0.05 and Return On Equity 0.422 > 0.05 which means that the data is normally distributed.

Simple Linear Regression

Simple linear regression analysis is used to obtain regression equations by including changes one after the other, so that the strongest to weakest influences can be known. To determine the regression equation and see the influence of variables, it can be seen based on the results of the t-test and the determinant test. The regression equation between the Risk Based Capital variable and Return On Asset in this study is as follows.

Table 2. Statistical t-Test between Risk Based Capital Variables and Return On Asset

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	41,513	47,028		3,883	,001
	Risk Based Capital	,023	,194	,016	3,119	,006

a. Dependent Variable: Return On Asset

The regression equation between the Risk Based Capital variable and the Return On Asset of this study is:

$$Y_1 = a + b_1X_1 + e$$
$$Y_1 = 41{,}513 + 0{,}023 + e$$

Based on the results of the equation above, this reseach can mean:

1. Constant of 41.513 which means, if the Risk Based Capital variable is fixed, then Return On Asset will increase by 41.513
2. The value of the regression coefficient for the Investment variable in the regression equation shows a positive value of 0.023 X, this can be interpreted that if the Risk Based Capital variable is fixed, then the Return On Asset variable will increase by 0.023.

Tabel 3. Statistical t-Test between Risk Based Capital Variables and Return On Equity

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	46,752	19,772		2,365	,022
	Risk Based Capital	,143	,082	,073	2,130	,038

a. Dependent Variable: Return On Equity

The regression equation between the Risk Based Capital variable and the Return On Equity of this research is:

$$Y_2 = a + b_1X_1 + e$$
$$Y_2 = 46{,}752 + 0{,}143 + e$$

Based on the results of the equation above, the results of the segregation equation in this study can mean:

1. A constant of 46.752 which means, if the Risk Based Capital variable is fixed, then the Return On Equity will increase by 46.752
2. The value of the regression coefficient for the Investment variable in the regression equation shows a positive value of 0.143 X, this can be interpreted that if the Risk Based Capital variable is fixed, then the Return On Equity variable will increase by 0.143.

Determinant Test Analysis (R^2)

The determinant test is used to measure the extent of the model's ability to explain the variation of dependent variables that show in Table 4.

Table 4. Determinant Test (R^2) of Risk Based Capital Variables on Return On Asset

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,716[a]	,609	,519	101,96239

a. Predictors: (Constant), Risk Based Capital
b. Dependent Variable: Return On Asset

Based on Table 4, it is known that the R2 value for the Risk Based Capital variable to Return On Asset is 0.609. This means that 60.9% Return On Asset (Y_1) can be explained by Risk Based Capital (X). While the remaining 39.1% is explained by other reasons outside the model.

Table 5. Determinant Test (R^2) of Risk Based Capital Variables on Return On Equity

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,673[a]	,515	,414	42,86832

a. Predictors: (Constant), Risk Based Capital
b. Dependent Variable: Return On Equity

The results of the determinant test of the Risk Based Capital variable on Return On Equity can be seen in Table 5 which shows a value of 0.515. This means that 51.5% Return On Equity (Y_2) can be explained by Risk Based Capital (X). While the remaining 48.5% is explained by other reasons outside the model.

DISCUSSION

1. The Effect of Risk Based Capital on Return On Asset in Syariah Unit Insurance Companies.

Based on the results of the analysis, it can be seen that Risk Based Capital (X) shows an alpha coefficient of 5% (t-stat = 3.119 > 1.674) and prob. 0.006 < 0.05. So the hypothesis is accepted, namely Risk Based Capital has a significant effect on Return On Asset in the Alpha 5% Syariah unit insurance company. Regulation of the Minister of Finance (KMK) 424 / KMK.06 / 2003. One of the contents stipulates that every Insurance and Reinsurance company in Indonesia must achieve a solvency level of at least 120%. The level of health (solvency) of Indonesia insurance companies depends on the value of the capital at risk ratio (RBC). The ability to maintain the RBC level will affect the insurer's ability to maintain its image, especially its financial health. A company's financial performance can be said to be a measure of how efficient and effective the company's activities have been carried out in managing existing financial resources in a certain period. The assessment of the company's financial performance that has been carried out can be used as a basis for public decision-making to become one of the customers in the company. Risk Based Capital is one of the indicators used by the public to assess whether a company has a healthy financial condition or not. The better the Risk Based Capital owned by the company, the higher the level of trust in the company and this will have an impact on the loss of people's credibility to become the company's customers. The more people who become customers, the more people will have an impact on increasing the company's profitability, one of which can be measured through Return On Asset. Thus, it can be said that Risk Based Capital has a significant influence on Return On Asset, which means that the higher Risk Based Capital, the higher the Return On Asset owned by the company.

2. The Effect of Risk Based Capital on Return On Equity in Syariah Unit Insurance Companies

Based on the results of the analysis, it can be seen that Risk Based Capital (X) shows an alpha coefficient of 5% (t-stat = 2.130 > 1.674) and prob. 0.038 < 0.05. So the hypothesis is accepted, namely Risk Based Capital has a significant effect on Return On Equity in the Alpha 5% Syariah unit insurance company. The company carries out its function to measure the ability of a company or syariah unit to provide relief (qardh) in the event of a deficit of funds that are tabarru'. Therefore, if the minimum solvency level is less than 120% of the funds needed to overcome the risk of losses that may arise as a result of deviations in asset management and liabilities, then in accordance with the regulation of the Minister of Finance in PMK No. 424/KMK.06/2003. Insurance companies are required to submit a financial recovery plan and prohibit the distribution of dividends to shareholders or compensation in any form. The company's ability to generate profits will depend on the company's ability to manage existing assets and liabilities quantitatively. As a guide for customers to analyze whether the company has enough capital or not if a person or a group of people buys a policy from the company. The results of the analysis of financial ratios and Risk Based Capital can be used to assess the financial performance of insurance companies. If the public considers the Risk Based Capital owned by the company to be too small, the company will lose potential customers. This is because it will cause concerns about default on claims made by customers. The impact of this concern will reduce the company's profit level, one of which is derived from the company's Return on Equity. Thus, it can be said that Risk Based Capital has a significant influence on the change in the return on equity that the company chooses.

CONCLUSION

Based on the results and discussion of the research, the conclusions in this study are:

1. Risk Based Capital (X) shows an alpha coefficient of 5% (t-stat = 3.119 > 1.674) and prob. 0.006 < 0.05. So the hypothesis is accepted, namely Risk Based Capital has a significant effect on Return On Asset in the Alpha 5% Syariah unit insurance company. The relationship between Risk Based Capital and Return On Asset can be said that Risk Based Capital has a significant influence on Return On Asset.
2. Risk Based Capital (X) shows an alpha coefficient of 5% (t-stat = 2.130 > 1.674) and prob. 0.038 < 0.05. So the hypothesis is accepted, namely Risk Based Capital has a significant effect on Return On Equity in the Alpha 5% Syariah unit insurance company. The relationship between Risk Based Capital and Return On Equity can be said that Risk Based Capital has a significant influence on the change in Return on Equity owned by the company, the higher the Risk Based Capital of the company, the higher the Return on Equity owned by the company.

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