Jurnal Ekonomi dan Bisnis, Vol. 14 No. 1 Maret 2025
P - ISSN : 2503-4413
E - ISSN : 2654-5837, Hal 176 – 198

The Impact Of Corruption, Economic Freedom, Governance, Inflation And Economic Growth On Bank Profitability: Evidence From The Asean

Diyah Ajeng Styawati
Faculty of Economic, State Islamic University Maulana Malik Ibrahim Malang, Indonesia

Kurniawati Meylianingrum
Faculty of Economic, State Islamic University Maulana Malik Ibrahim Malang, Indonesia

Corresponding Author
Diyah Ajeng Styawati
diyahajengst@gmail.com

ARTICLE INFO

Article history:

Received:
18 October 2024
Revised:
04 March 2025
Accepted:
27 March 2025

ABSTRACT

Sharia banking in the ASEAN region is increasingly needed to run a country's economy. This research collected samples from Sharia banking in the ASEAN region. The data taken was obtained from each banking website used as a sample. The reason for choosing Sharia banking from various countries in ASEAN is that it allows them to represent the diversity of economic conditions, governance, and culture in the region. Therefore, the author wants to know whether there is a significant influence if the analysis is aimed at Sharia banking companies in the ASEAN region. The method used in this research is multiple linear regression using a quantitative approach. This research found that corruption and inflation had a significant positive effect on bank profitability, and economic growth significantly negatively affected bank profitability. Meanwhile, the variables of financial freedom and governance do not substantially impact bank profitability.

Keywords: Profitability, Corruption, Macroeconomics

This is an open access article under the CC–BY-SA license.

INTRODUCTION

Sharia banking is present as an option and solution for the Muslim community who want to carry out saving or investment activities that avoid financial systems that smack of usury (Budiono 2017). As an Islamic financial institution, in its operations, Islamic banks apply principles that are in line with Islamic law and avoid usury to carry out Allah's commands in economic activities and transactions (Kolistiawan 2017). However, in real conditions in the practice of Islamic banking, there are still inconsistencies with the rules set by Sharia in financial management (Budiono 2017). The growth of Islamic bank has expanded in Indonesia and extended across the ASEAN region. However, several countries in ASEAN still have poor Islamic financial performance with specifications such as having non-halal income, and not providing profit-sharing products, namely Thailand and the Philippines (Maulana 2023). Meanwhile, Brunei Darussalam was the country with the best sharia financial management in ASEAN, followed by Malaysia and Indonesia (Maulana 2023). Meanwhile, in addition to achieving profitability and good financial management by Sharia principles, Islamic banking will inevitably continue to be at odds with global problems that affect various sectors, including corruption (Pringgasakti and Zulfiani 2024). In the context of Islamic Banking, corrupt practices such as abuse of authority, embezzlement of funds, or collusion can damage the bank's reputation, reduce public trust, and even endanger the sustainability of its operations (Nugroho et al. 2020). In each country, the corruption level can be seen through the CPI (Corruption Perspectives Index) by looking at the scores and rankings determined by Transparency International (Al Hazmi 2024). The Corruption Perceptions Index (CPI) released by Transparancy International, assesses the perceived levels of corruption within the public sector worldwide. Countries with low corruption scores show higher levels of corruption and vice versa (Faldi 2021).

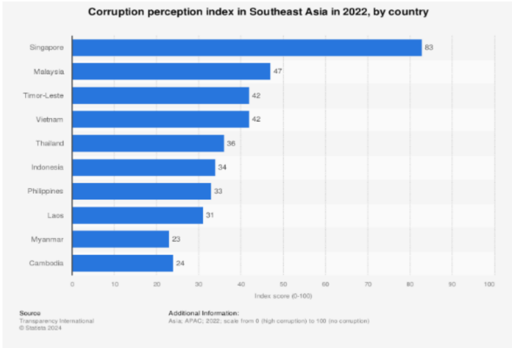


Figure 1

ASEAN Corruption Perception Index (CPI).

Source: Transparency International Stastita 2024

Figure 1 shows the CPI score for each country in the ASEAN region, with the highest CPI score being Singapore (83). In contrast, the lowest CPI score was Myanmar (23), published by Transparency International (TI) in 2022. Other countries in ASEAN still have CPI scores below 50, that indicates a relatively high level of corruption Countries with high levels of corruption tend not only to have an impact on government but also economic growth, economic development, and the financial health of banking (Asteriou et al., 2021), (Lamijan and Tohari 2022).

The financial health of banking is one factor that reflects the efficiency of banking growth (Munir 2017). Meanwhile, to encourage the growth of Islamic banking, other factors, namely critical and good economic freedom can also be supported (Ningsih 2021). Every country certainly has a spectrum of varying economic freedom, and the development of Islamic banking reflects a positive response to change (Talib, Agrahi, and Slhaoul 2023). Countries such as Indonesia and Malaysia, which have a relatively high level of economic freedom, have become centers of growth for Islamic banks, experiencing an increase in the number of institutions and diversification of products and service (PY Lai & Samers, 2017).

Apart from the common problems experienced, countries in the ASEAN region also have diverse economic conditions and socio-political structures, ultimately attracting investors to invest in ASEAN region countries (Faldi 2021). One of the macroeconomic conditions that often becomes a problem in ASEAN development is inflation. The condition of a country experiencing inflation tends to have a society that carries out aggressive consumption activities. This situation ultimately impacts the community's lifestyle patterns and saving patterns (Fitriani 2022). The fluctuation of saving patterns when inflation occurs on a large scale has resulted in changes in banks' collection of third-party funds (Bakti and Alie 2018). Thus, the bank's profitability will be disrupted (Maidin, Seprianto, and Permatasari 2022). Even so, the role of banking remains crucial and is still needed by society in everyday life to carry out economic activities.

In running a country's economy, a driving force is needed that can impact society and the country. Therefore, the institution that can be one of these driving forces is banking. The Islamic banking and finance sector is experiencing a significant growth in the ASEAN region (Chemala, Abdullah, and Cantika 2019).

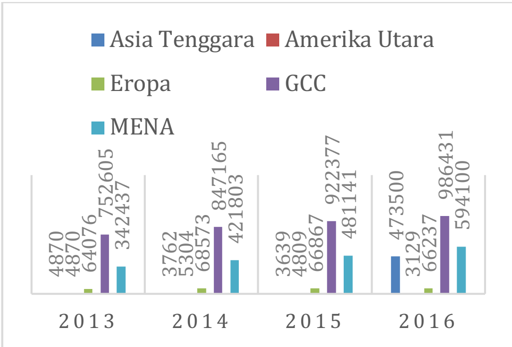


Figure 2

Islamic Financial Assets Chart by Region (US$ Million)

Source: ICD-Thomson Reuters Islamic Finance Development Report, 2018

The picture highlight two ASEAN countries that demonstrate the swift advancement of Islamic banking within the Asia continent. Three regions lead the growth of the Islamic financial industry: ASEAN, the Gulf Cooperation Council (GCC), and the Middle East and North Africa (MENA). Data from 2015 indicates that the total assets held by the Islamic financial sector in ASEAN reached US$ 474 billion, which shows the third rank from the other two regions, namely the MENA and GCC regions. 4 sectors affect the total value of assets owned by ASEAN to reach US$ 188 billion, the 4 sectors include sukuk US$ 215 billion, Islamic financing US$ 20.2 billion, other Islamic financial institutions US$ 41.7 billion, and Islamic insurance US$ 8.6 billion. It can be seen from the data that the total assets of US$ 1,451 trillion owned by Islamic banks have made Islamic banks the main driver of the Islamic economy. Two countries are the owners of the largest Islamic banking assets, namely Indonesia with total assets of US$ 20 billion, and Malaysia with total assets of US$ 160 billion, then other ASEAN countries hold US$ 8 billion.

In addition to the previously mentioned phenomena, this research is motivated by discrepancies in prior studies regarding the effects of corruption, economic freedom, governance, inflation, and economic growth on the profitability of Islamic banks across different sectors. Research by (Rofika, Budianto, and Dewi 2023) indicates that low levels of corruption can be advantageous for Islamic banks, enhancing their access to funding sources and business opportunities. However, this finding contrasts with (Balguzhina and Irani 2024) studies which state that corruption does not impact bank profitability. Regarding economic freedom, research (Tiffani et al. 2024) highlighted that a high level of economic freedom can boost the profitability and stability of Islamic banks by fostering innovation, promoting product diversification, and driving efficiency through health competition. However, research (Gözübüyük, Kock, and Ünal 2020) show that excessive or uncontrolled economic freedom can bring systemic risks and exploitative practices that are detrimental to the stability and reputation of the Islamic banking industry. In addition, proper state governance will be able to influence bank profitability with the system implemented in a country, which will influence the ability of banks to generate profitability (Asteriou et al., 2021). However, another opinion from the research (Mollah et al. 2019) said that governance does not have an impact on bank profitability. Then in the study (Dithania and Suci 2022) explained about inflation, which has proven to affect bank profitability significantly. Meanwhile, (Muzakki 2024) said another thing, namely that using a different year period proves that inflation does not impact bank profitability. In addition, there is also a gap in Research related to economic growth. Namely according to (Syarifa Nasution, Syafii, and Naomi Sitompul 2023) The increase in income will increase the bank's profitability because the funds channeled by the public for savings will be more significant. However, this is different from the research results (Valzsa and Rahmi 2022) which states that the rise and fall of economic growth does not impact profits obtained by banks.

Thus, based on phenomena such as the inconsistency of sharia practices implemented by banks, high levels of corruption that can disrupt public and investor trust, fluctuations in people's saving patterns in banks due to inflation, macroeconomic differences in various countries in the ASEAN region, and various research findings on the impact of corruption, economic freedom, inflation, and economic growth on bank profitability indicate that conflicting results require further study, especially in the ASEAN region, the aim of this study is to assess the effect of corruption, economic freedom, governance, inflation, and economic growth on bank profitability, with a focus on Islamic commercial banks in ASEAN. The selection of Islamic banks from various ASEAN countries enables the study to capture the diversity of economic conditions, governance, and cultural backgrounds within the region. Therefore, the author wants to know whether any significance arises if the analysis used is directed at Islamic banking companies in ASEAN.

THEORETICAL FRAMEWORK AND EMPIRICAL STUDIES

1) *Bank Profitability*

Profitability is a company's ability to profit or gain from its operations (Arpinto Ady 2020). It is a crucial indicator of a company's financial health and reflects management's efficiency in using resources to generate revenue (Muhammad Rifki Alfarizi et al. 2024). According to (Fitriani 2022) Bank profitability can be assessed by evaluating how efficiently and productively assets are utilized to generate profits, which is reflected in the Return on Assets (ROA) formula. As stated by (Setiawan and Arrafi 2022) bank profitability can be assessed by examining the Return on Assets (ROA) ratio. ROA serves as an indicator of how effectively bank management oversees its overall assets, providing a means to measure bank profitability using the following formula:

Return on Asset (ROA) = $\frac{Net\ Profit}{Total\ Assets} \times 100\%$

2) *Corruption*

Corruption is an action carried out to enrich oneself by taking profits that exceed the rights granted by the state (Putri 2021). The behavior of people who want to get rich quickly in an instant way, supported by weak laws and regulations, causes corruption in a country (Simanjuntak, Panjaitan, and Efritadewi 2023). In developed and developing countries, corruption is important in showing bank profitability (Bolarinwa and Soetan 2019). In developing countries, the impact of corruption can vary, and positive effects are only found in developed countries. A country’s corruption level can be assessed through Corruption Perception Index (CPI) score (Paramita 2020). (Lana and Khoirudin 2022) also stated that the CPI is accurate in measuring the annual corruption index. To find out the corruption index in each country in the world, you can see it at Transparency International, which publishes the results of a survey related to corruption in each country annually. According to Transparancy International, corruption is assessed through the Corruption Perception Index (CPI), which gauges public perceptions of corruption. This index holds significant international credibility and helps to understand the impact of corruption on a nation's economy. There is another measurement, namely CORR, where the measurement with the CORR index does not include the subjective elements measured by the CPI. At the same time, the CPI itself is perceptual by collecting the views of business actors, academics, and citizens corruption levels in the public sector (Asteriou et al., 2021). This is because the research focuses on the public sectors in ASEAN countries. The Corruption Perception Index is measured on a scale from 0 to 100, with 0 indicating a high level of corruption and 100 reflecting minimal corruption (Al Hazmi 2024).

3) *Economic Freedom*

A society is economically free when it gets government permission to move freely regarding economic activitie (Gwartney et al. 2021). According to (Sufian and Habibullah 2010) research in Malaysia's banking sector suggest that greater economic freedom positively influences profitability, as it allows for increased operational flexibility. This is further supported by (Abbas et al. 2024) and (Asteriou et al. 2021) who also found that economic freedom plays a role in enhancing banking profitability. Economic freedom is assessed through the Index of Economic Freedom, which is provided by The Heritage Foundation (Muhammad Farhan Shaedji 2023). The Heritage Foundation is a number one think tank based in Washington. The economic freedom index is developed from 12 indicators categorized into four main pillars of freedom, the rule of law, size of government, regulatory efficiency, and market openness.

4) *Governance*

Governance is a way to manage public administration, which is how the state manages government or controls economic and social resources to realize community development (Ramadan, 2021). State governance that has a sound system will affect bank profitability (Asteriou et al. 2021). This is reinforced by (Hasan and Ashfaq 2021) who indicate that governance plays a role in shaping the impact of corruption on bank profitability. According to (Asteriou et al. 2021) a more complex approach is used to measure the Governance Index rather than looking individually at the six categories that affect bank performance. According to (Asteriou et al. 2021), countries are ranked on a scale ranging from -2.5 to +2.5 for the six variables. Since there is no published governance index for each country, the average score for these six categories is calculated annually, then adjusted by adding 2.5 doubling the result to obtain an aggregate Worldwide Governance Indicators (WGI) score for each country.

5) *Inflation*

The rise in the price of goods does not necessarily have to be at the same percentage, or the increase may not coincide. Nevertheless, it is still reffered to as inflation when there is a sustained increase in the overall price level of goods over a particular period (Bakti and Alie 2018), (Syahbudi 2018). When a country experiences soaring inflation, it will impact the community's savings and financing patterns because when the price of goods increases, people tend to use their money for consumption (Fitriani 2022). As in the research (Elfaki and Ahmed 2024) this study utilizes consumer price inflation data from the World Bank to measure inflation. The customer price index, which measures inflation, indicates the percentage chage in the average cost for consumers to obtain goods and services, typically assessed at specific intervals, such as annually.

6) *Economic Growth*

Economic growth refers to a situation in which the production of goods and services in a specific country rises, leading to an increase in people's income compared to previous periods (Mulyaningsih 2019). If the GDP in a country increases, the ability of the community to generate income will also increase; this will lead to an increase in savings and investment, which in turn will boost the amount of third-party funds, ultimately enhancing the profitability of Islamic banks (Rahmansyah and Ashar 2023). This statement is supported by research owned by (Nabilah 2024) indicates that robust economic growth positively influences and has the potential to enhance the profitability of Islamic banks. This study employs GDP (Gross Domestic Product) as a measure of economic growth obtained from the World Bank's Financial Development. GDP is the total value added of all goods and services produced by various business sectors within a country, calculated using the prices that prevail during a specific period (Arpinto Ady 2020).

RESEARCH METHODS

This study employs a quantitative research design and adopts an explanatory approach (Abdullah et al. 2022), (Sari et al. 2022). The subjects in this study include all Islamic commercial banks that are established and run their businesses in the ASEAN region, namely 33 Islamic Commercial Banks observed for five years from 2018 to 2022.

Through the purposive sampling technique, the sample for this study comprised 16 Islamic commercial banks in the ASEAN region. The data utilized were sourced from the annual reports of each Islamic commercial bank, which were accessed from their respective websites.

The indicators used in this study are:

1) Independent variable measurement indicators:

   Corruption: CPI (Corruption Perception Index)

   Economic Freedom: HER_IDX (Heritage foundation index of economic freedom)

   Governance: GOV_IDX (Governance Index)

   Inflation: Inflation, consumer prices (annual %)

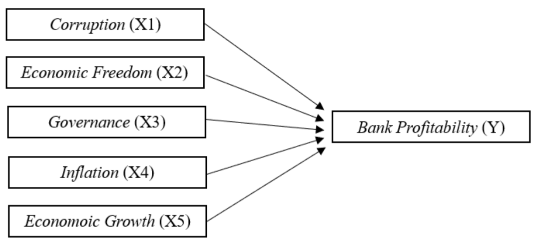
   Economic Growth: Real GDP growth (Annual percent change)

2) Dependent variable measurement indicators:

   Bank Profitability: ROA (Return on Assets

Hypothesis testing is conducted using Panel Data Regression in e-views 12 to analyze data that combines time series and cross-sectional data, also known as as panel data, in order to assets the impact of independent variables on dependent variables (Caraka 2017).

1) *Conceptual Framework*



Source: Author's Processed Data, 20024

2) *Hypothesis*

   H1: Corruption has a significant effect on Bank Profitability

   H2: Economic Freedom has a significant effect on Bank Profitability

   H3: Governance has a significant effect on Bank Profitability

   H4: Inflation has a significant effect on Bank Profitability

   H5: Economic Growth has a significant effect on Bank Profitability

3) Data Analysis Thechniques Panel Data Regression Test

Panel data regression is a method employed to analyze data that integrates both time series and cross-sectional data, referred to as panel data, in order to evaluate the imlfuence of independent variables on dependent variables (Caraka 2017).

RESULT AND DISCUSSION

1) Descriptive Analysis

This study contains 33 populations, namely Islamic general banks in ASEAN. Then, after purposive sampling, 16 samples were found in this study in the form of Islamic general banks in the ASEAN region and N as many as 480. This study's description and explanation of the variables use descriptive analysis techniques. This descriptive analysis intends to find the maximum, minimum, average, and standard deviation values , which are helpful for better understanding a variable (Sulistiyo and Yuliana 2019). The results of the descriptive statistics for this study are presented in Table 1.

Table 1.

Results of Descriptive Statistical Analysis

Variable	Bank Profitability (Y)	Corruption (X1)	Economic Freedom (X2)	Governance (X3)	Inflation (X4)	Economic Growth (X5)
Mean	0.308750	41,47500	68,48000	0.076125	2,397125	3,142500
Median	0.405000	38,00000	67,20000	-0.030000	2,435000	4,600000
Maximum	2,560000	53,00000	74,70000	0.430000	6,080000	8,700000
Minimum	-6,720000	33,00000	61,10000	-0.370000	0.250000	-9,500000
Std. Dev.	1,732136	6,429708	4,163506	0.271029	1.312244	4.019502

Source: Author's Processed Data, 2024

2) Panel Data Regression Model Test

To identify the most suitable panel data regression estimation model for the study, three tests are required, namely by conducting the Chow test, Hausman test, and Lagrange Multiplier Test. According to Table 2, the Cross-section Chi-square probability value is 0.00 which os less than 0.05, this is indicated that the selected model is the FEM model. Additionally, the results obtained are 1.00> 0.05 in the Hausman test, which leads to the acceptance H0 and the rejection of H1. Therefore, the best model selected is REM (Random Effect Model).

Table 2.

Regression Model

No	Test	Results	Criteria	Model
1	Chow	0.0000	Prob < 0.05	FEM
2	Houseman	1,0000	Prob > 0.05	REM

Source: Author's Processed Data, 2024

3) *Classical Assumption Test*

In panel data regression analysis, a classical assumption test must be carried out as a prerequisite before conducting panel data regression analysis, namely the normality test, heteroscedasticity test, and multicollinearity test. However, because the best model selected in this study is a random effect model, only a multicollinearity test must be carried out (Septianingsih 2022). Signs of multicollinearity can be seen from the Variance Inflation Factor (VIF) value; if the VIF value > 10, then it is said that multicollinearity has occurred and vice versa (Septianingsih 2022). Based on Table 3 below, all independent variables exhibit a VIF value of less than 10, meaning they pass the classical multicollinearity assumption test so that they can be continued to the next test.

Table 3.

Classical Assumption Test

No	Test	Variables	VIF
1	Multicollinearity	X1	7,406
		X2	9,179
		X3	6,549
		X4	2,566
		X5	1,484

Source: Author's Processed Data, 2024

4) *Partially Significant Test (Statistical Test)*

Table 4.

T Test

Variables	Coefficient	T-Statistic	Probability
Corruption (X1)	0.134926	2,128620	0.0366
Economic Freedom (X2)	-0.201825	-1.851987	0.0680
Governance (X3)	1.725654	1,220281	0.2262
Inflation (X4)	0.486298	2.659775	0.0096
Economic Growth (X5)	-0.090779	-2,013707	0.0477

Source: Author's Processed Data, 2024

Based on Table 4, the results of the partial test in multiple linear regression are obtained, with decision-making criteria seen from the prob value < 0.05. This means that H0 can be rejected when the prob value > 0.05. Meanwhile, the results obtained in table 4, namely H1, H4, and H5 are accepted while H2 and H3 are rejected.

5) *Coefficient of Correlation and Determination Test ($\boldsymbol{R^2}$)*

Table 5.

The Coefficient of Determination Test

R-Square	0.190400
Adjusted R-Squared	**0.135697**

Source: Author's Processed Data, 2024

Based on Table 5. Above, it can be seen that 14% of the ability of the variables of corruption, economic freedom, governance, inflation, and economic growth to explain the information contained in the profitability variable. Meanwhile, the other 86% is explained by variables other than corruption, economic freedom, governance, inflation, and economic growth.

6) *Regression Model Equations (Random Effect Model)*

$$Prof_{it} = \alpha_i + \beta 1\mathrm{CPI}_{\mathrm{it}} + \beta 2\mathrm{HER}_{\mathrm{it}} + \beta 3\mathrm{GOV}_{\mathrm{it}} + \beta 4\mathrm{INF}_{\mathrm{it}} + \beta 5\mathrm{GDP}_{\mathrm{it}} + \varepsilon_{it}$$

This study aims to analyze data in a combination of time series and cross-section data, aka panel data, to determine the effect of corruption, economic freedom, governance, economic growth, and inflation on bank profitability. The following is an explanation of the results obtained in this study:

7) *The Impact of Corruption on Bank Profitability*

Based on the results obtained on the partial regression coefficient value of corruption (X1), which is 0.036 <0.05 and t count of 2.128 <t table 1.992 means that H1 is accepted and H0 is rejected. Therefore, corruption has been proven to have a significant positive effect on bank profitability. This study shows that every five years from 2018 to 2022, every time there is an increase in the CPI score, it can increase the profitability of banks in that country. The higher the CPI score obtained by a country indicates a decrease in the level of corruption in that country (Paramita 2020). Based on the description, countries with low levels of corruption will experience increased bank profitability. This is supported by research (Nguyen and Vo 2020) which states that the anti-corruption

campaign in Vietnam has a positive impact on bank profitability, although the impact can be seen in the long term. However, (Balguzhina and Irani 2024) have another opinion regarding the impact of corruption, namely that corruption does not have a significant effect on profitability because such things are considered normal in business norms, so it is only necessary to adapt to the existence of corruption to continue to achieve profitability.

This corruption disease can prevent Islamic banking from being more effective in increasing economic development to eradicate poverty. This is in line with the findings of (Jamel and Mansour 2018), which provides a statement that high levels of corruption can worsen the health of banks, which means it impacts the profitability of banks. Similar research was also found in (Asteriou et al. 2021) And (Ali et al. 2019) which states that low corruption conditions in a country will increase public trust and will encourage investment interest in the community, thus it will have an impact on the increase in the bank's financial system which will affect the bank's profitability. Therefore, it is undeniable that it is important to reduce corruption rates because it will have an impact not only on economic growth but also on bank profitability.

8) *The Impact of Economic Freedom on Bank Profitability*

Based on the data processing results through descriptive statistics, the partial regression coefficient produces a probability value of 0.068 > 0.05 and a calculated value of -1.851 < 1.992; thus, H0 is accepted, and H2 is rejected. Based on this description, the economic freedom variable has not been proven to affect bank profitability. Meanwhile, the regression coefficient obtained by the economic freedom variable is -0.20. This shows that every 1 unit increase in the value of economic freedom can reduce bank profitability. However, in this study, the increase or decrease in the value of economic freedom did not affect the bank's ability to make a profit.

The results of this study are not in line with (Abbas et al. 2024) which says that companies will have more freedom in allocating capital with a more accessible economy. The same opinion is found in (Sufian and Habibullah 2010) who state that high economic freedom can help companies move in managing their businesses so that they have the potential to generate profitability from various directions. Meanwhile, this study conducted observations over five years, from 2018 to 2022, when there was an outbreak of the COVID-19 virus, which caused turmoil in the country's economy. The increase in economic freedom cannot necessarily affect the company's profit because, in the year hit by COVID-19, all competition was carried out in the digital sector. Not only did competition between Islamic banks occur, but it also covered all banking. According to (Hayati 2022), with the observation location in Indonesia, it is said that both Islamic and conventional banks have survived during the pandemic. Still, the average financial ratio obtained proves that conventional banks have advantages over Islamic banks.

9) *The Impact of Governance on Bank Profitability*

Based on the results of descriptive statistics, the partial regression coefficient of governance (X3) shows a probability result of $0.226 > 0.05$ and a calculated t of $1.220 < 1.992$, so H0 is accepted, and H3 is rejected. Meanwhile, the results of the regression coefficient obtained are 1.725, which means that every 1 unit increase in governance value in a country can increase bank profitability by 1.725. This is because the increase and decrease in state governance (governance) level does not affect the acquisition of bank profitability (ROA). By looking at the results presented above, the value of state governance in regulating affairs in the country does not affect the bank's ability to generate profits. The results of this study contradict (Asteriou et al. 2021) who said that the involvement of state governance can significantly impact the bank's ability to generate profits. According to (Hasan and Ashfaq 2021), Good governance applied in countries with high levels of corruption will minimize the impact of corruption on profitability in the banking sector and ensure economic development. This means that governance cannot directly affect bank profitability because even though governance in a country is good, it does not necessarily affect the bank's profit because, in asset or capital processing activities to obtain profits, it is purely using the capabilities of each bank in the country. This is also supported by (Munir 2017), which states that management is the main factor that impacts bank profitability.

10) *The Impact of Inflation on Bank Profitability*

The findings of this study state that the partial regression coefficient of inflation (X4) gets a probability value of $0.009 <0.05$, then for t count, it is obtained $2.659>$ t table 1.992. This proves that H4 is accepted and H0 is rejected, meaning that inflation significantly affects bank profitability. Then, the inflation regression coefficient projected with INF_IND (X4) is obtained at 0.486, meaning the direction of movement between the two variables is positive or in the same direction, so it can be said that every 1 unit of inflation value can increase bank profitability by 0.486.

Based on the description above, inflation has a significant impact on bank profitability. The results of this study are different from the research (Muzakki 2024), which shows that inflation does not affect bank profitability because during the period studied, inflation that occurred in the countries observed experienced relatively controlled inflation. Conflicting opinions regarding this study were also found in (Fitriani 2022), namely when people tend to be aggressive in consumption activities due to the price of goods that continue to soar. This impacts saving and investment activities carried out by the community (Bakti and Alie 2018). Not only that, (Rahmansyah and Ashar 2023) also stated that with changes in saving, investment, and financing patterns, the funds collected by banks will decrease, which will have an impact on the financial health of banks, which will also affect the bank's profitability. This study's results align with those of (Dithania and Suci 2022) and (Syarifa Nasution et al. 2023). According to them, inflation significantly affects profitability because inflation in a country does not necessarily reduce profitability. When the research period was conducted during the coronavirus period, it was proven that inflation can help increase people's interest in investing so that the funds they have become productive and are not affected by inflation. Regardless of the positive or negative significance, this study is supported by those who state that bank profitability is influenced by inflation. However, there are differences in results related to the direction of variable movement.

11) The Impact of Economic Growth on Bank Profitability

Based on the partial regression coefficient values of the economic growth variable (X5), a probability value of 0.047 <0.05 was found in this study. Furthermore, the findings for t count were -2.013> 1.992, meaning that H0 was rejected and H5 was accepted. Thus, it can be concluded that economic growth has been proven to affect bank profitability. Meanwhile, the regression coefficient obtained was -9.09, meaning that every 1 unit decrease in GDP can increase bank profitability by 9.09. So, seeing from the description above, it can be concluded that economic growth in a country can affect banking profitability; the higher the GDP, the potential to reduce bank profitability. This contradicts research by (Arpinto Ady 2020) hich states that GDP does not significantly impact bank profits. Meanwhile, in another study, namely (Syarifa Nasution et al. 2023), (Nabilah 2024), (Rahmansyah and Ashar 2023), (Nadzifah and Sriyana 2020) And (Maidin et al. 2022) together stated that GDP influences profitability. However, they mentioned different directions of variable movement. (Syarifa Nasution et al. 2023), (Nabilah 2024) and as (Rahmansyah and Ashar 2023) said that the increase in national income in a country from the previous period could have an impact on the habits or interests of the community towards investment and also saving. This is because the funds received by the community when experiencing an increase in income will lead the community to make savings in banking. Meanwhile, according to (Nadzifah and Sriyana 2020) And (Maidin et al. 2022), GDP has significantly negatively affected Islamic banks' profitability. Because when people's income increases, it is not necessarily accompanied by people's interest in investment or saving will also increase. Thus, the statement is based on the results obtained in this study.

CONCLUSION, SUGGESTION, AND LIMITATION

Based on the analysis and discussion of the study on the impact of corruption, economic freedom, governance, inflation, and economic growth on bank profitability in ASEAN countries, it can be concluded that corruption has a significant positive effect on bank profitability. This statement shows that the ability of Islamic banking in the ASEAN region to generate profits is influenced by the level of corruption in the country. The increase in the CPI score (low level of corruption) obtained in the country can also increase profits in Islamic banking in the region. This study also proved that economic freedom does not affect bank profitability. This indicates that the condition of economic freedom in a country does not necessarily have an impact on the ability of Islamic banking to generate profits because, in terms of asset and capital management, obtaining profits are activities that purely come from the ability of the Islamic bank itself. Furthermore, governance has little effect on bank profitability. This statement can be interpreted as not showing a significant relationship between governance and bank profitability. This is because, to generate profits, an Islamic banking company needs to use its financial health management capabilities, and it is not sure that if the governance in a country is good, the profit of Islamic banking will also increase. Not only that, but this study also found that inflation has a significant positive effect on profitability. This shows that there is a positive relationship between inflation and bank profitability. In other words, inflation does not necessarily reduce profitability but depends on the income conditions and the public's interest in carrying out saving and investment activities. Thus, inflation will have a significant adverse effect when there is volatile inflation during the observation period. Still, if the inflation is relatively constant, the potential for obtaining profitability is also continuous. Finally, GDP has been proven to have a significant adverse effect on the profitability of Islamic banks. This statement shows a negative relationship between GDP and bank profitability. This is because when people's income increases, it is not necessarily followed by the public's desire to carry out saving or investment activities in Islamic banks.

Therefore, several recommendations for the banking sector include increasing transparency and strengthening internal governance to remain competitive without relying on unlawful practices. Additionally, optimizing financial management amid economic uncertainty occurring in various countries. Furthermore, future researchers are expected to extend the research period and expand the variables studied to broaden the existing findings.

REFERENCES

Abbas, Faisal, Shoaib Ali, Kai Yin Woo, and Wing Keung Wong. 2024. "Capital and Profitability: The Moderating Role of Economic Freedom." *Heliyon* 10(16):e35253. doi: 10.1016/j.heliyon.2024.e35253.

Abdullah, Karimuddin, Misbahul Jannah, Ummul Aiman, Suryadin Hasda, Zahara Fadilla, Masita Ketut Ngurah Ardiawan, and Meilida Eka Sari. 2022. *Metodologi Penelitian Kuantitatif*.

Ali, Muhammad, Amna Sohail, Lubna Khan, and Chin Hong Puah. 2019. "Exploring the Role of Risk and Corruption on Bank Stability: Evidence from Pakistan." *Journal of Money Laundering Control* 22(2):270–88. doi: 10.1108/JMLC-03-2018-0019.

Arpinto Ady, Rony. 2020. "Pengaruh Makroekonomi Terhadap Profitabilitas Perbankan Di Indonesia." *Research Fair Unisri* 4(1):115–26. doi: 10.33061/rsfu.v4i1.3393.

Asteriou, Dimitrios, Keith Pilbeam, and Iuliana Tomuleasa. 2021. "The Impact of Corruption, Economic Freedom, Regulation and Transparency on Bank Profitability and Bank Stability: Evidence from the Eurozone Area." *Journal of Economic Behavior and Organization* 184:150–77. doi: 10.1016/j.jebo.2020.08.023.

Bakti, Umar, and maria septijantini Alie. 2018. "Pengaruh Inflasi Dan Suku Bunga Terhadap Investasi Di Provinsi Lampung Periode 1980-2015." *Jurnal Ekonomi*

Pascasarjana Universitas Borobudur 20(3):275–85.

Balguzhina, Aigerim, and Farid Irani. 2024. "Exploring the Effect of Corruption and Government Quality on Bank Stability : Evidence from Transition Countries." 525–48. doi: 10.4236/jfrm.2024.133025.

Bolarinwa, Segun Thompson, and Funmi Soetan. 2019. "The Effect of Corruption on Bank Profitability." *Journal of Financial Crime* 26(3):753–73. doi: 10.1108/JFC-09-2018-0102.

Budiono, Arief. 2017. "Penerapan Prinsip Syariah Pada Lembaga Keuangan Syariah." *Law and Justice* 2(1):54–65. doi: 10.23917/laj.v2i1.4337.

Caraka, Rezzy Eko. 2017. *Pengantar Spasial Data Panel*.

Chemala, Mohammad Yudhi Ramadhani, M. Faisal Abdullah, and Sri Budi Cantika. 2019. "Analisis Determinan Profitabilitas Bank Syariah Di Asean (Indonesia, Malaysia, Brunei Darussalam)." *Jurnal Ilmu Ekonomi (JIE)* 3(1):101–14. doi: https://doi.org/10.22219/jie.v3i1.9546.

Dithania, N. P. M., and N. M. Suci. 2022. "Pengaruh Inflasi Dan Bi Rate Terhadap Profitabilitas Bank Umum Yang Terdaftar Di Bursa Efek Indonesia." *Bisma: Jurnal Manajemen* 8(3):638–46.

Elfaki, Khalid Eltayeb, and Elsadig Musa Ahmed. 2024. "Globalization and Financial Development Contributions toward Economic."

Faldi, Muhamad Vicki. 2021. "ANALISIS INDEKS PERSEPSI KORUPSI, STABILITAS POLITIK, PERTUMBUHAN EKONOMI, KETERBUKAAN PERDAGANGAN, DAN INFRASTRUKTUR TERHADAP INVESTASI ASING LANGSUNG (FDI) DI ASEAN." 6.

Fitriani, NOVA. 2022. "Pengaruh Inflasi Dan Suku Bunga Terhadap Profitabilitas Bank Syariah Di Indonesia Dalam Perspektif Ekonomi Islam Periode 2010-2020." *Universitas Islam Negeri Raden Intan Lampung*.

Gözübüyük, Remzi, Carl Joachim Kock, and Murat Ünal. 2020. "Who Appropriates Centrality Rents? The Role of Institutions in Regulating Social Networks in the Global Islamic Finance Industry." *Journal of International Business Studies*

51(5):764–87. doi: 10.1057/s41267-018-0202-4.

Gwartney, James, Robert Lawson, Joshua Hall, Ryan Murphy, Justin T. Callais, Rosemarie Fike, Vincent Geloso, and Nijdar S. Khalid. 2021. *Economic Freedom of the World 2004 Annual Report*.

Hasan, Rashedul, and Muhammad Ashfaq. 2021. "Corruption and Its Diverse Effect on Credit Risk: Global Evidence." *Future Business Journal* 7(1):1–13. doi: 10.1186/s43093-021-00060-1.

Hayati, Indah Nur. 2022. "ANALISIS PERBANDINGAN TINGKAT KETAHANAN BANK SYARIAH DAN KONVENSIONAL DITENGAH PANDEMI COVID-19." 19:1–23.

Al Hazmi, Raldin Alif. 2024. "Pengaruh Korupsi Terhadap Pertumbuhan Ekonomi Indonesia." *Jurnalku* 4(1):1–10. doi: 10.54957/jurnalku.v4i1.677.

Jamel, Lamia, and Sihem Mansour. 2018. "Determinants of Tunisian Banks Profitability." *International Journal of Business and Risk Management* 1(1):17–27. doi: 10.12691/ijbrm-1-1-3.

Kolistiawan, Budi. 2017. "Tantangan Lembaga Keuangan Syariah Dalam Menghadapi Masyarakat Ekonomi ASEAN." *MUQTASID Jurnal Ekonomi Dan Perbankan Syariah* 8(1):78. doi: 10.18326/muqtasid.v8i1.78-94.

Lamijan, Lamijan, and Mohamad Tohari. 2022. "Dampak Korupsi Terhadap Pembangunan Ekonomi Dan Pembangunan Politik." *JPeHI (Jurnal Penelitian Hukum Indonesia)* 3(1):40. doi: 10.61689/jpehi.v3i02.381.

Lana, Setiadi, and Rfiki Khoirudin. 2022. "Analisis Kausalitas Antara Korupsi Dan Pembangunan Berkelanjutan Di Asia Tenggara." *Jurnal Ekonomi Dan Bisnis* 10(1):82–95.

Maidin, Deandra Afifah Zerlinda, Evan Seprianto, and Indah Permatasari. 2022. "Pengaruh Produk Domestik Bruto (Pdb), Inflasi Dan Tingkat Pengangguran Terhadap Profitabilitas Perbankan." *Jurnal MANAJERIAL* 21(1):1–10. doi: 10.17509/manajerial.v21i1.40288.

Maulana, Agung. 2023. "Analisis Perbandingan Kinerja Keuangan Perbankan Syariah Di

Asean Melalui Pendekatan Islamicity Performance Index." *Jurnal Bisnisman : Riset Bisnis Dan Manajemen* 4(3):12–28. doi: 10.52005/bisnisman.v4i3.116.

Mollah, Sabur, Omar Al Farooque, Asma Mobarek, and Philip Molyneux. 2019. "Bank Corporate Governance and Future Earnings Predictability." *Journal of Financial Services Research* 56(3):369–94. doi: 10.1007/s10693-019-00307-7.

Muhammad Farhan Shaedji. 2023. "PENGARUH DEMOKRASI, KEBEBASAN EKONOMI, DAN FOREIGN DIRECT INVESTMENT TERHADAP PERTUMBUHAN EKONOMI DI ASEAN." 5:1–14.

Muhammad Rifki Alfarizi, Mohamad Adila, Alfian Haikal, Dwiyanna Sugandi, and Restu Kartika Amelia. 2024. "Analisis Rasio Likuiditas, Solvabilitas, Profitabilitas, Dan Aktivitas Untuk Mengukur Kinerja Keuangan Perusahaan Seabank." *Journal of International Multidisciplinary Research* 2(6):96–107. doi: 10.62504/jimr550.

Mulyaningsih. 2019. *Pembangunan Ekonomi*.

Munir, Akhmad Sirojudin. 2017. "Analisis Faktor-Faktor Yang Mempengaruhi Kinerja Keuangan Perbankan Syariah Di Indonesia." *Jurnal Kolaboratif Sains* 9(10):56–68. doi: 10.56338/jks.v4i10.1975.

Muzakki, Luthfi Akmal. 2024. "Analisis Pengaruh Pertumbuhan Ekonomi, Inflasi, Dan Nilai Tukar Mata Uang Asing Terhadap Profitabilitas Bank Umum Syariah Di Indonesia Periode 2016-2020." *Jurnal Ilmiah Ekonomi Islam* 10(1):29. doi: 10.29040/jiei.v1i1.12314.

Nabilah, Najwa Putri. 2024. *Pengaruh Makroekonomi Dan Pembiayaan Bermasalah Terhadap Profitabilitas Bank Umum Syariah Di Indonesia Periode 2019-2023.*

Nadzifah, Annafsun, and Jaka Sriyana. 2020. "Analisis Pengaruh Inflasi, Kurs, Birate, PDB Dan Kinerja Internal Bank Terhadap Profitabilitas Pada Perbankan Syariah Dan Konvensional." *Jurnal Manajemen Dan Bisnis Indonesia* 6(1):79–87. doi: 10.32528/jmbi.v6i1.3537.

Nguyen, Thi Lam Anh, and Xuan Vinh Vo. 2020. "Does Corporate Governance Really Matter for Bank Efficiency? Evidence from ASEAN Countries." *Eurasian Economic Review* 10(4):681–706. doi: 10.1007/s40822-020-00151-4.

Ningsih, Supiah. 2021. *Dampak Dana Pihak Ketiga Bank Konvensional Dan Bank Syariah Serta Pertumbuhan Ekonomi Di Indonesia*. Vol. 3.

Nugroho, Nur, Sunarmi, Mahmul Siregar, and Riswan Munthe. 2020. "Analisis Terhadap Pencegahan Tindak Pidana Pencucian Uang Oleh Bank Negara Indonesia Analysis of the Prevention of Criminal Acts of Money Laundering by Bank Negara Indonesia." *Arbiter:Jurnal Ilmiah Magister Hukum* 2(1):100–110.

P. Y. Lai, Karen, and Michael Samers. 2017. "Conceptualizing Islamic Banking and Finance: A Comparison of Its Development and Governance in Malaysia and Singapore." *Pacific Review* 30(3):405–24. doi: 10.1080/09512748.2016.1264455.

Paramita, C. A. 2020. "Pengaruh Korupsi, Pertumbuhan Ekonomi, Risiko Kredit Dan Risiko Likuiditas Terhadap Stabilitas Bank Di Indonesia."

Pringgasakti, Perwira, and Anita Zulfiani. 2024. "Dampak Kasus BLBI Terhadap Stabilitas Sistem Keuangan Indonesia: Sebuah Tinjauan Kritis." (May).

Putri, Dwina. 2021. "Korupsi Dan Prilaku Koruptif." *Jurnal Pendidikan, Agama Dan Sains* V:49–54.

Rahmansyah, Muhammad Figo, and Khusnul Ashar. 2023. "Pengaruh Pdb, Inflasi, Dan Nilai Kurs Terhadap Tingkat Profitabilitas Bank Syariah." *Islamic Economics Dan Finance in Focus* 2(4):750–61.

Ramadhan, Pandu Syalsa. 2021. "Pengaruh Tata Kelola Pemerintah Terhadap Pertumbuhan Ekonomi Di Negara ASEAN-6." 4(1):6.

Rofika, Haniatur, Eka Wahyu Hestya Budianto, and Nindi Dwi Tetria Dewi. 2023. "Pemetaan Penelitian Seputar Maybank Syariah Dan Konvensional: Studi Bibliometrik Vosviewer Dan Literature Review." *Jurnal Ekonomi: Journal of Economic* 14(1):28–39.

Sari, Mutia, Habibur Rachman, Noni Juli Astuti, Muhammad Win Afgani, and Rusdy Abdullah Siroj. 2022. "Explanatory Survey Dalam Metode Penelitian Deskriptif Kuantitatif." *Jurnal Pendidikan Sains Dan Komputer* 3(01):10–16. doi: 10.47709/jpsk.v3i01.1953.

Septianingsih, Amin. 2022. "Pemodelan Data Panel Menggunakan Random Effect Model

Untuk Mengetahui Faktor Yang Mempengaruhi Umur Harapan Hidup Di Indonesia." *Jurnal Lebesgue : Jurnal Ilmiah Pendidikan Matematika, Matematika Dan Statistika* 3(3):525–36. doi: 10.46306/lb.v3i3.163.

Setiawan, Rahmat, and Ahmad Naufal Arrafi. 2022. "PENGARUH DIVERSIFIKASI PENDAPATAN TERHADAP PROFITABILITAS DAN RISIKO BANK PADA BANK UMUM KONVENSIONAL DI INDONESIA SELAMA PANDEMI COVID-19 Oleh." *Jurnal Ekonomi Dan Bisnis* 10(2).

Simanjuntak, Tiodorasi, Dorti Pintauli Panjaitan, and Ayu Efritadewi. 2023. "Pengaruh Kebijakan Anti Korupsi Terhadap Pertumbuhan Ekonomi Di Negara Indonesia." *Causa: Jurnal Hukum Dan Kewarganegaraan* 1(5):51–60.

Sufian, Fadzlan, and Muzafar Shah Habibullah. 2010. "Does Economic Freedom Fosters Banks' Performance? Panel Evidence from Malaysia." *Journal of Contemporary Accounting and Economics* 6(2):77–91. doi: 10.1016/j.jcae.2010.09.003.

Sulistiyo, Fauzi, and Indah Yuliana. 2019. "Pengaruh Profitabilitas Dan Kecukupan Modal Terhadap Nilai Perusahaan Dengan Islamic Social Report (Isr) Sebagai Variabel Moderasi (Studi Pada Bank Umum Syariah Indonesia Tahun 2014-2018)." *Jurnal Manajemen Dan Keuangan* 8(2):238–55. doi: 10.33059/jmk.v8i2.1703.

Syahbudi, Muhammad. 2018. "Ekonomi Makro Perspektif Islam." *Diklat Ekonomi Makro Perspektif Syariah* 236.

Syarifa Nasution, Nadhira, M. Syafii, and Pretty Naomi Sitompul. 2023. "Analisis Pengaruh Variabel Makroekonomi Terhadap Profitabilitas Bank Umum Di Indonesia." *Jesya* 6(2):1368–82. doi: 10.36778/jesya.v6i2.1068.

Talib, Dr. Amar, Dr Adil Agrahi, and Dr Samir Slhaoul. 2023. "The Role Of Using Islamic Finance To Boost Infrastructure Development For Sustainable Economic Growth." *Journal of Research Administration* 5(2):1–14.

Tiffani, Martin Kustati, Nana Sepriyanti, Nurhasanah, Wahyu Hidayat, and Mardianto. 2024. "The Role Of Islamic Banks In Improving The Indonesian Economy." *International Journal of Education, Vocational and Social Science* 03(01):126–38. doi: https://doi.org/10.99075/ijevss.v3i01.653.

Valzsa, Teuku Zadhe, and Mira Rahmi. 2022. "Islamic Economics and Business Review Analisis Pengaruh Faktor Internal Dan Eksternal Terhadap Profitabilitas PT Bank BCA Syariah, Tbk." *Analisis Pengaruh Faktor Internal Dan Eksternal Terhadap Profitabilitas* ... 2(1):23–35.