



Financial Performance Analysis of Indonesian Sharia Commercial Bank's Using the Islamic Index Approach in 2019-2022

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Abstract

This study has a primary objective, which is to assess the financial analysis of Islamic banking institutions by employing the Islamicity Indices. Such an evaluation is deemed essential for the assessment of stakeholders and to chart the path for future progress. In this research, Islamic Commercial Banks were chosen as the sample, utilizing the purposive sampling method. The selected banks for this study include BCA Syariah Bank, Mega Syariah Bank, and Muamalat Bank. The data collected for this study was meticulously processed using Microsoft Excel software and applications. Ratios were meticulously calculated as per predetermined formulas. The findings derived from this study indicate that the performance of Islamic banks in Indonesia, spanning the years from 2019 to 2022, can be described as "quite satisfactory" overall. Nonetheless, one ratio stands out with an unsatisfactory rating, which is the zakat performance ratio. This implies that Indonesia's performance in terms of zakat contributions remains relatively low, and there is a notable discrepancy in the welfare levels between the directors and the employees within Islamic banks. These findings underscore the need for a more balanced distribution of wealth and resources within Islamic banking institutions and highlight the importance of improving zakat performance to enhance their overall financial health and societal impact. In conclusion, this research sheds light on areas where Islamic banks in Indonesia can focus their efforts to further strengthen their financial performance and social responsibility.

1. INTRODUCTION

The growth and development of Sharia banking in Indonesia have been on a consistent upward trajectory over time. However, it is worth noting that the Islamic banking sector in Indonesia has not yet reached its optimal performance levels, particularly in the calculation of Islamic financial ratios (Mardian, 2019). The development of Sharia financial institutions necessitates precise and effective guidance to attain their desired objectives, with future evaluations being a crucial aspect. The enactment of Law No. 21 of 2008 concerning Sharia Banking on July 16, 2008, provides a solid legal foundation for the national Sharia banking industry's growth (Wahid et al., 2018).

Given its remarkable progress, with an average asset growth rate exceeding 65% per annum over the past five years, it is anticipated that the role of the Sharia banking sector in bolstering the national economy will become increasingly significant (Yoga, 2020). While Sharia banking is experiencing commendable growth, it must also maintain balance with

Sharia bank operations to instill trust in the funds entrusted by stakeholders. To foster this trust, it is imperative to conduct performance assessments on Islamic financial reports, which are constructed upon Islamic principles. Hence, there arises a need for a tool to evaluate and measure the performance of Sharia banks (Endah, 2013).

In their research, Hameed et al. emphasize that performance evaluation serves as a method to gauge the extent to which a company has met its predefined targets. Conducting performance evaluations is crucial to aid companies in enhancing their performance and achieving their goals in the future. The evaluation of Sharia banking performance holds significant importance. This is because the role and responsibilities of Islamic banks extend beyond the financial needs of various stakeholders. Equally important is how these institutions conduct their business and the measures they take to ensure compliance with Sharia regulations (Suhada & Sigit, 2019).



The utilization of Islamicity Indices to gauge the performance of Sharia banking holds significant importance, primarily due to the growing awareness within the Muslim community regarding the assessment of Sharia banks' achievements (Suhada & Sigit, 2019). It is increasingly apparent that Muslims are now concerned not only with the rate of return on their investments but, more importantly, with the ethical considerations of where their money is being invested. Moreover, for the non-Muslim community, Islamicity Indices serve as a valuable tool to compare the performance of banks, encompassing both financial returns and social responsibility (Hasimi, 2020).

Numerous studies delve into the Islamicity Performance Index, including one by Ria et al. (2018), titled "Analysis of Islamic Banking Financial Performance Using the Islamicity Performance Index Approach in Sharia Banking in Indonesia." The research findings indicate that Islamic banking has successfully adhered to Islamic principles, although there remains room for improvement in zakat management. Another study, conducted by Sayekti et al. (2015) with the title "Performance Analysis of Sharia Banking in Indonesia Using the Islamicity Indices Approach," reveals that the performance of Islamic banks in Indonesia, spanning the years from 2011 to 2014, received a rating of "quite satisfactory."

However, two ratios fell short of expectations, namely the zakat performance ratio and the director-employee welfare ratio. This highlights that zakat contributions made by Sharia Banks in Indonesia remain relatively low, and there exists a significant disparity in the welfare levels of directors and employees within these institutions. It is important to note that research concerning the performance of Islamic banks in Indonesia often focuses primarily on financial or business performance, which may not align entirely with the original principles underlying the establishment of Sharia-compliant banks.

According to Hameed et al., Western civilization, which gave rise to conventional

banking, primarily developed performance measurement tools like Return On Investment (ROI) based on a positivist utilitarian paradigm, primarily focusing on financial performance.

This paradigm may not be entirely suitable for application to Islamic banks. The focus of this research lies in assessing the performance of Sharia banking in Indonesia through the utilization of the Islamicity Index. Measuring Islamic banking's financial analysis using Islamicity Indices holds immense significance, primarily for stakeholder evaluation and future progress. Sharia banking operates within the framework of the broader Islamic way of life. Hence, mere performance analysis is insufficient. It necessitates an evaluation of aspects that align with Islamic values and adhere to Islamic principles.

2. LITERATURE REVIEW

2.1 Sharia Enterprise Theory

(Purwitasari, 2011) suggests that Shariah enterprise theory is an enterprise theory that has been internalized with values Islam in order to produce a transcendental and more humanist theory. It means theory which recognizes that there is accountability not only to the company owner but also to wider stakeholder group.

2.2 Signal Theory

Signal Theory is an action taken by a company to provide guidance to investors about how management views the company's prospects for accountability (Sunari & Suaryana, 2017). This means a theory that recognizes accountability not only to company owners but to a wider group of stakeholders. Sharia accounting is not only a form of management accountability towards company owners, but also as accountability to stakeholders and God.

2.3 Islamic Bank's Performance

Islamic Bank's Performance is an assessment that assesses the success of Islamic banks during a certain period based on work plans, work plan implementation reports and



periodic bank reports, compliance with regulations and other aspects (Yusnita, 2019). Performance assessment of Islamic banks in Indonesia is generally carried out by Bank Indonesia as the central bank.

2.4 Islamicity Indices

One way to measure organizational performance is through indices. Although currently there are several indexes that have been prepared to measure organizational performance, there are not many indexes that can be used to measure the performance of Islamic financial institutions (Ardi Juniarto, 2018).

Hameed et al. has developed an index called Islamicity Indices, which consists of the Islamicity Disclosure Index and the Islamicity Performance Index. This index aims to help stakeholders assess the performance of Islamic banks.

2.5 Profit Sharing Ratio (PSR)

Profit Sharing Ratio (PSR) is a profit ratio to calculate the funding ratio of the total financing issued by the bank (Nurhayati, S., 2011). Therefore, it is important to identify how far Islamic banks have succeeded in achieving their existence goals of profit sharing through this ratio. Income from profit sharing can be obtained through two contracts, the first is mudharabah, namely by distribution based on profit and loss sharing. The second contract is musyarakah, which is an agreement between capital owners to mix their capital in a particular business with a pre-agreed distribution of profits, and losses are borne by all capital owners based on their respective shares of capital. With the formula:

$$PSR = \frac{\text{Mudharabah} + \text{Musyarakah}}{\text{Total Pembiayaan}}$$

Mudharabah is a form of cooperation agreement between the property owner and the property manager. Musyarakah is a general form of partnership business where there is profit sharing where two or more parties combine capital or energy in carrying out business.

2.6 Zakat Performance Ratio (ZPR)

Zakat is one of the characteristics of Islamic economics regarding assets that do not exist in other economies (Hasimi, 2020). The performance of sharia banks must be based on zakat payments by banks to replace conventional performance indicators, namely earnings per share, zakat performance can be measured by how much sharia banks distribute zakat from net assets (net assets). With the following formula:

$$ZPR = \frac{\text{Zakat}}{\text{Aktiva Bersih}}$$

Zakat is the activity of removing certain assets from a Muslim and giving them to groups who are entitled to receive them.

2.7 Equitable Distribution Ratio (EDR)

Equitable Distribution Ratio is a ratio that measures what percentage of income is distributed to stakeholders as seen from the amount of money spent on qardh and donations, employee expenses, etc. (Ria & Kholmi, 2018). For each of these things, it is calculated by assessing the amount distributed to the social community, employees, investors and companies divided by the total income that has been deducted by zakat and taxes. From this ratio, it can be seen the average size of income distribution to a number of stakeholders. With the following calculation formula:

$$EDR = \frac{\text{Qardh \& Shadaqoh}}{\text{Pendapatan} - (\text{Zakat} + \text{Pajak})}$$

$$EDR = \frac{\text{Beban Tenaga Kerja}}{\text{Pendapatan} - (\text{Zakat} + \text{Pajak})}$$

$$EDR = \frac{\text{Dividen}}{\text{Pendapatan} - (\text{Zakat} + \text{Pajak})}$$

$$EDR = \frac{\text{Laba Bersih}}{\text{Pendapatan} - (\text{Zakat} + \text{Pajak})}$$

Net profit is the income of a business that has been reduced by the cost of goods sold.

2.8 Islamic Income VS Islamic Non Income

Islamic banks must receive income only from halal sources. If a sharia bank obtains



income from non-halal transactions, the bank must disclose information such as the amount, source, how it is determined and what procedures are available to prevent the entry of transactions prohibited by sharia (Yusnita, 2019) . In sharia bank financial reports, the amount of non-halal income can be seen in the source and use of qardh reports. This ratio aims to measure income originating from halal sources. With the following formula:

$$PH = \frac{\text{Pendapatan Halal}}{\text{Pend. Halal} + \text{Pend. Non Halal}}$$

3. RESEARCH METHODS

3.1 Types of research

The type of research used is descriptive research with a quantitative approach. Descriptive research aims to describe the condition of a company accurately and systematically by collecting data based on what is seen in the company. The data is then processed and analyzed to obtain conclusions that can provide suggestions appropriate to the problem topic taken. Meanwhile, quantitative research is "the process of finding knowledge that uses data in the form of numbers as a tool to find information about what we want to know" (Rukajat, 2018) .

3.2 Data source

This research uses secondary data sources, namely data that does not come directly from the source but is obtained through intermediaries. Secondary data can be obtained through study and understanding of literature and library books or through data from companies that are relevant to the research problem. The data used in this research was obtained from the Financial Report of Sharia Commercial Banks (BUS) for the period 2022 which can be accessed via the official website <http://www.ojk.go.id> .

3.3 Data collection technique

This research uses secondary data collection techniques in two ways, namely: (1) Collecting data through documents, by recording data relevant to the research problem from documents related to sharia banks. The data in this research was obtained from the official OJK website. (2) Library research, by conducting studies and analysis of literature such as textbooks, laws and regulations, magazines, newspapers, articles, websites, and previous research related to the research problem.

3.4 Data analysis technique

The data analysis technique in this research uses two methods, namely: Non-statistical quantitative method, namely data analysis of data in the form of numbers without statistical testing; The qualitative descriptive method is by providing an explanation with words or sentences to explain the quantitative data that has been obtained in order to produce a conclusion. The data analysis technique used in this research is using Microsoft Excel software/applications. The ratio will be calculated according to a predetermined formula.

4. RESULTS AND DISCUSSION

4.1 Profit Sharing Ratio (SPR)

Profit Sharing Ratio is a ratio that compares profit sharing financing with the total financing provided as a whole. And the resulting value is the level of measure of success in implementing the profit sharing principle, which is the basic principle of Islamic banking. Based on this explanation, the following are the calculation results of the Profit Sharing Ratio.

Table 1. Calculation of the PSR Ratio for Sharia Commercial Banks for the 2019-2022 Period

Bank	Year (%)			
	2019	2020	2021	2122
BCA Syariah Bank	68	73	78	80
Bank Mega Syariah	33	44	62	69
Bank Victoria Syariah	51	53	53	60
Average	60	63	66	70

Source: BUS Annual Report, Data processed, 2023

Based on this ratio, it can be seen that there has been an increase in profit sharing financing in the last four years at Sharia Commercial Banks. And it can be seen that the performance of Islamic banks is better in maintaining the financing portion of uncertainty contracts (mudharabah and musyarakah). This can be seen from the share of profit sharing principle financing which has increased every year. The predicate achieved by Sharia Commercial Banks shows a good predicate of $\geq 30\%$ of the PSR ratio calculation

results. This shows that Sharia Commercial Banks will continue to strive to improve and prove that Sharia Commercial Banks focus more on financing with a profit sharing system.

4.2 Zakat Performance Ratio (ZPR)

To find out the Zakat Performance Ratio (ZPR), a calculation is carried out using 2 indicators, namely the amount of zakat distributed and total net assets. With the following calculation results:

Table 2. Calculation of the ZPR Ratio for Sharia Commercial Banks for the 2019-2022 Period

Bank	Year (%)			
	2019	2020	2021	2122
BCA Syariah Bank	0.001	0.001	0.001	0.001
Bank Mega Syariah	0.023	0.029	0.036	0.001
Muamalat Bank	0.027	0.002	0.002	0.001
Average	1.7	1.1	1.3	0

Source: BUS Annual Report, Data processed, 2023

Based on the results of calculations on the ZPR ratio, it can be seen how large the percentage of zakat distributed by Sharia Commercial Banks from 2019 to 2022 on net assets owned is still fluctuating and still very minimal, especially regarding zakat performance which is still not optimal because the value of zakat is still very small, namely below 2.5%.

4.3 Equitable Distribution Ratio (EDR)

To find out the income received by Sharia Commercial Banks and then distributed

to stakeholders, it can be calculated using 3 ratio indicators, namely qardh and donations (EDRQD), labor burden indicator (EDRBTk) and net income indicator (EDRLB). The calculation of this ratio is done by dividing each aspect (the number of qardh and donations, labor costs and net profit) with the total income received by Islamic banks after deducting zakat and taxes. The following are the results of calculating the Equitable Distribution Ratio ratio:

Table 3. Equitable Distribution Ratio (EDR) for Sharia Commercial Banks for the 2019-2022 Period

Bank	EDR %			
	Q&S	B. Kindergarten	Dividend	Net Assets
	2019	2020	2021	2122
BCA Syariah Bank	0.03	0.23	0.03	0.16
Bank Mega Syariah	0.92	0.19	0.03	0.24
Muamalat Bank	0.34	0.31	0.02	1.47
Average	0.19	26.89	0.03	21.08

Source: BUS Annual Report, Data processed, 2023

Based on the table above, the Equitable Distribution Ratio shows that Islamic banks have allocated income among stakeholders, namely employees (28.89%), shareholders (0.03%), the community (0.19%) and the company itself (21.08%). Islamic banks place more emphasis on employees in terms of income distribution, namely (26.89%). This proves that Islamic banks are quite concerned with social aspects. However, based on the results of the ratio calculation, it can be seen that the calculation of distribution to the public

(society) is very minimal. This proves that the shadaqoh issued by sharia banks still has minimal value.

4.4 Islamic Income VS Islamic Non Income

To find out Islamic Income vs Non-Islamic Income, calculations are carried out using 2 indicators, namely the amount of halal income and non-halal income obtained by Sharia Banks. Following are the calculation results.

Table 4. Islamic Income VS Islamic Non Income (IIC) Syrian Commercial Bank for the 2019-2022 Period

Bank	Year (%)			
	2019	2020	2021	2122
BCA Syariah Bank	99.99	99.99	99.99	99.98
Bank Mega Syariah	99.98	99.98	99.93	99.91
Muamalat Bank	99.96	99.98	99.71	99.93
Average	99.98	99.98	99.88	99.94

Source: BUS Annual Report, Data processed, 2023

Based on the results of calculating the ratio of Islamic Income vs Non-Islamic Income in Sharia Commercial Banks from 2019 to 2022, there has been a consistent increase in results with an average of 99.98%. Based on the results obtained by Islamic Income vs Non Islamic Income at Sharia Commercial Banks received a good title with a calculation result of $\geq 30\%$. This shows that Sharia Commercial Banks really pay attention to the halalness of the funds that will be managed by the bank.

4.2 Research Discussion

The best Islamic banking performance assessment uses the Islamicity Indexes approach, namely looking at Islamic banking in Indonesia which has implemented all the sharia performance indicators that have been determined in the Islamicity Indexes (Kurniawan, 2021). Today's sharia banks not only have to serve the needs of various parties, but more importantly sharia banks must also ensure that the activities carried out are in accordance with the provisions of sharia principles which are the basis of sharia banking. For this reason, efforts to analyze the



performance of Islamic banks using the Islamicity Indices approach are very appropriate.

5. CLOSING

5.1 Conclusion

Based on research that has been carried out to analyze the performance of sharia banking using the Islamicity Index approach with 3 samples of sharia banks, namely Bank BCA, Bank Mega Syariah and Bank Muamalat in the period 2019-2022.

The research results show that the performance of sharia banks in Indonesia during the 2019-2022 period has a rating of "quite satisfactory". However, there is one ratio that has an unsatisfactory predicate, namely the zakat performance ratio. This shows that the zakat issued by sharia banks in Indonesia it is still low and the difference in the welfare of directors and sharia bank employees is high.

5.2 Suggestion

Based on the research that has been carried out, suggestions from researchers that can be taken into consideration by the parties concerned are:

1. For Sharia Commercial Banks. It is hoped that sharia commercial banks can further improve the performance of sharia principles existing in Sharia Banks and if there are some indicators that show unfavorable results, it is hoped that Sharia Banks can use this as an evaluation and further improve their performance in the future in accordance with sharia principles.
2. For Further Researchers. It is hoped that future researchers will be able to use Islamicity indicators Indices which were not used in this research, such as Islamic Investment vs Non-Islamic Investment Ratio and Directors Employees Welfare Ratio and is not only limited to assessing sharia banking, but can also evaluate the performance of other sharia financial institutions.

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