# Measuring the Financial Performance of Islamic Commercial Banks Through the Islamicity Performance Index Approach

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## *Abstrak*

*Penelitian ini bertujuan mengukur profitabilitas bank umum syariah melalui indeks kinerja keislaman atau Islamicity Performance Index (profit sharing ratio, zakat performance ratio, directors employees welfare ratio, Islamic income vs non-Islamic income ratio). Penelitian ini adalah kuantitatif dengan menggunakan data sekunder. Penentuan sampel menggunakan teknik purposive sampling, didapatkan jumlah sampel sebanyak 7 Bank Umum Syariah. Teknik analisis data menggunakan bantuan metode E-Views versi 9 sebagai alat hitung. Hasil uji t menunjukan bahwa secara parsial terdapat pengaruh profit sharing ratio terhadap profitabilitas Bank Umum Syariah, kemudian tidak terdapat pengaruh zakat performance ratio, directors employees welfare ratio, Islamic income vs non-Islamic income ratio terhadap profitabilitas Bank Umum Syariah. Otoritas Jasa Keuangan (OJK), tetap melakukan pengawasan terhadap kinerja keuangan terhadap bank syariah di Indonesia agar pertumbuhan maupun kemajuan bank syariah mampu untuk meningkatkan profit tetap menyediakan informasi yang berbobot dan akurat serta mampu menyejajarkan posisi dengan perbankan konvensional.*

***Kata Kunci****: Islamicity Performance Index, Debt to Equity Ratio, Profitabilitas, Bank Umum Syariah.*

## *Abstract*

This study aims to measure the profitability of Islamic commercial banks through the Islamicity Performance Index (profit sharing ratio, zakat performance ratio, directors employees welfare ratio, Islamic income vs. non-Islamic income ratio). This research is quantitative using secondary data. Determination of the sample using a purposive sampling technique, obtained a total sample of 7 Islamic Commercial Banks. The data analysis technique uses the help of the E-Views version 9 method as a calculating tool. The results of the t test show that partially there is an effect of the profit sharing ratio on the profitability of Islamic Commercial Banks, then there is no effect of the zakat performance ratio, directors employees welfare ratio, Islamic income vs. non-Islamic income ratio on the profitability of Islamic Commercial Banks. The Financial Services Authority (OJK), continues to supervise the financial performance of Islamic banks in Indonesia so that the growth and progress of Islamic banks is able to increase profits while providing quality and accurate information and being able to align positions with conventional banking.

**Keywords:** Islamicity Performance Index, Debt to Equity Ratio, Profitability, Islamic Commercial Banks.

## INTRODUCTION

The existence of Islamic Commercial Banks (BUS) is a clear witness that sharia finance and Islamic economics in Indonesia have experienced developments. A country with a majority Muslim population is one of the potential factors for the development of Islamic financial institutions in Indonesia (Afandi & Haryono, 2022; Rahma, 2018). Referring to Bank Indonesia regulation no. 113/PBI/2009 regarding Islamic Commercial Banks shows that Islamic banking, which is one of the elements in national banking, is expected to bring in a maximum participation of intermediary institutions to support aggregate economic development (Felani et al., 2020). Referring to the Islamic banking statistics of the Financial Services Authority, the following information is obtained.
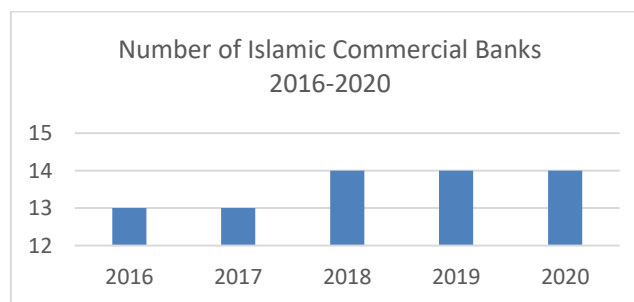


Source: www.ojk.go.id

Figure 1. Development of Islamic Commercial Banks in Indonesia

Based on the picture above, it shows that the total of Islamic Commercial Banks always experiences escalation. The number of Islamic Commercial Banks in 2016-2017 was 13 and in 2018-2020 there were 14. The Islamic banking market share is 5.99% of the entire national banking industry. Islamic banking has opportunities as well as challenges to increase market share, considering that Indonesia is a country with the largest Muslim population in the world (Bustamam & Aditia, 2016; Dinaroe et al., 2019; Hardina et al., 2019).

Seeing the development of Islamic Commercial Banks starting to develop, Islamic banks are expected to improve quality and trust and assist in increasing Indonesia's economic activities in a more productive direction. The important role of Islamic banks in Indonesia is one of the factors in national economic development, therefore it is necessary to improve the performance of Islamic banks so that they operate in accordance with Islamic principles so that these banks remain healthy and efficient. In increasing the performance of Islamic banks, it can be carried out through an analysis of published financial reports, namely by examining the level of profitability of Islamic banks (Afandi & Haryono, 2022).

The importance of the role of Islamic banks in Indonesia is one of the factors in national economic development, therefore it is necessary to improve the performance of Islamic banks so that they operate in accordance with Islamic principles so that these banks remain healthy

and efficient. In increasing the performance of Islamic banks, it can be carried out through an analysis of published financial reports, namely by examining the level of profitability of Islamic banks (Ikrima & Dahlifa, 2020). Return on assets was chosen as an indicator of profitability because return on assets is a comprehensive assessment indicator to assess the condition of an institution based on available financial reports. The following is the return on asset data for Islamic Commercial Banks for 2016-2020.

Table I. Return On Assets of Islamic Commercial Banks

| No | Name Sharia Commercial Banks | Years (%) | | | | |
|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| 1. | Muamalat Indonesia | 0,14 | 0,04 | 0,08 | 0,05 | 0,10 |
| 2. | Victoria Syariah | -2,19 | 0,36 | 0,32 | 0,05 | 0,09 |
| 3. | BRI Syariah | 0,95 | 0,51 | 0,43 | 0,31 | 0,60 |
| 4. | BNI Syariah | 1,44 | 1,31 | 1,42 | 1,82 | 1,46 |
| 5. | BJB Syariah | -8,09 | -5,69 | 0,54 | 0,60 | 0,58 |
| 6. | Syariah Mandiri | 0,59 | 0,59 | 0,88 | 1,69 | 1,08 |
| 7. | BCA Syariah | 1,1 | 1,2 | 1,2 | 1,2 | 1,1 |
| 8. | Mega Syariah | 2,63 | 1,56 | 0,93 | 0,89 | 1,55 |
| 9. | Panin Dubai Syariah | 0,37 | -10,7 | 0,26 | 0,25 | -1,96 |
| 10. | BTPN Syariah | 9,0 | 11,2 | 12,4 | 13,6 | 12,3 |
| 11. | Maybank Syariah | 1,60 | 1,48 | 1,74 | 1,45 | 1,36 |
| 12. | Syariah Bukopin | 0,02 | 0,02 | -1.12 | 0,79 | 0,82 |
| 13. | NTB Syariah | 3,95 | 2,45 | 2,13 | 2,56 | 2,44 |
| 14. | Aceh Syariah | 2,43 | 2,51 | 2,38 | 2,33 | 2,67 |

Source: www.ojk.go.id

Looking at table 1 above the return on assets of each Islamic Commercial Bank in 2016-2020 shows fluctuating data (OJK, 2020).. The fluctuating return on assets of Islamic banks indicates that Islamic banks have not been able to maximize their productive assets. In this case Islamic banks are not fully oriented towards sharia.

Ikrima & Dahlifa (2020) stating that the fluctuating return on assets of Islamic banks indicates that Islamic banks have not been able to maximize their productive assets. In this case Islamic banks are not fully oriented according to sharia. Seeing the resistance to sharia standards, sharia banking must then be assessed to what extent sharia goals are (Hayati & Ramadhani, 2021).

The Islamicity Index is a performance measurement in Islamic banking which consists of two parts, namely the Islamic Disclosure Index and the Islamic Performance Index. (Afandi & Haryono, 2022). If you look at the goals of sharia, use the Islamic performance index or the Islamicity Performance Index (Dinaroe et al., 2019). The components contained include Profit Sharing Ratio, Zakat Performing Ratio, Equitable Distribution Ratio, Director-Employees Welfare Ratio, Islamic Investment vs Non-Islamic Investment, Islamic Income Vs Non-Islamic Income, and AAOIFI Index (Afandi & Haryono, 2022).

Researchers wish to examine the effect of the Islamicity Performance Index on profitability, but only a few ratios are used in this research, namely Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Directors Employees Welfare Ratio (DEWR), and Islamic Income vs Non -Islamic Income Ratio (ISIN). Assessment using Islamic Investment vs Non-Islamic Investment (IIIN) indicators is not used because this calculation shows the condition of the Sharia Supervisory Board (DPS).

The AAOIFI Index is not used because this calculation has no effect on the overall performance estimate, because this is a qualitative estimate (Dinaroe et al., 2019). The Equitable Distribution Ratio (EDR) indicator is not used, this ratio is almost similar to DEWR in assessing social performance, namely income distribution (Ikrima & Dahlifa, 2020).

The profit sharing ratio is used to determine the effectiveness of Islamic banks in managing their productive assets by analyzing the financing provided (Felani et al., 2020). Ikrima & Dahlifa (2020) states to measure one's performance by maximizing the distribution of zakat funds by using the zakat performance ratio.

There is an issue that directors are paid more than their performance. The extra salary should be used for employee welfare such as training to increase competence so that employee performance increases so that it can increase the company's performance or capabilities. The performance or competence of Islamic banks in this concept can be measured using the directors employees welfare ratio (Afandi & Haryono, 2022; Rahmaniar & Ruhadi, 2020). Until now, Islamic banks are still earning non-halal income as evidenced by the presence of nominal non-halal income in the Funds Report and Use of Benevolent Funds. Islamic bank performance measurement in this activity uses Islamic income vs. non-Islamic income (Afandi & Haryono, 2022).

Based on the description and previous research, the researcher is interested in researching the problem with the title "Measuring the Financial Performance of Islamic Commercial Banks Through the Islamicity Performance Index Approach".

# LITERATURE REVIEW

## Syariah Enterprise Theory

This test uses Sharia Enterprise Theory or enterprise theory that has been disguised by sharia standards. In this idea, there is an obligation not only to the owner but also to the stakeholder meeting in general. Enterprise theory The substance only highlights the owner group of course, in this way all company activities only lead to government assistance for owners only (Anggraeni, 2019).

In principle, enterprise theory is a theory that puts forward certain qualities of truth, equity, authenticity, capability and reliability (Maharani et al., 2020). Because Allah is the

fundamental source in belief as the sole and direct owner of everything contained in this world. Because stakeholders are given orders that have been given to God who are incorporated as pioneers in this world or it can be said that the Khalifattullah fil Ardh will later really want to comply with the orders given maximally to the community (Musthafa et al., 2020). Sharia Enterprise Theory in research related to Islamic bank operational systems, that Islamic banks are not only reliable by company owners, but also able to be responsible to partners especially Allah SWT.

**Profitability**

When building a business or company, the most desired thing is profit or profit. Profitability is one of the indicators used to see the performance of an institution as well as the company's competencies that can bring profit (Ibrahim & Muthohar, 2019). Profitability itself can be measured using Return On Assets (ROA) by comparing net profit with total assets, this is to determine how well the company's operations are in maximizing income (Afandi & Haryono, 2022; Syafiqa K et al., 2021). Profit in the company's operational activities is a very important element to ensure the survival of the company in the future.

$$ROA = \frac{Net\ profit}{Total\ Assets}$$

**Islamicity Performance Index**

The Islamicity Performance Index is an estimation instrument that can be used to assess execution which can describe the materialistic and spiritual qualities that exist in Islamic banks. The Islamicity Performance Index is used to measure a bank's performance based on the data listed in the annual report (Ikrima & Dahlifa, 2020). The Islamicity Performance Index ratio used in this research is Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Directors Employees Welfare Ratio (DEWR), Islamic Income vs Non-Islamic Income (ISIN).

Profit Sharing Ratio can be said as financing that depends on sharia standards. Overall, the profit sharing ratio is the proportion of mudharabah and musyarakah financing to total financing (Riyadi et al., 2021). This ratio estimates the amount of profit sharing achieved by Islamic banking, which is obtained from mudharabah financing and musyarakah financing. Profit sharing ratio can be determined by the formula:

$$PSR= \frac{Mudarabah\ Financing + Musyarakah\ Financing}{Total\ Financing}$$

The performance of Islamic banks must also be based on zakat to replace earnings per share (EPS) performance markers. Where the abundance of Islamic banks must be based on sources of net worth (net assets). If basically Islamic banks have high total assets, Islamic

banks must follow up zakat with greater costs (Hayati & Ramadhani, 2021). The ratio of zakat performance ratio can be calculated by the formula:

$$ZPR= \frac{\text{Zakat}}{\text{Net Assets}}$$

Employee welfare is very important to pay attention to because workers or employees are one of the main factors that drive the company's work. In estimating representative government assistance, the Directors Employees Welfare Ratio (DEWR) can be used. DEWR represents a check between the size of the director's salary compensation and the size of the assets used by the company in assistance to workers or employees (Rahmaniar & Ruhadi, 2020). To find directors employees welfare ratio use the formula:

$$DEWR= \frac{\text{Average Director Salary}}{\text{Average Employee Welfare}}$$

*Islamic income vs. non-Islamic income is used to measure the size of halal income earned by Islamic banking* (Felani et al., 2020). *Islamic income vs non-Islamic income is the ratio of halal income to total income. Total income consists of data on halal income and non-halal income. Non-halal income is obtained from income from conventional activities. Non-halal income can also be seen in reports on the sources and use of benevolent funds provided by Islamic banking* (Siswanti et al., 2021). The ratio of Islamic income vs. non-Islamic income is calculated using the formula:

$$ISIN= \frac{\text{Halal income}}{\textit{Halal income and non}-\textit{halal income}}$$

**Hypothesis**

From the results of the analysis above and the elaboration of the theory regarding each variable, a research model can be formulated as follows:
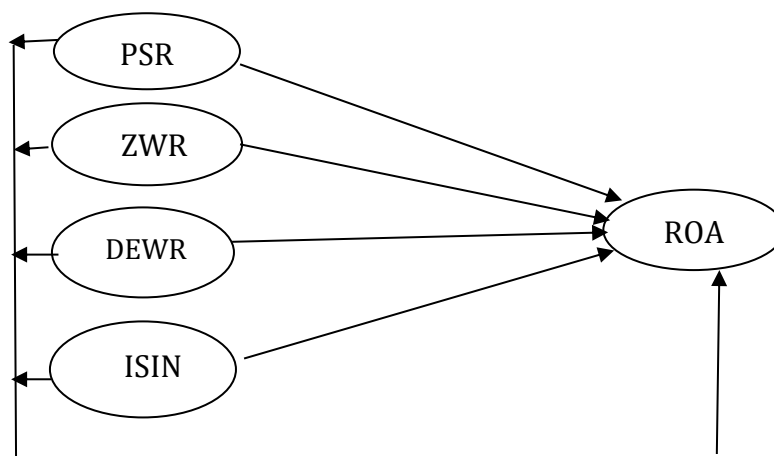


Figure 2: Research Model

It can be seen from the research model above, the hypothesis can be drawn as follows:

H1: Profit Sharing Ratio has an influence on Profitability

H2: Zakat Performance Ratio has an influence on Profitability

H3: Directors Employees Welfare Ratio has an influence on Profitability

H4: Islamic Income vs Non-Islamic Income Ratio has an influence on Profitability

H4: Profit Sharing Ratio, Zakat Performance Ratio, Directors Employees Welfare Ratio, Islamic Income vs Non-Islamic Income Ratio have a joint effect on Profitability

## METHODS

This study uses a quantitative approach. The quantitative approach is used on the grounds that the examination to be completed will use financial measuring instruments, the instrument will test hypotheses and then summarize them as information (Ahmad et al., 2019). The estimation scale in this study uses a secondary data hypothesis test design in the form of panel data. Secondary data here includes financial reports and annual publication reports of Islamic banking in Indonesia. The population in this study are Islamic Business Banks (BUS) registered at Bank Indonesia for the 2016-2020 period, namely 14 Islamic Business Bank units. Exploration information can be obtained through the website http://www.ojk.go.id and each bank's website.

From this sample, 7 Sharia Business Banks were obtained as trials, namely BCA Syariah, Bank BNI Syariah, Bank BRI Syariah, Bank Mandiri Syariah, Bank Mega Syariah, Bank Muamalat Indonesia, and Bank Panin Syariah. The total amount of data used in the research is 35 Islamic banking financial statements. The data obtained is then calculated Profitability (ROA), Islamicity Performance Index Ratio (Profit Sharing Ratio, Zakat Performing Ratio, Directors Employees Welfare Ratio, and Islamic Income vs. Non-Islamic Income). The research examination technique used is with the help of the application strategy E-views 9 as an instrument for calculating statistics.

## RESULT AND DISCUSSION

### Results of Data Analysis

### Descriptive Statistics Test

Table 2. Descriptive Statistical Test Results

|          | Y          | $X_1$    | $X_2$    | $X_3$    | $X_4$    |
|----------|------------|----------|----------|----------|----------|
| Mean     | 0.005700   | 0.470571 | 1.111429 | 0.079800 | 0.995635 |
| Median   | 0.008900   | 0.450000 | 0.380000 | 0.025000 | 0.999160 |
| Maximum  | 0.026300   | 0.920000 | 24.00000 | 0.375000 | 0.999950 |
| Minimum  | -0.107700  | 0.120000 | 0.100000 | 0.007000 | 0.965860 |
| Observe  | 35         | 35       | 35       | 35       | 35       |

It can be understood if with 35 observations, the average value of Y (ROA) is 0.005700, the median is 0.008900, the maximum is 0.026300, and the minimum is -0.107700. In variable X1 (PSR) the average value is 0.470571, the median is 0.450000, the maximum is 0.920000, and the minimum is 0.120000. In variable X2 (ZPR) the average value is 1.111429, the median is 0.380000, the maximum is 24.00000, and the minimum is 0.100000. In variable X3 (DWER) the average value is 0.079800, the median is 0.025000, the maximum is 0.375000, and the minimum is 0.007000. In variable X4 (ISIN) the average value is 0.995635, the median is 0.999160, the maximum is 0.999950, and the minimum is 0.965860.

**Stationarity Test**

This study uses the Unit Root test stationarity test with Levin, Lin & Chu. The results of the stationarity test are seen in table 3:

Table 3. Stationarity Test Results

| No | Variabel | Probability | Information | Level |
|---|---|---|---|---|
| 1 | (X$_1$) | 0,0000 | Stasioner | $1^{st}$ Difference |
| 2 | (X$_2$) | 0,0000 | Stasioner | $1^{st}$ Difference |
| 3 | (X$_3$) | 0,0000 | Stasioner | $1^{st}$ Difference |
| 4 | (X$_4$) | 0,0000 | Stasioner | $1^{st}$ Difference |
| 5 | (Y) | 0,0058 | Stasioner | $2^{nd}$ Difference |

The probability values for all the variables above show a significance value below 0.05 which indicates that the data in the research is stationary, so it is feasible to be tested to the next stage.

**Multiple Linear Regression Model Test**

After testing the Chow test, Hausman test, and Lagrange multiplier test to determine the regression model. So, the selected regression model is Common Effect. This test is useful for interpreting panel data in this study. Following are the results of the Common Effect Model test.

Table 4. Multiple Linear Regression Test Results
Dependent Variable: DY
Method: Panel Least Squares
Date: 02/12/22   Time: 09:54
Sample: 2016 2020
Periods included: 5
Cross-sections included: 7
Total panel (balanced) observations: 35

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.906086 | 0.583597 | 1.552589 | 0.1401 |
| DX1 | 0.012185 | 0.028941 | -0.421016 | 0.0493 |
| DX2 | 0.009635 | 0.016799 | 0.573530 | 0.5743 |
| DX3 | 0.049387 | 0.075645 | 0.652878 | 0.5231 |
| DX4 | -0.887755 | 0.588593 | -1.508266 | 0.0710 |
| R-squared | 0.781117 | Mean dependent var | | 0.005700 |

| | | | |
|---|---|---|---|
| Adjusted R-squared | 0.759874 | S.D. dependent var | 0.020706 |
| S.E. of regression | 0.004148 | Akaike info criterion | -7.829531 |
| Sum squared resid | 0.000275 | Schwarz criterion | -6.985200 |
| Log likelihood | 156.0168 | Hannan-Quinn criter. | -7.538068 |
| F-statistic | 46.18468 | Durbin-Watson stat | 2.232753 |
| Prob(F-statistic) | 0.000000 | | |

The results of the multiple linear regression test can be seen in table 4 above.

$$ROA = \alpha + b_1 PSR + b_2 ZPR + b_3 DEWR + b_4 ISIN + e$$

$$ROA = 0{,}906086 + 0{,}012185 PSR + 0{,}009635 ZPR + 0{,}049387 DEWR - 0{,}887755 ISIN$$

From the regression equation above, it can be interpreted that:

1. The constant (C) is 0.906086, meaning that if the independent variable is zero (0), the ROA value is 0.906086.

2. The PSR regression coefficient of 0.012185 states that each additional PSR is 1 unit, it will increase the ROA value by 0.012185. The coefficient value of the PSR variable indicates a positive relationship with the ROA variable, which when the higher the PSR value level, it will increase the ROA value in Islamic Commercial Banks.

3. The ZPR regression coefficient of 0.009635 states that each addition of 1 unit of ZPR will increase the ROA value by 0.009635. The coefficient value of the ZPR variable shows a positive relationship with the ROA variable, which when the higher the ZPR value level, it will increase the ROA value at Islamic Commercial Banks.

4. The DEWR regression coefficient of 0.049387 states that each additional DEWR of 1 unit will increase the ROA value by 0.049387. The coefficient value of the DEWR variable indicates a positive relationship with the ROA variable, which when the higher the DEWR value level, the ROA value will increase in Islamic Commercial Banks.

5. The ISIN regression coefficient of -0.887755 states that each addition of ISIN by 1 unit will reduce the ROA value by -0.887755. The coefficient value of the ISIN variable indicates a negative relationship with the ROA variable, which when the higher the ISIN value level, the ROA value will decrease in Islamic Commercial Banks.

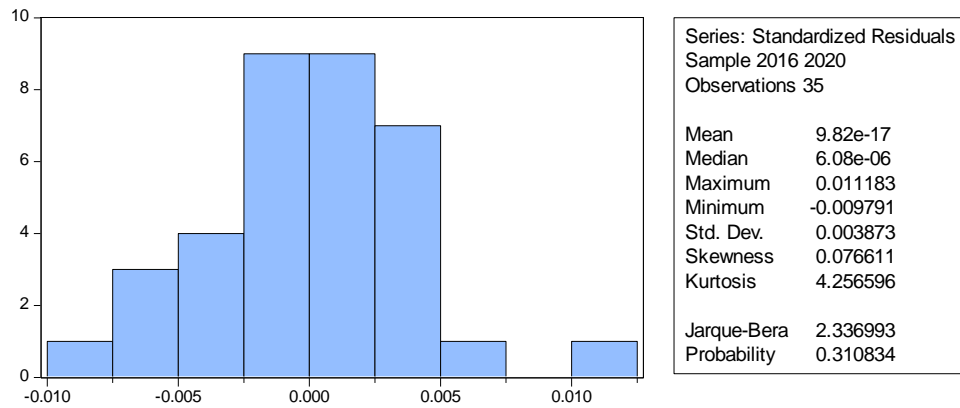**Classic assumption test**
**Normality test**

Figure 3. Normality Test Results

The test results show that the residual value is obtained by the Jarque-Bera value of 2.336993. The probability value is 0.31, then $p > 0.05$ it can be concluded that the data is normally distributed.

**Multicollinearity Test**

Table 6. Multicollinearity Test Results

|  | X1 | X2 | X3 | X4 |
|---|---|---|---|---|
| X1 | 1 | 0.002645 | 0.550011 | -0.549692 |
| X2 | 0.002645 | 1 | -0.085202 | -0.08617 |
| X3 | 0.550011 | -0.085202 | 1 | -0.395134 |
| X4 | -0.549692 | -0.086170 | -0.395134 | 1 |

The correlation value for each variable is <0.80, so there is no multicollinearity problem.

**Autocorrelation Test**

Table 7. Autocorrelation Test Results

| Breusch-Godfrey Serial Correlation LM Test: | | | |
|---|---|---|---|
| F-statistic | 1.748959 | Prob. F(2,25) | 0.1946 |
| Obs*R-squared | 4.296002 | Prob. Chi-Square(2) | 0.1167 |

The probability value at Chi-Square (which is Obs*R-squared) is 0.1167 > 0.05, it can be concluded that the data does not have autocorrelation.

**Heteroscedasticity Test**

Table 8. Heteroscedasticity Test Results

| Heteroskedasticity Test: White | | | |
|---|---|---|---|
| F-statistic | 0.809531 | Prob. F(19,15) | 0.6725 |
| Obs*R-squared | 17.71951 | Prob. Chi-Square(19) | 0.5412 |
| Scaled explained SS | 4.232726 | Prob. Chi-Square(19) | 0.9998 |

The probability value on Chi-Square (which is Obs*R-squared) is 0.5412 > 0.05, it can be concluded that the data does not have heteroscedasticity in the study.

**Hypothesis testing**
**Partial Test**

Table 9. Partial Significance Test Results (t test)

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.906086 | 0.583597 | 1.552589 | 0.1401 |
| DX1 | 0.012185 | 0.028941 | -0.421016 | 0.0493 |
| DX2 | 0.009635 | 0.016799 | 0.573530 | 0.5743 |
| DX3 | 0.049387 | 0.075645 | 0.652878 | 0.5231 |
| DX4 | -0.887755 | 0.588593 | -1.508266 | 0.0710 |
| DX5 | -0.006658 | 0.000874 | -7.621758 | 0.0000 |

For the interpretation of the results of the t test in the table above as follows:

1. The Effect of Profit Sharing Ratio on the Profitability of Islamic Commercial Banks

     From the results of the t test it can be seen that the variable profit sharing ratio has a probability of 0.0493 and is less than <0.05. So it can be concluded that there is an effect of the profit sharing ratio on the profitability of Islamic Commercial Banks.

2. Effect of Zakat Performance Ratio on the Profitability of Islamic Commercial Banks

     From the results of the t test it can be seen that the zakat performance ratio variable has a probability of 0.5743 and is greater than > 0.05. So it can be concluded that there is no effect of zakat performance ratio on the profitability of Islamic Commercial Banks.

3. The Effect of Directors Employees Welfare Ratio on the Profitability of Islamic Commercial Banks

     From the results of the t test it can be seen that the variable directors employees welfare ratio has a probability of 0.5231 and is greater than > 0.05. So it can be concluded that there is no effect of the directors employees welfare ratio on the profitability of Islamic Commercial Banks.

4. The Effect of Islamic Income VS Non-Islamic Ratio on the Profitability of Islamic Commercial Banks

     From the results of the t test, it can be seen that the variable Islamic income vs non-Islamic ratio has a probability of 0.0710 and is greater than > 0.05. So it can be concluded that there is no effect of Islamic income vs non-Islamic ratio on the profitability of Islamic Commercial Banks.

**Simultaneous Significance Test (F)**

Table 10. Simultaneous Significance Test Results (F Test)

| | | | |
|---|---|---|---|
| R-squared | 0.781117 | Mean dependent var | 0.005700 |
| Adjusted R-squared | 0.759874 | S.D. dependent var | 0.020706 |
| S.E. of regression | 0.004148 | Akaike info criterion | -7.829531 |
| Sum squared resid | 0.000275 | Schwarz criterion | -6.985200 |
| Log likelihood | 156.0168 | Hannan-Quinn criter. | -7.538068 |
| F-statistic | 46.18468 | Durbin-Watson stat | 2.232753 |
| Prob(F-statistic) | 0.000000 | | |

The results of the F test in table 10 above show a Prob (F-statistic) value of 0.000000 which is smaller than <0.05, which means that the H5 hypothesis states profit sharing ratio, zakat performance ratio, directors employee welfare ratio, Islamic income vs. non-Islamic income jointly (simultaneously) affects the profitability received.

## Determination Coefficient Test (R2)

Table 11. Test Results for Analysis of the Coefficient of Determination (R2)

| R-squared | 0.781117 | Mean dependent var | 0.005700 |
|---|---|---|---|
| Adjusted R-squared | 0.759874 | S.D. dependent var | 0.020706 |
| S.E. of regression | 0.004148 | Akaike info criterion | -7.829531 |
| Sum squared resid | 0.000275 | Schwarz criterion | -6.985200 |
| Log likelihood | 156.0168 | Hannan-Quinn criter. | -7.538068 |
| F-statistic | 46.18468 | Durbin-Watson stat | 2.232753 |
| Prob(F-statistic) | 0.000000 | | |

Based on table 11 above, the value of the Adjusted R-Squared (Coefficient of Determination) shows a value of 0.781117. Thus, the ability of this test to explain the independent variables to the dependent variable is 78% while the remaining 22% is explained by other variables outside of the independent variables used in this study.

## Discussion of Research Results

Based on the tests and the results of data analysis from the tests used using the E-Views version 9 program, it can be seen that of the five independent variables used there is 1 variable that shows an effect on the dependent variable and there are 3 variables that show no effect on the dependent variable.

1. The Effect of Profit Sharing Ratio on the Profitability of Islamic Commercial Banks

From the test results it was found that the variable profit sharing ratio has a probability of 0.0493 and is less than <0.05. So it can be concluded that there is an effect of the profit sharing ratio on the profitability of Islamic Commercial Banks.

Profit-sharing transactions, namely mudharabah and musyarakah, are the core of Islamic banks where transactions in Islamic banks prioritize the use of a profit-sharing system. Therefore, the results of income from profit sharing obtained from (mudharabah and musyarakah) are able to optimize the ability of Islamic banks to maximize profits so that they have an impact on Islamic banking performance.

The results of this study are also consistent with previous research conducted Hardina et al. (2019) shows that the variable profit sharing ratio has a significant positive effect on ROA.

2. Effect of Zakat Performance Ratio on Profitability of Islamic Commercial Banks

From the test results it was found that the zakat performance ratio variable has a probability of 0.5743 and is greater than > 0.05. So it can be concluded that there is no effect of zakat performance ratio on the profitability of Islamic Commercial Banks.

In general, sources of zakat funds in Islamic Commercial Banks consist of zakat from within and from outside Islamic bank entities. The higher the amount of zakat distributed by Islamic banks, it will not affect the value of profitability. As for zakat originating from the scope of Islamic bank entities, it originates from the total assets owned by the bank, whereas zakat originating outside the scope of Islamic bank entities originates from customers and the public.

Changes in the level of value in the percentage of zakat management in Islamic banks are generally issued for several things, which then indicates a change in value on the bank's profitability side. Because the amount of zakat issued by each bank is still relatively small, so the source of funds that is the bank's obligation to issue zakat is dominated mostly from the role of zakat outside of Islamic bank entities (Puji Prasetyo et al., 2020). In line with Felani et al. (2020) the results of the study show that adjusting the value of the proportion of zakat implementation has no effect on financial implementation which is proxied by ROA at Islamic Commercial Banks.

3. The Effect of Directors Employees Welfare Ratio on the Profitability of Islamic Commercial Banks

From the test results it was found that the variable directors employees welfare ratio has a probability of 0.5231 and is greater than > 0.05. So it can be concluded that there is no effect of the directors employees welfare ratio on the profitability of Islamic Commercial Banks.

The welfare level of employees and directors in an Islamic bank can be measured materially or non-materially. The aim is to maintain and improve the morale of employees and directors so that the bank's productivity continues to increase. Welfare in Islamic Commercial Banks shows that there is an allocation of benefits to all parties in a fair and consistent manner. Remuneration is a form of incentive or encouragement given to the directors so that the directors can carry out their responsibilities in accordance with the interests of the shareholders. Furthermore, the purpose of this incentive is to increase the productivity of directors. With the increasing productivity of directors, it will affect the increase in the results/performance of a company (Puji Prasetyo et al., 2020).

However, the results of the study show that there is no unidirectional positive relationship between remuneration, performance, and profitability or in other words, an increase in the remuneration provided will increase performance, which will then be

followed by an increase in company profitability. The existence of a directors' remuneration which is quite large compared to employee salaries makes the directors feel valued for their performance and further increases their work productivity. This increase in performance should also have a big influence on company profitability.

In line with the research of (Afandi & Haryono, 2022; Felani et al., 2020) that the Directors Employees Welfare Ratio variable has no effect. This happens because there is a really big compensation for the relationship between director's compensation and workers' compensation. The director's salary is higher than the assistance of laborers or Islamic bank workers.

4. The Effect of Islamic Income VS Non-Islamic Ratio on the Profitability of Islamic Commercial Banks

From the test results, it was found that the variable Islamic income vs. non-Islamic ratio has a probability of 0.0710 and is greater than > 0.05. So it can be concluded that there is no effect of Islamic income vs non-Islamic ratio on the profitability of Islamic Commercial Banks.

Overall, the ratio of Islamic income vs. non-Islamic income emphasizes the resulting aspect of value as the main point, namely the aspect of success and the halal aspect of implementing sharia principles which is independent of the element of usury. This is also indirectly related to the level of profitability of Islamic banks in the future. The need for income reporting at Islamic banks, both halal and non-halal income, will greatly assist in convincing and giving responsibility to customers. In this case, the Islamic banking activities contained in the notes to the financial statements still contain sources of non-halal funds which are mentioned as benevolent funds in Islamic banking which is one of the non-halal funds originating from Islamic banking activities such as receiving fines from customers, financing and services. conventional or non-sharia bank current accounts.

Islamic banks that earn non-halal income illustrate that these Islamic banks have not carried out activities that are truly in accordance with Islamic principles. This is because non-halal income such as fines, interest, and so on cannot be considered as operating income but will automatically be included in the benevolent fund post in the bank's financial statements. These funds will then be channeled as benevolent funds in the form of qardhul hasan or donations which are distributed as accountability reporting to the public which is included in the additional notes to the financial statements of these funds in accordance with applicable standards. So, all income and receipts that are non-halal in nature cannot increase the profitability of Islamic banks (Hayati & Ramadhani, 2021).

This examination is in accordance with Ikrima & Dahlifa (2020). This can be caused by the income earned by the bank other than as mudharib or non-halal income which

cannot be avoided by Islamic Business Banks. This is reflected in the disbursement plan notes that the financial receipts come from client fines and conventional bank financing.

## CONCLUSION

Based on the results of the study, the researcher can draw conclusions. There is an influence between the profit sharing ratio on the profitability of Islamic Commercial Banks. There is no influence between zakat performance ratio, directors employees welfare ratio, Islamic income vs. non-Islamic ratio on the profitability of Islamic Commercial Banks. Research using the Islamicity Performance Index approach in analyzing business performance and social performance, which later is expected that the Islamic bank is able to measure the level of performance by looking at its weaknesses and strengths so that in the future an evaluation will be carried out to make it more effective. The researcher provides several suggestions which can then be used as material for consideration by the parties concerned.

For the Financial Services Authority (OJK), continue to supervise the financial performance of Islamic banks in Indonesia so that the growth and progress of Islamic banks are able to increase their profits, continue to provide quality and accurate information and be able to align their positions with conventional banking.

For Islamic banks, which are the object of research using the Islamicity Performance Index approach in analyzing their business performance and social performance, it is hoped that these Islamic banks will be able to measure their performance level by looking at their strengths and weaknesses so that in the future an evaluation will be carried out to make it more effective.

For further research, it is advisable to add new variables or change research by using other approaches that can affect Profitability (ROA) and can update the timeframe so that you can find out new conditions and expand research data by adding samples and research populations . Then using another Islamicity Performance Index approach such as the Equitable Distribution Ratio, Islamic Investment vs Non-Islamic Investment, and the AAOIFI Index to see the goals of sharia using the Islamic performance index or the Islamicity Performance Index.

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