

ANALYSIS OF SHARIA COMMERCIAL BANK PERFORMANCE BASED ON THE ISLAMICITY PERFORMANCE INDEX METHOD

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ABSTRACT

This study aims to find out and analyze BRI Syariah's performance based on the Islam city Performance Index (IPI) method for the period 2016 to 2018. The method used is a ratio calculation, namely profit-sharing ratio (PSR), zakat performance ratio (ZPR), equitable distribution ratio (EDR), Islamic investment vs. non-Islamic investment ratio, and Islamic income vs non-Islamic income ratio. In this study, the analytical technique used is a quantitative analysis and the data used are annual financial reports for the 2016-2018 period. The results showed that the performance of Bank Rakyat Indonesia Syariah (BRIS) or BRI Syariah based on the Islam city Performance Index (IPI) method, namely in carrying out the performance of Islamic commercial banks was very good and following Islamic Sharia principles and the condition of Islamic banking was in good health.

Keywords: *Sharia Bank Performance, Islam city Performance Index (IPI), Riba*

INTRODUCTION

Indonesian Islamic Bank is currently under construction. Indonesia has the world's largest Muslim population, but this does not guarantee that the pace of Islamic banking development will pick up rapidly. The development of Islamic banking has not been accompanied by optimal bank performance. This is due to human resource (HR) credibility and governance issues in Islamic banking, which still need improvement. Islamic banks have not improved in terms of quality. Several weaknesses are slowing the development of Indonesia's sharia banking. So it's a funding issue.

The development of Islamic banking is growing very fast. Shariah banks demonstrate their resilience as a pillar of the state underpinning the financial stability system. Islamic banks were able to move forward amid the crisis that hit Indonesia in 2008. Islamic banks may also compete with traditional banks.

According to the Financial Services Authority (OJK), there are currently 14 Islamic Commercial Banks

(BUS), but up to 20 banks in the form of Islamic Business Units (UUS). Asset Trends, Decentralized Lending (PYD), and Growing Third Party Funds (DPK). As of March 2019, Indonesia's total Islamic financial assets (excluding Shariah shares) amounted to IDR 1,340.65 trillion, or US\$94.12 billion. Sharia Bank Decentralized Funding (PYD) amounted to IDR 336.39 trillion from a total of 5.43 million accounts. Meanwhile, the number of Third Party Funds (DPK) in Islamic Banks amounted to 382.83 trillion IDR out of a total of 30.31 million accounts.

The market share of Indonesian sharia banks reached 5.94%. So far, the goal of achieving a market share of 5% or more has been achieved. This is supported by the creation of the legal basis Aceh Kanun Law No. 11 of 2018 on Islamic Financial Institutions (LKS). His Qanun regulation implementation in Aceh is considered to be a major driver of the growth of domestic Islamic financial institutions (LKS) and the integrated Islamic economy. Due to the Qanun passage on Islamic Financial Institutions (LCS) in Aceh, all financial

institutions operating in Aceh, including banks, must become Islamic Financial Institutions (LCS). One of the conversions of traditional commercial banks to Shariah is the conversion of Bank BPD Aceh to Bank Aceh Syariah.

According to Hamed et al. (2004) Islamic banking must be in the best interest of society and its responsibilities as an Islamic financial institution are limited not only to the financial needs of the various parties, but most importantly to It is to ensure that all banking activities are carried out according to Islamic principles. Many internal challenges for the development of Islamic banking in Indonesia. The biggest challenge facing Islamic banks is gaining the trust of stakeholders. Customer trust is very important for Islamic banking to continue to grow and develop.

Hamed et al. (2004) developed an index called the Islamicist Performance Index (IPI). This method is a performance measurement tool that can reveal secular, spiritual and social values such as justice, halal and holiness. This allows companies to demonstrate their social responsibility. The Islamic City Performance Index measures six of his financial metrics: Profit share rate, Zakat benefit rate, Equity share rate, Executive employee rate, Islamic investment vs. non-Muslim investment rate and Islamic to non-Muslim income ratio.

A study by Lilis (2018) analyzed the performance of Bank Syariah Mandiri using the Risk Profile, Good Corporate Governance, Earnings and Capital (RGEC) method and the Islamic City Performance Index (IPI) method. Bank Syariah Mandiri was in good overall condition from 2014 to 2017.

Based on these assumptions, this study aims to examine how the performance of Islamic commercial banks has developed using the 2016-

2018 Islamic Cities Performance Indicators approach.

RESEARCH METHODS

The type of data used in this study is secondary data. The secondary data used in this study is the historical data of Bank BRI Syariah, which switched currencies from 2016 to 2018. The data analysis techniques used are descriptive qualitative methods, i.e. methods in which quantitative data obtained are explained in words or sentences to draw conclusions.

In this study, the authors used only five indicators from the Islamicist Performance Index (IPI). The following metrics are metrics based on the Islamist Performance Index (IPI), which consists of:

Profit Sharing Ratio (PSR)

Profit sharing ratio (PSR) is the main purpose of establishing an Islamic bank. This ratio measures how well Islamic banks are achieving their goals of using profit-sharing systems to channel funds to the production sector. Total funding includes profit sharing, leasing, buying and selling, rental and multi-service deals.

Zakat Performance Ratio (ZPR)

Zakat is one of the obligations of every Muslim to provide part of their wealth based on the Quran and Hadith. Islamic banks' performance should be based on zakat payments by Islamic banks to replace the traditional performance measure of earnings per share (EPS).

A bank's prosperity should be based on net worth, not on net income, which traditional methods emphasize. So, the higher the bank's net worth, the higher the bank's zakat will naturally be.

Equitable Distribution Ratio (EDR)

Distributive justice is an aspect considered important in Sharia

accounting. Therefore, this indicator was developed with the aim of knowing how a bank's revenue is distributed to its stakeholders. Components of this ratio include qardh and donations (contributions), payroll costs, dividends, and net income. Qardh has a loan agreement (payment of funds) to a customer with a provision that the customer is obligated to repay the funds received to the Islamic Financial Institution (LKS) at the time agreed between the customer and her LKS. is. Each of these factors is divided by the bank's income after deducting zakat and taxes. This calculation is done independently among the components it contains. Hamed et al. (2004) is:

- 1) *Qardhand* Donation (Qardh and Donation)
- 2) Labor Expenses (Employee Expense)
- 3) Net Profit (Net Profit)

Islamic Investment vs Non-Islamic Investment Ratio

In accordance with Shariah principles, Islamic banks certainly encourage halal transactions and prohibit non-halal transactions, including high-interest elements. Islamic banks are therefore required to explicitly disclose the investments they have made, both in the flow of funds to the halal and non-halal sectors.

Islamic Income vs Non-Islamic Income Ratio

Islamic banks must only receive revenue from halal sources. However, Islamic banks generate non-halal revenue from interest accrued from traditional bank checking accounts. If an Islamic bank receives income from non-halal transactions, it must disclose information such as: In Islamic banking financial reporting, non-halal income is part of the virtue reporting.

Assessment Standards *Islam city Performance Index (IPI)*

The weighting of each indicator in the sharia banking performance health metric and then the Islamic City Performance Index (IPI) method is done as follows.

The cumulative value standard for the level of Islamic banking social performance is designed to facilitate the calculation of Islamic banking performance achievements and to avoid confusion between banks and stakeholders, with openness between them. A weighting is done so that there is of each factor. Performance weightings are created with reference to the weighting model used to calculate the financial health of Islamic banks.

Table 1.
Assessment Standard Islamicity Performance Index (IPI)

No.	Aspect	Weight
1.	<i>Profit Sharing Ratio (PSR)</i>	≥30%
2.	<i>Zakat Performance Ratio (ZPR)</i>	≥35%
3.	<i>Equitable Distribution Ratio (EDR):</i>	
	a. <i>Qardh and Donation</i>	≥35%
	b. <i>Employee Expenses</i>	≤35%
	c. <i>Net Profits</i>	≥35%
4.	<i>Islamic Investment vs Non-Islamic Investment Ratio</i>	≥30%
5.	<i>Islamic Income vs Non-Islamic Income Ratio</i>	≥30%

Source: Luhur Prasetyo (2014)

DISCUSSION

There are 6 main ratios in the Islamic Performance Index method, namely.

Table 2.
Islamicity Performance Index

Factor	Year		
	2016 (%)	2017 (%)	2018 (%)
Profit Sharing Ratio (PSR)	36.05	34.93	36.04
Zakat Performance Ratio (ZPR)	2.44	0.77	0.42
Equitable Distribution Ratio (EDR):			
a. Qardh and Donation	18,17	15,13	20,18
b. Employee Expenses	33,28	32,23	27,91
c. Net Profits	10.52	6,24	5,82
Islamic Investment vs Non-Islamic Investment Ratio	100	100	100
Islamic Income vs Non-Islamic Income Ratio	99.99	99.96	99.95

Source: Secondary data processed, 2020

Table 2 of the results of the calculations performed to measure the performance of Islamic commercial banks in Belt and Road Shariah from 2016 to 2018 shows that the Belt and Road Shariah Profit Share Ratio (PSR) has fluctuated. I understand. Consistent with the results achieved, BRI Syariah's overall performance based on Profit Share Ratio (PSR) is in good shape. However, BRI Syariah's profit-sharing ratio (PSR) is still less than half of its total funding when funded through paid contracts.

BRI Syariah's Zakat Performance Ratio (ZPR) is in an unfavorable state. Percentage of Zakat Performance Ratio (ZPR) $\leq 35\%$ from 2016 to 2018. Year after year, BRI Syariah's net worth has been growing very well and the size of the increase in net worth should be offset by the increase in Zakat distribution.

Equitable Distribute Ratio (EDR) Qardh and donations are at a disadvantage. 2016-2018 Qardh and contribution equitable share ratio

(EDR) percentage $\leq 35\%$. This was due to the decrease in revenue due to the tax increase. BRI Syariah must be able to reasonably improve the performance of income distribution or distribution of funds to the community. May social functions run smoothly according to Shariah principles. BRI Syariah Labour Cost EDR in 2016-2018 is in good condition. Employment cost equitable share ratio (EDR) percentage $\leq 35\%$ in 2016-2018. This shows that BRI Syariah is good and fair in distributing income to workers for equal wages. On the other hand, in Table 2, it can be said that his EDR ratio calculation of BRI Syariah net profit from 2016 to 2018 is in an unfavourable position. Equitable Distribution Ratio (EDR) percentage of net income from 2016 to 2018 $\leq 35\%$.n.

The ratio of Islamic investment to non-Islamic investment in 2016-2018 as a whole is Halal investment. There are no non-halal assets in BRI Syariah's financial statements, i.e. assets containing

Anti-Maysir, Gharar and Usury. This proves that BRI Syariah fully fulfills its obligations as a commercial bank based on Islamic Shariah principles.

The ratio of Islamic income to non-Muslim income BRI Syariah for the period 2016-2018 can be said to be in very good shape. The ratio of Islamic income to non-Muslim income in 2016-2018 is over 30%.

In general, Islamic banking income is derived from the management of productive assets, both in the form of profit-sharing and buy-and-sell financing. There are non-halal income, i.e. site deposits with elements of usury at conventional banks. An Islamic bank is a bank based on Islamic Shariah principles that avoids the interest component in generating income. This non-halal income is unavoidable due to Indonesia's dual banking system, i.e., banks with a dual banking system. However, the ratio of Muslim to non-Muslim income in BRI Syariah is said to be good.

According to the Islamic Performance Index (IPI) for the last three years from 2016 to 2018, sharia commercial banks that bank according to Islamic Shariah principles, i.e. BRI Syariah, have performed very well in terms of investment. I understand. Income because we can avoid usury and BRI Syariah as sharia commercial bank can be called sharia commercial bank. energy. BRI Syariah should evaluate performance in terms of zakat distribution and profit sharing. Generation of company profits and economic added value. This is beneficial for creditors and shareholders when investing capital. To allow interested parties to entrust funds to her BRI Syariah. BRI Syariah performed well and effectively, bringing very rapid progress and development to the Indonesian banking industry.

CONCLUSION

Based on research results on the performance measurement of Islamic commercial banks using the Islamic Performance Index (IPI) method, the authors suggest that Bank Rakyat Indonesia Syariah (BRIS) or BRI Shariah performance analysis is based on the Islamic Performance Index (IPI). We can conclude that) - Sharia is very good in running methods, i.e. commercial bank performance, following Islamic Sharia principles, Sharia banking is in good condition.

Limitations that may affect research. The sample for this study is still very small as only one Islamic bank listed on the Indonesian Stock Exchange is used. This is because much of the data may not be complete and representative.

From the limited research disclosed, it can be concluded that further research can use the same method by comparing Islamic banks with traditional banks listed on the Indonesia Stock Exchange.

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