



## ANALYSIS OF FINANCIAL PERFORMANCE OF SHARIA BANKING USING THE ISLAMICITY PERFORMANCE INDEX APPROACH IN SHARIA BANKING IN INDONESIA

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### ABSTRACT

The Islamic banking sector is pivotal in fostering an economy aligned with Islamic principles, yet conventional performance metrics often fail to capture Sharia compliance comprehensively. This study employs the Islamicity Performance Index (IPI) to evaluate the financial performance of Islamic banks in Indonesia, integrating financial and ethical dimensions. The research addresses the question: How does the financial performance of Islamic banking in Indonesia align with the IPI? Using a qualitative descriptive approach, the study analyses three purposively sampled banks—Bank Muamalat Indonesia, Bank BCA Syariah, and Bank Syariah Indonesia—over the period 2021–2023. The IPI framework assesses five key indicators: Profit Sharing Ratio, Zakat Performance Ratio, Equitable Distribution Ratio, Directors-Employee Welfare Ratio, and Islamic Investment vs. Non-Islamic Investment. Findings reveal that these banks demonstrate a commitment to aligning operations with Islamic principles, particularly in maintaining 100% Sharia-compliant investments. However, challenges persist, including low zakat contributions, significant welfare disparities between directors and employees, and limited adoption of profit-sharing financing models. These findings underscore the need for Islamic banks to enhance strategic initiatives that prioritize equitable economic development and substantive Sharia compliance, beyond mere formal adherence. Recommendations include strengthening profit-sharing mechanisms and improving zakat and welfare distribution to align with the broader objectives of Islamic economics.

### 1. Introduction

Banks serve as fundamental components of economic growth, linking capital providers with people requiring financial resources (Felani et al., 2020). Banks gather deposits from individuals and institutions and transform them into accessible investment capital, such as by offering credit to enterprises and manufacturers according to their requirements (Prihantono et al., 2024). Various business models in the banking sector have been proposed and used to enhance productivity and production capacity across all economic sectors, especially in digital banking (Dwiastutiningsih & Apriani, 2022). The Financial Services Authority (OJK) in Indonesia is expediting the transition and advancement of the digital ecosystem via diverse regulations within the banking sector. These

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policies facilitate advancements in digital technology to improve online banking transactions, especially for corporate entities (Indrianasari et al., 2021). Sharia banking in Indonesia has shown swift advancement in recent decades. As public awareness of the significance of Sharia-compliant products and services grows, Sharia banking has become a fundamental component of the national financial system (Sadly, 2021). This corresponds with the government's initiatives to establish an inclusive financial system in accordance with Islamic principles (Salsabila & Widyastuti, 2024). In this context, it is essential to assess the financial performance of Sharia banking utilizing suitable assessment tools to guarantee the efficacy and efficiency of Sharia banking operations and their impact on the national economy (Alamah et al., 2025).

The Islamicity Performance Index (IPI) is one way to look at how well Islamic banks are doing financially (Analia et al., 2019). The IPI is a number that shows how well Islamic banks follow Islamic economic principles in their work. This index doesn't just look at how profitable a business is; it also looks at how well it follows Islamic beliefs, how much it helps society, and how honest it is with its money (Naja et al., 2023). The IPI gives a more complete picture of how well Islamic banks are doing than traditional financial indicators, which tend to only look at financial factors (Safitri et al., 2025). Hameed established the Islamicity Performance Index in 2004 so that Islamic groups could rate and monitor how well they were doing as an organization (Agustin Rahayu et al., 2022). It is important to measure Islamic financial analysis in economics, finance, investment, and Islamic banking so that stakeholders can evaluate it and for the future. Islamic banking has a system that is similar to other parts of the Islamic worldview (Mabrurroh & Maharany, 2025).

The Islamicity Performance Index has not been extensively promoted by Islamic banks as a principal benchmark for performance evaluation, as the industry typically prioritizes conventional financial metrics (Wahyuantika et al., 2023). This results in a deficiency in evaluating the adherence of banking operations to Sharia standards. Numerous essential elements of the Islamicity Performance Index, including zakat allocation and social welfare payments, are sometimes not consistently recorded or accessible in the public reports of Islamic banks (Anggraini & Puteri, 2025). The public's confidence in Islamic banks is contingent upon their ability to integrate Sharia compliance with robust financial performance. The absence of information concerning Sharia performance may erode this trust (Syafira et al., 2025).

In Indonesia, despite the existence of explicit legislation and a framework for Islamic banking, obstacles persist in guaranteeing that Islamic banks function optimally and adhere to Islamic principles (Ammar et al., 2023). These obstacles encompass concerns regarding transparency, governance, and the uniform application of Sharia principles in the provided products and services (Fadila et al., 2025). This research is essential to elucidate the performance of Islamic banking in Indonesia, assess the degree to which Islamic banks have successfully integrated Islamic principles into their operations, and evaluate their influence on financial performance and economic development.

## **2. Methodology**

This study employed a descriptive qualitative approach, utilizing a naturalistic data collection process without any manipulation (Roulston & Choi, 2017). The data used was secondary and based on the financial reports of each Islamic commercial bank in Indonesia for the period 2021-2023. The population comprised 14 Islamic commercial banks. The sample was selected using purposive sampling, using characteristics such as: 1) Profit Sharing Ratio, 2) Zakat Performance Ratio, 3) Equitable Distribution Ratio, 4) Director-Employee Welfare Ratio, and 5) Islamic Investment vs. Non-Islamic Investment.

According to the aforementioned description, only three Islamic commercial banks are deemed appropriate and can serve as samples: Bank Muamalat Indonesia, Bank BCA Syariah, and Bank Syariah Indonesia. This investigation was undertaken by the Financial Services Authority (OJK) and is officially published, collecting data from 2021 to December 2023. The research period commences in April 2025. This study used the documentation approach, sometimes referred to as the archival method, for data collecting. This approach entails obtaining Sharia bank reports accessible on the bank's official website. The data collection process underscores the level of information acquisition. This stage focuses on facts or data pertinent to the issue to be addressed (Wang et al., 2011).

**Secondary Data Collection:** Secondary data can be obtained by explicitly requesting data from relevant institutions, libraries, or the internet. It is crucial to guarantee that the secondary data employed is both valid and dependable. A purposive sampling technique is employed to obtain reports from the Financial Services Authority (OJK) or Bank Indonesia (BI) websites. Purposive sampling is the process of selecting a sample with specific criteria in accordance with research objectives or interests (Maulana, 2023). The Profit-Sharing Ratio, Zakat Performance Ratio, Equitable Distribution Ratio, Directors-Employee Welfare Ratio, and Islamic Investment vs. Non-Islamic Investment were the primary components of the Islamicity Performance Index that were employed for data analysis.

### **3. Results**

#### ***3.1 Financial Performance of Islamic Banking in Indonesia according to the Islamicity Performance Index (IPI)***

Through a series of investigations utilizing the Islamicity Performance Index (IPI), researchers acquired data indicating the degree of conformity of Islamic banking practices with Islamic economic principles. The IPI is a multifaceted assessment instrument that evaluates financial performance regarding profitability while also incorporating aspects of ethics, social justice, and adherence to Sharia principles. This research examined three Islamic banks: Bank Syariah Indonesia (BSI), Bank BCA Syariah, and Bank Muamalat Syariah, within the 2021-2023 timeframe. The investigation aimed to assess the degree of effective implementation of Islamic economic principles. The investigated data encompassed the five principal components of the IPI: the Profit-Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Equitable Distribution Ratio (EDR), Directors-Employee Welfare Ratio (DEWR), and the Islamic Investment against Non-Islamic Investment Ratio (IVNIR).

These five indicators offer a thorough assessment of how Islamic financial institutions function in a legally halal manner while also advancing Islamic macroeconomic objectives, including equitable welfare distribution, safeguarding workers' rights, and ethical, productive fund management. The researchers will methodically delineate the research findings to evaluate the financial performance and adherence to Sharia norms of the examined Islamic banks based on these parameters.

##### ***a. Profit Sharing Ratio***

The Profit Sharing Ratio (PSR) assesses the efficacy of profit-sharing implementation in Islamic banking. The Profit Sharing Ratio (PSR) is determined by evaluating profit-sharing earnings in relation to total funding supplied. The Profit Sharing Ratio (PSR) indicator offers valuable information into the degree of implementation of Islamic economic principles inside the financial procedures of three Islamic banks. The PSR serves as a main metric, indicating the ratio of income derived from mudharabah and musyarakah financing to the overall funding allocated. A higher PSR indicates a

greater commitment by the bank to prioritize the idea of risk sharing, a defining characteristic of the Islamic financial system that differentiates it from conventional interest-based systems.

*Table 1. Profit Sharing Ratio Calculation Results (in %)*

No	Bank	2021	2022	2023
1	Bank Syariah Indonesia	2,80	2,70	0,88
2	Bank BCA Syariah	16,90	1,29	16,71
3	Bank Muamalat Syariah	0,85	1,22	2,12

Source: Data processed by researchers, 2025

Bank Syariah Indonesia (BSI) is exhibiting a concerning trend in its use of the profit-sharing principle. In 2021 and 2022, BSI's PSR was consistently low, recorded at 2.80% and 2.70%, respectively. Nevertheless, a significant decrease transpired in 2023, culminating at 0.88%. This drop can be ascribed to the prevalence of financing methods reliant on sale and purchase contracts, such as murabahah and ijarah, or other forms that lack a profit-sharing mechanism. Moreover, this may indicate a propensity among Islamic banks to favor safer and less risky financing models, despite the fact that they basically do not embody the principles of ta'awun (mutual assistance) and economic fairness that are foundational to the sharia system. This decision may be influenced by operational efficiency, fiscal restraint in money allocation, or inadequate infrastructure for controlling risks in profit-sharing financing.

In contrast to BSI, Bank BCA Syariah has demonstrated a PSR profile that has been highly fluctuating over the past three years. The bank's dedication to the channeling of funds through mudharabah and musyarakah contracts was evident in the bank's very high PSR of 16.90% in 2021. Nevertheless, this figure experienced a significant decline in 2022, plummeting to a mere 1.29%, and subsequently rebounded to 16.71% in 2023. This fluctuation suggests a dynamic financing strategy that undergoes significant fluctuations from year to year. This strategy may be influenced by internal factors, such as changes in management or investment portfolios, as well as external factors, such as macroeconomic conditions, regulations, or fluctuating business risk levels. A return to a high PSR in 2023 could serve as a positive indicator that the bank has recommitted to the promotion of partnership-based financing and risk sharing. However, the implementation of these principles continues to pose significant challenges in terms of consistency and stability.

Meanwhile, Bank Muamalat Syariah displayed fairly consistent performance and gradual improvement over the same period. Its Profitability Return (PSR) increased from 0.85% in 2021 to 1.22% in 2022, and reached 2.12% in 2023. While still relatively low compared to BCA Syariah, the upward trend indicates a progressive effort to strengthen its profit-sharing financing portfolio. It also demonstrates a cautious and measured approach to implementing sharia principles, which may be aligned with the risk management and oversight capabilities of business projects funded through syirkah contracts. Bank Muamalat, as a pioneer of sharia banking in Indonesia in general and specifically, holds a key role in rebuilding public trust in the Islamic financial system, and the improving PSR trend could be an early indicator of this positive transformation.

Therefore, a comparison of the three Islamic banks reveals disparities in their commitment to and implementation of the profit-sharing principle. BCA Syariah has the highest potential for implementing the profit-sharing principle but faces stability challenges. BSI, despite being the largest Islamic bank in Indonesia, has shown a sharp decline in its Profit-Sharing Return (PSR), which could impact public perception of the alignment of its operations with Islamic values. Meanwhile, Bank Muamalat has shown optimism through its consistent, albeit small, increase in its PSR. It should be emphasized that a low PSR not only indicates weak implementation of Islamic principles but can also

impact customer trust, particularly those who choose Islamic banks for ideological and spiritual reasons.

Efforts are needed to improve efficiency and risk management in sharia contracts to prevent them from being perceived as high-risk financing. Implementing technology to monitor customer business activities, as well as regulatory incentives for profit-sharing financing models, can also be long-term solutions. Finally, integrity in implementing sharia principles must be a top priority, so that existing sharia banks are not merely conventional banks "wrapped" in sharia, but truly become fair, ethical, and compliant financial instruments in accordance with the maqasid of sharia.

#### *b. Zakat Performance Ratio*

Financing. Efforts are needed to improve efficiency and risk management in sharia contracts to prevent them from being perceived as high-risk financing. Implementing technology to monitor customer business activities, as well as regulatory incentives for profit-sharing financing models, can also be long-term solutions. Finally, integrity in implementing sharia principles must be a top priority, so that existing sharia banks are not merely conventional banks "wrapped" in sharia, but truly become fair, ethical, and compliant financial instruments in accordance with the maqasid of sharia.

*Table 2. Profit Sharing Ratio Calculation Results (in %)*

No	Bank	2021	2022	2023
1	Bank Syariah Indonesia	0,04	0,05	0,05
2	Bank BCA Syariah	0,66	0,39	0,31
3	Bank Muamalat Syariah	0,42	0,36	0,99

Source: Data processed by researchers, 2025

Based on data compiled from the official websites of each Islamic bank over the past three years (2021–2023), it appears that the three Islamic banks in Indonesia exhibit significant variation in their Zakat Performance Ratio. Bank Syariah Indonesia (BSI), despite being the largest Islamic bank in Indonesia, recorded a very low and stagnant Zakat Performance Ratio (ZPR), at only 0.04% in 2021 and a slight increase to 0.05% in 2022 and 2023. This figure indicates minimal social contribution through zakat, which is highly regrettable given BSI's position as a national Islamic financial institution with extensive resources and reach.

BSI's low ZPR can be interpreted as an indication of weak integration of social functions into the bank's business strategy, or the possibility that the calculation is still solely profit-based and does not incorporate a more comprehensive approach to zakatable assets. If this situation continues, BSI's role as an agent of change in the Islamic economic system could potentially lose its beneficial dimension for the wider community, particularly the mustahik (religious beneficiaries).

Berbeda dengan BSI, Bank BCA Syariah menunjukkan performa ZPR yang relatif tinggi pada awal pengamatan, yaitu sebesar 0,66% pada tahun 2021. Hal ini mencerminkan adanya komitmen awal yang cukup kuat dalam menjalankan kewajiban sosial tersebut. Namun, performa tersebut tidak mampu dipertahankan, karena terjadi penurunan pada tahun-tahun berikutnya: menjadi 0,39% di 2022 dan turun lagi menjadi 0,31% pada 2023.

Penurunan dipengaruhi oleh beberapa faktor, seperti penurunan laba bersih, pergeseran prioritas strategis. Fluktuasi ini mencerminkan ketidakstabilan dalam komitmen sosial perusahaan, yang bisa berdampak pada persepsi publik terhadap integritas syariah bank tersebut. Padahal, dalam sistem ekonomi Islam, zakat adalah bagian tak terpisahkan dari etika bisnis dan tanggung jawab sosial korporat (CSR Islami).

Seme The growth rate was 0.66% in 2021, reflecting a strong initial commitment to fulfilling these social obligations. However, this performance could not be maintained, as it declined in subsequent years: to 0.39% in 2022 and again to 0.31% in 2023.

The decline was influenced by several factors, such as declining net profit and shifting strategic priorities. This fluctuation reflects instability in the company's social commitment, which could impact public perception of the bank's Sharia integrity. In fact, in the Islamic economic system, zakat is an integral part of business ethics and corporate social responsibility (Islamic CSR).

Meanwhile, Bank Muamalat Syariah delivered quite encouraging results. The bank's ZPR (Zarible Receipt Rate) showed a positive trend, from 0.42% in 2021, dropping slightly to 0.36% in 2022, before jumping dramatically to 0.99% in 2023. This sharp increase is commendable, as it demonstrates increased awareness and adjustments to internal policies that support the growing role of zakat in banking operations. This surge in ZPR also reflects Bank Muamalat's efforts to strengthen the spiritual and social dimensions of its business model and optimize the institution's role in managing zakat funds in a transparent and accountable manner. Bank Muamalat Syariah's achievements are crucial for enhancing public trust and strengthening the institution's legitimacy in the eyes of the community, particularly in the context of empowering the community's economy.

Comparing the three banks, it can be concluded that Bank Muamalat Syariah demonstrated the best performance in terms of ZPR, both in terms of consistent improvement and its proportional contribution to Islamic social responsibility. Meanwhile, BCA Syariah demonstrated good initial performance but needs to improve the stability and sustainability of its social commitments. Meanwhile, BSI, despite being the largest in terms of assets and coverage, demonstrated serious weaknesses in its ZPR (Zonline Restructuring) aspect.

### *c. Equitable Distribution Ratio*

The Equitable Distribution Ratio (EDR) is an indicator in the Islamicity Performance Index used to assess the extent to which Islamic financial institutions distribute wealth fairly. This indicator measures the proportion of income or economic value allocated to all stakeholders, such as employees, the community, and other parties outside of shareholders, as a contribution to equitable welfare. In Islamic economics, distributive justice is a fundamental principle that reflects an institution's social responsibility to its social environment and reflects the values of brotherhood, justice, and *maslahah*.

*Table 3. Profit Sharing Ratio Calculation Results (in %)*

No	Bank	2021	2022	2023
1	Bank Syariah Indonesia	1,01	1,28	1,39
2	Bank BCA Syariah	0,27	0,27	0,27
3	Bank Muamalat Syariah	1,60	0,69	1,20

Source: Data processed by researchers, 2025

Based on the analysis, Bank Syariah Indonesia (BSI) shows a positive trend in terms of equitable economic distribution. The EDR value has consistently increased from 1.01% in 2021 to 1.28% in 2022, and reached 1.39% in 2023. This trend indicates that BSI is gradually increasing the proportion of its economic allocation to stakeholders beyond shareholders, which can include employees, the community through CSR, or empowerment programs. This can be seen as a concrete step by BSI to realize the principle of *maslahah 'ammah* (public benefit) and encourage the bank's social role in creating economic equality. This increase also demonstrates internal strengthening of distribution policies, which is commendable amidst the challenges of banking sector competition.

Bank BCA Syariah mencatat EDR yang statis selama tiga tahun berturut-turut, yakni sebesar 0,27% Bank BCA Syariah recorded a static EDR for three consecutive years, at 0.27% from 2021 to 2023. The lack of improvement in this ratio indicates that the bank has not made significant changes in its economic allocation policy for social equity. This low and stagnant value could reflect the lack of integration of social justice principles into its corporate strategy. While the bank may be growing financially, its contribution to equitable economic distribution remains limited. This is a crucial concern, given that EDR is a concrete representation of Islamic values in banking operations. Therefore, Bank BCA Syariah is expected to evaluate its CSR programs, employee compensation, and other social participation programs to ensure they can make a more meaningful contribution to society.

Bank Muamalat exhibited quite fluctuating dynamics in its EDR. In 2021, the bank recorded the highest EDR among the three banks, at 1.60%. However, it experienced a drastic decline to 0.69% in 2022. However, in 2023, this ratio rose again to 1.20%. This fluctuation could be caused by internal dynamics such as organizational restructuring, changes in profitability, or adjustments in social budget allocations and compensation. Nevertheless, the return of the upward trend in 2023 indicates recovery efforts and a commitment to reinforcing equitable distribution. As a pioneer of Islamic banking, Muamalat continues to demonstrate strong social performance, although it needs to maintain stability and sustainability.

Indonesian Sharia banks have demonstrated a positive and consistent trend in equitable economic distribution, demonstrating a strengthening of social and justice orientation in their business strategies. Bank Muamalat, despite experiencing a decline in 2022, managed to show improvement and maintain a relatively strong performance. Conversely, Bank BCA Syariah has been at its lowest point and has stagnated for three years, indicating that a distributive justice approach is still not a priority in their financial policies. Within the framework of the maqashid sharia, all three banks should view the Equitable Distribution Ratio not simply as a formal figure, but as a spiritual and social commitment to realizing an inclusive, just, and humane economy.

Islamic banks in Indonesia, particularly those operating in Aceh, a region with a strong Islamic spirit, should utilize the Equitable Distribution Ratio indicator as an internal evaluation instrument to strengthen their position as agents of economic transformation for the ummah. By increasing the proportion of income distribution for the benefit of employees, the community, and social empowerment programs, Islamic financial institutions will not only enhance their legitimacy and reputation but also accelerate the realization of a just and sustainable Islamic economic order.

#### d. Directors Employee Welfare Ratio

The Directors-Employee Welfare Ratio (DEWR) is an important indicator in the Islamicity Performance Index (IPI), which measures the welfare gap between directors and ordinary employees. This ratio is calculated by comparing the total compensation (salary and benefits) received by directors with the average employee compensation. Within the Islamic economic framework, the principles of justice and balance are highly valued, including in the distribution of income within an institution. Therefore, DEWR serves as a benchmark for the extent to which an institution's remuneration system reflects the values of *adl* (justice), *wasathiyah* (moderation), and *ukhuwwah* (solidarity).

Table 4. Profit Sharing Ratio Calculation Results (in %)

No	Bank	2021	2022	2023
1	Bank Syariah Indonesia	300,00	300,30	300,30
2	Bank BCA Syariah	502,80	504,02	504,02
3	Bank Muamalat Syariah	378,88	378,88	379,13

Source: Data processed by researchers, 2025

Bank Syariah Indonesia menunjukkan nilai DEWR yang relatif stabil selama tiga tahun consecutively, with figures ranging from 300.00 to 300.30. This means that, on average, directors' compensation at BSI is approximately 300 times that of regular employees. While this figure is lower than the other two banks, this gap remains significant and requires serious attention. A high ratio has the potential to create internal social inequality and weaken solidarity within the organization.

According to Islamic principles, leaders have a moral responsibility not to take an excessive share of the institution's resources, especially if there is still a welfare gap at the lower levels. Therefore, despite its stability, BSI needs to consider a compensation balancing policy to prevent it from solely prioritizing the interests of the managerial elite.

Bank BCA Syariah recorded the highest DEWR of the three Islamic banks analyzed, at over 500%. This value indicates that directors receive approximately 504 times the compensation of regular employees. This ratio is not only very high but has also remained stagnant for the past two years, 2022–2023.

This fact indicates significant inequality in the wage structure, which contradicts the Islamic principle of distributive justice. In Islamic economics, company management must consider distributive justice (*taqsimiyyah*), which balances the roles, contributions, and needs of individuals within the institution. If this disparity is left unaddressed, it will foster social jealousy, weaken employee loyalty, and even damage the bank's sharia-compliant image in the public eye.

Bank Muamalat ranked in the middle with a DEWR ratio of 378.88 in 2021 and 2022, which then increased slightly to 379.13 in 2023. While not as high as Bank BCA Syariah, this ratio still indicates a significant gap. The small increase in 2023 indicates the absence of meaningful compensation system reform.

Nevertheless, Bank Muamalat has an opportunity to improve this balance, given its history as the first sharia-compliant bank in Indonesia, which is expected to be a role model in implementing the principles of social justice. Efforts to redistribute income through employee welfare programs, training, performance-based bonuses, or a more inclusive incentive system could be concrete steps to improve DEWR's structure in the future.

The analysis shows that the welfare gap between directors and employees at the three Islamic banks remains quite large and tends to stagnate, with ratios ranging from 300% to over 500%. From an Islamic economic perspective, this high gap can be considered contrary to the principles of *maslahah* and *adl*, especially if it is not balanced by a proportional increase in employee welfare.

Bank Syariah Indonesia has the lowest DEWR, but remains above the reasonable threshold according to Islamic values of equality. Bank BCA Syariah recorded the highest gap, indicating an urgent need to review its remuneration system. Bank Muamalat shows potential to improve its distribution system, although it remains in the high inequality category.

#### e. Islamic Investment Vs Non Islamic Investment.

The Islamic Investment vs. Non-Islamic Investment indicator within the Islamicity Performance Index (IPI) framework is used to assess the commitment of Islamic financial institutions to allocating their investment funds exclusively to instruments that comply with Sharia principles. This indicator aims to ensure that investment activities do not contain elements of usury (*riba*), *gharar* (uncertainty), *maysir* (gambling), and do not involve prohibited sectors such as alcohol, gambling, pornography, and others. Therefore, this ratio is an important parameter in assessing the Sharia integrity of a bank's investment portfolio.

*Table 5. Profit Sharing Ratio Calculation Results (in %)*

No	Bank	2021	2022	2023
1	Bank Syariah Indonesia	100	100	100
2	Bank BCA Syariah	100	100	100
3	Bank Muamalat Syariah	100	100	100

Source: Data processed by researchers, 2025

Based on the data presented in Table 4.5, all of the Islamic banks analyzed—Bank Syariah Indonesia, Bank BCA Syariah, and Bank Muamalat Syariah—showed identical results over the past three years: 100% of their investments were placed in instruments that fully comply with Islamic principles. This indicates that no funds were allocated to sectors or instruments categorized as non-halal or inconsistent with Islamic Sharia principles. This achievement is a very positive indicator and reflects the three banks' consistency in maintaining the sanctity and legitimacy of Islamic law in their investment practices.

The success of Bank Syariah Indonesia, Bank BCA Syariah, and Bank Muamalat Syariah demonstrates a strong commitment from each institution to upholding the core values of the Islamic financial system. It also demonstrates that the investment selection system and Islamic oversight mechanisms implemented, particularly the role of the Sharia Supervisory Board (DPS), are functioning effectively. Investment decisions that have gone through a sharia screening process and verification by the DPS ensure that customer funds are not only managed professionally, but also spiritually and ethically.

Bank Syariah Indonesia (BSI), the largest Islamic bank in Indonesia, born from the merger of three national Islamic banks, achieved a 100% score demonstrating the success of its system consolidation and Sharia-based investment policy orientation. This is crucial for maintaining public trust, especially for customers who place a high priority on the halal use of their funds. BSI also has a significant opportunity to become a role model in implementing Sharia-compliant investments that are not only formally compliant but also innovative and have a broad social impact.

Bank BCA Syariah, despite being part of a conventional banking group, has demonstrated that it maintains full Sharia integrity in its investment activities. This positive signal indicates that Sharia business units within conventional banks can also fully implement Sharia principles if they have sound systems and effective internal controls.

Bank Muamalat Syariah, as the first pioneering Islamic bank in Indonesia, consistently achieving a 100% score reflects the bank's continued adherence to the basic Sharia principles that have been its foundation since its inception. Despite evolving business challenges, its integrity in maintaining a halal investment portfolio is a distinct advantage.

However, achieving this 100% figure must also be understood critically. Compliance with Sharia in the context of negative screening, namely avoiding haram sectors, is indeed important. However, more than that, ideally, Islamic financial institutions should also implement positive screening, namely proactively channeling investments into productive sectors with positive social impacts, such as agriculture, education, healthcare, MSMEs, and the halal digital economy. This aligns with the objectives of Maqasid Sharia, namely realizing the public good (*maslahah 'ammah*) and empowering the community in an inclusive manner.

In practice, Islamic banks often invest in conservative Sharia instruments such as sovereign sukuk, *mudharabah* deposits, or relatively safe consumer financing. Although halal, this approach does not necessarily have a direct impact on poverty alleviation or strengthening the real sector of the economy. Therefore, the next challenge for Islamic banking is how to harness the power of Sharia

investment to drive economic transformation that is not only Sharia-compliant but also Sharia-based and Sharia-purposeful.

In conclusion, achieving 100% halal investment for three consecutive years is a strategic achievement and a symbol of successful Sharia compliance for the three Islamic banks analyzed. However, to substantively improve the quality of the implementation of Islamic economic principles, further efforts are needed to design investment portfolios that are more oriented towards social justice, economic empowerment of the community, and sustainable development. In this way, Islamic banks will not only serve as an alternative to conventional banks but also become a real solution for creating a just and beneficial economic order.

#### 4. Conclusions

Based on the results of the Islamicity Performance Index (IPI) The Islamicity Performance Index (IPI) analysis of three Islamic banks in Indonesia—Bank Syariah Indonesia, Bank BCA Syariah, and Bank Muamalat Syariah—from 2021 to 2023 reveals varied performance in aligning operations with Islamic economic principles. The Profit Sharing Ratio (PSR) showed significant fluctuations, with Bank BCA Syariah exhibiting high variability and Bank Muamalat displaying a gradual increase, though low PSR values across all banks highlight the need for stronger implementation of profit-sharing schemes like *mudharabah* and *musyarakah* to reflect core Islamic banking principles. Bank Muamalat's Zakat Performance Ratio (ZPR) improved notably in 2023, while Bank Syariah Indonesia's stagnant, low ZPR underscores the urgency to enhance zakat collection and distribution as part of religious corporate social responsibility. The Equitable Distribution Ratio (EDR) exposed income distribution disparities, with Bank Syariah Indonesia and Bank Muamalat outperforming Bank BCA Syariah, which recorded a consistently low and stagnant EDR. Similarly, the Directors-Employee Welfare Ratio (DEWR) highlighted significant welfare gaps, particularly at Bank BCA Syariah with the highest ratio, indicating a lack of distributive justice, though Bank Syariah Indonesia showed stable, albeit high, ratios. Conversely, all three banks achieved a perfect 100% score on the Islamic Investment vs. Non-Islamic Investment (IVNI) indicator, reflecting robust Sharia compliance and effective oversight in maintaining fully halal investment portfolios. These findings emphasize the need for strategic enhancements in profit-sharing, zakat optimization, and equitable welfare distribution to align with the substantive goals of Islamic economics.

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