

**PROFIT SHARING RATIO, ZAKAT PERFORMANCE RATIO AND  
ISLAMIC INCOME RATIO TO THE PROFITABILITY OF SHARIA  
BANKS: EVIDENCE FROM INDONESIA**

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**Abstract**

One of the indicators to assess the performance of Islamic banks is assessing level of profitability of Islamic banks. Given that profitability is one of the benchmarks for the performance of Islamic banks, it is necessary to conduct research to identify factors that have an impact on the bank profitability so that relevant strategies and actions need to take for projecting profitability. Thus, this study is to measure the performance of Islamic commercial banks by using a measurement of profit sharing ratio, zakat performance ratio, and Islamic income ratio for the evaluation of the financial performance Islamic banks in Indonesia.

**Keywords:** *Profit sharing ratio, zakat performance ration, Islamic income ratio, Islamic banks*

**BACKGROUND**

Ferdyant et al. (2014) stated that in determining the performance of banks, Bank Indonesia (BI) prioritizes the assessment of the size of ROA - *return on equity*. BI prioritizes the profitability of a bank as measured by assets whose funds mostly come from community savings funds, so that ROA is considered more representative of the bank's profitability measurement (Avrita and Pangestuti, 2016). Several research findings show that one of the factors that affect profitability measured by ROA is the profit sharing ratio. Profit sharing ratio is one of the indicators in the *Islamicity performance index* to assess the performance of Islamic banks. *The Islamicity performance index* aims to assess whether the financial performance of Islamic banks has been carried out in accordance with Islamic principles in order to provide information on the fulfillment of Islamic principles to the public who are directly related to Islamic banks. Profit sharing ratio (PSR) is a ratio that describes the ability of Islamic banks to obtain profit sharing from financing distributed to customers. PSR is one of the important indicators for Islamic banks because profit-sharing financing is an important point in Islamic bank financing.

Research conducted by Khasanah (2016) shows that the Profit Sharing Ratio has an effect on the profitability of Islamic banking in Indonesia as measured by ROA. In contrast to the study, Firda & Mayasari (2020) shows Profit Sharing Ratio does not affect the profitability of Sharia Commercial Banks in Indonesia as measured by ROA.

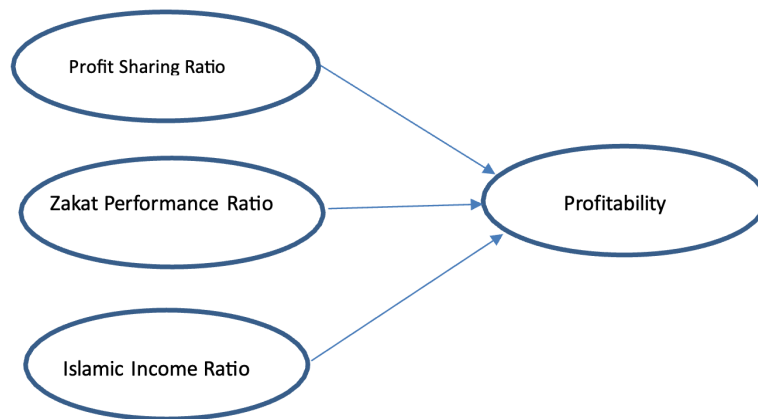
Another concern is Zakat performance ratio (ZPR). It is also an indicator in *the islamicity performance index* to measure the performance of Islamic banks. Zakat Performance Ratio (ZPR) describes and represents the principles that exist in Islamic banks. As Hameed et al (2004) said, the performance of zakat is measured by the amount of zakat distribution, then from the net assets of a bank which is clearly independent of bank debt, so that this can indicate and show that zakat will later affect profitability.

To this issues, Firda & Mayasari (2020) conducted a research and found that the Zakat Performance Ratio actually affects the profitability of Sharia Commercial Banks in Indonesia. This is because zakat is believed to be able to multiply the wealth owned, so it can be understood that by giving zakat the wealth owned will not decrease and will actually continue to increase more and more and get blessings from the wealth that has been used properly. Meanwhile, Khasanah (2016) found that Zakat Performance Ratio has no effect on the Return on Assets of Islamic banking in Indonesia.

*The Islamic Income Ratio* describes the amount of halal income obtained by Islamic commercial banks. This high ratio shows that income from halal sources is also high. Non-halal income is listed in the charitable fund statement on the non-halal income account. Non-halal income comes from transactions that are not in accordance with sharia principles. Halal income should be higher than non-halal income. This is because of the background of sharia-based banks, it is appropriate for Islamic banks to be more selective in obtaining income. High halal revenue shows that the profitability of Islamic commercial banks is also high.

Research conducted by Maisaroh (2015) *the Islamic income ratio* has an effect on profitability measured by ROA. In line with Maisaroh (2015), Nurdin & Suyudi (2019) conducted a study on the influence of *Islamic income ratio* on financial performance proxied by ROA in Islamic commercial banks. The results of the study showed that *the Islamic income ratio* had no effect on financial performance proxied with ROA. Islamic banking does not only prioritize profit, but also carries out a mandate to apply sharia principles to products and operational activities.

Sharia principles in Islamic banking refer to the criteria of 'adl (fair), amanah (trustworthy), and ihsan (virtue and excellence). In addition, Islamic banks must disclose all their business activities in accordance with sharia law (Nurjannah, Pramono and Ali, 2020). Sharia Compliance is an important pillar for Islamic banks so that Islamic banking has advantages over conventional banking operations. Sharia compliance is the compliance of Islamic banks with sharia principles and is one of the tools to control the survival of banks, and is also one of the benchmarks in assessing a company, financial condition also tends to attract investors' attention. Islamic banking compliance with sharia law plays an important role because it is related to the demand for Islamic banking products and customer satisfaction. The research framework can be described as follows.



Picture 1. Framework analysis

To guide the research, three research purposes are outlined as follows.

1. How is the performance of the PSR of the Islamic banks in Indonesia?
2. How is the effect of zakat performance ratio on profitability in Islamic banks in Indonesia.
3. How is the influence of the Islamic income ratio on profitability among Islamic banks in Indonesia.

## METHODS

This research is a quantitative research, which is research that has the nature of seeking about the relationship between two or more variables. The population in this study is Sharia Commercial Banks (BUS) in Indonesia that are registered with the Financial Services Authority. The number of Sharia Commercial Banks currently registered is 14 banks joining the study. The Sharia used for the sample selection is Sharia Commercial Banks registered with the OJK in 2016-2020 consecutively. Sharia Commercial Banks that publish annual financial statements for the period 2016–2020 on the Financial Services Authority's website or on the website of each Islamic bank

## RESULTS

The statistics analysis the following results of the hypothesis testing.

Table 1. Statistic results

Coefficient			
Models		T	Sig.
1	(Constant)		
	PSR	-3.734	0.001
	ZPR	-0.376	0.709
	IIR	-0.202	0.841

#### a. Dependent Variable: TWO

The analysis results were as the followings.

1. The PSR significance value of 0.001 was obtained, because  $0.001 < 0.05$ , the first hypothesis was accepted. It can be concluded that the profit sharing ratio has an effect on profitability (ROA).
2. A ZPR significance value of 0.709 was obtained, because  $0.709 > 0.05$ , then the second hypothesis was rejected. It can be concluded that zakat performance ratio has no effect on profitability (ROA).
3. The significance value of IIR was obtained of 0.841, because  $0.841 > 0.05$ , then the third hypothesis was rejected. It can be concluded that the Islamic income ratio has no effect on profitability (ROA).

### DISCUSSION

The findings suggest that government should provide relevant rules and policy of the Islamic banks in order to avoid high risk sharing financing. This is important as financing is the main program of the Islamic banks and predicting the cost (Widarjono et al, 2023). This findings are also support the evidence how to enhance the strengths of the fundamental and equity financing among the Islamic banks. This is crucial to prevent Islamic banks from the poor fundamental situations, e.g. competition (Risfandy, et al, 2020).

### CONCLUSION AND FURTHER RESEARCH RECOMMENDATION

PSR positively contribute to the significance factors of the fundamental of Islamic bank performances. However, due to limited samples taken in this study, it is suggested to conduct further research involving more samples to generate further results.

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