

## Performance Based Islamic Performance Index (Study on the Bank Muamalat Indonesia and Bank Syariah Mandiri)

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### Abstract

The development of Islamic base banks in Indonesia in recent years show rapid growth. The main challenge for Islamic base banks is how to raise belief from the stakeholders. Stakeholder expectations of the Islamic banks is different from a conventional bank. Since, Islamic banks are built on basic principles of Islamic economics. Therefore, we need a tool to evaluate and measure the performance of Islamic base banks. Islamicity Performance Index is a method which can evaluate the performance of Islamic base banks not only their financial but also justice principles, halal (lawfulness), and tazkiyah (sanctification). There are six financial ratios which are measured from Islamicity Performance Index: profit sharing ratio, zakat performance ratio, equitable distribution ratio, directors-employees welfare ratio, Islamic investment versus non-Islamic investment ratio, Islamic income versus non-Islamic income. This research is intended to figure out the performance of Islamic base Bank in Indonesia based on Islamicity Performance Index. The samples are the Bank Muamalat Indonesia and Bank Syariah Mandiri. Sources of data are the financial reports of Bank Muamalat Indonesia and Bank Syariah Mandiri in 2009–2010 period. The results show that the financial performance of Islamic Base Bank in Indonesia during 2009-2010 period have "quite satisfactory level of valuation. However, there are two unsatisfactory ratios. They are zakat performance ratio and director-employee welfare contrast ratio. It shows that zakat issued by the Islamic base bank in Indonesia is still low and the contrast of the director-employee welfare is still huge.

### Keywords

Islamicity Performance Index, Islamic investment versus non Islamic investment ratio, Islamic income versus non Islamic income, the Bank Muamalat Indonesia and Bank Syariah Mandiri

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## Introduction

The development of Islamic banking today is growing very rapidly. Islamic banking showed his toughness as a pillar of the national advocate for financial system stability. Islamic banks were able to develop in the midst of a crisis that had hit Indonesia in 2008. Islamic banks are also able to compete with conventional banks (Samad&Hassan, 1999).

The development of Islamic banks in Indonesia begins with the establishment of Bank Muamalat Indonesiain 1991. At first Islamic Bank has not received the attention of the government's optimal, it is seen in the Act No. 271992 which does not explain the legal basis of Islamic banking operations. However, after the introduction of new legislation, namely Law No. 10 in 1998 to explain the existence of two banking system for the banking system and the conventional system, the growing Islamic banks and becoming known by the whole society.

The development of Islamic banks is quite rapid, in fact is not without problems. So that the journey of Islamic banks in Indonesia must meet these challenges. The main challenge is how to realize the Islamic banks the confidence of stakeholders. This will be useful for Islamic banking in its efforts to continue to grow, develop and scraping gold ink in the history of Indonesia. The bank will be able to mobilize savings, attract investment, channel financing, investments, while expanding employment opportunities, helping to finance the government budget deficit for the development, and accelerate economic development as well. This happens because all financial institutions must respond to the reality that the providers of funds (shareholders and depositors) and other stakeholder shave expectations, and they will not

invest funds or contribute to the good if they are not projected unmet expectations (Setiawan, 2009).

Stakeholder expectations of the Islamic banks is different from a conventional bank. This is based on that awareness is developed as an Islamic bank financial institutions conducting business in line with the basic principles of Islamic economics. Economic goals of Islam it self in this case not only focused on the commercial purpose of which is reflected in the achievement of maximum profitability alone, but also consider its role in providing welfare for the community broadly, which is the implementation of the role of Islamic banks as executing social functions. (Setiawan, 2009)

Interests and expectations of all stakeholders of Islamic banks have strived to be met by the management of Islamic banks in the framework of justice and fairness (Islam&Hossain, 2014). The entire interest must be accommodated by avoiding conflicts of interest and to avoid the dominance of the interests of either party to ignore the interests of other parties. Of all stakeholder interests and expectations of the Islamic banks above can be accommodated by the system of assessment of financial performance (financial performance) and social performance (social performance) that are developed in a comprehensive manner. Financial performance of Islamic banks of which can be represented in some of the variables in measuring the financial health of Islamic banks. Meanwhile, to see the need to develop a social performance assessment model developed from previous studies that already exist, which are expected to covered interests and expectations of management, employees, shareholders, investment account holders mudaraba, wadiah account holders,

governments and society as a whole (Setiawan, 2009).

The existence of Islamic banks in Indonesia, a country with a majority Muslim population, is a benefit both spiritual and material. Spiritual advantage can be seen from the suitability of Islamic banks are running with the provisions of the Islamic sharia, both in the Qur'an and As Sunnah. From this perspective the peaceful Muslims in the conduct of transactions in the banking sector. Muslims fear the loss of Indonesia if the transaction has been done contrary to the teachings of Islam to be a blessing that comes with the existence of Islamic banks in Indonesia. As for the material benefits that are visible from the profit sharing ratio is determined by the Islamic banks. The main principle in Islamic banking products which refers to the basic principles for the use of the system of sharing profits and losses (profit and loss sharing system). However, the presence of various performance measures currently available (such as CAMELS, balance scorecard, Return On Investment/ROI) are not able to disclose other than materialistic values alone. So that the required performance measures that are not only capable of expressing the value, but also able to reveal the spiritual and social values embodied in Islamic banks. Spiritual values and the social question is the values of justice, *halal* and chastity.

If the studies relating to the performance of Islamic banks in Indonesia, more focused on financial performance or business, then some of the international Islamic banking experts have been trying to see the performance of Islamic banks is more comprehensive. This is based on an awareness that Islamic banking is different from conventional banking. Islamic banking as an important part of

the Islamic economic system is also set to achieve socio-economic goals of Islam such as the distribution of justice, purify the transaction of *riba*, *gharar* and *maysir*.

Awareness of these goals, then produces measuring instruments for Islamic banks are unique and more comprehensive (Usman&Khan, 2012). There are two research that tries represented it. Research Samad and Hassan (2009), using measurements of commonly used financial ratios plus two new gauges Long term loan ratio (LTA), Government Bond Investment Ratio (GBD), and *mudharabah-musharakah* ratio (D/L) and research conducted by Hameed et. al. (2004) who managed to a new measurement tool called Islamicity Performance Index. There are six financial ratios as measured from Islamicity Performance Index, the profit sharing ratio, zakat performance ratio, equitable distribution ratio, ratio of welfare-employee directors, Islamic investment ratio versus non Islamic investment, Islamic income versus non Islamic income.

The development index to measure the performance of Islamic financial institutions today are very important because of the growing concerns of the Muslim community to assess the extent to which these institutions successfully achieve their goals. The majority of Muslims today are not only concerned about how they can return, but more importantly, where their money can be invested. Meanwhile, the index of non-Muslim community will be beneficial to them in order to compare which banks perform better, perhaps in terms of return and social responsibility (Rosly, 1999).

To assess the performance of Islamic banking in Indonesia, needed a strong sample. They are relatively able to represent the performance of Islamic

banking in Indonesia in general. At the end of 2007, there were two Islamic banks in Indonesia which has seen rapidly growing market share and funds from third parties. Both banks are Bank Muamalat Indonesia (BMI) and Bank Syariah Mandiri (BSM). Market share two Islamic banks has reached  $\pm 65$  percent in terms of Islamic banking assets as a whole. While the share of financing and third party funds (DPK) each reached  $\pm 67$  percent and  $\pm 70$  percent of the overall Islamic banking industry (BMI & BSM Financial Report, 2007; LPPS BI, 2007).

The existence of the rapid development of Islamic banking and Islamic banking challenges in improving the trust and loyalty of depositors, shareholders and other stakeholders (Jaffar & Manarvi, 2011), to researchers interested in assessing the performance of Islamic banks in Indonesia through an index measuring the performance by evaluating the performance of Islamic banks is not only financially but also able to evaluate the principles of justice, *halal* and purification (tazkiyah).

## Research Methods

The purpose of this study was to determine the financial performance of Islamic Banking in Indonesia. Types of research used in this study was descriptive research. Descriptive study according to (Nazir; 2006) is a method in researching the status of a group of people, an object, a situation of state, a system of thought or a class of events in the present. While the purpose of descriptive research is to create a description, picture or painting in a systematic, factual and accurate as to facts, properties and relationships between phenomena are investigated.

Based on the type of research conducted, it is not used in this study a hypothesis,

because this study only illustrate show the financial performance of Islamic Bank during 2009-2010 based on Performance Index Islamicity so it is not necessary to statistically test the research variables.

In this study, which will serve as the object of research is the financial side of the Bank Muamalat Indonesia and Bank Syariah Mandiri, especially regarding the analysis of financial performance as measured by Islamicity Performance Index to determine the level of financial performance of Islamic Banking in Indonesia. Object of this study was chosen with consideration of:

1. Common object of study is Islamic Bank.
2. Object of study in late 2007 has had a market share of  $+ / - 65$  percent (in terms of overall banking assets).
3. Object has been operating for more than 10 years. It is proved that Islamic banks have been able to survive in the Indonesian economy in 10 years more volatile conditions.  
Thus, it may represent the relative performance of Islamic banking in Indonesia in general.

## Types and Sources of Data

Type of data used in this study is the quantitative data. Researchers use the annual financial statements to measure the performance of Islamic Banking in Indonesia. Source of data used in this study is secondary data, secondary data is a source of research data obtained by investigators in directly through its medium (obtained and recorded by others). Secondary data is generally in the form of evidence, records or reports that have been arranged in historical archives (documentary data), published or unpublished. Among other sources of data

derived from the literature such as books, scientific journals, papers, articles and previous research. In this study the data sources used are the financial statements of Bank Muamalat Indonesia and Bank Syariah Mandiri in 2009 and 2010.

### Data Collection Techniques

In data collection as materials research, data collection techniques used are literature studies. Literature study is documentation of a comprehensive review on published data sources or no concern to researchers. Literature is needed in this research that the books, journals, the results of the research under lying the seminar and also strengthen the research and annual financial statements that support the research.

### Data Analysis Methods

The basis of analysis used in this study is a research Hameed, *et. al.* (2004) who studied the "Alternative Disclosure and Performance for Islamic Bank's". The purpose of this study was to evaluate the performance of Bank Islam Malaysia

Berhad (BIMB) and the Bahrain Islamic Bank (BIB) is descriptive. In addition to formulating Islamicity Disclosure Index has also designed a device called a "Islamicity Performance Index". Islamicity

Performance Index is a performance measurement tool that is able to express the values of a materialistic and the spiritual in Islamic banks. Measurement of performance using the Performance Index Islamicity only based on information available on the annual financial statements. So this study was only using Islamicity Performance Index, which analyzes the ratio of the ratios used are as follows: 1) Profit sharing, Zakat performance, 2) Equitable distribution, 3) Directors - Employees welfare, 4) Non-Islamic Investment versus Islamic Investment, and 5) Non-Islamic Income versus Islamic Income.

### The Research Result

Based on the calculations, the overall ratio of assessed valuation can be shown by the table 1 below:

**Table 1. Thematrix Islamicity Performance Index**

Ratio	Bank Muamalat Indonesia (BMI)		Bank Syariah Mandiri (BSM)	
	2009	2010	2009	2010
1. Profit Sharing Ratio	51,49%	46,13%	39,07%	35,03%
2. Zakat Performance Ratio	0,037%	0,007%	0,084%	0,053%
3. Equitable Distribution Ratio				
a. Qard & Donation	1,15%	0,87%	0,67%	0,62%
b. Employees Expense	22,17%	23,90%	28,78%	31,01%
c. Shareholders	10,28%	3,58%	1,07%	1,03%
d. Net Profit	5,53%	16,13%	21,19%	20,84%
4. Directors-Employee Welfare Ratio	27 kali	12 kali	15 kali	24 kali
5. Islamic Investment VS Non Islamic Investment ratio	87,05%	93,64%	96,25%	93,90%
6. Islamic Income VS Non Islamic Income ratio	99,89%	99,99%	99,97%	99,97%

*Source: Data Processed*

### Profit Sharing Ratio (PSR)

Profit Sharing Ratio is a ratio that compares the results with total financing for the financing provided in its entirety. Where the resulting value is a measure of successful implementation of the principle of profit sharing, which is the basic principle of Islamic banks. Formula:

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

Based on the above calculation, it can be seen that the value of the Bank's profit sharing ratio has decreased, amounting to 5.36% for Bank Muamalat Indonesia and 4.04% for the Bank Syariah Mandiri. This is due to an increase in the amount of financing for the results is smaller than the increase in total financing.

### Zakat Performance Ratio

Zakat Performance Ratio is the ratio that measures how much zakat is issued by the Bank when compared to the Net Asset. Net Assets is the net worth (total assets minus total liabilities) as denominator for this ratio, to reflect the financial performance of Islamic banks. If the resulting value is small, means the charity issued still small when compared with total net assets owned.

Formula:

$$\text{Zakat Performance Ratio} = \frac{\text{Zakat}}{\text{Net Asset}}$$

From the above calculation, it can be seen that the percentage of zakat is issued by the Bank compared to the net assets in 2009 to 2010 has decreased. This is due to the small amount of zakat issued by the Bank. Zakat is issued by the Bank Muamalat Indonesia amounting to 0.037% in 2009 and decreased to 0.007%, while Bank

Mandiri Islamic charity in 2009 issued at 0.084% and decreased in 2010 to 0.053%. By decreasing the amount of zakat which excluded the difference in the ratio resulted from the 2009 and 2010 even further.

### Equitable Distribution Ratio

Equitable Distribution Ratio is the ratio that measures how the percentage of income that is distributed to the various stakeholders as seen from the amount of money spent on qard and donations, employee expenses, and others. For each of these, calculated by assessing the amount distributed (to the social community, employees, investors and companies) divided by total revenue has been reduced zakat and taxation. This ratio can be determined from the average magnitude of the income distribution to a number of stakeholders.

a. Qard and Donation

$$= \frac{\text{Loans and Donations}}{\text{Revenue} - (\text{Zakat} + \text{Tax})}$$

b. Employees Expense

$$= \frac{\text{Labor costs}}{\text{Revenue} - (\text{Zakat} + \text{Tax})}$$

c. Shareholders

$$= \frac{\text{Dividen}}{\text{Revenue} - (\text{Zakat} + \text{Tax})}$$

d. Net Profit

$$= \frac{\text{net income}}{\text{Revenue} - (\text{Zakat} + \text{Tax})}$$

Based on the above ratio, it can be seen that the average income distributions to a number of stakeholders have a pretty good change. This is reflected in the percentage of the amount of money distributed by the Bank Muamalat Indonesia to qard and donations in 2009 amounted to 1.15% in 2010 and decreased to 0.87%. Percentage of the amount of funds distributed to

employees in 2009 amounted to 22.17% and in 2010 increased to 23.90%. While the percentage of funds distributed by the Bank Muamalat Indonesia to shareholders between 2009 and 2010 fell 6.70%, where in 2009 the percentage of 10.28% and in 2010 to 3.58%. Distribution of income for themselves Muamalat Indonesia is recognized as net profit has increased very high at 10.60%. Where in 2009 the percentage amounted to only 5.53%, but in 2010 to 16.13%.

The results obtained at Bank Syariah Mandiri is not much different from the Bank Muamalat Indonesia. Bank Muamalat Indonesia and Bank Syariah Mandiri more emphasis to its employees. This is evident with a high enough percentage of the expense of employees. Where the employee expenses for the year 2009 the percentage gain of 28.78% and for the year 2010 amounted to 31.01%. Distribusi

percentage of income distribution is the second largest net income (net profit), amounting to 21.19% in 2009 and has decreased 0.35% in 2010, making it 20.84%. For shareholders, the percentage distribution of revenues amounted to only 1.07% in 2009 and to 1.03% in 2010. While the distribution of income for qard and Bank Syariah Mandiri donation in 2009 only amounted to 0.67% and in 2010 amounted to 0.62%.

### Directors-Employee Welfare Ratio

Employee Welfare Directors-Ratio is a ratio that compares the director's salary is proportional to the money used for employee welfare. Where the resulting value is used to identify how much money is used for the director's salary in comparison to the money used for employee welfare. Employee benefits include salaries, training, and others.

Formula:

$$\text{Director - Employee Welfare Ratio} = \frac{\text{Average Salary of The Director}}{\text{Average Employee Benefits Remain}}$$

From the above calculation, it can be seen that there is sufficient comparison significant for comparison salaries and employee directors. There is a significant difference between the salaries of directors and employees of the Bank Muamalat Indonesia. In 2009, Bank Muamalat Indonesia to pay 27 times as much to the board compared to salaries and employee benefits. Bank Muamalat Indonesia and then lower the salary the board of directors several times so as to make a very significant decrease of the director's salary. In 2010, the ratio becomes 12 times for Bank Muamalat Indonesia. Mean while, Bank Syariah Mandiri to pay 15-fold compared to the board of directors and employees' salaries in 2009 so increased to 24-fold by 2010.

### Islamic Investment vs Non Islamic Investment ratio

Islamic vs non Islamic investment is an investment ratio that compares the ratio between the total permissible investments of investments made by Islamic banks as a whole (*halal* and non *halal*). Where the resulting value is the size of the *halal* aspect and the successful implementation of the basic principles of Islamic banks are free from the element of '*riba*'.

Formula:

$$\frac{\text{Halal Investment}}{\text{Halal Investment} + \text{Non Halal Investment}}$$

From the above calculation, it is known that the *halal* investment made by Islamic banks in 2009 to 2010 showed a good

performance. This shows a trend that Islamic banks in Indonesia prefer the *halal* sector investment. Bank Muamalat Indonesia *halal* investment in 2009 only 87.05% and an increase in 2010 to 93.64%. Mean while, Bank Syariah Mandiri *halal* investment in 2009 is as high as 96.25% in 2010 but decreased to 93.90%.

### Islamic Income versus Non Islamic Income ratio

Islamic income versus non Islamic income ratio is a ratio that compares the *halal* income to total income earned Islamic banks as a whole (*halal* and non *halal*). Where the resulting value is also the size of the *halal* aspect and the successful implementation of the basic principles of Islamic banks are free from elements of usury.

Formula:

$$\frac{\text{Halal Income}}{\text{Halal Income} + \text{Non Halal Income}}$$

From the above calculation, it is known that the Islamic bank 99% revenues coming from law fulin come. Bank Muamalat Indonesia *halal* income in 2009 reached 99.89% and has increased rapidly in 2010 to 99.99%. Mean while, Bank Syariah Mandiri *halal* income in 2009 reached 99.97% in 2010 but remained stable 99.97%.

### Discussion

From the calculation above, by looking at the performance of Bank Muamalat Indonesia and Bank Syariah Mandiri by using subjective judgment, it can be concluded that in general the financial performance of Islamic Banking in Indonesia based on Performance Index Islamicity received the title SATISFACTORY ENOUGH. It is based on a subjective assessment of table 2.

**Table 2. Predicate Assessment Results Islamicity Performance Index**

Ratio	Predicate	Score
1. Profit Sharing	Less Satisfactory	2
2. Zakat Performance	Not Satisfactory	1
3. Equitable Distribution	Satisfy	4
4. Directors-Employee Welfare	Not Satisfactory	1
5. Islamic Investment VS Non Islamic Investment	Very Satisfactory	5
6. Islamic Income VS Non Islamic Income	Very Satisfactory	5
	<b>Amount</b>	18
	<b>Average</b>	3

Sources: Research Assessment

Where:

Average Score	Predicate
$0 \leq x < 1$	HighlyUnsatisfactory
$1 \leq x < 2$	Not Satisfactory
$2 \leq x < 3$	Less Satisfactory
$3 \leq x < 4$	good enough
$4 \leq x < 5$	Satisfy
$x = 5$	Very Satisfactory

Sources: Research Assessment



### **Profit Sharing Ratio**

Through the calculation of the ratio of profit sharing financing may be causing the magnitude of the intermediary function of Islamic banks channeling funds through a profit sharing agreement. Based on the above ratio, Bank Muamalat Indonesia has the greatest share of funding for revenue sharing. Bank Muamalat Indonesia to share 51.49% in 2009 and decreased to 46.13% in 2010. Meanwhile, Bank Syariah Mandiri provides 39.07% share in 2009 and decreased to 35.03% in 2010. This shows that the Bank Muamalat Indonesia (BMI) to give greater emphasis to the main principles of Islamic economics (profit sharing) than the Bank Syariah Mandiri (BSM). Of profit sharing ratio can be seen that the amount spent by Islamic banks in terms of financing and Musharaka-mudharabah still smaller than the amount of financing murabaha financing and not for other outcomes. Where as the principle of profit sharing (profit sharing) is a general characteristic and basic foundation for the overall operations of Islamic banks. Profit sharing ratio so subjectively received unsatisfactory ratings. For those without usury Islamic Bank is expected to improve the economic community, but actually a decrease from year to year. Where the ratio obtained in the last two years shows only numbers no more than 52% and even decreased in 2010. This indicates that conditions for the financing of total financing is still quite small.

### **Zakat Performance Ratio**

For charity performance ratio, showed a decrease in the payment of zakat either Muamalat Indonesia (BMI) and Bank Syariah Mandiri (BSM). In line with the increasing wealth of Islamic banks, but does not increase the payment of zakat.

That's what makes the ratio decrease zakat. This was incompatible with the characteristics tazkiyah. Tazkiyah characteristic is the high net worth, the higher the zakat paid. Zakat payment issued by the Bank Muamalat Indonesia (BMI) was smaller than that issued by the Bank Syariah Mandiri (BSM). Overall the payment of zakat Islamic bank Indonesia is still unsatisfactory. Islamic banks are supposed to emphasize the Islamic institution of zakat payment as a destination. However, no increase from year 2009 to year 2010 even seen a decrease in the payment of zakat. With an increase in Net Assets in the next year should improve the payment of zakat syariah bank, but bank zakat even less. Thus, the ratio performance Zakat Islamic Bank Indonesia concluded subjectively unsatisfactory.

### **Equitable Distribution Ratio**

To the ratio of the income distribution, Bank Muamalat Indonesia (BMI) and Bank Syariah Mandiri (BSM) is more about an employee, so for two consecutive years in the distribution of the most outstanding employees compared to other distributions. This proves that the Islamic banks quite concerned with the social aspect. But the visible deterioration of the calculation of the distribution to the public. As an Islamic bank should be issued shodaqoh greater. However, for two consecutive years for qard and distribution is still a little donation. Thus, Equitable Distribution Ratio in Indonesia Sharia Bank subjectively satisfactory conclusion.

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### **Directors - Employee Welfare Ratio**

Through the calculation of the ratio of these directors and employees, can know how many times the comparison between the salary of the director versus the money used for the welfare of employees (including salaries). For comparison of salaries and employee benefits director looks a big gap from 2009 to 2010. Look at all the striking disparity in the two banks. Although in 2010 the Bank Muamalat Indonesia (BMI) cut salaries of directors, but the comparison between the salaries of directors and well-being of employees is still quite large, namely 12-fold. Even in 2010, Bank Syariah Mandiri (BSM) would raise the salaries of directors to 24-fold compared with the well-being of its employees. Principles of justice should be upheld in Islamic institutions. With the principles of justice would erode the gap between the leadership of the employees. Islamic banks need to review its policy toward the salary of the director (Metawa, 1998). Islamic banks are supposed to uphold the principle of justice in every policy, so it will not cause a negative impact in the future. By looking at the result of these two Islamic Bank, the Directors-Employee Welfare Ratio Sharia Banking Indonesia concluded subjectively unsatisfactory.

### **Islamic Investment Versus Non Islamic Investment Ratio**

Through the calculation of the ratio of investment is permissible, it is known what percentage of the amount of investment made halal by Islamic banks. From the calculation of this ratio shows that the second Islamic bank Islamic Bank is very maintain compliance aspects (Azhar&Affandy, 2003). The average ratio of non-kosher-halal investment in 2009 reached 87% and in 2010 increased to 93%. This may not be irrefutable evidence that the Islamic banks in Indonesia showed a good performance in terms of investment. Both Islamic banks showed an average investment returns 92% halal. Only a small investment of Islamic banks in non-halal investments. This shows a trend that Islamic banks in Indonesia prefers investment in halal investment. This will satisfy the customer as the party who left their money in Islamic banks. So by looking at the investment of these two Islamic Bank, the Islamic Investment vs Islamic Investment Ratio Non Islamic Banking in Indonesia concluded subjectively satisfying.

### **Islamic Income Versus Non-Islamic Income Ratio**

For halal earnings ratio of Islamic banks in Indonesia, shows that Islamic banks 99% of income derived from halal income. Income received by non-halal Muamalat Indonesia is not included as income, but channeled into account the Indonesian Ulema Council which is used for social purposes. While non-halal income at Bank Syariah Mandiri also included in the report the sources and uses of funds in the account of virtue non-halal income. It is satisfying customers of Islamic banks in Indonesia are not going to worry anymore about the source of the profits

they receive. Revenue trends of Islamic banks in Indonesia showed a very good performance.

Standards of a bank called the Islamic banks is where when the bank is getting money (in cash flow) is lawful or in accordance with the rules of syar'i and channeling those funds must also comply with the rules of syar'i. Wherein the formulation is:

CIF (in cash flow) *Halal* = COF (cash out flow) *Halal*. So it is important for Islamic banks to continue to be alert associated with the funds and the funds obtained. Compliance of Islamic banks in this regard is the commitment and responsibility to Allah and Islamic banks ummah.

The results above prove that calculation of income Muamalat Indonesia and Bank Syariah Mandiri is truly Islamic bank, Sharia is not only named but the application of the principles or rules of sharia is guarded by two banks. This can be seen from the ratio of non-kosher-halal income. The average ratio of non-kosher-halal income of the bank is above 99%. This proves that both the Islamic bank is keeping a log of income. It is important to observe, because everything is forbidden to enter the revenue would reduce the blessings that exist in those revenues (Samad, A, 2004). Finally, by looking at halal income from these two Islamic Bank, the Islamic Income Income Ratio vs. Non Islamic Sharia Bank in Indonesia concluded subjectively satisfying.

### Implication

From the results showed that the ratio of financing for the results to be done by Islamic banks showed that no more than 52%. This indicates that the social contribution made by Islamic banks to the real sector is still less than optimal,

so that the national economy was not increased to the maximum. In addition, the charity issued by the Islamic Bank is still very small. Not above 2.5%. This resulted in the welfare of the community are less prevalent. Therefore, the charity is expected to alleviate poverty in Indonesia, in fact, still less than optimal.

### Conclusion

Based on the assessment of financial performance of Islamic Banking in Indonesia by using Islamicity Performance Index, which uses six financial ratios are measured, the profit sharing ratio, zakat performance ratio, equitable distribution ratio, ratio of welfare-employee directors, Islamic investment vs non Islamic investment ratio, Islamic income versus non-Islamic income, it can be concluded that:

1. The financial performance of Islamic Banking in Indonesia in 2009-2010 generally have high levels of valuation "SATISFACTORY ENOUGH". But there are two ratios are not satisfactory. Namely zakat performance ratio and the ratio between the salary of the director of employee benefits.
2. Lawful income ratio is the ratio of the best performance compared with other ratios, because the obtained results above 99% in each year.
3. Charity performance ratio is the ratio of the worst condition compared with the other ratios. It is seen from the values obtained every year gets smaller. This indicates that the zakat is issued by Islamic banks is still very small.

### Suggestion

Based on the above conclusions, the researcher tried to give some advice that

can be taken into consideration for the parties concerned, namely:

1. For Bank Muamalat Indonesia and Bank Syariah Mandiri
  - With the assessment of financial performance based on Islamicity Performance Index, it is expected that the bank can determine the condition of performance. That way, if after the assessment is known there are several ratios that are not satisfactory, it is expected that the Bank can fix it and make it better again.
  - Of the six ratios that have been assessed, the performance ratio is the ratio that the charity needs to get improvements. To the ratio will be better if the amount of zakat incurred plus greater. Given the importance of the benefits of charity for the welfare of society, besides the social functions of Islamic banks will be more visible.

## 2. For Further Research

It is expected to further research, could use more leverage Islamicity Performance Index, which is to assess the financial performance of the entire Islamic Banking in Indonesia Sharia Bank or Conventional. Thus, the existence of these conditions can be used for comparisons between the Bank's financial performance with Sharia Islamic Bank of Conventional and provide motivation to other banks to determine the condition to be able to improve its performance to be better, and provide great benefits for national economy and society at large. So as to realize the welfare of the ummah, or community which is the primary purpose of Islamic economics, as what highlighted as its uniqueness by Beck and Merrouche (2013).

## Notes on Contributors

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