

# Financial Performance Analysis of Sharia Commercial Banks in Indonesia

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**Abstract.** The evaluation of financial performance in the banking industry is crucial since it allows for the identification of a bank's state of health by describing the accomplishments accomplished in operational activities. The purpose of this study is to analyze the performance of Islamic Commercial Banks in Indonesia for the 2019-2021 period, the operational review includes Earning Asset-based financing based on Quality, Number of financing customers and third party funds at Islamic Commercial Banks in Indonesia. This study uses a qualitative descriptive design. This research data is secondary data for the publication of the annual financial statements of Islamic banks for the 2019-2021 period. The data period was chosen as a consideration for the Covid-19 pandemic and the new normal in Indonesia. The census sampling was chosen to determine the research sample, namely 15 Islamic Commercial Banks in Indonesia. Based on the results and discussion, it can be concluded that Islamic Commercial Banks registered with the OJK for the 2019-2021 period have good financial performance. This can be seen from the performance assessment based on the quality of earning assets, Third Party Funds and Financing, Receivables and Salam.

**Keywords:** Financial Performance, Islamic Commercial Bank.

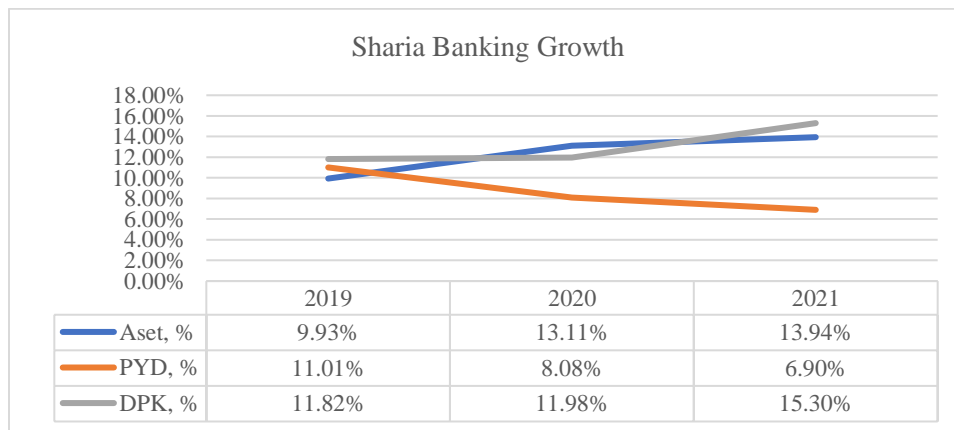
## 1. Introduction

The existence of Islamic banks, which are expanding quickly and providing financial and investment goods in a different way from conventional banks, is energizing Indonesia's banking sector more and more. Banks, both conventional and Islamic, are crucial to the development of the Indonesian economy. The Islamic Banking Law No. 21 of 2008 stipulates that banks must maintain a certain level of soundness. In order to keep the public's trust in the bank, bank health must be developed and maintained. Additionally, the bank's soundness level is used to assess the conditions and issues the bank is facing and to decide what steps to take to address those issues, such as taking remedial action on the bank's part.

A bank that bases its operations on sharia or Islamic legal principles is known as an Islamic bank. In accordance with sharia principles, Islamic banks serve as intermediate organizations for the

collecting and distribution of funds as well as other financial service providers [1]. The growth of Islamic commercial banks in Indonesia has increased their level of competitiveness. Given the numerous benefits of Islamic financial institutions over traditional banks, Sharia Commercial Banks have various prospects [2]. Sharia Commercial Banks must be able to consistently deliver the greatest results in order to win the trust of the general public, stakeholders, and investors on both a financial and non-financial level.

The performance of Islamic banks is relatively superior to conventional banks. This is evidenced by the negative spread that does not occur in Islamic banking, as well as the rate of return of funds or return of assets that does not depend on the high and low interest rates, so that Islamic banks can be more resilient in going through the crisis [3]. To develop sharia banks, Bank Indonesia issued a roadmap for the development of Indonesian sharia banking to serve as guidelines for sharia banking stakeholders to achieve the goal of building sharia commercial banks in Indonesia so that they can continue to progress and develop.



**Fig. 1.** Sharia Banking Growth

Source: Data processed

The growth of Islamic banking assets, financing and deposits showed a fairly good performance. The growth of Islamic banking assets in 2021 is 13.94%, the growth of Islamic banking deposits of 15.30% also shows a stable position. Likewise, financing growth will decline in 2021 by 6.90%. However, this fairly high growth with market share that continues to increase shows that Islamic banking services are increasingly trusted by the public, especially during the pandemic.

As the indicators of assets and third-party funds increased but the financing obtained reduced year over year, Indonesia's Islamic banking industry slowly started to flourish. The increase in held

assets can demonstrate that Islamic banking is the optimal bank model for promoting the growth of the country's economy. While the Covid-19 outbreak that rocked Indonesia caused the fall in finance, which had an effect on the local economy, asset expansion can expand the pool of third-party funds.

**Table 1.** Number of Islamic Commercial Banks in Indonesia as of 2021

No.	Bank Umum Syariah	KPO/KC	KCP/UPS	KK
1	PT. Bank Aceh Syariah	27	96	27
2	PT. BPD Nusa Tenggara Barat Syariah	12	25	6
3	PT. Bank Muamalat Indonesia, Tbk	80	131	29
4	PT. Bank Victoria Syariah	5	1	-
5	PT. Bank BRI Syariah	-	-	-
6	PT. Bank Jabar Banten Syariah	9	55	2
7	PT Bank BNI Syariah	-	-	-
8	PT. Bank Syariah Mandiri	-	-	-
9	PT. Bank Mega Syariah	30	29	5
10	PT. Bank Panin Dubai Syariah, Tbk	10	-	1
11	PT. Bank Syariah Bukopin	13	7	4
12	PT. BCA Syariah	15	16	43
13	PT. Bank Tabungan Pensiunan Nasional Syariah	24	-	-
14	PT. Bank Aladin Syariah	1	-	-
15	PT. Bank Syariah Indonesia, Tbk	273	985	75
<b>Total</b>		<b>499</b>	<b>1345</b>	<b>192</b>

Source: OJK Sharia Banking Statistics as of 2021

The bank's financial performance is a description of the financial condition over a certain period of time including aspects of collecting and distributing funds to evaluate the bank's financial performance using various variables. This picture is usually presented in the annual financial statements issued by banks. In the financial statements, various performance measurement variables are presented, especially the financial performance measure of a bank is its financial ratio.

In the research of Allselia Riski Azhari and Rofiul Wahyudi [4] (2020) discussing the analysis of the performance of Islamic banking in Indonesia during the Covid-19 pandemic with the results showing that the performance of Islamic banks fluctuated in terms of deposits and debt financing. On the lease financing side, there has been a fairly constant decline during the pandemic. Meanwhile, in terms of equity financing experienced a significant growth. The research of Dewi Sjam and Clarashinta Canggih [5] (2022) discusses the analysis of the financial performance of

Islamic Commercial Banks through the Islamicity Performance Index approach. decline in 2017, the net profit value at Islamic Commercial Banks is still relatively low. Meanwhile, in terms of halal, the value of Islamic income vs. Non-Islamic income states that all Islamic Commercial Banks have managed to avoid the element of usury. However, in terms of zakat performance ratio is still poor, because the amount of distribution of zakat funds by Islamic banks is not proportional to the total assets owned.

In order to preserve public confidence in the bank, it is crucial that management, shareholders, the government, or other interested parties assess the performance of the institution. It can be found in the financial statements, which are used to evaluate the performance of the bank. Financial reports in the Islamic banking industry serve the objective of providing decision-helping information about the financial position, performance, and changes in financial position of banking operating activities.

**Table 2.** Financial Performance of Islamic Commercial Bank

Indikator	Des 2019	Des 2020	Des 2021
<b>CAR (%)</b>	20,56	21,64	25,71
<b>ROA (%)</b>	1,73	1,40	1,55
<b>NPF (%)</b>	3,23	3,13	2,59
<b>FDR (%)</b>	77,91	76,36	70,12
<b>BOPO (%)</b>	84,45	85,55	84,33
<b>NOM (%)</b>	1,92	1,46	1,66
<b>Earning Asset Quality (KAP) (%)</b>	2,77	2,65	1,94
<b>Liquidity (%)</b>	30,08	28,67	26,21

Source: Data processed

During the Covid-19 pandemic, the performance of Islamic Commercial Banks during 2019-2021 showed maintained stability in terms of capital, CAR BUS showed a positive growth trend in 2021 reaching 25.71%. In general, BUS financing activities showed a slowing trend as indicated by the BUS FDR ratio of 70.12%, which was lower than the previous year. In terms of profitability, BUS showed a positive trend which was shown in the last year. In terms of efficiency, the Covid-19 pandemic suppressed the efficiency of BUS, resulting in a decrease as indicated by the increasing BOPO value until the end of 2020 reaching 85.55% [6].

It is anticipated that improving financial performance at Islamic Commercial Banks will closely correlate with performance based on Islamic teachings. Islamic Commercial Banks can demonstrate to stakeholders that the business system used is appropriate to Islamic concepts, values, and ethics through proper sharia-based performance [7]. The evaluation of financial performance in

the banking industry is crucial since it allows for the identification of a bank's state of health by describing the accomplishments accomplished in its operational activities [8].

This is in line with research conducted by Roro Diyah PS and Axel Giovanni [9] (2020) which states that the financial performance of Islamic banking for the 2016-2020 period looks good. This can be proven from the results of the ratings which show that the overall performance of Islamic banks under study obtained an average value of 3.86 or rounded up to 4 so that the performance of Islamic banks registered with the OJK for the 2016-2020 period was considered good.

The purpose of this study is to analyze the performance of Islamic Commercial Banks in Indonesia for the 2019-2021 period, operational reviews include Earning Asset-based financing based on Quality, Number of financing customers and third party funds at Islamic Commercial Banks in Indonesia. This research is important because Islamic banks in Indonesia adhere to a dual banking system and have unique characteristics that are able to survive and compete in the face of the economic crisis.

## 2. Research Methods

A qualitative descriptive design was used for this investigation. This research's secondary data will be used to publish Islamic banks' annual financial statements for the years 2019 - 2021. The data period was chosen with the Covid-19 pandemic and Indonesia's new normal in mind. The research sample was determined by the census sampling, which included 15 Islamic Commercial Banks in Indonesia, including the following: Bank Aceh Syariah, BPD Nusa Tenggara Barat Syariah, Bank Muamalat Indonesia, Bank Victoria Syariah, Bank BRI Syariah, Bank Jabar Banten Syariah, Bank BNI Syariah, Bank Syariah Mandiri, Bank Panin Dubai Syariah, Bank Syariah Bukopin, BCA Syariah, Bank Tabungan Pensiunan Nasional Syariah, Bank Aladin Syariah dan Bank Syariah Indoensia.

## 3. Result And Discussion

**Table 3.** Financial Performance of Islamic Commercial Bank  
Nominal in Billion Rp and Ratio (%)

Indicator	2019	2020	2021
<b>CAR (%)</b>	<b>20,59</b>	<b>21,64</b>	<b>25,71</b>
• Capital	40 715	46 854	50 661
• Risk Weighted Assets	197 727	216 547	197 057
<b>ROA (%)</b>	<b>1,73</b>	<b>1,40</b>	<b>1,55</b>
• Profit	5 598	5 087	6 224
• Average Assets	323 438	362 692	401 485
<b>NPF (%)</b>	<b>3,23</b>	<b>3,13</b>	<b>2,59</b>
<b>NPF Net (%)</b>	<b>1,88</b>	<b>1,57</b>	<b>0,81</b>
• Non Performing Financing	7 263	7 713	6 624
• Non Performing Financing Net	4 241	3 877	2 064
• Total Financing to Non Bank	225 146	246 532	256 219

<b>FDR (%)</b>	<b>77,91</b>	<b>76,36</b>	<b>70,12</b>
• Total Financing to Non Bank	225 146	246 532	256 219
• Total Third Party Funds	288 978	322 853	365 421
<b>BOPO (%)</b>	<b>84,45</b>	<b>85,55</b>	<b>84,33</b>
• Operations Expenses	30 415	30 410	32 861
• Operations Income	36 014	35 548	38 969
<b>Rentabilitas/ NOM (%)</b>	<b>1,92</b>	<b>1,46</b>	<b>1,66</b>
• Net Operations Income	5 599	5 137	6 108
• Average Earning Assets	292 108	350 992	367 058
<b>Kualitas Aktiva Produktif (KAP) (%)</b>	<b>2,77</b>	<b>2,65</b>	<b>1,94</b>
• Classified Earning Assets	9 018	9 750	7 956
• Total Earning Assets	325 365	368 338	409 638
<b>Likuiditas (%)</b>	<b>30,08</b>	<b>28,67</b>	<b>26,21</b>
• Short-Term Assets	76 035	82 776	92 297
• Short-Term Liabilities	252 789	288 672	352 197
<b>Imbal Hasil</b>	<b>46,46</b>	<b>44,67</b>	<b>47,10</b>
<b>Non Core Deposit Terhadap Total DPK (%)</b>			
• Non Core Deposits	134 272	144 231	172 124
• Total Party Funds	288 978	322 853	365 421
<b>Fixed Yield Portfolios to Floating Yield Portfolios (%)</b>	<b>241,64</b>	<b>268,03</b>	<b>344,67</b>
• Fixed-rate Yield Portfolios	159 570	179 855	198 743
• Floating-rate Yield Portfolios	66 037	67 102	57 661
<b>Investasi</b>	<b>39,89</b>	<b>39,03</b>	<b>38,85</b>
<b>Profit Sharing Financing to Total (%)</b>			
• Profit Sharing Financing Mudharabah-based	89 995	96 376	99 615
• Total Financing	225 607	246 957	256 405
<b>Potential Loss from Profit Sharing Financing to Total Mudharabah and Musyarakah (%)</b>	<b>2,70</b>	<b>3,46</b>	<b>4,65</b>
• Potential Loss from Profit Sharing Financing	2 425	3 336	4 636
• Total Mudharabah and Musyarakah	89 995	96 376	99 615

Source: OJK Sharia Banking Statistics as of 2021

### 3.1 Performance Analysis of Islamic Commercial Banks Based on Earning Assets

**Table 4.** Earning Assets based on Collectibility of Islamic Commercial Bank  
Nominal in Billion Rp and Ratio (%)

<b>Indikator</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
1. <i>Current</i>	297 942	340 584	385 781
2. <i>Special Mention</i>	12 025	12 427	9 499
3. <i>Sub-Standard</i>	2 416	1 857	2 465
4. <i>Doubtful</i>	571	866	1 406
5. <i>Lost</i>	4 313	5 018	3 271
<b>Total Earning Assets</b>	<b>317 267</b>	<b>360 751</b>	<b>402 421</b>
<b>Percentage of Non Performing Earning Assets</b>	<b>2,30</b>	<b>2,15</b>	<b>1,77</b>

Source: OJK Sharia Banking Statistics as of 2021

Based on the table above [10], it can be seen that earning assets based on quality with 5 indicators, namely current each year, experienced a specific increase in the 2019-2021 period by 29.48% or equivalent to Rp. 87.839 billion. The indicator under special attention experienced a

fluctuating decline in the 2019-2021 period of IDR 2,526 billion. The substandard indicator experienced a fluctuating decline in the 2020 period of Rp. 559 billion and increased again in 2021 by Rp. 608 billion. The doubtful indicator has increased every year during the 2019-2021 period by 40.61%, equivalent to Rp. 835 billion. And the traffic jam indicator has increased in the 2020 period by IDR 705 billion or equivalent to 16.34% and decreased in the 2021 period by IDR 1747 billion. And total earning assets experienced a steady increase during the 2019-2021 period of IDR 85,154 billion or equivalent to 26.84%.

Because customers are able to repay the financing they have taken, the distribution of financing in the current category is good according to an assessment of the quality of productive assets over the 2019–2021 timeframe. However, it also appears that the questionable signs have grown, which means that many clients are finding it challenging to return the financing that has been done [11].

### 3.2 Performance Analysis of Islamic Commercial Banks Based on Number of Financing Customers and Third Party Funds

**Table 5.**

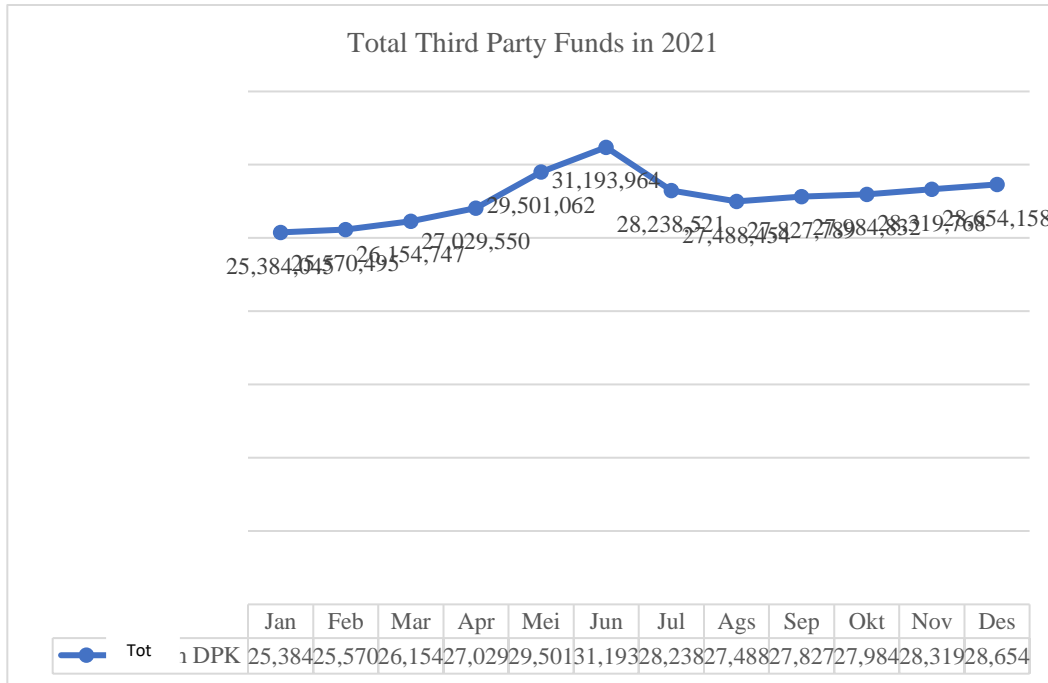
Number of Account of Financing and Third Party Fund Islamic Commercial Bank			
Type	2019	2020	2021
<b>Third Party Fund</b>	22 120 609	25 195 687	28 654 158
<b>Financing, Receivables/Acceptables, Ijarah and Salam</b>	4 113 683	4 314 340	4 566 549

Source: OJK Sharia Banking Statistics as of 2021

Based on the table, Third Party Funds during the 2019-2021 period experienced a significant increase, in 2020 it increased by 13.90% or equivalent to Rp. 3,075,078 billion, and in 2021 it increased by 13.73% or equivalent to Rp. 3,458,471 billion. This shows that there are many customers who place their funds in Islamic Commercial Banks.

In the table of Financing, Accounts Receivable and Salam during the period 2019-2021 also experienced a significant increase, in 2020 an increase of Rp 200,657 billion or equivalent to 4.9%, and in 2021 an increase of Rp 252,209 billion or equivalent to 5.84%. This shows that the increase in financing, receivables and greetings will increase revenue sharing and increase the net profit of Islamic Commercial Banks.

### 3.3 Performance Analysis of Islamic Commercial Banks Based on Third Party Funds



**Fig. 2.** Total Third Party Funds in 2021  
Source: Data processed

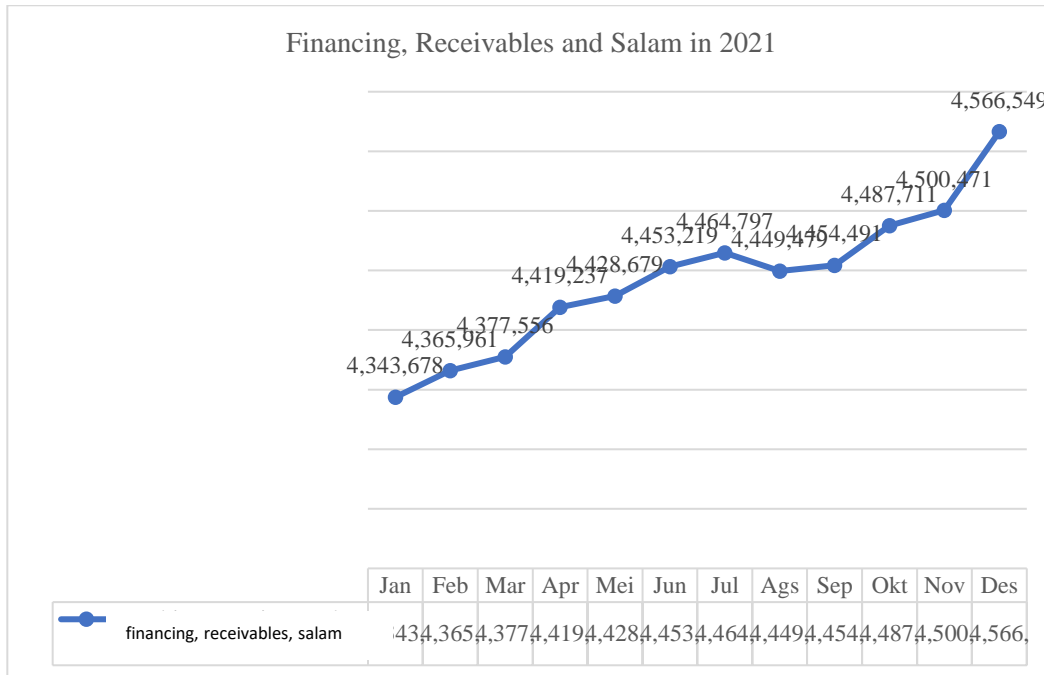
It can be seen that the overall growth in the number of deposits tends to fluctuate. In the period January-July showed significant fluctuations. In the January-June period, the average difference in the amount of TPF reached Rp 5,809,919 billion, an increase of 22.88%. In contrast to the June-July period, which actually decreased by 10.46% or equivalent to Rp 2,955,443 billion. The month of July was where the slowdown in TPF growth occurred due to time deposits, both in rupiah and foreign currencies. In detail, time deposits grew slower than in June 2021. Based on customer class, the slowdown in growth in time deposits occurred in corporate and individual customers and was accompanied by a decrease in deposit interest rates.

The August-December period showed an increase in the number of third party funds reaching 4.24% or Rp 1,165,704 billion. The fluctuating growth of deposits is due to the fact that people tend to choose to use their funds in consumption activities rather than investing in Islamic banks. Many microeconomic and macroeconomic factors can influence the development of the number of deposits in measuring the performance of Islamic banks.

### 3.4 Performance Analysis of Islamic Commercial Banks Based on Financing, Receivables and Salam



**Graph 3. Financing, Receivables and Salam in 2021**



Source: Data processed

Based on the graph above, it shows that Financing, Receivables and Receivables during the 2021 period experienced a fluctuating increase. It was seen during January – December of Rp. 222,871 billion or equivalent to 5.13%. Thus, the growth of net income is quite closely related to the movement of Islamic bank assets. This also shows that net income has increased. When the financing disbursed to customers is able to generate high profits, because the higher the financing disbursed, the higher the income received by the bank.

#### 4. Conclusion

Based on the results and discussion, it can be concluded that Islamic Commercial Banks registered with the OJK for the 2019-2021 period have good financial performance. This can be seen from the performance assessment based on the quality of earning assets, Third Party Funds and Financing, Receivables and Salam.

Assessment on the quality of productive assets during the 2019-2021 period that the distribution of financing that is in the current category is good because customers are able to return the financing

taken. However, the doubtful indicators also appear to have increased, meaning that many customers find it difficult to return the financing that has been done.

The fluctuating growth of deposits is due to the fact that people tend to choose to use their funds in consumption activities rather than investing in Islamic banks. Many microeconomic and macroeconomic factors can influence the development of the number of deposits in measuring the performance of Islamic banks.

Net profit growth is quite closely related to the movement of Islamic bank assets. This also shows that net income has increased. When the financing disbursed to customers is able to generate high profits, because the higher the financing disbursed, the higher the income received by the bank.

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