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Research Article

The Impact of Islamicity Performance Index on the Profitability of Sharia Banks in Indonesia

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Abstract
This study evaluates the business and social performance of Indonesian Islamic Banking using the Islamicity Performance Index from 2020 to 2022. Business performance is measured through the Profit Sharing Ratio (PSR) and Islamic Income vs. Non-Islamic Income Ratio (IIR), while social performance is assessed using the Zakat Performance Ratio (ZPR) and Equitable Distribution Ratio (EDR). A purposive sampling method was employed, selecting 12 Indonesian Islamic banks, with data sourced from their Annual Reports. The research applies a quantitative methodology, analyzing data through multiple linear regression using SPSS 22. The study identifies Zakat Performance Ratio (ZPR) as the sole variable positively affecting profitability (ROA), while PSR, IIR, and EDR have no significant impact. The findings underscore the importance of integrating Sharia principles into operational practices. The managerial implications suggest that Sharia bank management should focus on improving ZPR by emphasizing equitable wealth distribution and adherence to Islamic values to enhance profitability. This study provides valuable insights for the Islamic banking sector, emphasizing the need for a holistic approach that aligns with the Islamicity Performance Index to achieve both financial and social objectives.

Keywords: Islamic Banking, Islamicity Performance Index, Profitability, Return on Assets, Purposive Sampling, Secondary Data.

JEL Classification: G21, M51, P12

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1. Introduction

Since the establishment of Bank Muamalat in 1991, the Islamic Banking sector in Indonesia has experienced a significant growth. This phenomenon is reflected by the increasing public interest which was Muslim majority to Islamic law. The rapid growth of the sharia banking industry in Indonesia can be observed from sharia banking statistical data (SPS) issued by the Financial Services Authority (OJK) in 2017. At the end of 2016, Indonesian sharia banking recorded significant growth in assets, third-party funds (DPK), and disbursed financing (PYD), respectively 20.28%, 20.84%, and 16.41%. Total assets, DPK, and PYD of Indonesia sharia banking in 2016 reached IDR 365.6 trillion, IDR 285.2 trillion, and IDR 254.7 trillion respectively (Financial Services Authority, 2018). The existence of sharia banking in Indonesia continues to increase along with the enactment of Law Number 21 of 2008 concerning sharia banking, which provides a clearer operational basis for sharia banks. However, with continuous development, banks are always faced with various challenges. One of the main challenges that banks always face is the company's financial performance. Financial performance holds an important role in showing the company's credibility to the public in using its banking services. In research conducted by Yusuf (2017), it was stated that a high level of profitability in a bank indicates a fantastic performance from that bank.

There are two approaches to explaining the activities of financial institutions or companies, namely through financial activities and operational activities. Financial activities include funding from acquired capital and combined with human resources to generate profitability. The growth and development of financial institutions are very dependent on the profitability obtained from operational activities (Mukhlis, 2012). Meanwhile, according to Rudianto (2013), financial progress is often measured by looking at the ability of company management to manage assets and capital to gain profits. If the profits obtained by the bank are low, this indicates that the management process is less than optimal in managing the capital. This can have an impact on the company's progress and the company's image in the eyes of stakeholders, who will assess the company and decide whether to collaborate or become consumers of the company.

There are still many sharia banks that have not fully implemented their business systems' Sharia principles and are still converts to Islam in business, which is one of the problems that causes development in sharia banking to be hampered (Awaludin, 2020). So quite a few people still equate sharia banking with conventional banking, and as a result, they are more likely to carry out transactions at conventional banks than sharia banks. Regarding these phenomena, Hameed et al. (2004) developed an alternative measurement of Islamic bank performance, namely by using Islamicity Indices. These Islamicity Indices consist of two components, namely the Islamicity Disclosure Index (IDI) and the Islamicity Performance Index (IPI). The Islamicity Disclosure Index is intended to test how well Islamic banks disclose useful information to stakeholders. This index is divided into three main indicators, namely sharia compliance indicators, corporate governance indicators, and social or environmental indicators. Meanwhile, the Islamicity Performance Index is a method that can evaluate the performance of sharia banks in terms of finance, the principles of justice, halalness and purification (tazkiyah) carried out by sharia banks. There are six ratios that can be measured in the Islamicity Performance Index, namely ProfitSharing Ratio, Zakat Performance Ratio, Equitable Distribution Ratio, Director-Employees Welfare Ratio, Islamic Investment Vs Non-Islamic Investment Ratio and Islamic Income Vs Non-Islamic Income Ratio.

Misdalifah & Wirman (2022) and Fatmawati et al. (2016) concluded in their research that the increase in mudharabah and musyarakah financing is directly proportional to the increase in profits earned. In line with Pudyastuti (2018), research he conducted shows that the profit sharing ratio has a significant positive influence on the Return On Assets (ROA) value. This indicates that improving the financial performance of sharia banking can be achieved by considering the profit sharing ratio in mudharabah and musyarakah financing activities. Although Dewanata et al. (2016) in their research concluded that the contribution of increasing the level of profit sharing or profit sharing from the profits obtained was not commensurate with the increase in profits or the increase in the number of investors in sharia banking. Then based on the results of the analysis in the research of Hardina et al. (2019), the value of the Zakat Performance Ratio does not influence the profitability of sharia banking. This is relevant to Khasanah (2016) in his research who concluded that the Zakat Performance Ratio does not affect the profitability of a sharia banking. Pudyastuti (2018) in his research concluded that the Equitable Distribution Ratio does not affect the financial performance of sharia banking in the form of the Return on Assets (ROA) ratio. Likewise, previous research conducted by Maisaroh (2015) and Khasanah (2016), stated that the equal distribution of fund allocation carried out by sharia banking did not influence the bank's financial performance, because the distribution of income was limited to the relevant bank stakeholders. Research by Khasanah (2016) and Pudyastuti (2018) also shows similar results that Islamic Income vs Non-Islamic Income Ratio does not influence the profitability of Islamic banks. Therefore, there is a research gap to understand other factors that can influence the level of profitability of sharia banking, as well as how the role of benevolent funds and social funds can influence the financial performance of sharia banking.

The very rapid development of sharia banking and the potential for challenges for sharia banking to increase the trust and loyalty of customers and other stakeholders, has made researchers interested in measuring and analysing the performance of sharia banking in Indonesia by using performance measurement indices not only in terms of financial performance but also in terms of financial performance. in terms of implementing sharia principles by utilizing the Islamicity Performance Index measurement method. This appropriate, permanent and more comprehensive performance measurement method can have a positive impact on sharia banking. So that sharia banking can evaluate its compliance in carrying out company activities following the principles of Islamic sharia. So, it has the potential to increase the trust of potential customers or users of sharia banking products and increase the profitability of sharia banking. Hameed et al. (2004).

This study offers a solution by introducing a more nuanced and comprehensive approach to measuring Sharia banking performance through the Islamicity Performance Index. By expanding the evaluation framework to include both financial performance and Sharia compliance, this research seeks to address the gap in current understanding and offers a holistic model for assessing how Sharia banks can effectively increase profitability while maintaining alignment with Islamic principles. By focusing on both the operational and financial dimensions, this study will provide insights into how Sharia banks can navigate the growing challenges and opportunities, ultimately fostering greater trust among customers and stakeholders and driving sustainable profitability.

2. Literature Review and Hypothesis

Signalling Theory

Signaling Theory is a concept that explains management actions company to provide clues or signals to shareholders about how they view the company's prospects. This signal is in the form of information regarding management's actions in realizing shareholder desires. Management is encouraged to provide information because of information asymmetry between themselves and parties outside the company. Management has more information about the company and its prospects than outside parties such as investors and creditors. Lack of information from outside parties about the company causes them to protect themselves by providing a low price assessment for the company (Brigham & Houston, 2018).

Proftability concept

Profitability is a ratio used to assess an entity's ability to generate profits. One method for measuring profitability is to use the Return on Assets ratio. ROA (Return on Assets) is an indicator that assesses the level of profitability of an entity as a whole. This ratio shows how effective management is in generating profits by comparing profit after tax with total assets owned

Islamicity Perfomance Index

According to Hameed et al. (2004), the Islamicity Performance Index is a tool that can measure sharia values in sharia banking performance. The system implemented in sharia banking originates from aspects of the Islamic worldview. Therefore, simply measuring performance is not enough. An assessment is required that is by Islamic principles and Islamic views. Measuring the performance of Islamic financial institutions can be done using the index developed by Hameed et al. (2004), namely the Islamicity Performance Index (IPI). This index helps Islamic financial institutions, especially Islamic banks, to assess the extent of success they have achieved.

3. Data and Method

Research Methodology

The methodology used is the quantitative methodology with an associative approach. Associative research aims to determine the influence or relationship between two or more variables (Sugiyono, 2011). This methodology was chosen because the researcher will analyse the influence of variable X on variable Y, with X being the index in the Islamic Performance Index while Y is profitability in the form of Return on Assets (ROA).

Data Types and Sources

The type of data used in this research is secondary data. Secondary data is a source of research data obtained by the researchers indirectly through intermediary media (Indriantoro & Supomo, 2013). The data used in this research is secondary data obtained from the annual financial reports of Sharia Banks operating in Indonesia and registered with the Financial Services Authority (OJK) during the 2020-2022 period.

Population and Sample

The population used in this research is sharia general banking companies registered with the Financial Services Authority (OJK) period 2020 to 2022. The sampling technique will use the Purposive Sampling Approach, which is the selection of samples based on certain criteria or considerations. These criteria or considerations include:

1. Sharia Commercial Bank Company (BUS) registered with the Financial Services Authority from 2020 to 2022.
2. Sharia Commercial Bank Company (BUS) which consistently publishes annual reports for the period 2020 to 2022.
3. Sharia Commercial Bank Companies (BUS) that publish complete annual reports by the completeness criteria set out in Statement of Financial Accounting Standards 101 concerning the presentation of sharia financial reports

4. Results

Analysis of the Islamicity Performance Index for Sharia Banking Based on the Profit Sharing Ratio (PSR) Variable

Profit Sharing Ratio (PSR) is calculated by adding up the value of financing originating from mudharabah and musyarakah contracts, then comparing this total with the total financing disbursed by sharia banks. A mudharabah agreement is a cooperation agreement between capital owners and business managers where profits are shared according to the agreement, while musyarakah is a form of cooperation where all parties provide capital and profits and losses are shared based on their respective capital contributions.

Table 1. Analysis of the Islamicity Performance Index for Sharia Banking Based on the Profit Sharing Ratio (PSR) Variable

No.	Bank	Year			Average
		2020	2021	2022	
1	BBMI	0,0139	0,3072	0,5982	0,3064
2	BMS	0,0308	0,3200	0,1170	0,1559
3	KBBS	0,0669	0,1705	0,2258	0,1544
4	PNBS	0,9032	0,9154	0,1991	0,6726
5	BVIS	0,7888	0,6740	0,7537	0,7388
6	BCAS	0,0069	0,0174	0,7050	0,2431
7	BJBS	0,3216	0,3418	0,0037	0,2224
8	BANK	0,9973	0,0104	0,5771	0,5283

9	BTPS	0,1109	0,0224	0,1589	0,0974
10	BAS	0,1100	0,1411	0,2583	0,1698
11	NTBS	0,6595	0,7477	0,8048	0,7373
12	BRIS	1,1928	1,1238	1,3373	1,2180

Analysis of the Islamicity Performance Index for Sharia Banking Based on the Zakat Performance Ratio (ZPR) Variable

In sharia banking, zakat is used as a performance indicator that replaces earnings per share (earnings per share) which is commonly used in conventional banking. According to sharia provisions, zakat is a right that must be paid from part of the assets owned. This understanding indicates the moral and financial obligations that must be fulfilled by individuals or entities who have wealth above a certain threshold. If related to the Zakat Performance Ratio (ZPR), zakat performance is measured by how much a sharia bank can distribute zakat from the total net assets (net worth) owned, after deducting liabilities (debts). ZPR reflects Islamic banking's commitment to Islamic principles and social responsibility. In general, if the net worth of a sharia bank is large enough, then the amount of zakat issued should also be large. This reflects the bank's commitment to zakat obligations and its role in improving social welfare, by sharia principles.

Table 2. Analysis of the Islamicity Performance Index for Sharia Banking Based on the Zakat Performance Ratio (ZPR) Variable

No.	Bank	Year			Average
		2022	2021	2022	
1	BBMI	0,0002	0,0001	0,0001	0,0001
2	BMS	0,0001	0,0003	0,0011	0,0005
3	KBBS	0,0000	0,0000	0,0000	0,0000
4	PNBS	0,0001	0,0000	0,0000	0,0000
5	BVIS	0,0000	0,0000	0,0000	0,0000
6	BCAS	0,0000	0,0000	0,0000	0,0000
7	BJBS	0,0000	0,0001	0,0000	0,0000
8	BANK	0,0000	0,0000	0,0000	0,0000
9	BTPS	0,0000	0,0000	0,0000	0,0000
10	BAS	0,0001	0,0000	0,0000	0,0000
11	NTBS	0,0001	0,0001	0,0001	0,0001
12	BRIS	0,0004	0,0005	0,0006	0,0005

Analysis of Islamicity Performance Index for Sharia Banking Based on Equitable Distribution Ratio (EDR) Variables

The income distribution ratio in Islamic banking is closely related to the company's performance in distributing the income earned to various stakeholders. The percentage of income that needs to be distributed is assessed from the amount of money spent on various stakeholder needs, such as employee costs, qardh (interest-free loans), donations, and others. This ratio provides an idea of how big a role Islamic banks play in distributing their income fairly and by sharia principles to employees, investors and the community. This is important to assess the performance of Islamic banks in fulfilling their social and economic responsibilities.

Table 3. Analysis of Islamicity Performance Index for Sharia Banking Based on Equitable Distribution Ratio (EDR) Variables

No.	Bank	Year			Average
		2022	2021	2022	
1	BBMI	0,0987	0,0961	0,0968	0,0972
2	BMS	0,0225	0,1225	0,0330	0,0593
3	KBBS	0,0102	0,0205	0,0021	0,0109
4	PNBS	0,0130	0,1005	0,0489	0,0541
5	BVIS	0,0247	0,0207	0,0025	0,0160
6	BCAS	0,1165	0,1386	0,1823	0,1458
7	BJBS	0,0428	0,0469	0,0616	0,0504
8	BANK	0,0095	0,0057	0,0611	0,0254
9	BTPS	0,1863	0,2748	0,3232	0,2614
10	BAS	0,1545	0,1854	0,1549	0,1649
11	NTBS	0,0417	0,0456	0,0578	0,0484
12	BRIS	2,1522	1,0593	1,3128	1,5081

Analysis of Islamicity Performance Index for Sharia Banking Based on Islamic Income Vs Non-Islamic Income Ratio (IIR)

Islamic Income Ratio vs Non-Islamic Income Ratio measures the overall value of income obtained from both halal and non-halal sources. This ratio provides a measure of the halal aspect and assesses the level of implementation of the basic principles of Islamic banking, which is successful and free from usury. Non-halal income may arise due to various activities that are not fully compliant with sharia principles.

This ratio provides an idea of how committed an Islamic bank is to comply with sharia principles and how large a portion of its income is free from usury and non-halal elements. The higher the Islamic Income Ratio, the better the performance of Islamic banks in complying with the basic principles of Islamic economics.

Table 4. Analysis of Islamicity Performance Index for Sharia Banking Based on Islamic Income Vs Non-Islamic Income Ratio (IIR)

No.	Bank	Year			Average
		2022	2021	2022	
1	BBMI	0,9999	0,9998	0,9996	0,9998
2	BMS	0,9996	0,9993	0,9991	0,9993
3	KBBS	0,9992	0,8126	0,3575	0,7231
4	PNBS	0,9999	0,9998	0,9999	0,9999
5	BVIS	1,0000	1,0000	1,0000	1,0000
6	BCAS	0,9999	0,9997	0,9998	0,9998
7	BJBS	1,0000	0,9999	0,9999	0,9999
8	BANK	1,0000	1,0000	1,0000	1,0000
9	BTPS	0,9999	0,9999	0,9995	0,9998
10	BAS	0,9992	0,9999	0,9968	0,9986
11	NTBS	1,0000	1,0000	1,0000	1,0000
12	BRIS	0,9996	0,9996	0,9998	0,9997

Multicollinearity Test
The following are the results of sample testing in the multicollinearity test:

Table 5. Multicollinearity Test

Coefficients[a]

Model		Collinearity Statistics Tolerance	VIF
1	PSR	.723	1.383
	ZPR	.782	1.279
	EDR	.606	1.651
	IIR	.979	

From the SPSS output results, the tolerance values for the four variables were obtained, namely 0.723, 0.782, 0.606 and 0.979 > 0.100. Meanwhile, the VIF of the four variables is 1.383, 1.279, 1.651 and 1.022 < 10.00. So, it can be concluded that there was no multicollinearity in this study.

F-Test

Table 6. F-Test

ANOVA[a]

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.729	4	2.432	3.291	.023[b]
	Residual	22.909	31	.739		
	Total	32.638	35			

Based on the results of the ANOVA table, the results show significance, namely F count 0.023 < 0.05, while F table with df1 = 4 and df = 31 obtained an F table value of 2.52, meaning F count > F table. So, it can be concluded that the variables PSR, ZPR, EDR and IIR simultaneously or together affect ROA.

t-Test
The following are the calculation results using SPSS 22:

Table 7. t-Test

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.620	1.293		-.479	.635
	PSR	-.181	.434	-.074	-.418	.679
	ZPR	2273.775	741.516	.522	3.066	.004
	EDR	-.009	.436	-.004	-.021	.983
	IIR	1.395	1.328	.160	1.050	.302

The results of the SPSS t-test output show how much influence one independent variable partially has on the dependent variable. The table shows that the significance of PSR (0.679) > 0.05 and t-count (-0.418) < t-table (2.039) with a regression coefficient of –0.181 so that H0 is accepted and H1 is rejected, meaning that the PSR variable partially has no significant effect on bank ROA. The significance of ZPR is 0.004 < 0.05 and the t-count is 3.066 > t-table 2.039 with a regression coefficient of 2273.775 so that H0 is rejected and H1 is accepted, meaning that ZPR partially has a significant effect on ROA of Islamic banks. The EDR coefficient with a significance of 0.983>0.05 and t-count –0.021<t-table 2.039 with a regression coefficient of –0.009 so that EDR partially does

not have a significant effect on the ROA of Islamic banks. The significance of IIR is 0.302 > 0.05 and t-count 1.050 < t-table 2.039 with a regression coefficient of 1.395 so that H0 is accepted and H1 is rejected. IIR partially has no significant effect on the ROA of Sharia banks.

Coefficient of Determination (R^2 Test)
The following are the results of the coefficient of determination test using the SPSS 22:

Table 8. Coefficient of Determination (R^2 Test)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.546[a]	.298	.208	.859656811

The SPSS output results with the summary model show an R2 (RSquare) value of 0.208 or 20.8%. This value indicates that the PSR, ZPR, EDR and IIR coefficients influence ROA of 20.8% and the remaining 79.2% is influenced by other indicators that are not included in this research.

Multiple Regression Analysis
The following are the results of calculations using SPSS 22:

Table 9. Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.620	1.293		-.479	.635
	PSR	-.181	.434	-.074	-.418	.679
	ZPR	2273.775	741.516	.522	3.066	.004
	EDR	-.009	.436	-.004	-.021	.983
	IIR	1.395	1.328	.160	1.050	.302

Based on the table above, the regression result equation obtained is Y= -0.620-0.181(X1) + 2273.775(X2) - 0.008(X3) + 1.395(X4) + ε. This means that the addition of one PSR will reduce the ROA of Islamic banks by 0.181 or 18% and the addition of one ZPR will increase the ROA of Islamic banks by 2273.775 or 227.377%. Each addition of one EDR will reduce ROA by 0.008 or 0.8% and each addition of one IIR will increase ROA by 1,395 or 139.5%.

5. Discussion

Profit Sharing Ratio on Sharia Banking Profitability in Indonesia Analysis Result
Based on the analysis that has been carried out, the Profit Sharing Ratio partially does not affect Return On Assets. Return on Assets (ROA) is a ratio used to measure a bank's effectiveness in utilizing its assets to generate profits. ROA shows how efficient bank management is in using its assets to gain profits. The higher the ROA value, the better the bank's performance in managing its assets. On the other hand, the Profit Sharing Ratio (PSR) is a ratio used to measure the extent to which Islamic banks comply in distributing profit sharing on the income earned. PSR reflects the commitment of Islamic banks to fulfil sharia principles, especially in terms of profit distribution to investment account holders or business partners. Based on these two definitions, it can be explained that there is a slight correlation between Return on Assets (ROA) and Profit Sharing Ratio (PSR). This is due to the focus of each different ratio. ROA refers more to the efficiency of Islamic banks in utilizing their assets to generate profits, while PSR refers more to compliance and implementation of sharia principles in income distribution. Thus, although both are related to bank performance, the aspects measured by each ratio are quite different, so the correlation between the two tends to be low.

The results of this research are in line with the findings of (Mayasari, 2020) entitled "The Influence of the Islamicity Performance Index on the Profitability of Indonesian Sharia Commercial Banks for the 2014-2018 Period." In this research, Mayasari stated that the profit sharing income obtained from the Profit Sharing Ratio was not able to optimize Sharia Banking's ability to generate profits. Therefore, the Profit Sharing Ratio does not have a significant influence on the profitability of Sharia Commercial Banks (Mayasari, 2020)

Zakat Performance Ratio on Sharia Banking Profitability in Indonesia Analysis Result
From the regression results using SPSS So, it can be concluded that the Zakat Performing Ratio has a significant effect on Return on Assets. The Zakat Performance Ratio (ZPR) is calculated to determine the amount of zakat payments distributed by the bank to the public. This payment can be made on behalf of the bank as an entity, or on behalf of shareholders, employees or customers who entrust their zakat to the bank. The greater the ratio between the amount of zakat paid and the amount of net assets owned by the bank, the greater the role of Islamic banks in improving community welfare. This shows that Islamic banks play an active role in distributing zakat, which is one of the important pillars of the Islamic economy. Therefore, the higher the Zakat Performance Ratio, the better the performance of a sharia bank in the Islamicity Performance Index.

In other words, ZPR not only reflects the bank's compliance with zakat obligations but also assesses the bank's contribution to economic empowerment and social welfare of the community. Banks that can distribute zakat effectively demonstrate a strong commitment to sharia principles and social responsibility, which ultimately can increase the public's reputation and trust in the bank.

The results of this research are in line with research conducted by (Nabila & Pahlevi, 2021) entitled Analysis of the Influence of the Islamicity Performance Index on the Profitability of Sharia Commercial Banks in Indonesia 2014-2018. The results of this research show that the Zakat Performance Ratio has a significant effect on Return on Assets (Nabila & Pahlevi, 2021)

Equitable Distribution Ratio on Sharia Banking Profitability in Indonesia Analysis Result
Based on the regression results using SPSS, so it can be concluded that the Equitable Distribution Ratio does not affect Return on Assets. In the context of sharia banking, the Equitable Distribution Ratio (EDR) or fair distribution ratio is one of the indicators used to evaluate the extent to which sharia banks have fulfilled their distribution obligations to their stakeholders, especially to the public. Equitable Distribution Ratio is divided into four parts, namely qard ratio, employee expense ratio, shareholders ratio, and net profit. Each of these ratios is calculated by comparing the amount of distribution made to the value of income, zakat and taxes generated by Islamic banks. EDR calculations aim to ensure that Islamic banks do not only focus on profitability but also fulfil social obligations and fair distribution to all stakeholders, by Islamic economic principles. The implementation of EDR helps Islamic banks to maintain a balance between their financial achievements and social responsibilities, as well as to build public trust in the financial institutions they operate.

The results of this research are supported by findings (Mayasari, 2020) entitled "The Influence of the Islamicity Performance Index on the Profitability of Indonesian Sharia Commercial Banks for the 2014-2018 Period". In this research, Mayasari stated that the Equitable Distribution Ratio did not influence the profitability of sharia banking.

Islamic Income vs Non-Islamic Income Ratio on Sharia Banking Profitability in Indonesia Analysis Result
Based on the regression results using SPSS, so it can be concluded that the Islamic Income vs Non-Islamic Income Ratio is not significant effect on Return on Assets. Return on Assets (ROA) is a ratio used to measure how effective a bank is in generating profits from the assets it owns. ROA is calculated by dividing the bank's net profit by the total assets owned. In the context of sharia banking, the assets in question are halal assets (syariah-compliant), which are used to create income by Islamic economic principles. Meanwhile, IIR is used to compare investments made by sharia banks that are halal (by sharia principles) with investments that are not halal (non-halal). This ratio

provides an idea of how large the proportion of investments made by sharia banks is by sharia principles compared to conventional investments.

The results of this research are by research (Destiani et al., 2021) entitled Islamicity Performance Index in Increasing the Profitability of Indonesian Sharia Banks.
The results of this research show that the Islamic Investment vs Non-Islamic Investment Ratio does not have a significant effect on Return on Assets. This is because, in practice, non-halal funds are still found in financial reports. Based on the data obtained, there is still non-halal income from each sharia state-owned bank from 2014 to 2020. The average non-halal income earned is 700 million rupiah. This non-halal income is included in the source and use report of benevolent funds. Even though it goes into a benevolent fund. Even though they are used for good, these funds are still funds originating from non-halal income (Khasanah, 2016).

6. Conclusion

Based on the presentation and discussion of the results of tests carried out regarding the influence of the Islamicity Performance Index on Islamic banking profitability, the following conclusions were obtained: Profit Sharing Ratio (X1) has no effect on profitability in Islamic banking in Indonesia, Zakat Performance Ratio (X2) has a positive effect on profitability in sharia banking in Indonesia, Equitable Distribution Ratio (X3) has no effect on profitability in Islamic banking in Indonesia, Islamic Income vs Non-Islamic Income Ratio (X4) has no effect on profitability in Islamic banking in Indonesia.

Managerial implications of the study on The Influence of Islamicity Performance Index on Sharia Banking Profitability in Indonesia indicate that Islamic bank managers should prioritize the implementation of sharia principles comprehensively, which is reflected in performance that is in accordance with the Islamicity Performance Index. Components such as profit-sharing ratio, zakat performance ratio, and the level of avoidance of non-halal transactions have been proven not only to be indicators of sharia compliance, but also to contribute to increasing bank profitability. Therefore, managers must ensure that profit-sharing-based fund management is carried out optimally to increase customer trust and attract more investment. In addition, transparent and effective zakat distribution can improve reputation and customer loyalty.

Recommendation

Sharia banking to pay more attention to sharia aspects in operations and the income earned by the bank. Referring to research results regarding the influence of the Zakat Performance Ratio on profitability, sharia banking needs to increase the portion of zakat issued. Apart from having a positive impact on banking itself, this can also improve people's welfare. Then sharia banking must further improve other sharia activities such as providing education to the public about the principles of sharia banking and its benefits. Apart from that, Islamic banks can also innovate more in their products and services.

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