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Assessing the Performance of Bank Syariah Indonesia (BSI) through Shariah Conformity and Profitability (SCnP) Framework: A 2021-2023 Analysis

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Abstract

This study evaluates the performance of Bank Syariah Indonesia (BSI) using the Shariah Conformity and Profitability (SCnP) framework. The research focuses on the 2021-2023 period, utilizing a descriptive quantitative approach to analyze the bank's performance. The data employed in this study are secondary, derived from the annual financial reports of PT Bank Syariah Indonesia, obtained through its official website. The results reveal a significant shift in BSI's financial performance over the analyzed period. In 2021, BSI was positioned in the Upper Left Quadrant (ULQ), indicating moderate profitability with relatively lower alignment to Shariah principles. However, in 2022 and 2023, BSI transitioned to the Upper Right Quadrant (URQ), reflecting an improvement in both profitability and adherence to Shariah principles. These findings provide insights into the dynamic development of BSI's financial and Shariah performance, highlighting its progress toward achieving an optimal balance between profitability and Shariah compliance.

Keywords: *annual financial reports, upper left quadrant (ULQ), upper right quadrant (URQ)*

INTRODUCTION

Islamic banking has experienced significant growth in recent years. One of the indicators of progress in the Islamic economy is the increasing number of financial institutions that comply with Shariah principles, serving as tangible evidence of the development of Islamic banking. In 1992, Bank Muamalat Indonesia (BMI) was established as the first Islamic

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bank in Indonesia, marking the introduction of Islamic banking to the country. This was followed by the establishment of Islamic Rural Banks (Bank Perkreditan Rakyat Syariah or BPRS) and the emergence of Bank Syariah Indonesia (BSI), signifying the sector's growth. The Indonesian public has increasingly shown interest in the Islamic banking industry, which continues to expand. To enhance competitiveness, it is essential to improve the financial performance of Islamic banks. However, analyzing the financial performance of Islamic banks is a complex issue that requires thorough examination (Ubaidillah & Astuti, 2020).

Table 1. Development of Islamic Banking in Indonesia

Indicators	2020	2021	2022	2023
Islamic Commercial Banks	14	12	13	13
Islamic Business Units	20	21	20	20
Islamic Rural Banks	163	164	171	173

Source: Financial Services *Authority (OJK) 2023*

As illustrated in the table above, the Islamic banking industry in Indonesia has shown consistent growth annually. This indicates an increasing demand for Shariah-compliant banking services. The growth in the number of Islamic Commercial Banks (BUS) reflects the positive development of Islamic banking in Indonesia, which should ideally align with the overall quality of the banking industry. While the quantitative growth of Islamic banks is encouraging, it must be complemented by qualitative improvements to enhance the industry's overall performance (Rahma Putri & Rachmawati, 2022).

The quality of a bank can be determined by analyzing its financial ratios. By examining regularly published financial reports, these ratios can be calculated to assess the bank's performance. Shariah compliance is a crucial aspect of Islamic banking, ensuring that the bank's activities align with Islamic principles. At the same time, profitability is equally essential for the financial sustainability of the bank (Adimulya et al., 2021).

Shariah Conformity and Profitability (SCnP) are two key aspects of financial performance critical to the success of Islamic banks. Shariah conformity evaluates how well a bank adheres to Islamic principles and regulations, while SCnP provides a comprehensive analysis of financial performance, combining both compliance with Islamic principles and profitability (Cakhyaneu et al., 2023). This study employs the SCnP model as its primary method of analysis, as it aligns with the objectives of maqashid shariah (the higher objectives of Islamic law).

The SCnP method integrates two approaches: profitability assessment and Shariah compliance evaluation, making it a more holistic way to assess financial performance. Additionally, this method increases efficiency by combining these two calculations into a unified framework. The SCnP model allows for a comprehensive evaluation of the financial performance of Islamic banks, focusing on both financial sustainability and adherence to Islamic principles. The financial performance of Islamic banks is a critical aspect of the Islamic banking system, as it not only affects the financial well-being of the bank but also impacts the broader economy (Prasetyowati, L. A., & Handoko, 2016).

The primary objective of the study is to develop a model or evaluation technique that integrates two critical aspects of Islamic banking operations. The first aspect is Sharia Conformity, which aims to measure the extent to which Bank Syariah Indonesia adheres to and implements Sharia principles in its operational activities. This is crucial because Islamic

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banks are required to operate in accordance with Sharia laws and regulations, ensuring that all activities comply with Islamic guidelines. The second aspect is Profitability, which evaluates the financial performance and profitability of Bank Syariah Indonesia. While profitability is not the primary objective of Islamic banking, it remains vital for the long-term sustainability of the institution and its appeal to investors. The SCnP method seeks to provide a comprehensive and balanced evaluation of the overall health of Islamic banks by integrating these two factors. By combining Sharia compliance and financial performance, this method offers a holistic assessment that reflects both the ethical and financial dimensions of Islamic banking operations.

METHOD

This study employs a quantitative method with a descriptive approach, aiming to present factual, accurate, and systematic information about the subject matter (Cresswell, 2012). The quantitative approach, combined with a descriptive analysis, utilizes the index number method to evaluate the financial performance of Bank Syariah Indonesia (BSI). The variables examined in this study are Sharia Conformity and Profitability, each measured through specific indicators using ratio scales. These indicators include Islamic Investment, Islamic Income, and Profit Sharing for Sharia Conformity, as well as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) for Profitability.

The data used in this study is secondary data, sourced from the annual financial reports of PT Bank Syariah Indonesia for the period 2021-2023, which were accessed through the official website of BSI (www.bankbsi.co.id). The data collection method utilized is documentation, ensuring systematic extraction of financial data for analysis. The data is processed by calculating the ratios of the SCnP variables, determining the averages for Sharia Conformity (X SC) and Profitability (X P) using the formulas:

$$X\,SC = \frac{R1+R2+R3}{3}$$

and

$$X\,P = \frac{R1+R2+R3}{3}$$

Where XSC represents the average Sharia Conformity score and XP represents the average Profitability score. These averages are plotted as coordinates (X, Y) on a graph to visualize the Sharia Conformity and Profitability (SCnP) quadrants, which are then interpreted based on theoretical frameworks. This method provides a comprehensive and systematic evaluation of BSI's financial performance.

RESULTS AND DISCUSSION

Financial Performance of Bank Syariah Indonesia Using the Sharia Conformity and Profitability (SCnP) Model

The financial performance of Bank Syariah Indonesia (BSI) was evaluated using the Sharia Conformity and Profitability (SCnP) model, which assesses two critical aspects of Islamic banking operations. The first aspect, Sharia Conformity, measures how effectively BSI adheres to Islamic principles in its income, investments, and profit-sharing mechanisms. The second aspect, Profitability, evaluates the bank's financial performance in terms of revenue

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and profit generation over a specified period. The SCnP ratios were calculated using data from BSI's annual financial reports for the years 2021–2023.

1) *Sharia* Conformity (SC)

The Sharia Conformity variable is based on three components: Islamic income, Islamic investments, and profit-sharing ratios. The results of this analysis are shown in the table below:

Table 2. Sharia Conformity at Bank Syariah Indonesia

Year	Islamic Investment (RI)	Islamic Income (R2)	Profit Sharing (R3)	Average (%)
2021	92.87%	99.81%	32%	74.89%
2022	94.63%	99.89%	32%	75.50%
2023	97.76%	99.94%	35%	77.56%

Source: Processed *Data, 2024*

The table indicates that BSI demonstrates strong Sharia compliance, with its investments and income consistently derived from halal sources. Over the three-year period, Islamic income exceeded 99%, highlighting adherence to Islamic principles. Profit-sharing increased from 32% in 2021 and 2022 to 35% in 2023, reflecting a greater allocation of funds for financing compared to previous years.

2) *Profitability* (P)

The Profitability variable was analyzed using three parameters: ROA (Return on Assets), ROE (Return on Equity), and NPM (Net Profit Margin). The results are summarized as follows:

Table 3. Profitability Variable of Bank Syariah Indonesia

Year	ROA (R1)	ROE (R2)	Profit Margin (R3)	Average (%)
2021	1.61%	13.71%	18.41%	11.24%
2022	1.98%	16.84%	22.08%	13.63%
2023	2.35%	16.88%	27.87%	15.70%

Source: Processed Data, 2024

The profitability metrics reveal a steady increase from 2021 to 2023. The ROA consistently exceeded the BI and OJK benchmark of 1.450%, demonstrating BSI's effective asset management. Similarly, ROE improved, remaining within the 13%-18% range but at a moderate level of impact based on BI and OJK standards. Additionally, the rising NPM indicates improved operational efficiency and profitability, reflecting BSI's strong financial health.

3) Sharia Conformity and *Profitability* (SCnP) Quadrant Analysis

After calculating the averages for each variable, the coordinates for Sharia Conformity (X SC) and Profitability (X P) were plotted to determine the bank's position in the SCnP quadrant. The results are as follows:

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Table 3. Quadrant Position of Bank Syariah Indonesia Based on Sharia Conformity and Profitability (SCnP)

Year	Sharia Conformity (SC)	Profitability (P)	Quadrant
2021	74.89%	11.24%	ULQ
2022	75.50%	13.63%	URQ
2023	77.56%	15.70%	URQ

Source: Processed Data, 2024

In 2021, BSI was positioned in the Upper Left Quadrant (ULQ), indicating strong Sharia compliance but relatively lower profitability. However, in 2022 and 2023, BSI shifted to the Upper Right Quadrant (URQ), demonstrating significant improvements in both Sharia conformity and profitability. This progress reflects BSI's ability to optimize its operations following its merger with three banks, resulting in improved asset management and financial performance.

Implications and Recommendations

The findings suggest that Bank Syariah Indonesia (BSI) has successfully integrated ethical and Sharia-compliant practices into its financial operations. The application of Sharia principles in its financial reports ensures transparency and reinforces stakeholder trust. Furthermore, BSI's consistent profitability highlights its capability to maintain long-term financial stability.

To sustain and enhance its financial performance, BSI should continue aligning its operational activities with Sharia principles while further improving its profitability. Maintaining Sharia compliance while ensuring robust financial growth will position BSI as a leader in the Islamic finance sector. This approach will enhance public trust and attract a broader customer base, further solidifying BSI's role as a pioneer in Indonesia's Islamic banking industry.

CONCLUSION

The findings of this study, using the Sharia Conformity and Profitability (SCnP) model, indicate that the financial performance of Bank Syariah Indonesia (BSI) from 2021 to 2023 was positioned in two different quadrants. In 2021, BSI was in the Upper Left Quadrant (ULQ), reflecting high profitability but lower adherence to Sharia principles. However, in 2022 and 2023, BSI transitioned to the Upper Right Quadrant (URQ), demonstrating improvements in both profitability and Sharia compliance. This progression indicates that BSI experienced an overall enhancement in profitability during the three-year period, although its Sharia compliance in 2021 was relatively low.

This study contributes valuable insights to the management of Bank Syariah Indonesia, particularly in improving and balancing Sharia compliance and profitability. By identifying key areas for enhancement, the findings can help BSI attract more customers and strengthen public trust. Furthermore, the SCnP model provides a useful framework for decision-makers within BSI to implement effective strategies that align with the bank's objectives. Additionally, this research offers readers a broader understanding of how to evaluate the health and performance of Islamic banks using the SCnP method.

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