



## The Effect of Profit Sharing Ratio, Zakat Performance Ratio and Islamic Performance Ratio on Profitability with Financing to Deposit Ratio (FDR) as a Moderating Variable in Islamic Commercial Banks 2017-2023

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### ABSTRACT

In practice, the performance measurement of Islamic banks has only presented the performance of Islamic finance in a materialistic aspect, without revealing spiritual and social values. In fact, it is very important to measure the performance of Islamic finance to realize stakeholder trust. Therefore, this study was conducted to find out whether Islamic banks in Indonesia have been able to realize stakeholder trust. This study is a quantitative study with the population of Islamic Banking companies for the 2017-2023 period found in the OJK. The sample selection in this study used purposive sampling. The analysis method uses a panel data regression model using the E-views software 12. The results show that the zakat performance ratio and the zakat performance ratio with FDR moderation show an influence on profitability. Meanwhile, the profit sharing ratio and the Islamic performance ratio with FDR moderation have no influence on profitability.

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## INTRODUCTION

Banks have an important role in the development of the economy and maintain the religious values of the community through the Islamic banking system. The Islamic banking industry is strictly regulated to form a strong, healthy, and stable system so that it can carry out the function of financial intermediation optimally (Destiani et al., 2021).

Islamic banks or Islamic banks should develop in an environment where the majority are muslims like Indonesia. This is due to the fact that Islamic banks are a practice of Islamic law (Santoso, 2014). The presence of Islamic banks in Indonesia began in the 1980s with the idea of making Islamic banks a pillar of the muslim economy (OJK, 2022).

In Indonesia, the prospect of Islamic banking is getting brighter and more promising and is believed to continue to be higher and continue to grow in the future. In the last 7 years from 2017-2023, the number of offices from each Islamic Commercial Bank, Islamic Banking Unit and Islamic Rural Banks has always experienced a significant increase, where the office is also divided into branch offices, sub-branch offices and cash offices.

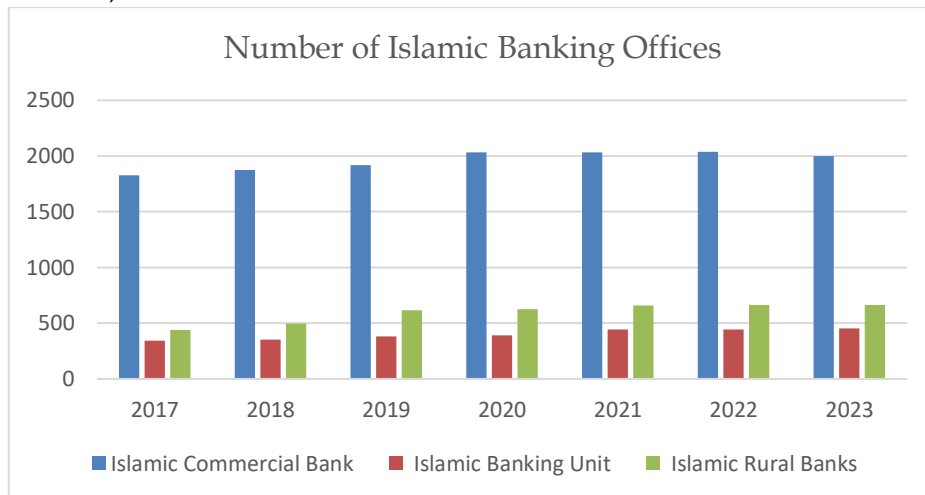


Figure 1. Number of Islamic Banking Offices  
Source: (OJK, 2022)

This development is inseparable from challenges, such as maintaining stakeholder trust, optimizing human resources, and managing capital and liquidity (Wiyono & Maulana, 2014) The prospects of Indonesia's Islamic banking system in the future must consider in depth, not only how to grow them economically, but also how to socialize them morally and ethically (Santoso, 2016).

In the perspective of Islamic economics, the purpose of economic activities, including financial institutions, is not only centered on achieving profits (profit oriented). In addition, economic actors also have the responsibility to pay attention to other broader goals, namely contributing to social welfare (Fatah et al., 2022).

The importance of the Islamic performance assessment is to maintain the trust of Islamic bank stakeholders. By maintaining the trust of stakeholders, it is hoped that it will be a factor in increasing customers so that Islamic banks

become a financial solution for the community, this will certainly have an impact on every Muslim customer to be strong in Islamic principles, morals and *ukhuwa* in order to create balance and benefits (Arlinda & Silvi, 2018).

The Islamicity Performance Index is a method that covers economic aspects and sharia values through six ratios: Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Equitable Distribution Ratio, Directors-Employee Welfare Ratio, Islamic vs. Non-Islamic Investment Ratio, and Islamic vs. Non-Islamic Income Ratio. This index assesses fairness, halalness, and condolences, reflecting the bank's alignment with sharia principles (Hameed et al., 2004).

The PSR reflects the ability of Islamic banks to distribute profit-sharing-based financing such as *mudharabah* and *musharakah*, which supports the principles of fairness and stakeholder trust (Purwati, 2022). The number of financing distributions with *mudharabah* contracts has an impact on the number of businesses run by customers so that the profits or profit sharing ratios generated will also be greater and have an impact on the high level of profitability (Aranita et al., 2022).

ZPR demonstrates the bank's compliance with social obligations through *zakat*, which strengthens public trust and customer loyalty, thus having a positive impact on profitability (Azwirman et al., 2019). IPR measures the bank's overall performance in complying with sharia principles, such as fairness and social responsibility, which helps maintain its reputation in the eyes of stakeholders (Hatta et al., 2024).

However, the relationship between these variables is influenced by the Financing to Deposit Ratio (FDR), which shows the ability of banks to channel third-party funds into financing. Optimal FDR can strengthen the influence of PSR, ZPR, and IPR on profitability by maintaining liquidity stability (Muharromi et al., 2021).

Among the six ratios in the Islamicity Performance Index, not all are directly applicable for measuring profitability. In the Islamic financial system, profitability is closely tied to real economic growth, ensuring alignment with the tangible economy. In contrast, profitability within the conventional financial system is often disconnected from the real sector (Santoso, 2014). Drawing from the background discussed earlier, this study utilizes the Islamicity Performance Index to assess the performance of Islamic banks, focusing on both their economic outcomes and compliance with Islamic principles in their operations. Hence, the researcher is motivated to carry out a study entitled "The Effect of Profit Sharing Ratio, Zakat Performance Ratio and Islamic Performance Ratio on Profitability with Financing To Deposit Ratio (FDR) as a Moderation Variable in Islamic Banks 2017-2023".

## **THEORETICAL REVIEW**

### ***Stakeholder Teory***

The company is not an entity that only operates for its own interests but must provide benefits to its stakeholders (shareholders, creditors, consumers, suppliers, government, society, and other parties) (Preston & Sapienza, 1990). In the context of Islamic banking, stakeholder theory emphasizes the importance

of adhering to sharia principles that reflect justice, balance, and social responsibility, not just for the sake of achieving financial goals. This theory is very relevant to the variables studied, namely Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Islamicity Performance Ratio (IPR) and the moderation role of Financing to Deposit Ratio (FDR) (Azwirman et al., 2019; Hatta et al., 2024; Purwati, 2022).

### ***Performance of Islamic Banks***

The performance measurement that has been carried out aims to urge good professional ethics through the goals of performance results and also the awards given both intrinsic and extrinsic. The conclusion of the performance appraisal in the organizational goals is to motivate employees and comply with previously inaugurated behaviors, in order to create the expected actions (Anjani et al., 2022).

### ***Profitability***

The stakeholder theory emphasizes the importance of adhering to sharia principles that reflect justice, balance, and social responsibility, not just for the sake of achieving financial goals. Profitability is an indicator of good company management, thus management will have a tendency to reveal more information when there is an increase in the company's profitability. The greater the profitability of the company, the better the performance of the company (Prasetya & Irwandi, 2017).

### ***Financing to Deposit (FDR)***

The Financing to Deposit Ratio (FDR) is a metric that compares the amount of financing issued by a bank to the third-party funds it has successfully gathered (Rivai, 2010). Study from (Azwirman et al., 2019; Hatta et al., 2024) shows that FDR can strengthen or weaken the relationship between stakeholder-focused variables (PSR, ZPR, IPR) and profitability (ROA). While a balanced FDR improves liquidity and operational efficiency, an excessively high FDR can increase the risk of undermining stakeholder confidence.

### ***Islamicity Performance Index***

#### ***Profit Sharing Ratio (PSR)***

The profit sharing ratio is one of the efforts to understand finances not to use usury, namely by implementing a profit-sharing system. The profit sharing ratio is a ratio that compares the yield with the total financing on the financing provided as a whole (Rahmawati et al., 2020). PSR has an important role in demonstrating the bank's commitment to stakeholders, especially in ensuring a fair distribution of profits. This approach is not only in accordance with sharia principles, but also builds trust among stakeholders (Hatta et al., 2024).

### *Zakat Performance Ratio (ZPR)*

The components in the ZPR follow the conditions of zakat, namely the property that is zakat is not the property resulting from liabilities (Arlinda & Silvi, 2018). Zakat is a direct indicator of the commitment of Islamic banks to stakeholders, especially in supporting the welfare of the community. The fulfillment of this social responsibility can strengthen stakeholder relationships and contribute to long-term success (Azwirman et al., 2019).

### *Islamic Income vs Non-Islamic Income (Islamic Performance Ratio)/IPR*

This ratio can be used to find out the comparison of halal with non-halal income (Arlinda & Silvi, 2018). According to (Purwati, 2022), IPR provides a holistic measure of the extent to which Islamic banks balance financial performance with sharia compliance. A higher IPR reflects better alignment with the expectations of the stakeholders, to maintain loyalty and trust.

### *Hypothesis*

In Islamic banking activities, the main goal is profit sharing. Thus, it is necessary to identify the achievements by Islamic banks in accordance with their goals. With the escalate in the financial performance of Islamic banks due to profit-sharing income with Mudharabah and Musharakah contracts, it is considered more effective in increasing ROA (Amelia, 2020). The yields of the studies that supports this were performed by (Afandi & Haryono, 2022; Arlinda & Silvi, 2018; Kesuma & Irkhani, 2021) stated that the profit sharing ratio has a positive effect on profitability.

H<sub>1</sub> : Profit Sharing Ratio positive affects profitability (ROA).

In distributing zakat payments, it can reflect the performance of an Islamic bank (Fatmala & Wirman, 2021). The yields of the studies that supports this were performed by (Firda et al., 2020; Afandi & Haryono, 2022; Destiani et al., 2021) that the zakat performing ratio (ZPR) affects positive the profitability of Islamic Commercial Banks.

H<sub>2</sub> : Zakat Performance Ratio positive affects profitability (ROA).

The Islamic Performance Ratio is used to measure income from halal income, and does not contain riba, gharar, and maysir in accordance with Islamic principles (Indrayani & Anwar, 2022). The yields of the studies that supports this were performed by (Indrayani & Anwar, 2022; Lestari, 2022; Putri et al., 2022) Performance Ratio variable has an impacts positive on the profitability.

H<sub>3</sub> : Islamic Performance Ratio positive affects profitability (ROA).

Financing to Deposit Ratio (FDR) namely one of the ratios to be used as an estimate of the composition of the amount of financing when allocated according to the amount of funds or capital owned or utilized (Lorenza & Anwar, 2021). The amount of cash that can increase should be adjusted to the

need for the cash. Thus, profitability becomes greater (Putri & Gunawan, 2019). This means that the larger the Financing To Deposit Ratio (FDR) will improve the PSR. Thus, FDR can strengthen or weaken the relationship between PSR and ROA.

H<sub>4</sub> : *Financing To Deposit Ratio (FDR)* can moderate the positive effect of the Profit Sharing Ratio on profitability (ROA).

Islamic banks with higher zakat payments tend to generate higher profits, so this can improve the performance of Islamic banks (Iman & Umiyati, 2022). Meanwhile, above the value of FDR, the more financing paid by Islamic banks will increase (Adi et al., 2024). This is expected to affect the payment of zakat, where the larger the Financing To Deposit Ratio (FDR), the more ZPR will also increase. Thus, FDR can strengthen or weaken the relationship between ZPR and ROA.

H<sub>5</sub> : *Financing To Deposit Ratio (FDR)* can moderate the positive effect of zakat performance ratio on profitability (ROA).

Banks with Islamic principles strongly support halal transactions, if halal income is higher, the halal profit dan the profitability will improved (Destiani et al., 2021). FDR also concerns the distribution of financing with third-party funds owned, which shows liquidity and efficiency in accordance with Islamic principles (Ikhsan et al., 2019). This means that FDR is hypothesized to moderate the influence of IPR on ROA. Which, the larger the Financing To Deposit Ratio (FDR), the IPR will also increase. Thus, FDR can strengthen or weaken the relationship between IPR and ROA.

H<sub>6</sub> : *Financing To Deposit Ratio (FDR)* can moderate the positive effect of Islamic Performance Ratio on profitability (ROA).

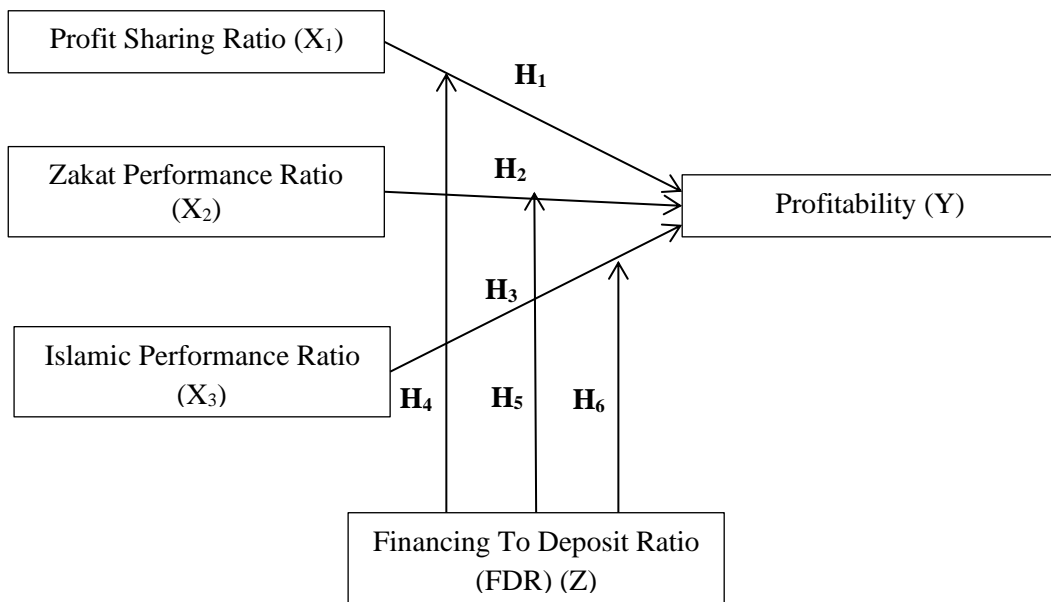


Figure 2. Framework of Thought

**METHODOLOGY**

This study is a quantitative study with the population of Sharia Banking companies for the 2017-2023 period found in OJK <http://www.ojk.co.id>. The number of banks included in the population is 14 banks. The sample selection in this study used purposive sampling. The criteria used to determine the sample in this study are that Sharia Commercial Banks must provide complete financial statements for the period 2017-2023.

The financial statements provided are annual financial statements for the period 2017-2023 that have been published on Bank Indonesia, the Financial Services Authority or on the websites of each Islamic bank. The financial statements must have a financial year ending December 31, as this is to anticipate the influence of partial time in the calculation of proxies from independent and dependent variables. Sharia Commercial Banks in Indonesia have the data needed regarding the measurement of variables that will be used for research during the 2017-2023 period.

The dependent variable is profitability (Y) which is Return on Assets (ROA). Profitability formula (Suwiknyo, 2016) :

$$ROA = \frac{Net\ Profit}{Own\ Capital\ (Shares)} \times 100\% \dots\dots\dots(1)$$

The independent variable is the Profit Sharing Ratio (X1). PSR Formula (Afandi & Haryono, 2022) :

$$PSR = \frac{Mudharabah + Musyarakah}{Total\ Financing} \times 100\% \dots\dots\dots(2)$$

Zakat performance ratio (X<sub>2</sub>). ZPR Formula :

$$ZPR = \frac{Zakat}{Net Activa} \times 100\% \quad \dots\dots\dots(3)$$

Islamic Performance Ratio (X<sub>3</sub>). IPR Formula:

$$IPR = \frac{Halal Income}{Halal Income + Non-Halal Income} \times 100\% \quad \dots\dots\dots(4)$$

Financing to Deposit Ratio (FDR) as a moderation variable (Z). To find the FDR ratio, you can use the formula :

$$FDR = \frac{Total Financing}{Third-Party Funds} \times 100\% \quad \dots\dots\dots(5)$$

The data analysis method uses descriptive statistical analysis, panel data regression model estimation, classical assumption test, panel data regression equation model, R<sup>2</sup> test, F test, and t-test using the E-views 12 software.

Panel data repetition equation (Eksandy, 2018):

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon_{it} \quad \dots\dots\dots(6)$$

Panel data regression equation with FDR moderation (Eksandy, 2018) :

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 Z_{it} + \beta_5 X_{1it} * Z + \beta_6 X_{2it} * Z + \beta_7 X_{3it} * Z + \varepsilon_{it} \quad \dots\dots(7)$$

## RESULTS AND DISCUSSION

### *Descriptive Statistical Analysis*

Based on BUS data at the OJK, there are 14 samples of Sharia Commercial Banks. However, from the sampling criteria, there are 3 banks that did not pass the sampling, namely, Bank Syariah Bukopin, Maybank Syariah, and Bank for Sharia State Pension Benefits. The reason for not using the data is that the data at the bank is incomplete, so it can affect the results of the research hypothesis.

Furthermore, starting in 2021 three large Islamic banks (Bank Mandiri Syariah, Bank Rakyat Indonesia Syariah and BNI Syariah) merged or known as Bank Syariah Indonesia (BSI), so that the research data taken on the three banks was only from 2017-2020. Bank BSI is also not included in the sample criteria because the bank's data is incomplete.

The experimental outcome of this study are presented as the yields of data processing that has been collected. The first step is to conduct a descriptive statistical analysis. Descriptive statistics help simplify complex data by calculating averages (mean), extremes (max/min), and spread (standard deviation), revealing data trends and consistency. Descriptive analysis was carried out on the sample used in this study, which used 11 BUS in the 2017-2023 period.

Table 1. Results of Descriptive Statistical Analysis

Variabel	Number of Samples	Maximum	Minimum	Mean	Standard Deviation
ROA (Y)	67	11,23	0,00	1,102	1,632
PSR (X <sub>1</sub> )	67	0,99	0,078	0,528	0,252
ZPR (X <sub>2</sub> )	67	0,0012	0,00	0,00020	0,00025
IPR (X <sub>3</sub> )	67	1,00	0,83	0,989	0,0202

Source: E-views 12 data results

The experimental outcome of the descriptive statistical analysis in table 1 above show that there are 67 total samples on the variables to be studied. The dependent data (Y), namely ROA, shows that the minimum data of 0.00 experienced by several banks, namely Bank Victoria Syariah in 2019-2020, and Bank Panin Dubai Syariah in 2020. Meanwhile, the maximum data is 11.23, namely data belonging to Bank Panin Dubai sharia in 2017. The average ROA value (mean) is 1.102 with a standard deviation value of 1.63. Results indicate significant variability in ROA, with the average value being outpaced by the standard deviation.

The PSR variable data shows that the minimum data is 0.078, which is the data owned by Bank Aceh Syariah. The average PSR value (mean) is 0.528 with a standard deviation value of 0.252. From the data shows that the average value is greater than the standard deviation value, the data in the PSR variable can be said to be the absence of a distribution gap from the data variable.

The ZPR variable data shows that the minimum data is 0.00. The ZPR data value of each bank is obtained very small data, while the maximum value is 0.001 which is the data owned by Bank Mega Syariah in 2022-2023. The mean ZPR value is 0.0002 with a standard deviation of 0.00025. Results indicate substantial variability in ZPR, with the average value being surpassed by the standard deviation.

The IPR variable data shows that the minimum data is 0.83 which is the data owned by Bank Victoria Syariah in 2020, While the maximum value is 1, the mean PSR value is 0.989, with a standard deviation of 0.0202. This indicates that the PSR values are concentrated around the mean, with relatively low variation based on the standard deviation.

### ***Panel Data Regression Test***

Furthermore, the panel data regression estimation test was carried out using three models, namely the common effect model (REM), fixed effect model (FEM) and random effect model (REM).

Tabel 2. Regression Test Results

Variabel	CEM		REM		FEM	
	Coef.	t-Test & Prob	Coef.	t-Test & Prob	Coef.	t-Test & Prob
C	-8,9754	-0,8790 (0,3827)	-5,3735	-0,5485 (0,5853)	-1,0496	-0,1023 (0,9188)
PSR	0,2095	0,2558 (0,7989)	-0,0977	-0,1031 (0,9182)	-1,3196	-0,9317 (0,3557)
ZPR	148,88	0,1837 (0,8548)	118,21	0,1298 (0,8971)	583,70	0,4006 (0,6903)
IPR	9,8238	0,9747 (0,3334)	6,557	0,6619 (0,5104)	2,7713	0,2674 (0,7902)
R-square	0,0166		0,0072		0,2682	
F-stat	0,3546		0,1542		1,4537	
Sig. (F-stat)	0,7858		0,9265		0,1667	
Chow Test (Cross section F, Chi-square)					0,0892 (0,0365)	
Hausman Test (cross- section random)			0,3913			
Lagrange Multiplier Test (Breusch- Pagan)	0,1871					

Source: E-views 12 data results

The panel data regression analysis in Table 2, employed three models: Common Effect Model (CEM), Random Effect Model (REM), and Fixed Effect Model (FEM). To determine the most suitable model, we conducted the Chow, Hausman, and Lagrange Multiplier tests. The Chow Test, F-value 0.0892 > 0.05, indicating CEM as the best model. The Hausman Test, p-value 0.3913 > 0.05, suggesting REM as the best model. The Lagrange Multiplier Test, Breusch-Pagan value (0.1871) > 0.05, favoring CEM. Although the Hausman test suggested REM, the Chow and Lagrange Multiplier tests consistently supported CEM. Therefore, the Common Effect Model (CEM) is deemed the most suitable for this study.

#### ***Classical Assumption Test***

Classical assumption testing is performed to ensure that the model is free from bias.

Tabel 3. Result of Classical Assumption Test

Classical Assumption Test	Result	Size	Conclusion
Normality Test	Obs 67 Jarque-Bera = 1470,6 (0,000) Obs 64 Jarque-Bera = 2,9249 (0,231)	Prob > 0,05	Data has been distributed normally as many as 64 samples
Multicollinearity Test	PSR x ZPR = - 0,1467 PSR x IPR = 0,0602 ZPR x IPR = - 0,0210	Correlation Value < 0,8	No multicollinearity occurs
Heteroscedastisity Test	Panel Cross-section Linklihood ratio = 0,000 Panel Period Likelihood ratio = 0,3805	Prob > 0,05	There is no heteroscedasticity problem in the period panel
Autocorrelation Test	DW Stat = 0,6891	-2 < D-W < +2	No autocorrelation

Source: E-views 12 data results

Research finding indicated classical assumption test in table 3, in the observation data of 67 data, a Jarque-Bera value of 1470.6 was obtained with prob. 0.0000 which means the value is < 0.05 which means the data is not distributed normally. At this stage, the researcher transforms the data on the dependent variable. So that the outlier data on three bank data, namely Bank Victoria Syariah (2019-2020), and BPDS (2020), so it cannot be used as a sample in this research data. So, the total data used is 64 data with a prob value. 0.231 > 0.05 means that the data has been distributed normally. In the multicollinearity test between independent variables, a value < 0.8 was obtained, meaning that there was no multicollinearity in the independent data.

Furthermore, the heteroskedisticity test was carried out using a cross section Heteroskedisticity LR test with a prob. 0.000 < 0.05 means that there is a heteroskedasticity problem in the cross-section, while in the Panel Period Heteroskedasticity LR Test, the results are prob. 0.399 > 0.05 means that there is no heteroscedasticity. Because there is a heteroscedasticity problem in the cross-section, as a solution to reduce the heteroscedasticity problem in the data test of the influence of dependent variables on independence before using moderation using Generalized Least Squares (GLS) weight, cross section weight. Then, in the data test of the influence of dependent variables on

independence using moderation using GLS weight, period weight and coef. The covariance method uses white cross-section (period cluster). The use of GLS and coef. This covariance is useful for increasing the accuracy of data which is more efficient.

According to (Gujarati & Porter, 2009) GLS can be used as an alternative method to overcome heteroscedaity problems so that the results are more efficient than OLS. Meanwhile, the use of white standards in cross-sections or periods helps in generating more accurate money data by taking into account error variations (Wooldridge, 2012).

The Durbin-Watson autocorrelation test yielded a value of 0.6891. To detect autocorrelation, the following benchmarks are commonly applied: a D-W value below -2 indicates positive autocorrelation, a D-W value between -2 and +2 suggests no autocorrelation, and a D-W value above +2 indicates the presence of autocorrelation (Santoso, 2010).

### Hypothesis Test

Following data validation, this investigation proceeds to CEM-based analysis, elucidating partial relationships between Y and X, both independently and under FDR moderation (Z). Analysis of the data reveals CEM regression test without moderation were obtained as follows.

Tabel 4. CEM regression test results without moderation

Variabel	Coef.	t-statistics	Significance
C	12,858	1,4845	0,1882
PSR	0,0085	0,0371	0,9716
ZPR	822,20	3,2241	0,0020
IPR	12,416	0,8467	0,4005
R-squared	: 0,1569		
F-statistics	: 3,7234		
Sig (F-statistics)	: 0,0159		

Source: E-views 12 data results

The empirical results demonstrate CEM regression shown by table 4, analysis of the data reveals regression model equation without moderation between dependent variables (ROA) and independent variables (PSR, ZPR, IPR) are described as follows.

$$ROA_{it} = 12,858 + 0,0085PSR_{it} + 822,20ZPR_{it} + 12,416IPR_{it}$$

Infomation :

ROA = Return on Asset

PSR = Profit Sharing Ratio

ZPR = Zakat Performance Ratio

IPR = Islamic Performance Ratio

i = BUS Sum = 11 Bank

t = Research time period = 2017 - 2023.

The CEM panel regression results indicate an R-square value of 0.1569, suggesting that 15.69% of ROA variability is explained by PSR, ZPR, and IPR,

while 84.31% is attributed to external factors. Which, the two variables have a very low level of relationship. The F-statistic ( $F_{\text{Count}} 3.7234 > F_{\text{Table}} 2.53$ ,  $p=0.0159 < 0,05$ ) confirms the collective significance of PSR, ZPR, and IPR in predicting ROA.

Analysis of the data reveals CEM regression test with FDR moderation were obtained as follows.

Tabel 5. Results of CEM regression test with FDR moderation

Variabel	Coef.	t-statistics	Significance
C	12,726	0,0573	0,9561
PSR	-5,1781	-2,2467	0,0657
ZPR	9400,4	3,8594	0,0084
IPR	10,538	0,0472	0,9639
FDR	1,7294	0,0057	0,9956
PSR*FDR	4,9761	1,8305	0,1169
ZPR*FDR	-11588	-3,0955	0,0212
IPR*FDR	1,1837	0,0039	0,9970
R-squared	: 0,3756		
F-statistics	: 4,8136		
Sig (F-statistics)	: 0,0002		

Source: E-views 12 data results

The empirical results demonstrate CEM regression with FDR moderation in table 5, the results of the regression model equation with moderation between dependent variables (ROA), independent variables (PSR, ZPR, IPR) and FDR as moderation variables are obtained which are described as follows.

$$ROA_{it} = 12,7262 - 5,1781PSR_{it} + 9400,4ZPR_{it} + 10,5383IPR_{it} + 1,7294FDR_{it} + 4,9761PSR_{it}*FDR - 1158ZPR_{it}*FDR + 1,1837IPR_{it}*FDR$$

Inofmation :

- ROA = Return on Asset (Y)
- PSR = Profit Sharing Ratio ( $X_1$ )
- ZPR = Zakat Performance Ratio ( $X_2$ )
- IPR = Islamic Performance Ratio ( $X_3$ )
- FDR = Financing Deposit Ratio (Z)
- i = BUS Sum = 11 Bank
- t = Research time period = 2017 - 2023.

The CEM panel regression with moderation FDR results indicate an R-square value of 0.3756, suggesting that 37.56% of ROA variability is explained by PSR, ZPR, and IPR, while 62.44% is attributed to external factors. This means that the two variables, when moderated with FDR, have a low level of relationship. The F-statistic ( $F_{\text{Count}} 4.8136 > F_{\text{Table}} 2.53$ ,  $p=0.0002 < 0,05$ ) confirms the collective significance of PSR, ZPR, and IPR in predicting ROA

### **Hypothesis test results 1 (H<sub>1</sub>)**

The regression results table 4 suggest of the PSR  $T_{\text{Count}} 0,0371 < T_{\text{Table}} 2,00172$  with a sig. value of  $(0.9716 > 0.05)$  which PSR partially has a negative influence on ROA. The results of this finding **reject Hypothesis 1 (H<sub>1</sub>)** which says PSR has a positive impact on ROA.

Data analysis reveals the stakeholder theory stated by Preston dan Sapienza (1990), the company must be able to maintain the quality of its value in the form of revenue from profit sharing in order to maintain the trust of stakeholders. Therefore, Islamic banks are required to disclose bank performance information through financial statements as a form of accountability. The data supports the conclusion are not in line with the stakeholder theory because PSR financing is relatively smaller than buying and selling financing, empirical evidence suggests that PSR financing's profit-sharing income has limited impact on Islamic commercial banks' profitability.

The data shows are not in line with the research by Afandi dan Haryono (2022) which stated that PSR had a positive effect on ROA. However, the data shows are in line with the results of the research hypothesis contained in Destiani et al. (2021), Setiawan et al. (2021), and Indrayani et al. (2022) which stated that PSR has a negative influence on the ROA of Islamic banks because the profit sharing from the distribution of contract financing between mudharabah and musharakah cannot augment Islamic banking profitability. Therefore, it is impossible to affect the ROA of Islamic banks (Destiani et al., 2021).

### **Hypothesis test results 2 (H<sub>2</sub>)**

The regression results table 4 suggest of the ZPR  $T_{\text{Count}} 3,2241 > T_{\text{Table}} 2,00172$  with a sig. value of  $(0.0020 < 0.05)$  which means that ZPR partially has a positive influence on ROA. The results of this finding **accept Hypothesis 2 (H<sub>2</sub>)** which says ZPR has a positive impact on ROA.

Data analysis reveals the stakeholder theory where transparency and responsibility in the management of zakat is a form of social responsibility that improves the image of Islamic banks. The higher the ZPR can show that the bank is not only pursuing profits, but also paying attention to social aspects and religious values which can ultimately strengthen the bank's position in the eyes of stakeholders (Preston & Sapienza, 1990).

The data shows are not aligned with the research by Setiawan et al. (2021), which states that ZPR has no influence on ROA. However, these results support other studies from Firda et al. (2020), Putri et al. (2022) and Indrayani et al. (2022) who stated that ZPR has a positive impact on ROA. According to Dewanta (2016), in running a business, companies must get a favorable image and support from the parties involved, in the hope of having a positive impact directly on improving the company's performance and survival.

### **Hypothesis test results 3 (H<sub>3</sub>)**

The regression results table 4 suggest of the IPR  $T_{\text{Count}} 0,8467 < T_{\text{Table}} 2,00172$  with a sig. value of  $(0.4005 > 0.05)$  which means that IPR partially has a

negative influence on ROA. The results of this finding **reject Hypothesis 3 (H<sub>3</sub>)** which says IPR has a positive impact on ROA.

The stakeholder theory effective risk management is essential and includes operational risk, reputation and sharia compliance, so that the company can maintain the trust of stakeholders (Azheri, 2012). The data supports the conclusion that IPR had a negative influence on ROA showed that this data was not aligned with the theory because it was proven that there were still non-halal revenues obtained by banks. In the context of sharia, it is appropriate to stay away from things that move in matters that are not in accordance with sharia principles to maintain stakeholder trust. This has an impact on the decline in bank profitability.

The data shows are not aligned with the research by Afandi dan Haryono (2022) which states that IPR has a positive influence on ROA. However, these results support the hypothesis by Destiani et al. (2021), Rahmawati et al. (2020) and Kesuma et al. (2021), if there is still zero halal income that is not in synchrony with Islamic principles, it will reduce the efficiency of bank profitability.

#### **Hypothesis test results 4 (H<sub>4</sub>)**

The regression results table 5 suggest of PSR with moderation FDR  $T_{\text{Count}} 1,8305 < T_{\text{Table}} 2,00172$  with a sig. value of  $(0.1169 > 0.05)$  which PSR has no influence on ROA. The results of this finding **reject Hypothesis 4 (H<sub>4</sub>)** which says PSR with FDR moderation has a positive effect on ROA. This means that FDR as a moderation variable can weaken the relationship between PSR and ROA.

The data shows are not aligned with the stakeholder theory which emphasizes that the success of a company depends on its ability to meet the needs and expectations of various stakeholders (Azheri, 2012). PSR is a relevant financial indicator for stakeholders such as shareholders or customers who receive profit sharing. On the other hand, FDR reflects the bank's ability to disburse financing compared to the total funds raised. If the bank already has efficient bank asset management, then the impact of PSR and FDR may be less significant (Sufi & Habibullah, 2009). Thus, it will be possible for PSR with FDR moderation to have no effect on ROA.

#### **Hypothesis test results 5 (H<sub>5</sub>)**

The regression results table 5 suggest of ZPR with moderation FDR  $|T_{\text{Count}}| > T_{\text{Table}} (3,0955 > 2,00172)$  with a sig.value of  $(0.0301 < 0.05)$  which ZPR significantly affects ROA. The results of this finding **accept Hypothesis 5 (H<sub>5</sub>)** which says ZPR with FDR moderation has a positive effect on ROA. This means that FDR as a moderation variable can strengthen the relationship between ZPR and ROA.

Based on stakeholder theory, it states that It is imperative to acknowledge to and manage the needs and expectations of all stakeholders to achieve the long-term success of the company (Azheri, 2012). Data analysis reveals that the higher the profitability, the greater the funds channeled for

zakat. However, liquidity constraints (FDR) and suboptimal zakat allocation strategies impede bank earnings (Fatmala & Wirman, 2021).

The high FDR shows that banks channel most of their funds for financing. If the financing issued is inefficient and has high risks, the combination of ZPR and FDR can lead to a decrease in profitability. Therefore, these results have shown that Islamic banks need to ensure a balance between ZPR and FDR's commitments so as not to hinder profitability.

### **Hypothesis test results 6 (H<sub>6</sub>)**

The regression results table 5 suggest of IPR with moderation FDR  $T_{\text{Count}} 0,0039 < T_{\text{Table}} 2,00172$  with a sig. value of  $(0,9970 > 0,05)$  which IPR has no effect on ROA. The results of this finding **reject Hypothesis 6 (H<sub>6</sub>)** which says that IPR with FDR moderation has a positive effect on ROA. This means that FDR as a moderation variable can weaken the relationship between IPR and ROA.

The stakeholder theory affirm the success of Islamic banks depends on their ability to meet stakeholder expectations (Azheri, 2012). IPR is a reflection of shhari's ability to enforce sharia principles in its operations. Meanwhile, FDR shows the level of financing disbursed by banks from third-party funds.

The data shows are not aligned with the stakeholder theory because if there are still Islamic banks that get various revenues from non-sharia entities, this will be contrary to Islamic principles (Al-tamimi, 2010). In addition, if the bank still has diversified revenues, it will be possible not to depend on the performance of IPR and FDR because diverse income can maintain the stability of ROA even though certain variables don't show a significant influence (Haryono, 2022).

## **CONCLUSIONS AND RECOMMENDATIONS**

The study's findings reveal that the profit-sharing ratio, zakat performance ratio, and Islamicity performance ratio collectively contribute to 15.69% of the variability in profitability, with the inclusion of Financing to Deposit Ratio (FDR) as a moderating variable, the contribution rises to 37.56%. This indicates that FDR effectively strengthens the relationship between the independent variables (X) and the dependent variable (Y), as reflected in the increase from 15.69% to 37.56%.

In detail, PSR has a negative influence on ROA, which shows that profit-sharing financing has not been able to support the increase in profitability of Islamic banks. ZPR has a positive influence, showing that compliance with zakat payments can increase profitability. IPR has a negative impact on ROA because it indicates that sharia performance has not fully supported the increase in profitability. With FDR moderation, the effect of PSR and IPR on ROA remains negative, while ZPR on ROA still shows a positive effect.

Overall, the study confirms the Islamic Performance Index model's potential in forecasting profitability. Furthermore, for the sake of Islamic banks, each Islamic bank can use the Islamic Performance Index as one of the indicators to measure its performance and pay attention to the overall research

indicators so that the bank can be on a path that is in accordance with sharia principles.

### FURTHER STUDY

In this study, the effect of profitability on the ratio of dividends, zakat performance ratio and sharia performance ratio was affected by 15.69% and the 84.31% was explained by other variables outside the study. Meanwhile, moderation has an effect of 37.56% and the 62.44% is explained by other variables. In addition, this study is also limited to three of the six Islamic Performance Index indicators. Therefore, there is still the performance of Islamic banks that can be assessed using the Islamic Performance Index.

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