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Comparative Analysis of Islamic Banks' Performance in Indonesia and Malaysia with RGEC and the Islamicity Performance Index (2018-2021)

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ABSTRACT

Using the RGEC (Risk Profile, Good Governance, Profit, Capital) method for measuring financial performance and the Islamicity Performance Index (IPI) for measuring Shariah performance, this study seeks to identify differences in the performance of Islamic banks in Indonesia and Malaysia for the period from 2018-2021. Target sampling was used to select the sample, which consisted of secondary data from two Islamic banks in Indonesia and two Islamic banks in Malaysia from the banks' 2018-2021 annual reports. Financial ratio analysis and various test analyses using the non-parametric Mann-Whitney U method are used as analytic methods. According to the statistical calculations of the RGEC method, there is no difference in the average values of NPF, GCG, ROA, and BOPO, but there is a difference in the average values of FDR, ROE, NI, and CAR between Bank Syariah Indonesia and Bank Syariah Malaysia. The IPI method reveals that the average values of PSR, ZPR, EDR, and the ratio of Islamic Income vs non-Islamic Income recorded differences in average value, and the ratio of Islamic Investment vs non-Islamic Investment demonstrates that there is no difference between the average scores of Indonesian Shariah Banks and Malaysian Shariah Banks.

Keywords: Financial Performance, Shariah Performance, RGEC Method, Islamicity Performance Index

INTRODUCTION

A bank is a kind of financial organisation that receives excess money from people and gives it to those who need money. In addition, banks provide a variety of services for commercial and social objectives, eventually raising many people's standards of living (Letari et al., 2020). According to Laws No. 7 of 1992 and No. 10 of 1998, a bank is a commercial institution that aims to raise the quality of life of the community by obtaining money from the general public in the form of saves and then disbursing it as savings loans to the community (Undang Undang RI nomor 10 tahun, 1998). In contrast, Islamic banks serve the following purposes as financial entities functioning in accordance with Shariah: balancing, harmonising, and aligning diverse economic sectors (Surya & Asiyah, 2020). Under the Shariah banking law, Shariah banks carry out their business by providing services and services following Sharia principles (Figana et al., 2022). It is hoped that apart from applying Shariah values in business, Islamic banking can also perform better in financial and non-financial indicators than conventional banking.

According to Mursyid et al. (2022), performance is defined as benchmarking and measuring over a specified period in accordance with pre-agreed agreements and rules. It is also defined as the level of alignment with the vision and mission of the organisation's strategic plan. In this case, performance measurement can also be interpreted as a management tool to determine the extent to which company goals are achieved, to evaluate the performance of companies, managers, departments and individuals within the company, and to predict the company's future. Financial and non-financial performance data are the two categories utilised to evaluate or assess performance (Setiawan et al., 2020). Financial performance may also be a factor in business choices and strategies that an organisation will use to attain its objectives (Anindyastri et al., 2022).

Managing finances is crucial for banks to achieve maximum results. This is demonstrated by an improvement in the bank's financial performance from the previous period (Agustin, 2018). Financial reports are a valuable resource for developing management policies in the banking industry. Stakeholders, such as investors, creditors, and

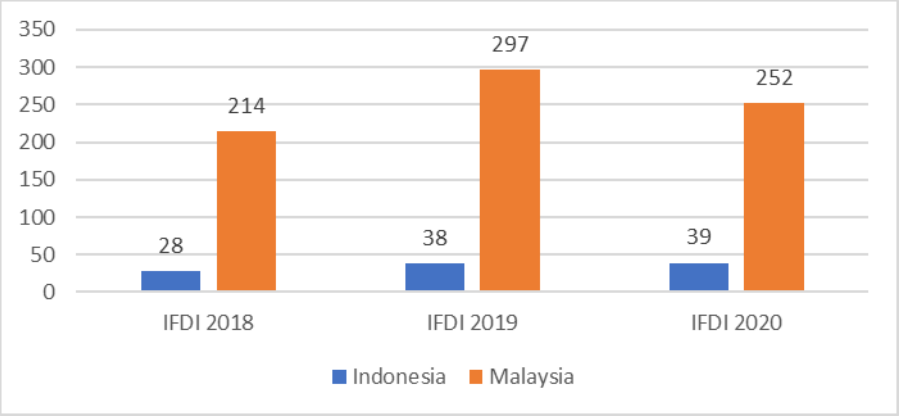
those outside the industry, can use the information presented in financial results to forecast actual financial performance for each period (Sartono, 2001).

Competition is inevitable between Islamic banks and conventional banks, given the former's lower market share. To remain competitive and earn customer trust, the Islamic banking industry must prioritise strong performance and efficiency. Accordingly, BI has implemented stricter regulations and supervision of national banks in the form of regulation 9/1/PBI/2007, also known as the CAMELS method. As the Islamic banking sector continues to evolve, Bank Indonesia, the banking system regulator, has updated its banking soundness assessment methodology in accordance with the sector's increasing complexity. The revised Bank Indonesia Regulation PBI No. 9/1/PBI/2007 to PBI No. 13/1/PBI/2011 regarding Risk Based Bank Rating (RBBR), also known as the RGEC approach, reflected this. The RGEC technique uses four variables to evaluate the health of a bank: risk (R), good governance (G), profit (E), and capital (C) (Amelia & Aprilianti, 2019).

It has been discovered that current performance measurements of Islamic banks only reflect their financial performance. A study led by Hameed has introduced a new metric known as the Islamicity Performance Index (IPI) which takes into account seven financial indicators, namely, The AAOIFI index, the Profit Sharing Ratio, the Zakat Benefit Ratio, the Equitable Distribution Ratio, the Director to Staff Ratio, the Islamic Investment vs. Non-Islamic Investment Ratio, the Islamic Income vs. Non-Islamic Income Ratio, and the Director to Staff Ratio (Hameed et al., 2004).

According to recent data, Malaysia has exceeded Indonesia in terms of the growth rate of Islamic banking, thereby taking the lead as the most advanced and superior market in this industry. According to the Islamic Corporation for the Development of the Private Sector (ICD) study on Islamic Finance Development Indicators (IFDI), Malaysian Islamic banking indicators are higher than Indonesian Islamic banking indicators (Adil, 2021).

Graph 1. Comparison of the development of Islamic Banking in Indonesia-Malaysia



Source: Islamic Finance Development Indicator (IFDI) (Adil, 2021)

Based on the data presented in Graph 1, it is evident that the IFDI value of the Malaysian Islamic banking sector has consistently surpassed that of Indonesia between 2018 and 2020. Nevertheless, the IFDI measure in the Indonesian Islamic banking sector witnessed a noteworthy surge, particularly in 2019, indicating positive growth. Overall, this information suggests that the Islamic banking sector in Indonesia has been developing well.

A thorough and comprehensive analysis has been carried out to evaluate and compare the operational efficiency and financial performance of Islamic banks operating in both Indonesia and Malaysia. To ascertain the most accurate and reliable results, both the RGEC (Relative Efficiency of Islamic Banking) and IPI (Islamicity Performance Index) methods were utilised in this study. The results of this study would be crucial in giving the players in the Islamic banking sector in both countries insightful information and suggestions. Two studies that address these issues are Rahmawati's (2020) "Comparison of Financial Performance Between Islamic Banks in Indonesia and Islamic Banks in Indonesia" and Selly's (2019) "Comparative Analysis of the Financial Performance of Indonesian Islamic Banking and Malaysian Islamic Banking Through the Islamicity Performance Index Approach". Malaysia employs the RGEC

Method for 2017–2019. For data analysis and assessment, such studies used either the RGEC or the Islamicity Performance Index Method. Researchers are increasingly interested in looking at the advantages of combining both approaches, however. By doing so, researchers hope to gain a more comprehensive understanding of the subject matter and derive more accurate conclusions.

METHOD

1. Types of research

The RGEC method (Risk Profile, Good Governance, Profit, and Capital) and the proportion of five factors utilised in the Islamicity Performance Index (IPI) approach to quantify Shariah performance are employed in this study's descriptive research to evaluate the financial performance of banks. The time frame of 2018 to 2021 was chosen to gather current data for the aim of performing pertinent research since it offers a better and more accurate perspective of the financial performance numbers of Islamic banks. Islamic banks that were registered with the Central Banks of Indonesia and Malaysia over the aforementioned time period make up the population of this research. The study will also make use of comparative research. Investigating the financial success of Islamic banks in Malaysia and Indonesia is known as comparative research. We do comparison tests as part of the data analysis process. The independent samples t-test is used when the data are regularly distributed.

2. Sampling Method

Targeted sampling is a method that selects a sample based on specific criteria to ensure representativeness of the sample. (1) Banking companies are Islamic law entities, not conventional banks, regardless of whether they are government-owned, private-sector-owned, or foreign-owned in Indonesia and Malaysia; (2) published its financial reports on each bank's website during the 2018-2021 observation period; (3) financial reports must have a fiscal year ending December 31 to avoid partial timing in the calculation of financial ratios; and (4) Publish all data required to generate the Islamicity Performance Index variables for the 2018-2021 observation period.

Table. 1 Research Samples Shariah Bank in Indonesia

No	Kode	Bank Name
1	BCAS	Bank Central Asia Syariah
2	BSB	KB Bukopin Syariah

Table. 2 Research Samples Shariah Bank in Malaysia

No	Kode	Bank Name
1	MUAMALATM	Bank Muamalat Malaysia Berhad
2	Maybank	Maybank Malaysia Berhad

3. Method of Collecting Data

The data for this study was collected through the documentation technique, specifically by gathering secondary data from the financial reports published on the official websites of the Islamic banks used in this study for the period of 2018-2021. In addition, scholars conducted literature studies as part of their research.

4. Data Analysis Technique

Employing a ratio tool using a formula created by Financial Services Authority Circular No. 10/SEOJK.03/2014 to calculate and analyse the financial report of Islamic banks in Indonesia and Malaysia. Then, using a statistical approach known as two distinct test means (independent sample t-test), conduct a comparative study of the financial performance of Islamic banks in Indonesia and Malaysia based on the outcomes of data processing when the data are normally distributed (Ghozali, 2011), and a non-parametric test, namely Mann-Whitney U, when the data is not normally distributed.

a. Independent simple t-test

The t-test determines whether there is a difference between the means of two separate samples. By contrasting the difference between the two means to the standard error of the difference between the means of the two samples, a separate test t-test is carried out.

Normally distributed are the standard errors of the differences in the means. Therefore, the goal of the t-test is to compare the means of two unrelated groups. Are the means of the two groups significantly equivalent? The following provisions govern the decision-making process (Ghozali, 2006):

1) If profitability > 0.05 then Ho cannot be rejected so the variance is the same.
2) If profitability < 0.05 then Ho is rejected so the variance is different.

b. Mann-Whitney U test

To determine if there is a significant difference between two independent samples, the Mann-Whitney U test is performed. When the

data are not regularly distributed, this test is run (Ghozali, 2006). The following provisions apply to the decision-making process:

1) If the probability > 0.05, Ho cannot be rejected
2) If probability < 0.05, Ho is rejected

5. Operational Variable Definition

a. Measurement Based on RGEC

1) Risk Profit

a) Non-Performing Financing (NPF)

NPF is a metric that quantifies the severity of Islamic banks' funding issues. Generally, this ratio compares issue funding to the total financing disbursed by Islamic banks to non-bank customers. In and of itself, distressed financing can be regarded as financing with low collectability, i.e. substandard, dubious, and loss-making. The following calculating procedure is used to determine this ratio's value (Mahdi, 2022):

Table. 3 NPF Ratio Assessment Criteria Matrix

Rangking	Category	Criteria
1	Very Healthy	< 7%
2	Healthy	7% - < 10%
3	Quite Healthy	10% - < 13%
4	Unwell	13% - < 16%
5	Not Healthy	>16%

Source: Attachment of SE DIR BI No.30/12/KEP/DIR

b) Financing to Dept Ratio (FDR)

The FDR ratio measures a bank's capacity to refund each customer's deposit through funding (Muchlish & Umardani, 2016). The following formula is used to compute the FDR:

Table. 4 FDR Ratio Assessment Criteria Matrix

Rangking	Category	Criteria
1	Very Healthy	50% - < 75%
2	Healthy	75% - < 85%
3	Quite Healthy	85% - < 100%
4	Unwell	100% - < 120%

Source: Attactment of SEBI Number 6/23/DNDP)

The maximum FDR value stipulated by Bank Indonesia's Regulation No. 15/15/PBI/2013 on Legal Reserves for Commercial Banks is 110%.

2) Good Corporate Governance

Good Corporate Governance (GCG) is a system of business management that creates value for all stakeholders, including investors, corporations, creditors, the government, and the general public (Halimatusadiah & Gunwan, 2014)

Table. 5 GCG Composite Predicate

Number	Composite Value	Composite Predicate
1	≤ 1.5 %	Very Good
2	1,5 - 2,5	Good
3	2,5 - 3,5	Pretty Good
4	3,5 - 4,5	Good Less
5	4,5 - 5	Not Good

Source: Bank Indonesia

3) Earnings

A company's capacity to generate profits or gains from the utilisation of its capital over a certain time period is measured using the profitability indicator (Samanto & Hidayah, 2020). Several indicators, such as ROA (Return on Assets), ROE (Return on Equity), Net Return, and BOPO (Operating Costs Against Operating Income), are used to assess profitability (Wahasusmiah & Watie, 2019).

a) Return On Assets (ROA)

Return On Assets (ROA) is the profit ratio before taxes for the previous twelve months to the average business volume for the same period. The ROA describes the turnover of assets as measured by sales volume (Rivai et al., 2007). This ratio is used to determine a bank's overall profitability. This connection is established by:

Table. 6 ROA Ratio Assessment Criteria Matrix

Rangking	Category	Criteria
1	Very Healthy	ROA ≥ 1,45%
2	Healthy	1,25% - 1,5%
3	Quite Healthy	0,5% - 1,25%
4	Unwell	0% - 0,5%
5	Not Healthy	≤ 0%

Source: SE BI 13/24/DPNP/2011

b) Return On Equity (ROE)

Return on equity is one of the profitability metrics that compare net assets, including equity/equity to net income (net income), utilising the ROE ratio to evaluate the amount of profit/earnings of a company or bank through equity Deposit from shareholders (Nuzul Ikhwal, 2016). Based on SE BI 13/30/DPNP/16 on December 2011, the ROE formula is:

$$ROE = \frac{Profit\ after\ tax}{Total\ Equity}\ x\ 100\%$$

Table. 7 ROE Ratio Criteria Metrix

Rangking	Category	Criteria
1	Very Healthy	>15%
2	Healthy	12,5% < ROE ≤ 15%

3	Quite Healthy	5% < ROE ≤ 12,5%
4	Unwell	0% < ROE ≤ 5%
5	Not Healthy	≤ 0%

Source: SE BI 13/24/DPNP/2011

c) Net Return

Net return is the ratio used to determine profitability by comparing operating income minus premiums and premiums to average returns. This ratio is expressed as:

Table. 8 Net Return Ratio Criteria Metrix

Rangking	Category	Criteria
1	Very Healthy	Net Rerturn ≥ 6.5%
2	Healthy	2% ≤ Net Return < 6.5%
3	Quite Healthy	1.5% ≤ Net Return < 2%
4	Unwell	0% ≤ Net Return < 1.5%
5	Not Healthy	Net Return < 0%

Source: Bank Indonesia Regulation Number 6/10/PBI/2004

d) Operating Expenses to Operating Income (BOPO)

The ratio of operating expenses to operating income measures a bank's efficiency and capacity to conduct business (Awliya, 2019). This proportion is derived by:

Table. 9 BOPO Ratio Criteria Metrix

Rangking	Category	Criteria
1	Very Healthy	< 83%
2	Healthy	83% ≤ 85%
3	Quite Healthy	85% ≤ 87%
4	Unwell	87% ≤ 89%
5	Not Healthy	> 89%

Source: SE BI 13/24/DPNP/2011

4) Capital

The CAR ratio measures a bank's capital adequacy to support assets that contain or give rise to risk (Priyanto et al., 2014). Capital can be evaluated using the Capital Adequacy Ratio (CAR) indicator. The formula for calculating CAR is as follows:

Table. 10 CAR Ratio Criteria Metrix

Rangking	Category	Criteria
1	Very Healthy	> 12%
2	Healthy	9% ≤ 12%
3	Quite Healthy	8% ≤ 9%
4	Unwell	6% ≤ 8%
5	Not Healthy	< 6%

Source: SE BI 13/24/DPNP/2011

b. Measurement Based on IPI

1) Profit-Sharing Ratio (PSR)

This ratio measures the extent to which an Islamic bank can achieve its material goals related to distributive and social justice by channelling funds into the productive sector via a profit-sharing system (Hayati & Ramadhani, 2021). The formula for calculating the PSR is as follows:

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

2) Zakat Performance Ratio (ZPR)

The Zakat Performance Ratio measures how much zakat a bank spends relative to its net worth (Hayati & Ramadhani, 2021). The formula for calculating ZPR is as follows:

$$ZPR = \frac{Zakat}{Total\ Zakat}$$

3) Equitable Distribution Ratio (EDR)

Based on the amount spent on contributions, staff costs, and other expenses, the equitable distribution ratio calculates the percentage of money transferred to different stakeholders (Hayati & Ramadhani, 2021). The formula for calculating EDR is as follows:

$$EDR = \frac{Average\ income\ of\ stakeholders}{Total\ net\ income}$$

4) Islamic Investment vs Non-Islamic Investment

This relationship aims to prohibit Ribawi transactions in Muamalat in relation to their investments in this instance.

This ratio is intended to prohibit Ribawi transactions in Muamalat. Islamic banks must generate revenue by disclosing transparent information and avoiding prohibited, unlawful practices (Hayati & Ramadhani, 2021). The following formula is used to calculatethis ratio:

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

RESULT AND DICUSSION

1. The financial performance analysis uses the RGEC method.

Table. 11 The Result of Performance Assessment of Islamic Banks in Indonesia based on RGEC

Factor	Ratio	Year				Average
		2018	2019	2020	2021	
Risk Profile	NPF	2,00%	2,20%	2,50%	2,30%	2,25%
	FDR	91,20%	92,20%	139,00%	87,20%	102,4%
GCG	GCG	1,7	1,9	2	2,1	1,9
Earnings	ROA	0,60%	0,60%	0,60%	-2,20%	-0,10%
	ROE	2,60%	2,10%	1,60%	-10,20%	-0,98%
	NI	3,80%	3,40%	3,30%	3,30%	3,45%
	BOPO	93,40%	93,60%	92,00%	132,50%	102,88%
Capital	CAR	21,80%	26,80%	33,80%	32,60%	28,75%

Source: Data Processed

After analysing the table, it can be concluded that the financial performance of Islamic banks in Indonesia is satisfactory. (1) the average NPF ratio is below 5%, the maximum value of the reported NPF ratio; (2) the average FDR ratio is 102.4% below the maximum FDR ratio set by Bank Indonesia at 110%; and (3) the average GCG ratio is 1.9 between 1.5 and 2.5 ; (4) the average ROA ratio in 2021 has decreased drastically by -2.20% and has an average of -0.10%; (5) the average ROE ratio in 2021 also has decreased by -10.20% and has an average of -0.98%; (6) the average NI ratio is 3.45% and ranges from 2% to 6.5%; (7) the average BOPO ratio is 102.88% higher than 89%; and (8) the average CAR ratio is 28.75% higher than 12%.

Table. 12 The Result of Performance Assessment of Islamic Banks in Malaysia based on RGEC

Factor	Ratio	Year				Average
		2018	2019	2020	2021	
Risk Profile	NPF	1,0%	2,8%	2,6%	3,2%	2,4%
	FDR	65,5%	81,1%	81,8%	81,3%	77,4%
GCG	GCG	2,75	2,50	1,92	1,81	2,25
Earnings	ROA	0,5%	0,5%	0,4%	0,5%	0,5%
	ROE	5,8%	5,7%	4,2%	5,0%	5,2%
	NI	1,9%	2,1%	1,5%	2,3%	1,9%
	BOPO	149,6%	92,1%	78,6%	87,7%	102,0%
Capital	CAR	21,4%	17,3%	15,6%	15,9%	17,5%

Source: Data Processed

After reviewing the table provided, it can be inferred that the financial performance of Islamic banks in Malaysia is positive. This can be supported by the following evidence: (1) The average NPF ratio is less than 5%, which is the maximum reported NPF ratio; (2) The average FDR ratio is 77.4%, which ranges from 75% to 85%; (3) The average GCG ratio is 2.25, which falls within the range of 1.5 to 2.5; (4) The average ROA ratio is 0.5%, which corresponds to the predetermined minimum ROA ratio of 0.5%; (5) The average ROE ratio is 5.2%, which ranges from 5% to 12.5%; (6) The average NI ratio is 1.9% within the range of 1.5% - 2%; (7) The average BOPO ratio is 102% greater than 89%; and (8) The average CAR ratio is 17.5% greater than 12%.

2. Shariah Performance Analysis using IPI

Table. 13 The Result of Shariah Performance Assessment of Islamic Banks in Indonesia based on *Islamicity Performance Index*

Ratio	Year				Average
	2018	2019	2020	2021	
PSR	48%	53,50%	63%	60,10%	56%
ZPR	22,60%	23,60%	23,60%	27,10%	24%
EDR	5,80%	5,10%	8,80%	9,30%	7%
Islamic Investment VS Non islamic investment	100,00 %	100,00 %	100,00 %	100,00 %	100%
Islamic Income vs non islamic income	99,90%	99,90%	99,90%	99,90%	100%

Source: Data Processed

Based on the table above, the following conclusions can be drawn:

1. In 2018, Islamic banks in Indonesia had an average PSR ratio of 48%. In 2019 it

increased by 5.5% to 53.50%, and in 2020 expanded again by 9.50% to 63%, but in 2021 it decreased by 2 .90% to 60.10%.
2. ZPR of Islamic Banks in Indonesia averaged 22.60% in 2018. Increased by 1% to 23.60% in 2019 and has the same value in 2020. But it was growing again to 27.10% in 2021. The most significant increase will be 3.50% in 2021.
3. The average EDR ratio of Islamic banks in Indonesia constantly increased, except in 2019, which decreased by 0.70%. The EDR ratio of Islamic banks in Indonesia is 5.80%, 5.10%, 8.80 %, and 9.30% in 2018-2021. The most significant increase was in 2020, or 3.70%.
4. In Indonesia, Shariah banks invest 100% of their assets in both halal and non-halal sectors, with a focus on the former. This ensures that their investments align with Islamic principles.
5. Islamic banks in Indonesia recorded an impressive average ratio of 99.90% of Islamic income to non-Muslim income between 2018 and 2021. However, a small fraction of 0.10% of their income was identified as non-halal.

Table. 14 The Result of Shariah Performance Assessment of Islamic Banks in Malaysia based on the *Islamicity Performance Index*

Ratio	Year				Average
	2018	2019	2020	2021	
PSR	52,80%	40,60%	32,90%	23,00%	37%
ZPR	54,80%	53,90%	54,60%	54,10%	54%
EDR	29,40%	26,80%	27,80%	28,80%	28%
Islamic Investment VS Non islamic investment	100,00 %	100,00 %	100,00 %	100,00 %	100%
Islamic Income vs non islamic income	100,00 %	99,90%	100,00 %	100,00 %	100%

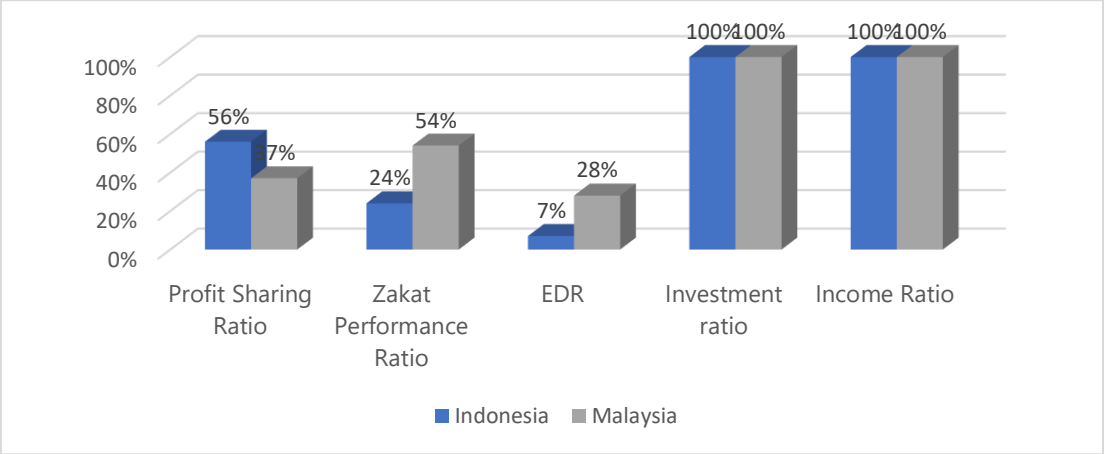
Source: Data Processed

Based on the table above, the following conclusions can be drawn:

1. The average PSR ratio for Islamic banks in Malaysia has decreased every year. In 2018, Islamic banks in Malaysia had an average profit-sharing ratio of 52.8% and then decreased by 12.2% to 40.6% in 2019. The percentage of Shariah Banks in Malaysia has increased to 32.9% in 2020 and 23.0% in 2021.
2. Shariah Banks in Malaysia averaged 54.8% in 2018, fell 0.9% to 53.9% in 2019, rose to 54.6% in 2020 and fell again 0.5% to 54.1 % in 2021.
3. The average EDR ratio of Islamic banks in Malaysia is constantly increasing, except in 2019, which decreased by 2.6%, after which it consistently increased by 1% in 2020 and 2021, respectively. The EDR ratio of Islamic banks in Malaysia was 29.4%, 26.8%, 27.80%, and 28.8% in 2018-2021.
4. In Malaysia, Shariah banks invest in a ratio of 100% halal and non-halal investments. It is worth noting that Islamic banks allocate their assets towards the halal sector. The investments made are in compliance with Shariah law.
5. Shariah banks in Malaysia have an average ratio of Islamic income to non-Muslim income of 100% in 2018, which decreased from 0.1% to 99.9% in 2019 due to the decline in income of Shariah banks in Malaysia but increased back to 100% in 2020 and 2021.

The figure below displays a comparison of the average ratio of Islamic banks in the two countries.

Graph. 2 Percentage Comparison of Average Ratio based on IPI of Indonesian and Malaysian Islamic Banks



Source: Data Processed

3. Normality Test

Table. 15 Test Results Normality Test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk			Desc
	Statistic	df	Sig.	Statistic	df	Sig.	
PSR	0.171	8	.200*	0.946	8	0.67	*
ZPR	0.318	8	0.02	0.715	8	0	
EDR	0.29	8	0.05	0.772	8	0.01	
Islamic Investment VS Non islamic investment	0.325	8	0.01	0.734	8	0.01	
Islamic Income vs non islamic income	0.238	8	.200*	0.827	8	0.06	*
NPF	0.184	8	.200*	0.932	8	0.54	*
FDR	0.333	8	0.01	0.773	8	0.02	
GCG	0.233	8	.200*	0.879	8	0.19	*
ROA	0.462	8	0	0.481	8	0	
ROE	0.337	8	0.01	0.701	8	0	
NI	0.261	8	0.12	0.906	8	0.33	*
BOPO	0.389	8	0	0.77	8	0.01	
CAR	0.199	8	.200*	0.886	8	0.22	*

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Source: Data Processed*, SPSS 2023*

If the number of samples is < 30, the normality test used is the Shapiro-Wilk test. However, if the sample is > 30, the normality test used is Kolmogorov Smirnov. There were eight samples in this case, so the normality test used was Shapir Wilk. Based on the table above, it looks like this:

1. Regarding financial ratios, Shapir Wilk's statistical test values for NPF, GCG, NI and CAR ratios show a normal data distribution because of the value of P.Value > α. However, the FDR, ROA, ROE, and BOPO ratios show that the data is not normally distributed because of the P.Value < α.
2. In the IPI ratio, Shapir Wilk is known to test the statistical value for the PSR ratio and Islamic income vs Non-Islamic income, showing that the data is usually distributed because the value of P.Value > α. However, ZPR, EDR and ratios of Islamic investments versus non-Islamic investments show that the data is not generally distributed because of P.Value < α.

According to the study design, the other test in this study cannot be processed using a parametric approach using the Independent Sample t-test, as it does not fit the data obtained with the Independent Sample t-test should not be processed. It should be normally distributed. The differential test in this study will be performed using a non-parametric approach through the Mann-Whitney U test analysis tool.

4. Comparison of Financial Performance of Islamic Banks in Indonesia and Malaysia

Researchers utilised the Mann-Whitney U test to compare the financial performance of Islamic banks in two countries and determine if there were any differences in their ratios. The results are presented below.

Table. 16 The results of the Mann-Whitney Test of Financial Performance

	NPF	FDR	GCG	ROA	ROE	NI	BOPO	CAR
Mann-Whitney U	4	0	5	4	0	0	5	0
Wilcoxon W	14	10	15	14	10	10	15	10
Z	-1.155	-2.309	-0.866	-1.214	-2,309	-2.323	-0.866	-2.309
Asymp. Sig. (2-tailed)	0.248	0.021	0.386	0.225	0.021	0.02	0.386	0.021
Exact Sig. [2*(1-tailed Sig.)]	.343[b]	.029[b]	.486[b]	.343[b]	.029[b]	.029[b]	.486[b]	.029[b]

a. Grouping Variable: Bank
b. Not corrected for ties.

Source: Data Processed, SPSS 2023

Based on Table 16, the results of the Mann-Whitney test on the NPF variable in the Bank Syariah Indonesia and Bank Syariah Malaysia show that the significant probability 0.248 is greater than 0.05, so it does not reject Ho, indicating that the average NPF ratio between the Indonesian Shariah Bank and the Malaysian Shariah Bank is the same. According to Table 16, the Mann-Whitney test findings on the FDR variable at Bank Syariah Indonesia and Bank Syariah Malaysia indicate results where the significant probability is 0.021, which is less than 0.05. As a result of Ho's rejection, there is a disparity between the average FDR ratios of Malaysian Shariah Banks and Indonesian Shariah Banks.

Based on Table 16, the results of the Mann-Whitney test performed on the GCG variable at Bank Syariah Indonesia and Bank Syariah Malaysia show results where the significant probability is 0.386 greater than 0.05, so it does not reject Ho, meaning that there is no difference in the average GCG ratio between Indonesian Shariah and Malaysian Shariah Bank. According to Table 16, the Mann-Whitney test results for the ROA variable at Bank Syariah Indonesia and Bank Syariah Malaysia indicate that the significant probability is 0.225, which is higher than 0.05. This means that Ho cannot be rejected, indicating that there is no significant difference in the average ROA ratio between Indonesian and Malaysian Shariah Banks.

According to Table 16, the Mann-Whitney test results reveal that the probability value for the ROE variable at Bank Syariah Indonesia and Bank Syariah Malaysia is significant at 0.021, which is lower than 0.05. Therefore, Ho is rejected, indicating that there is a noticeable distinction in the average ROE ratio between Indonesian Shariah banks and Malaysian Shariah Banks. According to Table 16, the Mann-Whitney test results for the NI variable at Bank Syariah Indonesia and Bank Syariah Malaysia indicate a significant probability of 0.020, which is less than 0.05. Therefore, Ho is rejected, indicating that there is a difference in the average NI ratio between Indonesian and Malaysian Shariah Banks.

According to Table 16, the Mann-Whitney test results for the BOPO variable in Bank Syariah Indonesia and Bank Syariah Malaysia reveal a probability of significance greater than 0.05 at 0.386. Therefore, the null hypothesis cannot be rejected, indicating that there is no significant difference in the average BOPO ratio between Indonesian Shariah Bank and Malaysian Shariah Bank. According to the data presented in Table 16, the Mann-Whitney test results for the CAR variable at Bank Syariah Indonesia and Bank Syariah Malaysia indicate a probability of significance of 0.021, which is below the threshold of 0.05. Therefore, we can reject Ho, meaning that there is a noticeable difference in the average CAR ratio between the Indonesian Shariah Bank and the Malaysian Shariah Bank.

5. Comparison of Shariah Performance of Islamic Banks in Indonesia and Malaysia

In order to assess the performance of Shariah and identify potential disparities in the ratios of Islamic banks between two countries, researchers conducted a Mann-Whitney U test. The results are presented below.

Table. 17 The results of the Mann-Whitney Test of Shariah Performance

	PSR	ZPR	EDR	Islamic Investment VS Non islamic investment	Islamic Income vs non islamic income
Mann-Whitney U	1	0	0	6	0.5
Wilcoxon W	11	10	10	16	10.5
Z	-2.021	-2.309	-2.309	-0.619	-2.247
Asymp. Sig. (2-tailed)	0.043	0.021	0.021	0.536	0.025
Exact Sig. [2*(1-tailed Sig.)]	.057[b]	.029[b]	.029[b]	.686[b]	.029[b]

a. Grouping Variable: Bank
b. Not corrected for ties.

Source: Data Processed, SPSS 2023

The results of the Mann-Whitney test conducted on the PSR variable at Indonesia Shariah Bank and Malaysian Shariah Bank are shown in table 17. The obtained probability of 0.043 is significant, as it is less than 0.05. Therefore, Ho is rejected, indicating that there is a difference in the average PSR ratio between the two banks. According to Table 17, the Mann-Whitney test results for the ZPR variable at Indonesian Shariah Banks and Malaysian Shariah Banks indicate a significant probability of 0.021, which is less than 0.05. As a result, we disagree with Ho, who suggests that the average ZPR ratio between Indonesian Shariah Banks and Malaysian Shariah Banks differs significantly.

The Mann-Whitney test findings for the EDR variable at Indonesian Shariah Banks and Malaysian Shariah Banks show a probability of significance of 0.021, which is less than 0.05, according to the information in Table 17. As a result, the null hypothesis (Ho) is disproved, showing that there is a substantial difference between the two banks' average EDR ratios. According to Table 17, the Indonesian and Malaysian Shariah Banks compared Islamic investments against non-Islamic investments using the Mann-Whitney test. The findings point to a probability of 0.536, more than 0.05, which causes Ho to be disregarded. This indicates that there is no appreciable difference between the two banks' average ratio of shariah investments to non-shariah investments.

The information in Table 17 reveals that there are substantial differences between Indonesian Shariah Banks and Malaysian Shariah Banks in the ratio of Islamic Income to Non-Islamic Income as shown by the results of the Mann-Whitney test. The probability value of 0.025 is lower than the accepted threshold of 0.05, leading to the rejection of Ho. In simpler terms, there is a noticeable difference in the average ratio of Shariah income to non-Shariah income between the two countries' banks.

CONCLUSION

Upon thorough analysis and extensive discussion of the gathered data, we have arrived at several significant conclusions. These conclusions are the result of a thorough analysis of the supplied data, and we think they give important new information on the subject at hand. The financial performance of Islamic Commercial Banks in two countries for the years 2018–2021 was assessed using the RGEC technique (Risk Profile, GCG, Earnings, and Capital). Analysis of NPF, FDR, GCG, ROA, ROE, NI, BOPO, and CAR was part of this process. This investigation leads to the conclusion that Malaysian Shariah Banks perform better overall than Indonesian Shariah Banks.

The financial ratios of NPF, GCG, ROA, and BOPO for Shariah banks in Indonesia and Malaysia from 2018 to 2021 were statistically analysed. The findings indicated that there was no appreciable variation between the two nations' average values for these ratios. However, there was a discrepancy in the average score between the performance of Shariah banks in Indonesia and Malaysia, according to the FDR ratio, ROE, NI, and CAR. The PSR ratio is greater for the Shariah Bank in Indonesia, according to a review of Shariah performance at Shariah Banks in Indonesia and Malaysia using the Islamicity Performance Index technique for the 2018–2021 timeframe. However, the ZPR and EDR ratios are valued higher at the Malaysian Shariah Bank. Islamic Investment VS Non-Islamic Investment and Islamic Income VS Non-Islamic Income ratios are the same for both countries. Therefore, the Shariah performance at the Shariah Bank in Malaysia is comparatively higher than the Shariah Bank in Indonesia.

A statistical analysis was conducted to evaluate the Shariah performance of Bank Syariah Indonesia and Bank Syariah Malaysia from 2018 to 2021. The analysis used PSR, ZPR, EDR, and Islamic Revenue VS Non-Islamic Revenue Ratio. The results showed a difference in the average value of the performance of the two banks. However, there was no difference in the average value between the performance of Indonesian Shariah Banks and Malaysian Shariah Banks when comparing their Shariah Investment VS Non-Shariah Investment ratio.

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