

Comparative Financial Performance Of Sharia Business Units Of Regional Development Banks In Java Island Based On The Islamicity Performance Index

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ABSTRACT

While Islamic Regional Development Banks (RDBs) in Indonesia showed significant asset growth reaching IDR 73.5 trillion in 2022, performance across individual units remains uneven, necessitating a deeper evaluation beyond conventional metrics. This study aims to evaluate and compare the financial performance of Sharia Business Units (SBUs) of RDBs across Java Island during the 2019–2023 period using the Islamicity Performance Index (IPI). A quantitative comparative method was employed, focusing on four purposive samples: SBU RDB JATIM, JATENG, DIY, and DKI, using secondary data from annual financial statements. The performance was measured through four key IPI indicators: Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Equitable Distribution Ratio (EDR), and Islamic Income vs. Non-Islamic Income (IInc vs. NIIInc). The results reveal that while all SBUs achieved a perfect score of 100% in the IInc vs. NIIInc indicator, significant challenges persist in other areas, as PSR, ZPR, and EDR scores mostly fell below the "Satisfactory" category. This reflects a continued reliance on margin-based contracts and suboptimal internal zakat management. Comparatively, SBU RDB DKI achieved the highest average IPI score of 2.26, ranking first among its peers. In conclusion, while these institutions demonstrate strong sharia compliance in income purity, there is an urgent need to strengthen profit-sharing schemes and social contributions. These findings suggest that RDBs must realign their operational focus with their regional development mandates and core sharia principles of social justice to achieve balanced institutional performance.

Keywords : Financial Performance; Islamicity Performance Index; Regional Development Banks in Java.

INTRODUCTION

Regional Development Banks (RDB) are financial institutions that play a strategic role in accelerating economic development at the regional level [1, p. 3]. Since their establishment, RDBs have been designed as drivers of regional development with the primary mandate of managing Regional Revenue and Expenditure Budgets (RREB) and channeling them to support community economic activities while simultaneously improving regional welfare. One of the tangible contributions of RDBs is providing access to financing for micro, small, and medium

enterprises (MSMEs), which have long been the backbone of both national and regional economies [2]. Thus, RDBs function not only as financial intermediaries but also as crucial instruments in accelerating regional economic development.

During the 2019–2023 period, the Islamic finance sector under the umbrella of RDBs experienced significant growth. The peak of this growth occurred in 2022, when the total assets of Islamic RDBs sharply increased to IDR 73.5 trillion, rising by 86.09% compared to the previous year’s IDR 39.5 trillion [1, p. 16]. This growth indicates promising prospects for the development of the Islamic financial industry within RDBs [3, p. 110], despite operating under challenging conditions, including the impacts of the COVID-19 pandemic.

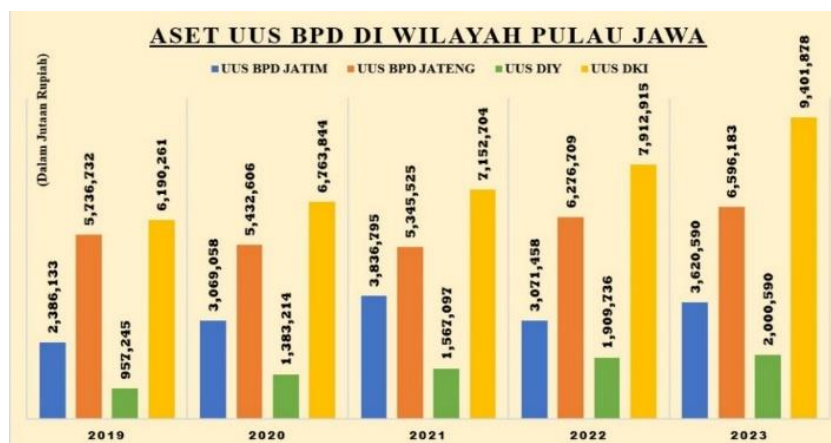
The surge in asset growth reflects the increasing profits earned by the institutions, which in turn could serve as a foundation for future business development [4, p. 85]. Through such development, these institutions are expected to provide greater contributions to society while strengthening their role in the economy. Accordingly, the progress of Islamic RDBs can be considered increasingly positive as it aligns with their original purpose. To illustrate this progress, the asset growth trend of Islamic RDBs during the 2019–2023 period is presented below:



Picture 1. Asset Development of Islamic RDBs for the 2019–2023 Period

Source: Roadmap Penguatan Bank Pembangunan Daerah (2024)

Although, in aggregate, Islamic RDBs show positive asset performance, the performance of each Sharia Business Unit (SBU) of RDB is not entirely uniform. For example, the SBU of RDB East Java experienced a 19.95% decline in assets, from IDR 3.8 trillion in 2021 to IDR 3.1 trillion in 2022 [5, pp. 132–133]. Conversely, several other SBUs recorded positive growth, including the SBU of RDB Central Java, which grew by 17.42% to IDR 6.2 trillion [6, p. 169], the SBU of RDB Yogyakarta Special Region, which increased by 21.86% to IDR 1.9 trillion [7, p. 166], and the SBU of RDB Jakarta Capital Region, which recorded the highest assets at IDR 7.9 trillion with a growth of 10.63% [8, p. 192]. This condition highlights the uneven performance among SBUs of RDBs in that year, despite operating within the same economic region. To provide a clearer picture of asset development, the growth of SBUs’ assets in Java Island during the 2019–2023 period is presented below:



Picture 2. Assets of SBUs of RDBs in Java Island for the 2019–2023 Period

Source: Financial Reports of SBU RDB JATIM, JATENG, DIY, and DKI (2019–2023)

In fact, Java Island possesses an enormous Islamic market potential. In 2022, the Muslim population in this region was estimated at 149 million, representing more than 50% of Indonesia’s total Muslim population [9]. Moreover, Java contributes the largest share to the national Gross Domestic Product (GDP), amounting to 57.05% in the fourth quarter of 2023, with financial services being one of the main contributing sectors [10, pp. 20–21]. With the support of a dominant Muslim population base and significant economic contribution, this region should serve as a highly potential market for the development of Islamic banking, including the SBUs of RDBs. However, the fact that some SBUs still experienced asset declines amidst such substantial market opportunities demonstrates that positive performance assessments cannot merely be based on asset growth or market potential alone [11, p. 52], but rather require a more in-depth evaluation of financial performance.

Thus far, the performance measurement of Islamic banks has generally relied on conventional financial indicators focusing on profitability, such as the CAMELS method and the RGEC framework. However, Islamic banks possess unique characteristics that fulfill social functions, such as zakat distribution and sharia compliance [12, p. 155]. Therefore, a more comprehensive instrument like the Islamicity Performance Index (IPI) is needed [13, p. 8]. Introduced by Hameed [14], the IPI measures performance through indicators like Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Equitable Distribution Ratio (EDR), and Islamic Income vs Non-Islamic Income (IInc vs NIInc).

The current state-of-the-art in Islamic banking literature positions the Islamicity Performance Index (IPI) as a critical evaluation instrument, as it effectively aligns financial outcomes with profound Sharia principles. Recent studies, such as those by Saputri et al. [15] and Arafah & Wijayanti [16], confirm that the indicators within the IPI correlate significantly with overall financial performance. However, a distinct research gap remains; the majority of previous studies have predominantly focused on national Sharia Commercial Banks (SCBs). Research specifically highlighting the performance of Sharia Business Units (SBUs) within Regional Development Banks (RDBs) is still very limited, despite these regional institutions possessing unique operational characteristics and mandates for

local development that differ from larger Islamic banks [17]. Furthermore, the interaction between IPI management and operational challenges at the regional level remains under-explored within the Indonesian banking context [18].

This study addresses these gaps by offering novelty in the form of a comparative analysis of IPI-based financial performance across four SBUs of RDBs in Java Island. Unlike prior research, this study provides a more comprehensive overview by covering the 2019–2023 period, allowing it to capture the performance dynamics of regional institutions amidst fluctuating economic conditions. This approach also responds to the need for evaluation frameworks that are more sensitive to local economic conditions and regional customer demographics [19]. By comparing the indicators of PSR, ZPR, EDR, and IInc vs NIIInc, this research is expected to provide a more objective depiction of the effectiveness of Sharia banking practices at the regional scale. Accordingly, the purpose of this study is to examine and compare the financial performance of SBUs of RDBs in Java Island based on the IPI so that the findings can serve as a basis for performance evaluation as well as a reference in formulating more effective development strategies in the future [20, p. 6].

METHOD

This study adopts a quantitative approach with a comparative design, which emphasizes objective and systematic numerical data analysis Sugiyono [21, p. 7] and aims to compare multiple objects to identify differences and similarities [22, p. 45]. The population consists of all Sharia Business Units (SBU) of Regional Development Banks (RDB) in the Financial Services Authority (FSA) database for 2019–2023, totaling 12 units [23, p. 80]. Samples were determined using purposive sampling with criteria including: official registration with the FSA, consistent financial report publication from 2019–2023, significant contribution to regional Gross Domestic Product (GDP), and complete financial statements. Based on these criteria, the selected samples were the SBUs of RDBs in East Java (JATIM), Central Java (JATENG), Special Region of Yogyakarta (DIY), and Special Capital Region of Jakarta (DKI).

The analytical tool employed is the Islamicity Performance Index (IPI), which integrates material, social, and spiritual dimensions of performance, measured through four indicators: Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Equitable Distribution Ratio (EDR), and Islamic Income vs Non-Islamic Income (IInc vs NIIInc). Data were obtained from secondary sources, specifically annual financial statements of the SBUs during 2019–2023. The analysis was conducted in three stages: calculating each IPI ratio from financial statements, converting ratio results into scores based on Aisjah and Hadianto's assessment standards, and classifying them into predicate categories, followed by a comparative analysis using the average score of all indicators to assess the overall performance of each SBU.

RESULTS AND DISCUSSION

Results of the Profit Sharing Ratio

Table 1. Results of PSR SBU RDB in Java Island

	SBU RDB	Year					Average	Score	Predicate
		2019	2020	2021	2022	2023			
PSR	JATIM	49.85%	48.91%	49.56%	52.11%	56.48%	51.38%	2.57	LS
	JATENG	45.67%	39.52%	34.42%	32.63%	28.41%	36.13%	1.81	U
	DIY	30.61%	29.40%	37.97%	37.00%	43.79%	35.75%	1.79	U
	DKI	64.64%	63.62%	62.81%	62.75%	65.60%	63.88%	3.19	FS

Based on the calculation results of the Profit Sharing Ratio (PSR) for Sharia Business Units (SBU) Regional Development Banks (RDB) in Java Island, it is observed that the highest average PSR during the 2019–2023 period was achieved by the SBU RDB DKI, with a value of 63.88%. Meanwhile, the lowest average PSR during the same period was recorded by the SBU RDB DIY, with a value of 35.75%.

Results of the Zakat Performance Ratio

Table 2. Results of ZPR SBU RDB in Java Island

	SBU RDB	Year					Average	Score	Predicate
		2019	2020	2021	2022	2023			
ZPR	JATIM	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.00000	VU
	JATENG	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.00000	VU
	DIY	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.00000	VU
	DKI	0.009%	0.003%	0.001%	0.000%	0.000%	0.003%	0.00015	VU

Based on the calculation results of the Zakat Performance Ratio (ZPR) for Sharia Business Units (SBU) Regional Development Banks (RDB) in Java Island, it is observed that the highest average ZPR during the 2019–2023 period was achieved by the SBU RDB DKI, with a value of 0.003%. Meanwhile, the lowest average ZPR during the same period was recorded by the other three SBU RDBs in Java Island, with a value of 0.000%.

Results of the Equitable Distribution Ratio

Based on the calculation results of the Equitable Distribution Ratio (EDR) for Sharia Business Units (SBU) Regional Development Banks (RDB) in Java Island, it is observed that the highest average EDR during the 2019–2023 period was achieved by the SBU RDB DIY, with a value of 24.78%. Meanwhile, the lowest average EDR during the same period was recorded by the SBU RDB JATENG, with a value of 11.89%.

When examined from each sub-indicator, the results vary. For the Equitable Distribution Ratio - Qardh and Donations (EDR-QD), the highest average during the 2019–2023 period was achieved by the SBU RDB JATIM, with a value of 13.04%, while the lowest value was recorded by the SBU RDB DKI, with an achievement of 0.15%.

Table 3. Results of EDR SBU RDB in Java Island

Sub	SBU RDB	Year					Average	Score	Predicate	
		2019	2020	2021	2022	2023				
EDR	JATIM	QD	11.48%	9.65%	9.78%	15.56%	18.72%	13.04%	0.65	VU
		LE	22.74%	18.84%	10.67%	11.97%	19.46%	16.74%	0.84	VU
		NI	1.28%	4.40%	5.62%	17.37%	13.06%	8.35%	0.42	VU
		Amt	11.83%	10.96%	8.69%	14.97%	17.08%	12.71%	0.64	VU
	JATENG	QD	0.05%	0.76%	0.82%	0.77%	0.54%	0.59%	0.03	VU
		LE	12.12%	15.85%	17.40%	21.52%	22.97%	17.97%	0.90	VU
		NI	25.89%	23.03%	0.62%	12.83%	23.21%	17.12%	0.86	VU
		Amt	12.69%	13.21%	6.28%	11.71%	15.57%	11.89%	0.59	VU
	DIY	QD	6.05%	15.21%	10.45%	9.53%	5.47%	9.34%	0.47	VU
		LE	14.74%	18.67%	16.79%	13.92%	13.19%	15.46%	0.77	VU
		NI	47.13%	43.39%	47.24%	53.74%	56.22%	49.54%	2.48	LS
		Amt	22.64%	25.76%	24.83%	25.73%	24.96%	24.78%	1.24	U
DKI	QD	0.41%	0.16%	0.08%	0.09%	0.04%	0.15%	0.01	VU	
	LE	8.83%	11.91%	11.05%	11.96%	13.14%	11.38%	0.57	VU	
	NI	54.65%	52.68%	38.30%	31.55%	22.24%	39.88%	1.99	U	
	Amt	21.30%	21.58%	16.48%	14.53%	11.81%	17.14%	0.86	VU	

For the Equitable Distribution Ratio – Labor Expenses (EDR-LE), the highest average during the 2019–2023 period was achieved by the SBU RDB JATENG, with a value of 17.97%, while the lowest value was recorded by the SBU RDB DKI, with an achievement of 11.38%.

Meanwhile, for the Equitable Distribution Ratio – Net Income (EDR-NI), the highest average during the 2019–2023 period was achieved by the SBU RDB DIY, with a value of 49.54%. Conversely, the lowest average during the same period was recorded by the SBU RDB JATIM, with an achievement of 8,35%.

Results of the Islamic Income vs Non-Islamic Income

Table 4. Results of IInc vs NIInc SBU RDB in Java Island

IInc vs NIInc	SBU RDB	Year					Average	Score	Predicate
		2019	2020	2021	2022	2023			
IInc vs NIInc	JATIM	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	5.00	VS
	JATENG	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	5.00	VS
	DIY	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	5.00	VS
	DKI	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	5.00	VS

Based on the calculation results of the Islamic Income vs Non-Islamic Income (IInc vs NIInc) for Sharia Business Units (SBU) Regional Development Banks (RDB) in Java Island, it was found that the highest average value during the 2019–2023 period was consistently achieved by all SBU RDBs, with an achievement of 100%.

Results of the Comparative Assessment of the Islamicity Performance Index

Results of Based on the comparative assessment results of the Islamicity Performance Index (IPI) indicators, which include the Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Equitable Distribution Ratio (EDR), and Islamic Income vs Non-Islamic Income (IInc vs NIInc) for Sharia Business Units (SBU) Regional Development Banks (RDB) in Java Island, it is observed that the highest

average IPI score during the research period was achieved by the SBU RDB DKI, with a value of 2.26. This achievement places the SBU RDB DKI in the first rank compared to the other three SBU RDBs in Java Island.

Table 5. Results of the Comparative Assessment of the IPI SBU RDB in Java Island

IPI	SBU RDB	IPI Indicator Score				Score Average	Score Predicate	Predicate
		PSR	ZPR	EDR	IInc vs NIInc			
	JATIM	2.57	0.00000	0.64	5.00	2.05	2	LS
	JATENG	1.81	0.00000	0.59	5.00	1.85	4	U
	DIY	1.79	0.00000	1.24	5.00	2.01	3	LS
	DKI	3.19	0.00015	0.86	5.00	2.26	1	LS

Discussion of the Profit Sharing Ratio

The Profit Sharing Ratio (PSR) within the Islamicity Performance Index (IPI) reflects the extent to which Sharia Business Units (SBU) of Regional Development Banks (RDB) apply profit-sharing contracts, particularly mudharabah and musyarakah. During 2019–2023, the results showed variations among the SBUs; however, none achieved the “Satisfactory” category, as their financing portfolios were still largely dominated by margin-based contracts such as murabahah. SBU RDB JATIM attained a “Less Satisfactory” rating but displayed a positive trend with profit-sharing financing reaching around 50% of the portfolio in 2023, reflecting consistency in promoting fairness and cooperation [5, p. 99]. In contrast, SBU RDB JATENG was rated “Unsatisfactory” due to a declining PSR, driven by murabahah financing that exceeded 50% of the portfolio, limiting its contribution to productive economic growth [6, p. 89].

Similarly, SBU RDB DIY was rated “Unsatisfactory” with notable fluctuations, recording the lowest share of profit-sharing financing, which underscores its greater reliance on margin-based contracts [7, p. 80]. On the other hand, SBU RDB DKI performed relatively better, achieving a “Fairly Satisfactory” rating with an average share of profit-sharing financing above 50% [8, p. 90]. Although it experienced a decline between 2020–2022, improvements in 2023 indicated persistent efforts to strengthen fairness principles through profit-sharing schemes.

Overall, the findings indicate that none of the SBU RDBs in Java Island reached the “Satisfactory” category for the PSR indicator, consistent with Trimulato’s argument that Islamic banks often prioritize murabahah contracts due to their assured profitability, while profit-sharing contracts carry greater uncertainty [24, p. 57]. However, as Islamic financial institutions, SBU RDBs are expected not only to pursue profitability but also to contribute to community economic development [25, p. 2055]. Hence, increasing the portion of profit-sharing financing is essential to align financial practices with broader socio-economic objectives [26, p. 298].

Profit-sharing schemes such as mudharabah and musyarakah are particularly significant, as they enable banks to partner with entrepreneurs who possess skills but lack sufficient capital, thereby ensuring a fairer distribution of benefits [27, p. 61]. As natural uncertainty contracts (NUC), these financing modes

allow risks and returns to be shared proportionally, embodying fairness, trust, and collaboration as the core principles of Islamic banking [25, p. 2055]. Strengthening portfolios based on these contracts not only has the potential to improve PSR performance but also to reinforce the sustainability of Islamic banking while fostering inclusive real-sector growth in a Sharia-compliant manner.

Discussion of the Zakat Performance Ratio

The Zakat Performance Ratio (ZPR) measures the extent to which Sharia Business Units (SBU) of Regional Development Banks (RDB) fulfill zakat obligations from internal income. Analysis for 2019–2023 shows that all SBUs in Java Island received a “Very Unsatisfactory” rating, reflecting minimal realization of internal zakat. At SBU RDB JATIM, the ZPR remained stagnant at 0%, with zakat distribution sourced mainly from external funds averaging IDR 14 million annually, indicating no fulfillment of internal obligations [28]. A similar condition occurred at SBU RDB JATENG, where the ZPR stayed at 0% despite internal funds increasing to IDR 66 million in 2023, highlighting weak institutional commitment [29].

SBU RDB DIY also recorded a ZPR of 0%, even though it distributed external zakat averaging IDR 3 billion per year, the highest among all SBUs, showing that internal zakat was not prioritized [30]. Meanwhile, SBU RDB DKI was the only institution that distributed zakat from internal income during certain years, although the trend declined toward 2023. Despite inconsistency, this made its ZPR performance relatively better compared to other SBUs in Java Island [31].

The findings confirm that internal zakat distribution among SBU RDBs in Java Island remains very limited, despite the obligation to allocate 2.5% of net assets that have reached the nishab and haul requirements [32, p. 191]. Even when this minimum is fulfilled, the resulting ZPR would still be rated Unsatisfactory, thereby requiring optimization beyond the basic threshold. This is in line with Yusuf al-Qaradawi’s view that zakat distribution exceeding the minimum can be regarded as *shadaqah tathawwu’* (additional charity) [33]. Similarly, Adi Hidayat emphasizes that zakat, when performed with sincerity, functions not only as an act of worship but also as a means of strengthening moral awareness within institutions [34].

Zakat obligations are proportional to institutional asset growth, as higher assets typically correspond to greater profits and, consequently, larger zakat responsibilities [35, p. 18]. Beyond its spiritual role as *tazkiyah* (purification of wealth), zakat also carries social and moral functions, such as reducing individualism, fostering empathy, and promoting equitable wealth distribution [36, p. 22]. When optimized, internal zakat can positively impact socioeconomic conditions by alleviating poverty, reducing inequality, and supporting sustainable development [37, p. 136]. Thus, zakat should be viewed not only as a ritual obligation but also as a strategic instrument that strengthens Islamic banking’s commitment to sharia compliance and social responsibility.

Discussion of the Equitable Distribution Ratio

The Equitable Distribution Ratio (EDR) evaluates how Sharia Business Units (SBU) of Regional Development Banks (RDB) distribute income fairly among stakeholders, including society through *qardh* and donations, employees through

labor expenses, and institutions through net income. Findings for 2019–2023 show that almost all SBUs in Java Island were rated “Very Unsatisfactory,” except SBU RDB DIY, which achieved “Unsatisfactory.” For the sub-indicator EDR-QD, all SBUs recorded very low scores, with SBU RDB JATIM slightly outperforming others and SBU RDB DKI in the lowest position. Both SBU RDB JATENG and DIY showed a declining trend, mainly due to reliance on external social funds rather than internal income contributions.

Regarding EDR-LE, all SBUs were rated “Very Unsatisfactory,” although SBU RDB JATIM improved in 2022–2023 and SBU RDB JATENG performed relatively better overall, despite low scores. This reflects limited appreciation of employee contributions. For EDR-NI, variations emerged: “Very Unsatisfactory” for SBU RDB JATIM and JATENG, “Less Satisfactory” for SBU RDB DIY, and “Unsatisfactory” for SBU RDB DKI. Notably, SBU RDB JATENG’s ratio fell sharply to 0.62% in 2021 due to asset losses of IDR 142 billion, which constrained its ability to allocate funds for institutional sustainability [29].

In general, the low EDR scores of SBU RDBs in Java Island were driven by minimal allocations for internal donations, limited labor expenses, and low net income appropriation. This imbalance was further worsened by the absence of internal zakat distribution and, in some cases, the lack of income tax payments, resulting in relatively high recorded income but disproportionate benefits for stakeholders. From the perspective of Shariah Enterprise Theory, income distribution should uphold justice and balance, where society deserves benefits from institutional activities [38, p. 397], employees are entitled to fair welfare as recognition of their contributions [39, pp. 31–34], and institutions require sufficient allocation for sustainability [40, p. 26].

These findings highlight the urgent need for SBU RDBs in Java Island to adopt strategic measures that improve fair and proportional distribution. Enhancing EDR performance would not only raise the Islamicity Performance Index (IPI) score but also signify the practical application of sharia principles of justice, promote social welfare, provide fair appreciation for employees, and reinforce the long-term sustainability of Islamic financial institutions.

Discussion of the Islamic Income vs Non-Islamic Income

The Islamic Income vs Non-Islamic Income (IInc vs NIInc) ratio serves as a key measure of sharia compliance by evaluating the extent to which income sources align with Islamic principles and how non-halal income is managed. Findings for the 2019–2023 period show that all Sharia Business Units (SBU) of Regional Development Banks (RDB) in Java Island maintained a 100% ratio, earning a “Very Satisfactory” rating. This consistency indicates a strong institutional commitment to ensuring that income is derived exclusively from sharia-compliant activities, while also applying proper mechanisms for separating and redistributing any potential non-halal income to social purposes.

Individually, each SBU demonstrated policies reinforcing this compliance. The SBU RDB JATIM achieved a 100% ratio by deriving all income from sharia-based activities and placing funds solely in Islamic banks and the Bank Indonesia Sharia Facility (FASBIS) [41, p. 434]. Similarly, the SBU RDB JATENG applied a

general ledger qardh to separate non-halal funds such as interest or fines, which were then redirected for social use [6, p. 483]. The SBU RDB DIY also managed potential non-halal income by allocating it directly to social welfare activities [7, p. 363]. Meanwhile, the SBU RDB DKI, despite recording IDR 15 million of non-halal income in 2020, fully allocated these funds to social programs such as housing initiatives, ensuring they were not included in operational income [8, p. 898]. Collectively, these practices demonstrate both strict adherence to sharia compliance and transparency in income management.

Overall, the management results of IInc vs NIIInc across the four SBU RDB in Java Island show alignment with Stewardship Theory, which emphasizes integrity, accountability, and responsibility in resource management. Entirely halal income not only strengthens institutional legitimacy in the public eye but also enhances societal trust in the presence of Islamic banking [42, p. 154]. Thus, consistency in maintaining income purity and transparent management of non-halal income constitutes the primary foundation for the sustainability of Islamic banking operations based on principles of justice and sharia compliance.

Discussion of the Comparative Assessment of the Islamicity Performance Index

Based on the measurement results of the four indicators of the Islamicity Performance Index (IPI), the Sharia Business Units (SBU) Regional Development Bank (RDB) DKI ranked first with an average score of 2.26. The next positions were occupied by the SBU RDB JATIM with a score of 2.05, the SBU RDB DIY with 2.01, and the SBU RDB JATENG with 1.85. The superiority of the SBU RDB DKI can be analyzed through three main dimensions, namely justice, purity, and the halal nature of income, which are measured through the indicators of the Profit Sharing Ratio (PSR), the Equitable Distribution Ratio (EDR), the Zakat Performance Ratio (ZPR), and Islamic Income vs Non-Islamic Income (IInc vs NIIInc).

The PSR reflects the application of the principle of justice in transactions [43, p. 977], particularly in the profit-sharing mechanism between the bank and its customers. During the 2019–2023 period, the SBU RDB DKI successfully recorded the highest PSR value among other SBU RDB in Java Island. This achievement demonstrates consistency in implementing mudharabah and musyarakah-based financing schemes fairly and transparently. Thus, the SBU RDB DKI not only maintained balance in profit and risk sharing but also strengthened the principle of transactional justice, which constitutes a fundamental pillar of Islamic banking.

The EDR is used to reflect the extent to which income earned by Islamic banking is fairly distributed to stakeholders [43, p. 977], including society, employees, and institutions. On this indicator, the SBU RDB DKI ranked second after the SBU RDB DIY. This indicates that although DKI excelled in the aspect of profit sharing, more equitable income distribution still requires improvement so that economic benefits can be more optimally felt by all related parties. The ZPR serves as a benchmark for reflecting the purity of the institution through its commitment to zakat distribution sourced from the internal income of Islamic banking [43, p. 978]. Research findings show that the SBU RDB DKI achieved the highest ZPR score during the 2019–2023 period. This achievement illustrates its active role in ensuring that zakat distribution truly originates from internal business

results. This not only emphasizes the purity of the institution but also strengthens corporate social responsibility in accordance with sharia principles.

The IInc vs NIIInc reflects the halal aspect of the income earned by Islamic banking [43, p. 978]. All SBU RDB in Java Island, including the SBU RDB DKI, successfully maintained a 100% ratio throughout the research period. Thus, it can be ensured that core income was entirely derived from halal activities, while any non-halal income was managed separately for allocation to social activities and community welfare. This practice demonstrates the bank's commitment to maintaining income purity in accordance with sharia.

Comprehensively, the comparative results of the Islamicity Performance Index (IPI) scores indicate that the SBU RDB DKI occupies the leading position compared to other SBU RDB in Java Island. This superiority is particularly evidenced through consistency in implementing the principle of transactional justice, as reflected in the PSR indicator, institutional purity as shown in the ZPR indicator, and the halal nature of income as measured by the IInc vs NIIInc indicator. This achievement proves that the SBU RDB DKI has been able to maintain sharia integrity while simultaneously enhancing public trust, thereby reinforcing its position as the leading SBU RDB in Java Island.

CONCLUSION

This study demonstrates that the financial performance of Sharia Business Units (SBU) within Regional Development Banks (RDB) in Java Island, based on the Islamicity Performance Index (IPI), still faces several challenges across key indicators. The Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), and Equitable Distribution Ratio (EDR) in the majority of SBU RDBs in Java have not yet reached the "Satisfactory" category, as their scores remain below the established standard. This condition reflects the continued dominance of margin-based contracts compared to profit-sharing contracts, even though profit-sharing serves as a fundamental pillar of Islamic banking practices. Furthermore, internal zakat management has not been fully optimized, as some SBUs distribute zakat only partially or do not distribute it at all, despite zakat being an inherent obligation of Islamic financial institutions. On the other hand, income distribution still indicates an imbalance among society, employees, and the institution itself, although each party has a proportional right to the sustainability of the institution. Nevertheless, the Islamic Income vs Non-Islamic Income indicator consistently shows positive outcomes, as all SBU RDBs achieved a perfect score of 100%, reaffirming their compliance in preserving the purity of income sources through the proper resolution of non-halal earnings.

Based on the comparative results, the SBU RDB DKI achieved the best position with the highest average score compared to the SBU RDBs of JATIM, DIY, and JATENG. This superiority is demonstrated by its consistency in applying profit-sharing contracts, relatively more optimal internal zakat management, and a strong commitment to ensuring the permissibility of all income sources in accordance with sharia principles. This achievement places the SBU RDB DKI in a more prominent position than the other three SBU RDBs in Java Island. Therefore, it can be concluded that the SBU RDBs in Java have generally demonstrated sound sharia

compliance, in line with the objectives of establishing SBUs as part of efforts to develop an economic system based on Islamic principles. However, to attain the position of a balanced Islamic financial institution, SBU RDBs should not solely focus on profitability but must also strengthen their role in supporting community economic development, consistent with the primary function of RDBs themselves.

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