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Conceptual Model of Determining Factors of Islamic Banking Financial Performance

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ABSTRACT

This study aims to identify the determinants of the financial performance of Islamic banking and develop a conceptual model. This type of research uses a qualitative method with a literature study approach. Data collection uses the publish or perish application selected with the preferred reporting items for the systematic reviews and meta-analyses (PRISMA) approach. This study has identified 46 journals that meet the inclusion and exclusion criteria. Based on the analysis of 46 journals found, 40 determinants of the financial performance of Islamic banking. The financial performance elements of Islamic banking have been compiled as a conceptual model categorized into two dimensions: financial and non-financial factors. Furthermore, nine theories are found in 46 journals: agency theory, commercial loan theory, legitimacy theory, exchange theory, company theory, resource-based theory, resource dependency theory, signal theory, and stakeholder theory.

Keywords: Islamic banking, financial performance, PRISMA, conceptual model.

INTRODUCTION

Islamic banking in Indonesia is experiencing rapid development (Amalia, 2020). Arif et al. (2022) describe that Islamic banking related with is a financial institution that runs according to its function as a media intermediary for raising funds and distributing financing using sharia principles to the public. It can be seen from the indicators of the number of Islamic Banks and Islamic Business Units in Indonesia. Based on the November 2022 Islamic Banking Statistics (OJK, 2020), there are 13 Islamic Commercial Banks in Indonesia with total assets of IDR 502,571 (in billion Rupiah). Furthermore, there are 20 Islamic Business Units with total assets of IDR 235,175 (in billions of Rupiah). The success of Islamic banking was supported by the stimulus for Islamic banking regulations (Baidhowi, 2018; Nastiti & Kasri, 2019) with the enactment of the Banking Law No. 7 of 1992 concerning Banking (Fitriasari, 2012). Subsequent developments show that Islamic Banking can produce significant assets (Suwarno & Muthohar, 2018). Fitriasari (2012) identified the journey of Islamic banking beginning with a workshop held by the Indonesian Ulema Council (MUI) in 1990. This development of Islamic banking has given Indonesia a position as a country representing most of the world's Muslim population (Affandi & Astuti, 2014).

Although the expansion of Islamic banking in Indonesia continues, it faces challenges related to financial performance standards (Rahmaniar & Ruhadi, 2020). Therefore, it is crucial to pay attention to the financial performance of Islamic Banking to provide an overview of financial performance for a certain period (Zakiyudin & Mufraeni, 2021). Financial performance is related to exposure to the bank's financial situation over a certain period, which discusses raising and distributing funds (Suryakusuma & Wahyuni, 2018). Financial results from utilising resources and operational activities following Islamic principles in Islamic banking are presented in the financial performance of Islamic banking (Maulidia & Fahlevi, 2022). Furthermore, financial performance is one of the performance components of Islamic Banking. Therefore, financial performance is also a factor to consider in maintaining the continuity of Islamic Banking operations (Fitri & Afriyenti, 2021).

Financial performance is an essential assessment for parties interested in the bank. Investors, creditors, customers, employees, the government and the surrounding community are some interested parties. According to several researchers, e.g. Bahri & Al Faruqy (2023) and Sukma & Krisnadewi (2013), it is essential to assess the performance of business entities to provide management with confidence that the objectives set by the entity have been achieved. Mariza (2003) believes that financial performance can be measured using indicators of net profit and Return on Investment (ROI) (Bahri & Al Faruqy, 2023).

Evaluating banking performance is very important considering the many interested parties (Umar & Haryono, 2022). In addition, evaluating company performance can help overcome past problems (Sari & Indrarini, 2019). Maintaining stakeholder trust in Islamic banks is very important for assessing banking performance. By maintaining stakeholder trust, Islamic banks are expected to be able to attract more customers and ultimately become a trusted source of financing for the community (Kristianingsih & Wildan, 2020). Through evaluating financial performance, management can carry out its duties to stakeholders and achieve the goals set by Islamic banking (Munir, 2017). Therefore, the determinants of Islamic banking financial performance must be the concern of all parties.

However, the description regarding the determinants of the financial performance of Islamic Banking is still limited. This condition is due to the limited comprehensive research describing the various determinants of Islamic banking financial performance. It can result in the development of Islamic banking financial performance in Indonesia needing to be more optimal. Therefore, an overview of Islamic banking's financial performance determinants is needed to develop Islamic Banking. One of the efforts needed is identifying and developing a conceptual model of the determinants of Islamic banking financial performance.

Various analyses of Islamic banking financial performance have been carried out, e.g. Amalia (2020), Bahri et al. (2022), Cakhyanu (2018), Setiawan et al. (2020), and Anggraeni (2019). However, research by Amalia (2020) and Cakhyanu (2018) deals with evaluating the performance of Islamic Commercial Banks in Indonesia using the Islamic Maqashid Index (SMI) approach. Furthermore, research by Bahri et al. (2022)

discusses the performance of Islamic Commercial Banks in Indonesia utilising the Maqashid Islamic Index and Comparative Performance Index approaches. Furthermore, research by Setiawan et al. (2020) deals with measuring financial and non-financial performance with objects in Islamic Banks in Five Asian Countries. Meanwhile, research by Anggraeni (2019) discusses the disclosure of social performance and corporate social responsibility in Islamic banking.

Meanwhile, research identifying and compiling the determinants of Islamic banking financial performance still needs to be completed. Based on this information, this research needs to be conducted because it can provide information about the factors that have influenced the financial performance of Islamic banking. In addition, the findings obtained can form the basis for development research related to the financial performance of Islamic banking in Indonesia. Islamic bank stakeholders wishing to develop Islamic banking in Indonesia can also use the results. Therefore, this study aims to identify and construct a conceptual model of the determinants of Islamic banking financial performance.

METHOD

The research method used in this paper is a qualitative research method with a literature study approach (Rosalina & Bahri, 2022). The type of data used in this paper is secondary data, namely reference journals sourced from Google Scholar. Data collection techniques used the Systematic Literature Review (SLR) approach. SLR is carried out in three stages: planning, implementing and reporting the literature review (Latifah & Ritonga, 2020). The SLR uses the preferred reporting items for systematic reviews and meta-analyses (PRISMA) approach (Bahri et al., 2022) and Shahab et al., 2021). The PRISMA-P plan is shown in Figure 1 in detail.

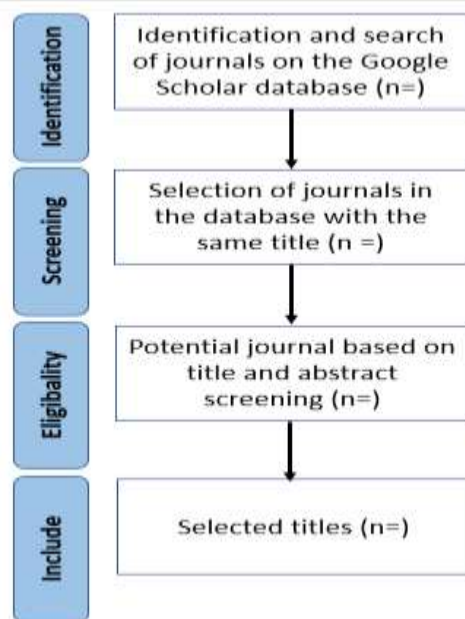


Figure 1. PRISMA-P Flow Diagram Plan
Source: Bahri et al. (2022); Shahab et al. (2021)

The selection of data with PRISMA was made purposively. The requirements specified are journals selected based on the year of publication between 2018 and 2022, and the factors selected have significant/positive significant values. This study selects data using a purposive PRISMA approach. The journal requirements specified in the selection are journals that are selected based on the year of publication between 2018 and 2022. Furthermore, the factors selected have significant value. Based on the PRISMA approach, the data selection process uses publish or perish applications and goes through four stages: identification, screening, eligibility, and inclusion.

RESULT AND DISCUSSION

Results of Article Selection

This research has selected various articles with data categories from 2018 to 2022 through a 4-stage process (identification, screening, eligibility, and included) using the title word "Islamic bank finance" and four keywords: "performance", "performance" "Islamich bank", and "financial". The results of the article selection process on July 14, 2022, were obtained using the PRISMA flow diagram shown in Figure 2.

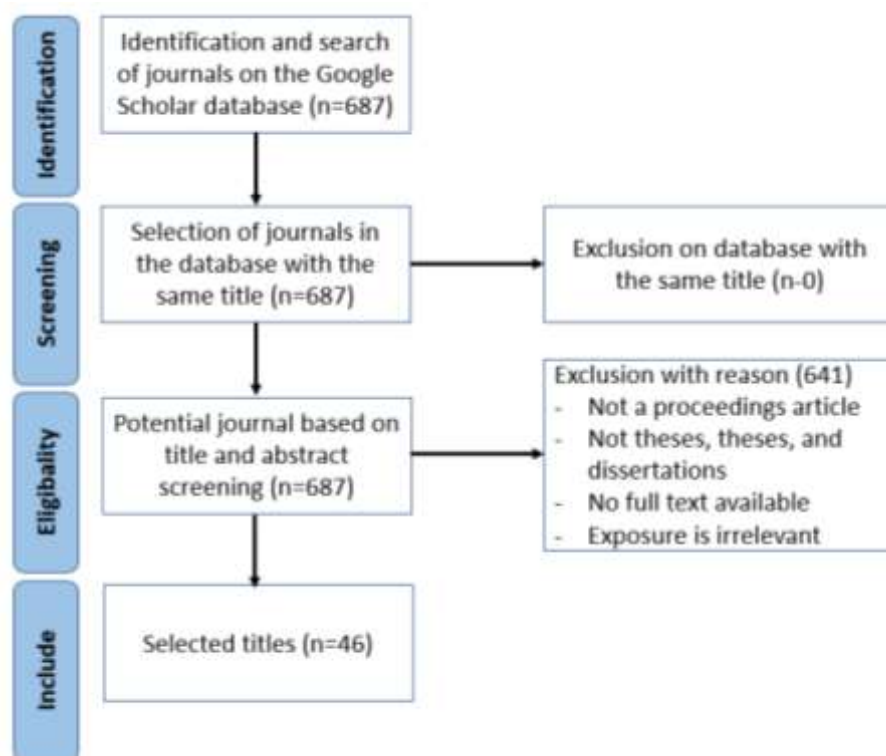


Figure 2. Results of Article Selection Using PRISMA Flow Diagrams

Based on the PRISMA flow diagram image and search results from the Google Scholar database, the journals obtained were 687. Furthermore, journals with the same title were eliminated and adjusted according to the inclusion and exclusion criteria. After that, screening of titles and abstracts was carried out, with a total of 46 journals selected

for this systematic review. The analysis results from a search on the Google Scholar database obtained 46 relevant journals. The results of this analysis are described in Table 1.

Table 1. Results of Article Selection Using PRISMA Flow Diagrams

Year	No	Title and Researcher	Method	Sample	Result
2022	1	Analysis of the Influence of Mobile Banking and Financial Inclusion on the Financial Performance of Islamic Banks in Indonesia for the 2014-2019 Period (Widyandri & Laila, 2022)	Quantitative, descriptive analysis and documentation	11 BUS with 66 processed data (6-year study period)	Mobile Banking, Intellectual Capital, CAR, FDR, Tax avoidance, Good Corporate Governance, Structure of the Board of Commissioners Zakat, NPF, NIM, KAP
	2	Intellectual Capital and Financial Performance of Islamic People's Financing Banks (Muawanah & Baihaqi, 2022)	Quantitative, Partial Least Square (PLS), descriptive analysis, and documentation	23 BPRS with 69 data (3-year study period).	
	3	Do Banking Financial Ratios Impact the Health Rating of Islamic Banks? (Susilowati & Siregar, 2022a)	Quantitative, multiple regression test, and documentation	56 items	
	4	The Effect of Net Operating Margin, Capital Adequacy Ratio, Financing to Deposit Ratio, and Non-Performing Loans on Profitability (Empirical Study of Islamic Banks Registered with the Financial Services Authority for the 2014-2018 period), (Mulyani et al., 2022)	Quantitative, descriptive analysis, panel data regression, and documentation	Seven banks with 35 data	
	5	The Urgency of Bank Health Assessment and Tax Avoidance on the Financial Performance of Islamic Banking (Susilowati & Siregar, 2022b)	Quantitative, descriptive analysis, and documentation	Seventy-two items were obtained from 12 months x 6 years	
	6	Good Corporate Governance, Risk Management and	Quantitative, casual, linear regression	14 BUS with 56 data	

		Financing to Deposit Ratio on the Financial Performance of Islamic Commercial Banks (Halim & Buana, 2022)	models and documentation	(2016-2019 period)	
	7	The Influence of Intellectual Capital, Islamic Corporate Social Responsibility and Zakat on the Financial Performance of Islamic Commercial Banks for the 2012-2020 Period (Maulidia & Fahlevi, 2022)	Quantitative, descriptive, panel data regression analysis, and literature and documentation	4 Islamic banks with 36 observation data	
	8	Fluctuations in Financial Ratios FDR, NIM, NPF and BOPO to Profitability (ROA) in Islamic Commercial Banks (Ferawati, 2022)	Quantitative and field research.	80 Financial reports	
	9	The Impact of Bank Soundness Ratios on the Financial Performance of Islamic Commercial Banks for the 2015-2019 Period (Karo-Karo, 2022)	Quantitative, descriptive analysis, and documentation	60 observation data	
	10	Moderating Variable on the Financial Performance of Islamic Banking in Indonesia (Empirical Studies on Islamic Commercial Banks in Indonesia Period 2014 Q1 - 2018 Q4) (Kurnia & Wahyudi, 2022)	Kuantitatif, analisis deskriptif, moderated regression analysis, dan dokumentasi.	11 bank dengan data sebanyak 220.	
2021	11	The Effect of Islamic Social Reporting on Financial Performance, Zakat as Intervening in Islamic Commercial Banks in Indonesia (Adisaputra, 2021)	Quantitative, comparative, descriptive analysis, and documentation	8 BUS with 40 data (5-year study period)	ISR, Zakat, CAR, FDR, Total Asset Turnover (TATO), BOPO, Total board of directors, Characteristics of the board, Audit Committee, GCG, CSR, Profit sharing financing, murabahah financing,

				BOPO, DPS educational qualifications, IC, ZPR, Islamic Income vs Non-Islamic Income, NOM
12	The Influence of Non-Performing Financing (NPF), Financing Deposit to Ratio (FDR), Capital Adequacy Ratio (CAR) and Inflation on Profitability in Islamic Commercial Banks in Indonesia Registered with the Financial Services Authority in 2015-2019 (Rahmawati & Handri, 2021)	Association, panel data regression, and documentation	11 Islamic banks with 55 data	
13	Non-Performing Financing, Financing to Deposit Ratio to Financial Performance (Empirical Study of Islamic Commercial Banks Registered with the Financial Services Authority for the 2011-2020 period) (Wahyuni, 2021)	Quantitative, descriptive analysis, and documentation	2 BUS with 120 data	
14	The Effect of Financial Ratios on the Profitability of Islamic Commercial Banks in Era 4.0 (Amrina & Kaban, 2021).	Quantitative, multiple regression analysis, and documentation	11 BUS.	
15	Bank Financial Performance in Asset Growth, Solvability, and Total Asset Turnover with Financing Risk as a Moderating Variable (Case Study on Islamic Commercial Banks for the Period 2016-2020) (Septiani & Annisa, 2021)	Quantitative, descriptive analysis, Moderate Regression Analysis (MRA), and documentation	Sixty-five observational data from 13 banks	
16	Analysis of Factors Influencing Financial Performance (Case Study of Sharia Commercial Banks Registered with the Financial Services Authority for the 2015-	Descriptive quantitative, multiple regression analysis, and literature research	Seven banks	

	2019 Period) (Marlina & Suhono 2021)		
17	The Effect of Islamic Social Reporting (ISR) on Financial Performance in Islamic Commercial Banks in Indonesia (Adisaputra & Kurnia 2021).	Quantitative, descriptive analysis, and documentation	8 BUS with 40 data
18	Corporate Governance and Financial Performance of Islamic Banks in Indonesia (Carmidah & Sukirno 2021).	Quantitative, cross-section and times series data and documentation	12 BUS from 2014-2018
19	The Influence of Implementing Good Corporate Governance on the Financial Performance of Islamic Commercial Banks in Indonesia (Amelinda & Rachmawati 2021).	Quantitative, association approach, descriptive analysis, and documentation	66 BUS with observer data of 30 (Annual report in 2014-2018)
20	Factors Influencing the Performance of Islamic Banking in Indonesia (Study on Islamic Commercial Banks Registered with the Financial Services Authority for the 2015-2019 Period) (Dasopang, 2021).	Quantitative, multiple linear regression analysis, descriptive analysis, and documentation	11 BUS with 55 data (5-year study period)
21	Effect of the Volume of Profit Sharing Financing and Murabahah Financing on the Financial Performance of Islamic Commercial Banks for the 2015-2020 Period (Quatro et al., 2021)	Quantitative, descriptive, Error Correction Model (ECM) analysis, and documentary and literature studies	13 BUS with 68 monthly financial report data published in Islamic banking statistics
22	NPF Moderation of BOPO and CAR Interventions on the Financial Performance of Islamic Banks in Indonesia 2019-2021 (Barizi et al. 2021)	Quantitative, multiple regression analysis, and documentation	26 months
23	The Effect of the Characteristics of the Sharia Supervisory Board (DPS) on the Financial Performance of Sharia Commercial Banks Registered with the	Quantitative, descriptive analysis, multiple linear analysis, and documentation	13 BUS with 65 processed data (5-year study period)

		Indonesian Financial Services Authority (OJK) (Afiska et al., 2021)			
	24	Intellectual Capital, Islamicity Performance Index, and Financial Performance of Islamic Banks in Indonesia (2015-2020 Study) (Cahya et al., 2021)	Quantitative, associative causal, descriptive analysis	13 BUS with 30 observational data	
	25	The Effect of Disclosure of Islamic Ethical Identity, Agency Cost and Intellectual Capital on Financial Performance (Study of Islamic Commercial Banks Registered with the Financial Services Authority for the 2016-2018 period) (Mursidah et al. Zahara, 2021)	Quantitative, descriptive analysis, multiple linear regression analysis, and documentation	13 BUS with 39 data (2016-2018 period)	
	26	Analysis of the Influence of the Intermediation Function and Social Performance on the Financial Performance of Islamic Commercial Banks in Indonesia (Zakiyudin & Mufraini, 2021)	Quantitative, asymmetric causal, descriptive analysis, and documentary	11 BUS with 66 data	
2020	27	The Influence of Islamic Compliance, Islamic Corporate Governance, CAR, and Zakat on the Financial Performance of Islamic Commercial Banks (Sari et al., 2020)	Quantitative, descriptive analysis, literature study methods and internet research methods	8 BUS with 32 observational data	PSR, LOANTA, IER, IsIR, ZPR, FDR, GCG, EDR, CSR, Efficiency, Risk Taker Behavior, Intellectual Capital, Liquidity, Al-Bai Receivables
	28	and CIR on Profitability in Islamic Commercial Banks in Indonesia (Case Study of Islamic Commercial Banks Registered with the Financial Services Authority in 2008 – 2018) (Kumalasari & Hersugondo, 2020)	Quantitative, descriptive analysis, regression models, and documentation	11 BUS with 121 data	

29	Islamic Compliance and Financial Performance in Islamic Banks in Indonesia (Ovami, 2020)	Quantitative and documentation	13 Islamic banks
30	Impact Analysis of the Islamicity Performance Index and Intellectual Capital on the Financial Performance of Islamic Commercial Banks in Indonesia (Rahmaniar & Ruhadi, 2020)	Quantitative, descriptive analysis, time series and cross-section data, and documentation	7 BUS with 63 data
31	Analysis of the Financial Performance of Bank Muamalat Syariah in Indonesia (Mauliyati et al. 2020)	Quantitative, Ordinary analysis Least Square (OLS), descriptive analysis, and documentation	Bank Muamalat Syariah with 28 observational data (Periodes from 2012-2018)
32	The Influence of Islamic Compliance and Corporate Governance on Islamic Commercial Banks' Financial Performance (Lestari 2020)	Quantitative and documentation	7 BUS with 49 observation data (2012-2018, 7-year research period)
33	Corporate Social Responsibility and Financial Performance of Islamic Commercial Banks (Prasojo, Hadinata, and Shalihin 2020)	Quantitative, descriptive analysis, multiple regression analysis, and documentation	9 BUS with 54 research data (9 BUS x 6 years)
34	Increasing Market Share of Islamic Banks Through Financial Performance; Between Efficiency Moderation and Risk-Taking Behavior (Ubaidi 2020)	Quantitative, descriptive analysis, and documentation	34 Indonesian Sharia Banks (11 Sharia Commercial Banks, 13 Sharia Business Units) and produced 48 observational data (from SPS monthly data)
35	The Influence of Bank Internal Variables and Macroeconomic Variables on Financial Performance	Quantitative, panel data regression analysis, and	11 BUS

		(Study of Islamic Commercial Banks in Indonesia for the 2014-2018 Period) (Febriyanti & Shofawati 2020)	documentary and literature studies		
	36	The Effect of Al-Bai's Receivables and Syirkah Investment on the Financial Performance of Islamic Banks (Patianto et al., 2020)	Quantitative, descriptive analysis, and documentation	8 BUS with 32 data (2015-2018 period)	
	37	The Effect of Musyarakah Financing, Market Share and Intellectual Capital on Financial Performance in Islamic Commercial Banks in Indonesia (Yunita and Fitri 2020)	Quantitative, descriptive analysis, and documentation	13 BUS with 60 processed data (available 13 bus data: 68. Outlier data: 8)	
2019	38	Islamic Bank Financial Performance (Pramono & Widiarto, 2019)	Quantitative, descriptive analysis, and documentation	40 sharia banks in Indonesia in 2012-2016	NPF, ZPR, musyarakah income, CKPN, mudharaba income, ISR
	39	The Impact of the Policy on Allowance for Impairment Losses on Musyarakah Financing on the Performance of Sharia Business Unit Banks in Indonesia (Zulfikar et al., 2019)	Quantitative, time series data, Structural Equation Modeling-Partial Least Square (SEM-PLS), and observation	22 Conventional Banks that have Sharia Business Units (UUS)	
	40	The Impact of the Loan Loss Provision Policy on Mudharaba Financing and Its Impact on the Financial Performance of Islamic Commercial Banks in Indonesia (Zulfikar et al., 2019)	Quantitative and observation	13 BUS.	
	41	The Impact of Islamic Corporate Governance, Islamic Social Reporting on the Financial Performance of Islamic Banks in Indonesia (Sutapa & Hanafi 2019)	Quantitative, descriptive analysis, and documentation	Seven banks with 35 data	
2018	42	Dampak Makro Ekonomi dan Faktor Internal terhadap Kinerja Keuangan Bank Umum Syariah di Indonesia,	Quantitative, descriptive analysis, multiple linear regression	Semua bank syaria Indonesia dengan periode	CAR, Inflation, Debt Financing, Equity Financing,

	(Suryakusuma & Wahyuni 2018).	analysis, and documentation. All Indonesian sharia banks with the 2014-2017 research period	penelitian 2014-2017.	Mudharabah deposits, NPF, FDR, Mudharabah
43	The Effect of Debt Financing and Equity Financing on the Financial Performance of Islamic Banks with Non-Performing Financing as a Moderating Variable (Study of Sharia Commercial Banks Listed in BI) (Rahayu et al., 2018)	Quantitative, descriptive analysis, multiple regression analysis, and documentatio	8 BUS and 40 observation points (5 years × 8 Islamic Banks=40)	
44	Mudharabah Deposit Savings and Deposit Profit Sharing Behavior Affects the Financial Performance of Islamic Banks (Tiastiti, 2018).	Quantitative, multiple linear regression analysis, and documentation	4 BUS.	
45	Analysis of the Effect of Financial Performance on Return on Assets (ROA) in Islamic Commercial Banks (BUS) (Hadiyati & Nain 2018).	Quantitative, panel data regression analysis, descriptive analysis, and documentation	5 companies with 60 observational data (12th period)	
46	Pengaruh Pembiayaan Mudharabah, Musyarakah, Murabahah dan Ijarah terhadap Profitabilitas Bank Umum Syariah (BUS) yang Terdaftar di Otoritas Jasa Keuangan (OJK), (Sirat, Bailusy, and Ria 2018).	Quantitative, multiple linear regression, and documentatio	11 BUS.	

Source: The results of the selection with the prism approach from various references (processed)

Based on Table 1, the literature study results with the Prisma approach revealed 46 journals that discussed the determinants of Islamic banking financial performance from 2018-2022. In addition, some journals were published in 2021, including 16 journals. This study has identified variables that determine Islamic banking's financial performance based on data analysis. This variable is one of the elements forming a conceptual model. It follows research by Bahri et al. (2022) and Lynham (2002) that conceptual development is one of the five phases of developing applied theory.

Factors Determining Islamic Banking Financial Performance

Based on the research that has been carried out, 46 reference journals relating to the determinants of Islamic banking financial performance have been identified. The results of this research have identified 40 factors that determine the financial performance of Islamic banking. It is divided into two categories: financial factors and non-financial factors. Financial factors are 25 variables: Operating Expenses on Operating Income (BOPO), Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Income Expense Ratio (IER), Earning Asset Quality, Liquidity, Loan Loss Provision Mudharabah Financing, Loan Loss Provision Community Financing, Loans to Total Asset Ratio (Loanta), Net Interest Margin (NIM), Net Operating Margin (Noam), Non-Performing Financing (NPF), Mudharabah Income, Musyarakah Income, Profit Sharing Financing Murabahah Financing, Profit Sharing Sharing Ratio (PSR), Accounts of Al Ba'i, Tax Avoidance, Total Asset Turnover (TATO), Equitable Distribution Ratio (EDR), Equity Financing Income, Islamic Income Ratio (IIR), Mudharabah Time Deposits, Zakat, and Zakat Performance Ratio (ZPR).

Furthermore, there are 15 non-financial factors: Corporate Governance, Corporate Social Responsibility, Debt Financing, Inflation, Efficiency, Intellectual Capital, Non-Islamic Income, Islamic Social Reporting, Total Board of Directors, Board Characteristics, Audit Committee, DPS Educational Qualification, Mobile Banking, Risk Taker Behavior, and Structure of the Board of Commissioners.

Conceptual Model

The selection with the prime approach has identified 40 Determinant Factors of Islamic Banking Financial Performance measured using a profitability ratio, namely Return on Assets (ROA). These variables can be built into conceptual models of Islamic banking financial performance determinants based on the identification results obtained. The following conceptual models are presented in Figure 3.

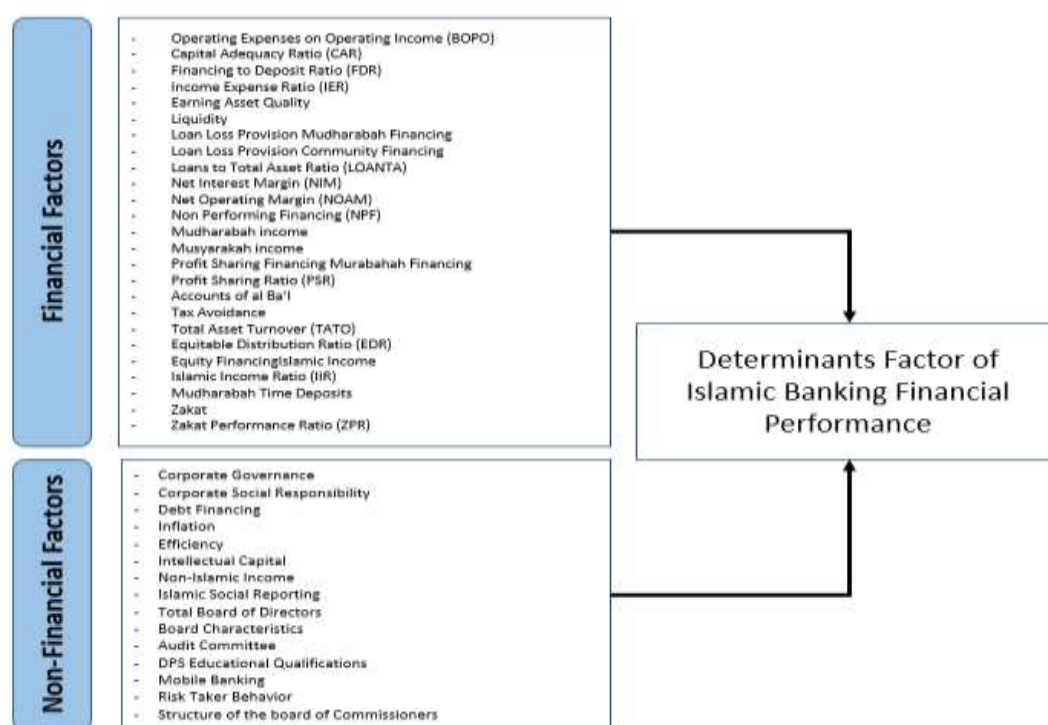


Figure 3. Conceptual Model Factors Determining Islamic Banking Financial Performance

Source: The results of the selection with the prism approach from various references

Based on Figure 3, the conceptual model of determinants of the financial performance of Islamic banks consists of 40 variables consisting of 25 financial factors and 15 non-financial factors. From the results of the analysis, the variables that have been studied have a significant value. The difference in the significant value of the variables in several studies is due to the number of samples and different places.

Furthermore, theories were found in 46 journals after selection through PRISMA. Theories used by several journals selected: agency theory, commercial loan theory, legitimacy theory, exchange theory, company theory, resource theory, resource theory, signal theory, and stakeholder theory. The theories used in various studies related to the performance of Islamic banking can be seen in Table 2 in detail.

Table 2. Theories related to Islamic Banking Performance

No	Theory	Source
1	Agency theory	Halim & Buana (2022), Mursidah et al. (2021), and Rahayu et al. (2018).
2	Commercial Loan theory	Rahayu et al. (2018).
3	Legitimacy theory	Pramono & Widiarto (2019).
4	Exchange theory	Sirat et al. (2018).
5	Company theory	Muawanah & Baihaqi (2022).
6	Resource based theory	Cahya et al. (2021), Mursidah et al. (2021), and Rahmaniari & Ruhadi (2020).

7	Resource Dependency Theory	Afiska et al. (2021).
8	Signal theory	Susilowati & Siregar (2022b) and Wahyuni (2021), Septiani & Annisa (2021), Mursidah et al. (2021), and Pramono & Widiarto (2019).
9	Stakeholder theory	Adisaputra (2021), Rahmaniari & Ruhadi (2020), Prasajo et al. (2020) and Pramono & Widiarto (2019).

Source: From various references

Based on the table above, it is explained that there are nine theories used by 46 journals that have been analyzed: agency theory, commercial loan theory, legitimacy theory, exchange theory, company theory, resource-based theory, resource conducted theory, signal theory, and stakeholder theory.

CONCLUSION

This study has identified the determinants of financial performance in Islamic banking. Identification is carried out with the preferred reporting items for systematic reviews and meta-analyses (prism) purposive. The identification results show that 46 journals match the inclusion and exclusion criteria. From the analysis of 46 journals, there are 41 determinants of Islamic banking financial performance. The financial performance factor of Islamic banking is subsequently arranged in the form of conceptual models divided into two dimensions: financial factors and non-financial factors. In the end, nine theories are used to test financial performance in Islamic banking: agency theory, commercial loan theory, legitimacy theory, exchange theory, company theory, resource-based theory, resource dependency theory, signal theory, and stakeholder theory. Policymakers and Islamic banking entities can respond to the results of this study by paying attention to the determinants of Islamic banking performance.

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Analysis of Financial Performance Measurement Models for Zakat Institutions

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ABSTRACT

This research aims to identify and analyze the financial performance measurement model of zakat institutions. This research uses qualitative methods, a literature study approach, and descriptive analysis. The data source comes from Google Scholar. Literature data was obtained by searching for keywords on Google and the publish or perist application. The research results show that there are five performance measurement models in Zakat financial institutions consisting of Data Envelopment Analysis (DEA), Zakat Management Organization Ratio (OPZ), Indonesian Magnificence of Zakat (IMZ), International Standard of Zakat Management (ISZM), and Balance Scorecard. The research results also found that each measurement model has its characteristics with different measurement methods. Zakat supervisory authority institutions and researchers can use five performance measurement models in Zakat financial institutions.

Keywords: financial performance, measurement models, zakat management, Indonesia.

INTRODUCTION

Indonesia has the largest Muslim population (Choi, 1996). Based on data from The Royal Islamic Strategic Studies Center (RISSC) or MABDA in its report entitled "Muslim 500", the total population of Indonesia who are Muslim is 231.06 million people. The proportion of the Muslim population in Indonesia reaches 87% (Bahri et al., 2021) and is in 35th place in the world (Databoxs, 2021). According to many researchers, e.q. (Akbar & Zen, 2022; Hamzah et al., 2023; Khumaini et al., 2022; Mahendra et al., 2021; Rosalina & Bahri, 2022), to improve the welfare of the Muslim community, Islam has instruments of zakat, infaq and alms. As an illustration, zakat is an obligation, while infaq and alms are sunnah practices (Firdaus & Ahmad, 2023; Renata & Afrimaigus, 2022).

In line with the country of Indonesia, where the majority of the population is Muslim, Islam has a solution, one of which is zakat, infaq and alms to alleviate poverty (Adiwijaya & Suprianto, 2020; Mursal et al., 2023; Rodzi et al., 2013). So, in this country, there is a need for government cooperation with an institution that collects, distributes and manages the zakat issued by Muzakki to be given to those who are entitled to it equally (Alam, 2018; Susila, 2018). Law No. 23 of 2011 concerning Zakat Management article 1 paragraph 2 states that zakat is a property that must be expended by a Muslim or business entity to be given to those entitled to receive it by the sharia taught in Islam.

The potential for zakat receipts in Indonesia has continued to increase since 2017. Based on data from the National Zakat Amil Agency (BAZNAS), in 2021, Indonesia's potential zakat receipts will be IDR 327.6 trillion (BAZNAS Center for Strategic Studies, 2021). However, in reality, this potential has yet to be fully realized. However, in 2017-2020, there continues to be a gap between the realization and potential of zakat itself. In 2019, the potential for zakat was 233.6 trillion, while the realization was only 10.2 trillion (IDX Chanel, 2021). In 2020, the potential for zakat reached 327 trillion, while the realization was only 71.4 trillion (BAZNAS Center for Strategic Studies, 2021).

One of the causes of which is the large gap and also the fact that zakat institutions are not optimal in measuring their financial performance (Akbulut, 2010). When a zakat institution still needs to manage and collect existing zakat potential, this happens because the performance of the zakat institution is less efficient. The performance of a zakat institution can be seen by how efficiently the institution manages existing resources, which can be seen from the report. The institution's financials have been published. The performance of a zakat institution is essential to know how efficient an institution is in managing existing funds and carrying out its programs in the context of humanity (WZF & IMZ, 2017).

Zakat institutions in Indonesia consist of BAZNAS and LAZ (Widodo & Kustiawan, 2001). The government formed BAZNAS, while the community formed LAZ. If you look at the financial reports, BAZNAS, from year to year, has a lot of remaining balance from Zakat receipts that have yet to be distributed to those in need. It happened because the number of zakat recipients increased, but the amount of zakat distribution did not increase. In 2016-2020, zakat receipts at BAZNAS increased rapidly, and the amount of zakat fund balances accompanied by the distribution of zakat funds also increased. However, there were still many zakat fund balances that still needed to be distributed.

Table 1. Zakat Receipt and Distribution for the 2017-2020 Period

Year	Receipt (IDR)	Distribution (IDR)	Total Balance (IDR)
2016	97.637.657.910	67.727.019.807	75.199.989.458
2017	138.096.290.551	118.071.046.770	95.225.233.239
2018	153.153.229.174	191.966.485.358	56.411.977.055
2019	248.342.677.327	225.702.309.429	79.052.118.688
2020	305.347.256.942	290.141.453.285	93.691.181.845

Source: Baznas Financial Report 2017-2020, data processed in (2022).

The distribution and receipt of zakat are said to be efficient when the more minor the balance of funds owned by a zakat institution, which means that the zakat received is distributed and utilized correctly, so that the smaller the balance of funds owned by a zakat institution, the more efficient the zakat institution is in managing existing funds, which means that the zakat funds received are channelled and utilized correctly, with programs created and non-programs

In reality, the growth of zakat has yet to be matched by an increase in the efficiency and effectiveness of the performance of zakat institutions within it. There are still several problems and challenges that must be faced to improve national zakat, such as the poor quality and quantity of Human Resources (HR) for zakat, the uneven performance of OPZs, the lack of structuring of zakat systems and institutions, and the lack of studies, research and integration of national zakat data (Baznas, 2017).

If we look at the potential and tasks of zakat institutions, which have been explained as being very complex, the performance of zakat institutions must receive special attention (Soleh, 2019). Zakat institutions need tools to measure their performance in carrying out their operations. Financial measurement of zakat institutions is essential in an institution or company. Apart from being used to measure the success achievements of an institution or company, financial performance measurement is also used as a basis for evaluating the work results of a company from the previous period.

Measuring financial performance needs special attention from an organization or company, including non-profit institutions such as Zakat management institutions such as the Amil Zakat Agency (BAZNAS) or the Amil Zakat Institution (LAZ). In measuring the financial performance of zakat institutions, whether BAZNAS or LAZNAS, performance measurement models can be used, including DEA (Data et al. Organization Ratio (OPZ), Indonesian Magnificence of Zakat (IMZ), International Standard of Zakat Management (ISZM) and Balance Scorecard. This research will explain the research model mentioned above. Therefore, the researcher will explain the performance measurement model of Zakat institutions and give the title "Financial Performance Measurement Model for Zakat Institutions". This research will focus on the seven research models mentioned.

METHOD

This type of research uses qualitative methodology. Creswell (2014) explains that qualitative research methods have a different approach to quantitative research methods. The type of data used in writing this paper is secondary data; the data sources used are from websites and journals related to the theme of this paper. In this research, library research was used. According to several researchers, e.q. Bahri & Al Faruqy (2023), Jaharuddin & Sadiq (2023), and Sjaiful (2023), literature studies can take and study existing literature from various sources such as journals, articles, books, websites, and others related to research.

RESULT AND DISCUSSION

Article Identification Results

The data source comes from Google Scholar which was selected using the keywords DEA financial performance in Indonesian (Data Envelopment Analysis, the financial performance of the Zakat Management Organization Ratio (OPZ), the financial performance of the Indonesian Magnificence of Zakat (IMZ), the financial performance of the International Standard of Zakat Management (ISZM) and Balance Scorecard financial performance.

Table 2. Results from Identification of Articles on Financial Performance of Zakat Management Institutions

No	Measurement Model	Source
1	Data Envelopment Analysis (DEA)	Sidang & Feriyanto (2021), Saham & Hadinata (1997), Business Management Laboratory (2019), and Burhanudin & Indrarini (2020)
2	Ratio of Zakat Management Organizations (OPZ)	Puskas (2019) and Burhanudin & Indrarini (2020), Bahri et al. (2017), and Winarto & Annisa (2020)
3	Indonesian Magnificence of Zakat (IMZ)	PEBS-FEUI & IMZ (2010), Ardani et al. (2019), and Yuanta (2013)
4	International Standard of Zakat Management (ISZM)	WZF-ISZM (2015), WZF & IMZ (2017), and Harto et al. (2018)
5	Balanced Scorecard	Robert & Nurton (1996), Sutawijaya & Lestari (2009), and Gunawan & Malik (2021)

Source: processed from various sources.

Results of Model Identification

The zakat institution performance measurement model is a tool used by institutions or organizations that process zakat funds to measure the institution's performance to what extent so that it can be used as a reference or performance evaluation to become a better institution for the coming period. To measure the performance of zakat institutions, used include Data Envelopment Analysis (DEA), Zakat Management Organization Ratio (OPZ), Indonesia Magnifice of Zakat (IMZ), International Standard of Zakat Management (ISZM) and Balance Scorecard.

First, Data Development Analysis (DEA). Data Development Analysis (DEA) was introduced in 1978 by Charnes, Cooper and Rhodes. DEA is a nonparametric approach method that was previously a form of linear programming (LP) development; the DEA method is a tool to measure the performance of an institution or organization's data decision-making unit (DMU). DEA functions as an assessment of efficiency in processing resources (Input) of the same type to achieve results (output) to maximize efficiency (Siswadi & Purwantoro, 2006).

According to Sitompul (2020), DEA is a tool to assist in system or work unit activities. The evaluation is a relative evaluation of the DMU with other DMUs in a system or organization. Then, this evaluation produces two or more work units whose

efficiency is 100%, which will be used as a comparison benchmark for work units in evaluating improvement steps. Data Envelopment Analysis (DEA) is the development of a linear program based on measuring the relative performance of a combination of 46 input and output units. DEA is a procedure specifically designed to measure the relative efficiency of a company that uses a lot of inputs and outputs, where combining these inputs and outputs cannot be done. The relative efficiency of a company is the efficiency of a company compared to other companies in the sample (a group of companies that are compared with each other) that use the same types of input and output. Data Envelopment Analysis (DEA) measures efficiency as follows: According to Sutawijaya & Lestari (2009), technical efficiency is measured by calculating the ratio between output and input.

$$e_s = \frac{\sum_{i=1}^m u_i y_{is}}{\sum_{j=1}^n v_j x_{js}}$$

Keterangan:

Es = Efficiency

m = Observed output

n = Observed input

Yis = Number of 1st outputs produced

Xjs = The jth number of outputs produced

Ui = s x 1 sum of output weights

Vj = s x 1 number of input weights

The equation above shows one input variable and one output variable. According to Ivonella (2018), the Efficiency Ratio (RE) is then maximized with the following changes

$$e_s = \frac{\sum_{i=1}^m u_i y_{is}}{\sum_{j=1}^n v_j x_{js}} \leq 1 : r = 1, \dots, N$$

Where u_i and $v_j \geq 0$, r is a ratio.

This DEA method has three measurement benefits: First, it is a benchmark for obtaining relative efficiency, which helps make comparisons between the same units easier. Second, various efficient information between Economic Activity Units (UKE) will be measured to identify the causal factors. Third, determine the policy implications so that they can increase the level of efficiency (Research Data, 2016).

Bahreman (2015) and Nguyen (2019) explain that according to Coelli et al. (2005), there are two Data Envelopment Analysis (DEA) models that are often used in the DEA approach, namely the Charnes, Cooper, and Roodes (CCR) model and the Banker model, Charnes, and Cooper (BCC). This CCR model was developed by Charnes, Cooper, and Roodes in 1978. The DEA model with this assumption means that if there is an increase in input by n times, the output will also increase by n times; in other words, it has a ratio of less than one or equal to one, or it can also be called the Constant Return to Scale

(CRS) assumption. Another assumption used in this model is that each company under observation (DMU) is operating at an optimal scale. Efficiency with the CRS assumption is also called overall efficiency (Overall et al. / OTE), namely technical and scale efficiency.

The BCC model was developed by Banker, Charnes, and Cooper in 1984. They said that competition and financial constraints could prevent a company from operating at its optimal scale. To overcome this problem, they proposed the Variable Return to Scale (VRS) assumption. This VRS model assumes that every addition of one unit of input by n times does not necessarily mean adding one unit of output; the additional output can be greater than one or less than one. This model assumes that the ratio between additional input and output is different (ReturnTo et al.), meaning that adding input by x times will not cause output to increase x times. It could be smaller or larger, so the company still needs to operate at an optimal scale.

If the input used can produce a greater output, it is called Increasing Return to Scale (IRS). If the input produces a smaller output, it is called Decreasing Return to Scale (DRS). The efficiency calculated with 50 VRS assumptions is called pure technical efficiency (PTE). An efficient DMU that fits this model is often called technically efficient. Apart from the two models above, several studies have changed the technical efficiency (TE) score from CRS DEA into two components, namely: first, referring to overall efficiency, while second, referring to pure technical efficiency. It can be done by calculating CRS and VRS on the same data. If there is a difference between the two TE scores from DMU, this will indicate that DMU has scale efficiency.

DEA method work steps: First, identify the DMU to be observed. Second, identify the inputs and inputs that make up the DMU. Second, calculate the efficiency of each DMU to achieve optimal target input and output. The efficiency calculation is done by translating it into a systematic form (linear program) and then solving it using the simplex method. Third is the financial ratio of the Zakat Management Organization (OPZ). OPZ's accountability as the Trustee of ZIS (Zakat et al.) funds is essential in managing zakat amil institutions in Indonesia. Each OPZ is required to prepare financial reports by PSAK No. 109 concerning Accounting for Zakat, Infaq and Shodaqoh. The Amil Zakat financial report aims to provide information regarding reporting on the collection, distribution and utilization of ZIS and other religious social funds, which is helpful in decision-making and as a tool for evaluating managerial and organizational performance (Winarto & Annisa, 2020).

The level of performance, health and sustainability of the Zakay/OPZ management organization needs to be measured and analyzed. One of the tools used to measure the financial performance of Zaka management organizations is analyzing financial reports using financial ratios. The National Zakat Agency (BAZNAS), which supervises zakat management in Indonesia, is tasked with collecting, reviewing and analyzing the performance of zakat institutions by the zakat core principle - Supervisory Reporting. Measuring the financial performance of existing zakat institutions still uses one ratio, namely measurement using one ratio, namely the Allocation to Collection Ratio (ACR),

which is in the zakat core principle. Because of this, zakat institutions need to develop financial ratios that can measure the performance of zakat institutions (BAZNAS Center for Strategic Studies, 2019).

Preparing financial ratios for zakat institutions needs to pay attention to the unique characteristics of OPZ because zakat institutions are different from sharia banking even though they have the same function, namely as an intermediary. In preparing the ratio, it is necessary to adjust the formula to form the financial ratios of zakat institutions because, in zakat institutions, zakat rules must take priority (BAZNAS Center for Strategic Studies, 2019). Based on existing problems, the BAZNAS Center for Strategic Studies (2019) developed a model for measuring the financial performance of zakat institutions, namely the OPZ financial ratio, the aim of which is to measure the performance of zakat institutions and also pay attention to the suitability of the performance of zakat institutions. The financial ratios of zakat institutions are divided into 5: activity ratio, efficiency ratio, mail fund ratio, liquidity ratio and growth ratio.

First, the activity ratio is divided into 9, namely, Allocation to Collection Ratio (ACR), zakat turnover ratio, average of days zakah outstanding, ZIS turnover ratio, average of days ZIS outstanding, distribution debt ratio, time required for realization distribution receivables, activity down payment ratio, zakat assets under management ratio. Second, the efficiency ratio consists of the collection, operational, and human capital expense ratios.

Third, the amil fund ratio, consisting of the ratio of amil rights to ZIS (ratio of amil rights to zakat and the ratio of amil hamil infaq/alms) and the ratio of amil rights to CSR. Fourth, the liquidity ratio consists of the current ratio, quick ratio/acid test ratio, cash to zakat ratio, and cash to ZIS ratio. Fifth is the growth ratio, consisting of growth of zakah, growth of allocation, and growth of operational expense. BAZNAS Center for Strategic Studies (2019). In assessing OPZ performance, measurement and analysis using the ratios above is very important because, with these ratios, OPZ can make policy decisions regarding the development of zakat governance so that it becomes more focused.

The third model is the Indonesia Magnificence of Zakat (IMZ). Indonesia Magnificence of Zakat or IMZ is a constitutional institution for the empowerment and management of non-profit organizations that operate in training, consultation, and mentoring, as well as advocacy research in the fields of zakat, poverty, and empowerment. Every year (starting in 2010), IMZ routinely researches zakat and publishes it in an Indonesian Zakat and Development Report (IZDR) book. One research was carried out regarding the Performance of Zakat Management Organizations (OPZ) (Supriyatin, 2017).

The book was then published by IMZ in 2010 to measure the performance of zakat management organizations. The book's content is that to measure OPZ performance, 19 performance indicators are used, and these indicators are grouped into five components to assess OPZ performance comprehensively. These components include, First, Sharia Compliance Performance, assessment of related organizations: Sharia Supervisory Board (DPS), vision and mission, organizational structure, employee education level, regular

training programs and percentage of full-time employees. Second, performance management, related organizational assessments: Standard Operating Procedures (SOP), strategic plans and amil performance assessments.

Third, financial performance, related organizational assessments: financial reports, financial estimates and organizational capacity. Fourth, economic utilization performance, related organizational principles: quality of zakat utilization programs, products for productive economic activities, assistance and training. Fifth, social legitimacy performance, related assessments: promotion costs, social education costs and advocacy costs (Ardani et al., 2019).

Determining the financial performance of zakat institutions using IMZ is first done by determining the financial reports. The financial reports used as assessment criteria include audit reports, providing the latest financial reports of zakat institutions and providing access to financial reports of zakat institutions for the public for transparency. Second, financial efficiency is measured by the operational expense ratio, namely, total operational costs divided by the total use of funds outside salaries for Amil. The more efficient the Zakat institution manages its operational costs, the better its performance.

Third, measuring organizational capacity by 1) primary revenue ratio is the total receipt of zakat funds divided by the total receipt of Infaq and Alms funds; 2) primary revenue growth is the growth in receipt of special zakat funds from the previous year to the current year; 3) program expenses ratio is expenses for program financing divided by total expenses; 4) program expense growth is the growth in expenditure for program financing from the previous year to the current year. (Yuanta, 2013)

The fourth model is the International Standard of Zakat Management (ISZM). The International Standard of Zakat Management (ISZM) is a standard for assessing a zakat institution's performance so that the capability level of the zakat management of these institutions can be determined (Standard & Wzf-ism, 2015). Inequality in society is a big problem throughout the world, including Indonesia. Many data show that the gap between the rich and the poor is increasing and is becoming a big problem for the government.

World Zakat Forum, an association of zakat institutions worldwide and international Sharia economic experts 2015, formed international guidelines for assessing and comparing zakat institutions that all countries can use. Its formation aims to encourage the zakat movement and develop the best zakat. Apart from that, the aim of establishing these guidelines is to strengthen ties of brotherhood between world zakat institutions; with this development, it is hoped that it will increase poverty alleviation in the future. ISZM exists to measure the performance of zakat institutions throughout the world. ISZM has a goal, namely, first, to act as a guide for zakat management. Second, it acts as a measuring tool to assess the quality of zakat management. Third, it acts as a fundamental norm for comparing the level of quality between one zakat organization and other zakat organizations.

The scope of aspects assessed by the ISZM method is sharia and regulatory compliance, leadership, collections, finance, disbursement and system management.

Measuring the performance of zakat institutions is measuring efficiency and capacity (Standard & WZF-ISZM, 2015). The ISZM measuring instrument was used to measure the financial performance of zakat institutions by first measuring their efficiency. A zakat institution is said to be efficient when the institution incurs minimal costs to collect funds and must align with the zakat institution's service program. The program expense ratio, operational expense ratio, collection expense ratio and collection efficiency measure the efficiency component. Second, measuring the capacity of zakat institutions is necessary to determine how far the sustainability and services of zakat institutions are and how zakat institutions maintain them (PEBS-FEUI & IMZ, 2010). The capacity component consists of the fund revenue ratio, program expense growth ratio and working capital ratio.

The fifth model is Balanced Scorecard. According to Robert & Nurton (1996), the Balanced Scorecard is a tool for measuring executive performance, which requires a comprehensive measure with four perspectives: the financial perspective, customer perspective, internal business perspective, and growth and learning perspective. Balanced Scorecard is an approach to strategic management developed in 1990 by Robert & Nurton (1996) of Harvard Business School. The meaning of a balanced scorecard comes from two words: balanced, which means there is a balance between non-financial, long and short-term performance and internal and external performance. Meanwhile, in finance, a scorecard means a score card can be used to plan the score you want to achieve in the future.

According to Robert & Nurton (1996), the Balanced Scorecard is a tool for measuring executive performance, which requires a comprehensive measure with four perspectives: the financial perspective, customer perspective, internal business perspective, and growth and learning perspective. The development of the Balanced Scorecard measurement method has helped companies become successful in achieving their goals. This measurement method has several advantages that only this method has and does not exist in other measurement methods. Other methods only focus on organizational performance in the financial sector, but this method plays a role in organizational progress. The Balance Scorecard method has four measuring perspectives: financial, customer, internal business processes and growth learning. Compared to other methods, the advantage of this method is that the Balanced Scorecard can produce strategic plans in a strategic planning system. The characteristics of this method are comprehensive, coherent, balanced and measurable.

There are several steps in implementing the Balance Scorecard method. The first is to identify the required data. Next, determine information technology to simplify the Balance Scorecard process and do it in stages. Second, build a comprehensive scorecard. Initially, the Balance Scorecard was created at the organizational level. Then, it was translated into the Balance Scorecard for organizational units, the departmental Balance Scorecard and finally, the Balance Scorecard for individuals or teams. The three existing data are used for evaluation and improvement. In this third stage, information flows from individuals or teams to departments and then to the organization as a gathering place for all information (Robert & Nurton, 1996).

The Balance Scorecard measurement of zakat organizations is carried out by analyzing data from the specified zakat organization and then calculating the numbers from each perspective. The perspectives of the Balanced Scorecard are the financial, customer, internal business process, and learning and growth perspectives. Performance from a financial perspective is measured by comparing the achievement of the institution's financial strategic targets with predetermined targets. This measurement aims to determine a company's performance from a financial perspective. The institutional performance indicators are measured by calculating the institutional acceptance rate in a particular year.

Realization of Acceptance

Formula: $\frac{\text{Realization of Acceptance}}{\text{Target Acceptance}} \times 100\%$

Target Acceptance

Apart from that, financial performance is also measured by comparing the realization of revenues and expenditures in the current year with the previous year.

Analysis of Advantages and Disadvantages

Table 3. Advantages and Disadvantages

No	Measurement Model	Excess	Lack
1	Data Envelopment Analysis (DEA)	<p>1. Can measure the relative efficiency of similar DMUs that use a lot of input and output.</p> <p>2. DMUs can be compared directly with their peers.</p> <p>3. Input and output have different units of measurement. As in research that has input (X1) in 51-person units. Meanwhile, the output (X2) is in the number of values. This efficiency measurement can be done without changing the units of the two existing variables.</p>	<p>1. This is an extreme point technique, meaning measurement errors can have significant consequences.</p> <p>2. DEA only measures the relative efficiency of DMUs, showing how good and evil a DMU is compared to similar DMUs. DEA does not measure absolute efficiency.</p> <p>3. DEA is a non-parametric technique, so systematic hypothesis testing is challenging.</p>

2	OPZ Ratio	<p>1. Financial performance measurement can be focused because this ratio only measures financial performance</p> <p>2. Data access is easy, and measurements do not cost money because they use secondary data.</p>	<p>The measurement only focuses on internal because it only uses financial reports to collect the data.</p>
3	IMZ	<p>1. Can assess OPZ performance comprehensively because this measurement measures the performance of 5 components, namely sharia compliance performance, management performance, financial performance, economic utilization performance and social legitimacy performance.</p> <p>2. Data access is easy, and measurements are affordable because they use secondary data.</p>	<p>1. Measurements are only focused within the Zakat institution; there is no measurement of conditions outside the institution or field conditions</p>
4	ISZM	<p>1. Assess the performance of OPZ's internal aspects.</p> <p>2. It can be applied to all Zakat institutions and countries.</p> <p>3. Data access is easy, and measurements are affordable because they use secondary data.</p>	<p>1. Measurements are only focused within the Zakat institution; there is no measurement of conditions outside the institution or field conditions.</p>
5	Balance Scorecard	<p>1. Assess internal performance from various aspects of the organization.</p> <p>2. Data access is easy, and measurements do not cost money because they use secondary data.</p>	<p>1. Focusing only on institutional-related measurements does not describe conditions in the field.</p>

Source: results of researcher analysis (2023).

Based on Table 3, there are five models for measuring the financial performance of zakat institutions, namely Data Envelopment Analysis (DEA), Zakat Management Organization Ratio (OPZ), Indonesian Magnificence of Zakat (IMZ), International Standard of Zakat Management (ISZM) and Balance Scorecard. This measurement model can be used to realize accountability for the financial performance of zakat institutions, especially regarding financial performance. Sharia enterprise theory states that two forms of accountability need to be carried out by zakat management entities. The first responsibility is vertical to Allah SWT. The second is horizontal, carried out towards humans and the natural environment, such as muzak, the government and other stakeholders.

CONCLUSION

This research has identified and analyzed Zakat management institutions' financial performance measurement model. The results of this research have found five models for measuring the financial performance of zakat management institutions: Data Envelopment Analysis (DEA), Zakat Management Organization Ratio (OPZ), Indonesian Magnificence of Zakat (IMZ), International Standard of Zakat Management (ISZM), and Balance Scorecard. In the future, it is hoped that development research can be carried out on models for measuring the financial performance of zakat institutions. Zakat supervisory authority institutions and researchers can use five performance measurement models in Zakat financial institutions.

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Feasibility Study of Business Development at Kibo Frizzy Snack

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ABSTRACT

Feasibility studies are an effort to plan a business well. One entity that requires a business feasibility study is Kibo Frizzy Snack. This research aims to analyze the feasibility of business development that Kibo Frizzy Snack will carry out. The method used in this research is qualitative with a qualitative descriptive approach. The research results show that from a legal aspect, the object is in the form of an individual company and has complete legal permits. In the market and marketing aspect, there are promising opportunities in the future, and the market has opened up. In technical and operational aspects, it has systematic standard operating procedures and outlet design layouts for the company's technical operations. In terms of organizational and management aspects, it has a simple organizational structure and fairly good management functions. In economic and social aspects, it absorbs some of the local community's workforce and helps the government's sub-culinary economic contribution. Regarding finances, ROI is 83%; BEP Q 263; BEP IDR11,451.

Keywords: business feasibility analysis, sharia business feasibility study, kibo frizzy snack.

INTRODUCTION

Food and beverages are basic human needs (Caraher & Davison, 2019; Firdayetti et al., 2022; Skalkos & Kalyva, 2023). Therefore, the food and beverage industry will always have a reasonably high demand (Akanmu et al., 2023). Furthermore, increasing demand for food and beverages will result in the development of food and beverage business units (Hasran & Gupta, 2023). Thus, Indonesia's food industry prospects are bright (Tori et al., 2023). It is also supported by the availability of Indonesia's natural resources (Moslehpour et al., 2023). Therefore, industrial development can be done using domestic raw materials (Al-Baari & Afifah, 2023). According to several researchers, e.g. Fitriyano et al. (2023), Istiqomah & Mahendra (2022), and Wulandari et al. (2023) cassava is one of the raw materials that are widely available in Indonesia.

Cassava is one of Indonesia's most popular and widely available food ingredients (Harlina et al., 2023). Cassava is often used in various processed foods, such as boiled or fried cassava and other preparations (Siregar, 2023). It can be used as a filling snack because it has high carbohydrate content (Samosir et al., 2023). However, cassava peels are often considered useless waste by some cassava-based industries. Whereas cassava peels can be a product of high economic value. One of them is done by Kibo Frizzy Snack. The use of cassava skin in the Kibo Frizzy Snack product complement is due to the

uniqueness of product innovation and differentiation, a form of innovation strategy that can help business development and, of course, can help personal branding on the Kibo Frizzy Snack business brand.

The innovation of snack products by utilizing the organic waste of Indonesian society, as carried out by Kibo Frizzy Snack, is a form of developing the archipelago's creative industry in the digital marketing era by the younger generation (millennials). However, in developing a business, several things must be studied first: business feasibility. Business feasibility studies need to be carried out so that business owners or company management can learn deeply about a business or business being run to determine whether the business is feasible to develop. Therefore, this paper aims to determine the feasibility of business development based on aspects of a business feasibility study on Kibo Frizzy Snack.

METHOD

The object of this research is Kibo Frizzy Snack, a business engaged in the culinary field. The research location is the Kibo Frizzy Snack production house, which is located at Griya Cendekia block D4/21 Curug, Gunung Sindur District, Bogor Regency, West Java Province 16340. The following research location is at the sales branch in the form of a cloud kitchen located at Jl. Muwardi No.18, RT.9 / RW.3, Grogol, Subdistrict Grogol Petamburan in West Jakarta City, Special Capital Region of Jakarta 11450. This type of research uses qualitative research with a descriptive approach. This research uses one variable or independent variable where researchers will analyze the feasibility of developing the Kibo Frizzy Snack business, namely, market and marketing aspects, legal aspects, technical and production aspects, management and organizational aspects, social and economic aspects, financial aspects and preparation for export market development.

RESULT AND DISCUSSION

Analysis of Non-Financial in Legal Aspects

In the type of legal entity, the form of legal entity Kibo Frizzy Snack is an individual company. Individual companies are companies owned by individuals (only one). The owner of Kibo Frizzy Snack currently has one person who is a citizen. The owner of this individual company is Farhan Abyandzaka, who now lives in the Bogor area. The location of the residence of the Kibo Frizzy Snack business owner is also the location of the Kibo Frizzy Snack production house. In the type and permit for business completion, the form of a business entity from the individual company Kibo Frizzy Snack is a trading business with a permit that has been owned. Licensing from Kibo Frizzy Snack is served in Table 1.

Table 1. Licensing of Kibo Frizzy Snack

No	Licenses	Licenses Number	Date	Institution
1.	Business Identification Number / Micro Medium Business License	0239010191499	November 19, 2020 valid until November 19, 2025	OSS Agency (non-ministerial government agency)
2.	Business Domicile Certificate	500/1257-Pel	November 4, 2020 valid until February 4, 2022	Curug Village, Bogor Regency
3.	Taxpayer Identification Number	95.964.374.3-403.000	September 22, 2020 valid until September 22, 2025	Cibinong Primary Tax Service Office

Source: Data processed by the authors.

At the operating vehicle status, one motorcycle is used as an operating vehicle to buy and send raw materials to the place of production and the needs of the company daily. Licensing from Operation Vehicle is presented in Table 2.

Table 2. Licensing of Operation Vehicle

No	Licenses	Licenses Number	Date	Institution
1.	Vehicle Registration Certificate	14817118/JB/2018	July 30, 2018 valid until July 30, 2023	Cibinong Police Station

Source: Data processed by the authors.

In the market aspect segmentation analysis - target - market position and marketing mix strategy analysis. In segmentation analysis - targets - market positions, Kibo Frizzy Snack segmentation based on several categories. The segmentation category of Kibo Frizzy Snack is presented in Table 3.

Table 3. Segmentation Analysis of Kibo Frizzy Snack

No	Categories	Description
1.	Geographic	
	Geographic Location	West Jakarta, South Jakarta, Tangerang City, South Tangerang, and Depok
	Main Locations	Cloud kitchen, street food, university campuses and shopping centers
2.	Demographic	
	Age	Teenagers/students (13 - 21 years old) and young people (22 - 35 years old)
	Gender	Female and male
	Social class	Upper middle class
	Hobbies and characteristics	Love snacking and shopping
	Generation Type	Y (millennial) and Z
3.	Psychographic	Modern and contemporary lifestyle

Source: Data processed by the authors.

Furthermore, the marketing mix strategy analysis was carried out with four strategies: product strategy, quality, variant, technology, profit, features, and identity. The product name is the Kibo Frizzy Snack business. The type of product is culinary. Category: snacks and snack products. Form: Immediately and frozen. Business Idea: Product Approach. Business Model: Cloud Kitchen and Outlet. Business Development: Branch Development (1-3 Years in the future)



Figure 1. Product Photo of Kibo Frizzy Snack
Source: Kibo Frizzy Snack (2021)

Kibo Frizzy Snack's logo and brand are black and yellow. *Colour* is a non-verbal communication that can convey messages instantly and more meaningfully. The colours chosen are black and yellow, which represent culinarily. Black is a colour that symbolizes the product's assertiveness, professionalism, and credibility. In the world of logo design, yellow leaves an impression of happiness and glory. The yellow colour in Kibo Frizzy Snack symbolizes the food that can positively impact and make its connoisseurs happy. Plus, after cooking on Kibo Frizzy Snack, the product's colour is golden brown-yellowish.



Figure 2. Kibo Frizzy Snack Logo and Brand
Source: Kibo Frizzy Snack, 2021

The author analyzes that Kibo Frizzy Snack's product strategy is a blue ocean strategy. Kibo Frizzy Snack has yet to have the same competing products, from the shape to the product complements, namely cassava peel, tofu, cheese meatballs, and noodles, to the branding position as a contemporary cassava snack. It is known that there are many cassava snack products, but this is the first time anyone has become a similar branded product like Kibo Frizzy Snack, except for packaged cassava chips. So, Kibo Frizzy Snack has product differentiation and innovation advantages. Product education related

to the product's comfort for consumption is still needed. It is because cassava peel-based products are one of the organic wastes usually discarded by the community, but now they are a snack for consumption by young people.

Second, Pricing Strategy. The list of products and prices the company sets is as follows in Table 4.

Table 4. Kibo Frizzy Snack Price

No	Products	Price (IDR)
1.	Snack Box (4 pcs)	
	Frizzy Barbeque	28,500
	Frizzy Cheese	28,500
	Frizzy Corn	26,500
	Frizzy Spicy	27,500
	Frizzy Seaweed	29,500
2.	Frozen Kit Box (9 pcs)	
	Frizzy Barbeque	54,000
	Frizzy Cheese	54,000
	Frizzy Corn	54,000
	Frizzy Spicy	54,000
	Frizzy Seaweed	54,000

Source: Kibo Frizzy Snack, 2021

The margin obtained after calculating the total sales and cost of goods sold (COGS) per month in the 2021 period at one cloud kitchen branch for the sale of Kibo Frizzy Snacks with direct serving is about 34%. Data regarding these margins and the margins obtained from each product are presented in Table 5.

Table 5. Profit Margin of Kibo Frizzy Snack

Products	COGS/Product (IDR)	Product's Price	Margin Percentage
Frizzy Barbeque	18,310	28,500	36
Frizzy Cheese	18,458	28,500	35
Frizzy Corn	18,197	26,500	31
Frizzy Spicy	18,205	27,500	34
Frizzy Seaweed	18,850	29,500	36

Source: Data processed by the authors from Kibo Frizzy Snack (2021)

Third, Location and Distribution Strategy. Distribution is a form of sales. Kibo Frizzy Snack distributes its products through channels with the principles of fairness and honesty. Then, Four, Promotion Strategy. The promotion carried out by Kibo Frizzy Snack is through digital ads on social media accounts such as Instagram, Facebook, Shopee, and WhatsApp for business and broadcast. Kibo Frizzy Snack also uses digital marketing strategies such as optimizing ads on Google My Business, Google Ads, and SEO. Then promotions are also carried out by taking promo recommendations from the Go Food, Grab Food, and Shopee Food applications. Market Form: The business run by Kibo Frizzy Snack is a heavy snack food service provider whose main menu is Kibo Snack, with direct serving (snack box) and five flavours. The reason for choosing the

location of Jakarta as the main target of development is because the area is one of the Central Business Districts, which is undoubtedly very strategic for virtualizing business products at the current start-up scale.

Technical and Operations Aspects

Related to Business Location, Kibo Frizzy Snack is located at Jl. Muwardi No.18, Rw. 3, Grogol, Kec. Grogol Petamburan, West Jakarta City, Special Capital Region of Jakarta 11450. This location is close to the location of the market segment, namely the upper middle class with contemporary and modern psychographics, adjacent to the University (Trisakti University and Binus University), hotels, boarding houses, apartments, and offices. It is a modern snack centre and hang-out in West Jakarta, which is always crowded with visitors. In addition, the location is also close to the suburban areas of Jakarta, making it easier to find workers. The location is only 42 km (1 hour travel time) away from Kibo Frizzy Snack's production house.

Related to Layout, Claude Kitchen's cloud kitchen outlet area is 750 x 500 cm. Here, Kibo Frizzy Snack gets an area of 1 x 0.6 m for kitchen facilities, complete with carts and electrical plugs.



Figure 3. Kibo Frizzy Snack Sales Outlet

Source: Kibo Frizzy Snack, 2021



Figure 4. Cloud Kitchen of Kibo Frizzy Snack
Source: Kibo Frizzy Snack, 2021

Related to Standard Operating Procedures (SOPs), they are a continuation of the production process and are very important. They have become an obligation for a company to have them, especially companies that produce services and products. SOPs can determine the quality of service and even parameterize the performance of the people they have. It is suitable with opinion of Surayya (2023) that performance is essential in every company.

Management and Organizational Aspects

Related to the Form and Structure of the Organization, based on the results of the author's analysis, the organizational form of Kibo Frizzy Snack is a line organization, namely a form of organization that has a top leader as the owner of the company by one person and the relationship between superiors and subordinates is still direct. The current organizational structure of Kibo Frizzy Snack is presented in Figure 6.

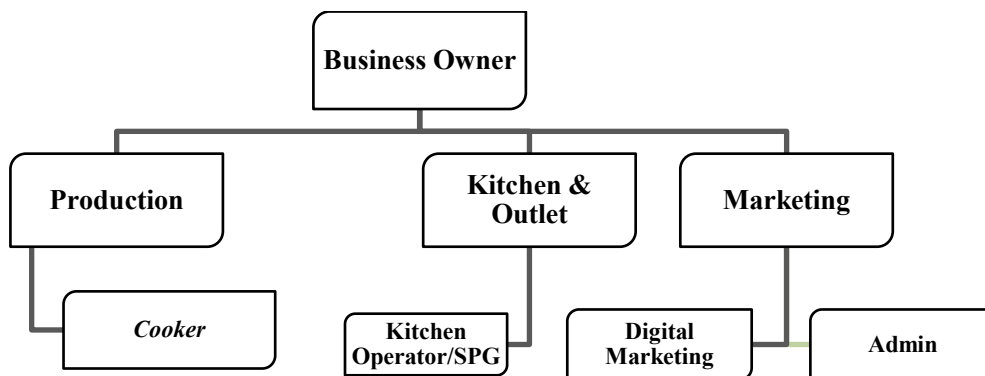


Figure 5. Organizational structure of Kibo Frizzy Snack
Source: Kibo Frizzy Snack, 2021

Kibo Frizzy Snack's organizational structure is quite simple. There needs to be a finance and accounting admin to record money flow reports and daily financial reports. It is because the business owner/owner acts not only as the top leader but also as the financial holder and business financial records to reduce employee payroll costs. In this case, Kibo Frizzy Snack enforces a work culture and climate more inclined towards kinship. Therefore, communication between workers must be maintained as well as possible. The company also strives to create an Islamic environment. All counter employees and management are required to be Muslims, and women are required to wear the hijab while working.

In implementation, the company leader also supervises employees in their duties. Aktivitas implementasi terdiri dari tiga tahap: pra produksi, produksi, dan post produksi. Pada fase pra produksi dilakukan Calculation of Remaining Sales & Creation of Production Expenditure List, Raw Material & Operational Funding, Purchase of Raw Materials (daily/weekly stock), Purchase of Raw Materials (monthly stock) & Operations, and Ordering & Purchasing Packaging. In detailed, the implementation of the operating schedule is presented in Table 6.

Table 6. The Implementation of Operating Schedule

Activities	Week 1							Week 2-4						
	1	2	3	4	5	6	7	1	2	3	4	5	6	7
	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su
Pre-Production														
-Calculation of Remaining Sales & Creation of Production Expenditure List				■								■		
-Raw Material & Operational Funding					■								■	
-Purchase of Raw Materials (daily/weekly stock)					■								■	
-Purchase of Raw Materials (monthly stock) & Operations						■								■
-Ordering & Purchasing Packaging							■							■
Production														
-Dough Making Process (Kibo & Meatballs)					■							■		
-Dough Rounding Process (Raw Kibo)						■							■	
Post-Production														
-Finishing & Housekeeping					■							■		
-Product Delivery to Outlets							■							■
-Product Sales at Outlets	■	■	■	■	■	■	■	■	■	■	■	■	■	■

Source: Kibo Frizzy Snack, 2021

In The Monitoring, Supervision is carried out once a week and every day when new employees start working in the first week. Meanwhile, the supervision of Kibo Frizzy Snack carried out to employees in several divisions is quite effective in maintaining the

brand identity that has been built. Then, in Human Resource Management, Kibo Frizzy Snack is fine in getting HR (Human Resources) for positions other than cloud kitchen outlets. Claude Kitchen recruits most employees. Kibo Frizzy Snack does not overemphasize higher education for prospective employees. However, Kibo Frizzy Snack has criteria for employees. The Human resources owned by Kibo Frizzy Snack has five employees (2 people in the production department (full-time), 1 person in the cloud kitchen outlet (full-time), one admin (freelance) and one person in digital marketing (freelance). Human resource development carried out by Kibo Frizzy Snack is by providing training to new employees for one week. With this training, new employees will get skills according to their duties. Then, in maintaining Human Resources, Kibo Frizzy Snack provides the following facilities to its employees: Basic salary, Incentive/bonus money, and Wi-fi facilities (production employees only).

Social and Economic Aspects

In Social Impact, the social impact caused by the existence of Kibo Frizzy Snack is the empowerment of the lower middle economic class community around the area, especially in the city of Jakarta. This is because Kibo Frizzy Snack has empowered people with low economic backgrounds who are unemployed to become trained employees to work at the Kibo Frizzy Snack company. In Economic Impact, the author analyzes that the company has been able to have a good economic impact. With the company opening job vacancies and contributing to the GDP of Indonesia's creative economy in the culinary sub-sector. Then the business owner also helps reduce dependence on the state for available employment opportunities. So that from here the company creates an excellent economic chain. Then, in Environmental Impact, with this product, it can contribute to helping utilize and reduce community waste, one of which is organic waste, namely cassava peel, where a waste is converted into a unique, high-taste, contemporary, nutritious product and can be helpful for many people.

Sharia Implementation at Kibo Frizzy Snack

The following are the results of the analysis of the suitability of the application of the *murabaha* contract by Kibo Frizzy Snack for the applicable pillars and conditions. First, the ability to do a contract for both contract actors. This requirement is fulfilled because both Kibo Frizzy Snack and customers (market segment) have reached the age of puberty, intelligent and are not prohibited from spending their property. Then, *sighah* or the existence of *ijab* and *qabul*. This requirement is also fulfilled by agreeing to the agreement made between Kibo Frizzy Snack and the customer in the order transaction process at the cashier. Then, the benefits that are used as the object of *ba'i* (sale - purchase) are in the form of halal food from beef (animal) and spices that come from plants (vegetable). This is explained in the Qur'an Surah *Al-Mai'dah* verse 88 which means: "And eat lawful food again good from what Allah has sustained you, and fear Allah whom you believe in". In the Qur'an Surah *Al-Mai'dah* verse 88 explained that humans are commanded (obliged) to consume food that is halal and toyib (sound). Mandatory (obligation) to consume halal food aims to create benefits, goodness and welfare (falah) for humans themselves. From this goal can be found the values contained in it in

accordance with *maqashid sharia*. *Maqashid sharia* in halal food is described in the five main *ad-dharuriyyatul khamsah* according to their respective ranks by adhering to the maintenance of the five essential benefits, namely religion (*hifdzud din*), soul (*hifdzudn nafs*), mind (*hifdzdzul 'aql*), offspring (*hifdzun nasl*), and property (*hifdzul mal*) (*Al-Asyhar*, 2003). At the end, the wage given is an agreed price based on the complexity of the work and the amount of costs that must be borne in carrying out the work.

Analysis of Financial Aspect

Analysis of Financial Aspect consists of Budget Investment Requirement and Budget Estimated Cost. In Budget Investment Requirement, The total investment budget of Kibo Frizzy Snack is IDR16,100,000 which consists of: Facilities and infrastructure 1 production house amounting to IDR5,450,000, Facilities and infrastructure 1 cloud kitchen amounting to IDR3,710,000, Office facilities and infrastructure of IDR1,340,000, and Outlet/kitchen activation facilities and infrastructure amounting to IDR5,600,000. While ini Budget Estimated Cost, Variable cost, consisting of: Main raw material cost of IDR7,078,500, Raw material cost of smoked meat flavor snack amounting to IDR2,294,563, Raw material cost of cheese flavored snacks amounting to IDR2,420,563, Raw material cost of corn-flavored snacks is IDR634,875, Raw material cost of spicy flavor snack is IDR1,279,750, and Raw material cost of seaweed flavored snack is IDR1,348,750. Then, Fix cost, consisting of: Fixed cost of IDR5,763,333, and Operating costs of IDR10,108,000.

Investment Appraisal Criteria

Break Event Point (BEP), in quantity is 263. Kibo Frizzy Snack will break even at the 263rd unit sold. Seeing that the sales target for Kibo Frizzy Snack reaches 1200 boxes per month for sales of 2 x units per day or the equivalent of 60 boxes per day and reaches 600 boxes per month for sales of 1 x unit per day or the equivalent of 30 boxes, the company is said to be feasible in the results of unit sales because the sales target exceeds the BEP quantity, which is 263.

BEP in rupiah is IDR11,451. Kibo Frizzy Snack will break even when the price set is at least IDR 11,451. Seeing the price set at Kibo Frizzy Snack reaches IDR26,500 to IDR29,500 per box, then the company is said to be feasible in the results of pricing because the price set exceeds the rupiah BEP, which is IDR11,451. Then, Return on Investment (ROI) is Return on Investment (ROI) is 83%. This shows that the return on investment of IDR65,743,209 for the development that Kibo Frizzy Snack can produce is 83%.

CONCLUSION

Based on the explanation above, it can be concluded that based on the Legal aspects, Market Aspects, Technical and Operational Aspects, Management and Organizational Aspects, and Social and Economic Aspects using the Business Feasibility Study Analysis method, Kibo Frizzy Snack is feasible to develop. This is because Kibo Frizzy Snack has complete licenses, except for Halal certification, BPOM and HaKI which are currently still in the process of being made. In addition, the existing market is up-and-coming as

seen from the many requests that have been served and the broad market segmentation, namely young people and teenagers in the Jabodetabek area. Kibo Frizzy Snack also has SOPs and has implemented good management functions with a clear structure and division of tasks. This business activity can also have a positive impact on the regional and national economy. The use of cassava peels also has a positive impact on the environment because it minimizes organic waste among communities and households. The Return on Investment (ROI) and Break Event point (BEP) assessment also resulted in an ROI of 83%; as well as a quantity BEP of 263 and a price BEP of IDR11,451.

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Halal Industry Development Strategies Based on Small and Medium-Sized Enterprises for Rendang Entrepreneurs in Payakumbuh

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ABSTRACT

West Sumatra has much potential for halal culinary development in Indonesia. One of the famous food products is rendang. According to CNN, this product has gone global and is the most delicious food globally. In the context of halal culinary tourism development, Payakumbuh is one of the cities that contributes to the development of halal culinary businesses, especially rendang. A rendang village in Payakumbuh is a collection of several Small and Medium Enterprises promoting rendang businesses. Rendang entrepreneurs in Payakumbuh also play a role in accelerating the halal industry in their area. Rendang sales can also be accepted by consumers and sent to several regions in Indonesia and even the world. It aligns with Law Number 33 of 2014 concerning Halal Product Guarantees. However, there are also many obstacles faced by rendang entrepreneurs in Payakumbuh in developing their businesses: limited capital, weak managerial skills, and marketing constraints. This research aims to discover rendang entrepreneurs' strategies to develop the halal industry. The method used is qualitative analysis. Next, the analysis technique used is SWOT analysis. Several steps can be taken to optimize rendang sales, including consumer awareness, halal services, digital marketing and supporting services. The government needs to support the development of the halal industry in Indonesia.

Keywords: Halal Industry Development Strategies, Small and Medium-Sized Enterprises, Rendang, Entrepreneurs, Payakumbuh.

INTRODUCTION

West Sumatra, as a place for the majority of the Minangkabau tribe, has enormous potential for the development of the halal culinary industry. One of the most famous halal culinary delights from West Sumatra is rendang, which was named one of the most delicious foods in the world by CNN in 2011. According to this great potential, it should move the local community's economy, especially in the halal food trade.

In general, much research on halal food has been carried out before. About aspects of Sharia law regarding halal and haram food, several studies have been conducted, including by Waharjani (2015), Satria (2021), Lubis (2022), Ihsan & Fata (2022), and

Gani et al. (2023). Furthermore, regarding the management aspect of the halal food industry, previous research has been carried out by Peristiwo (2019), Izzudin & Adinugraha (2021), and Ajidin & Fatimah (2022). The relationship between food products and halal certification has also been explained in research by Talib et al. (2017), Hasan et al. (2020), Pane & Kusuma (2023), and Umami et al. (2023).

Based on data from the BPS-Statistics Indonesia for 2019, the number of Small and Medium-Sized Enterprises (SMEs) entrepreneurs in West Sumatra is at least 100,712 businesses, the majority of which are in the age range of 45-64 years, namely 92,217 entrepreneurs. Of all types of businesses in West Sumatra, most are engaged in the halal culinary food sector, namely 45.26 thousand businesses. Lima Puluh Kota Regency is the area with the highest percentage of entrepreneurs in West Sumatra, with a percentage of 16.75% of the total business in the province. The City of Payakumbuh is ranked 10th in the entrepreneur population in West Sumatra, with a total percentage of 3.67%.

Payakumbuh, as one of the centres of the rendang industry in West Sumatra, must innovate a lot to compete with other local and national products to improve the welfare of the local community. Payakumbuh City's seriousness in managing the rendang industry has begun to be seen thanks to the existence of a rendang village which has been thoughtfully managed so far; Payakumbuh City has been nominated for the 2021 Indonesian Enchantment Award (API) in the shopping destination category (antaranews.com, 2021). Rendang Small and Medium-Sized Enterprises in Payakumbuh City alone amount to 37 SMEs to realize the Payakumbuh City of Randang branding (tempo.co, 2018).

However, there are still some obstacles to the rendang production process in Payakumbuh. Constraints commonly experienced include access to capital, a quality that still needs to be standard, less than optimal marketing and pro, and a duction scale that is that limited. So, the production of rendang needs to be maximized. According to Wibowo et al. in Zelly (2017), several obstacles in the production aspect include 1) the need for more access to market information. This results in production activities needing to be improved regarding business scale-up regarding what must be produced, the characteristics and requirements, the quality and how much quantity must be produced.

Therefore, sound and even market information is needed by producers. 2) Lack of control over production supplies.: Production supplies include all goods and materials owned by the industry and used in production. Control of supplies is very influential on the smooth distribution of business and maintenance of production quality. 3) Lack of process control. In principle, this control ensures that the production process runs smoothly, on time and produces quality production. 4) Weak maintenance of machines and equipment; this is necessary to ensure a smooth production process. Irregular maintenance will cause damage to the production machine, which will significantly affect the delay in the production process. 5) Weak quality control. Quality control is necessary to prevent a decrease in the quality of the product standards that have been set. It is so that consumers are satisfied when buying products that have been produced. 6) Weak

product studies and research. Small industries can do simple research to improve production processes, work methods, product improvements, and quality improvements, which can increase their productivity.

Related research which mentions obstacles in developing the halal industry was also revealed by Kamiluddin and Hasan (2023), including the quantity and quality of human resources, capital, sharia products, competitors from outside the region, raw materials, marketing strategy, information and technology infrastructure, and government policy. Those are some of the obstacles experienced by SME entrepreneurs, especially Rendang SMEs in Payakumbuh City. Innovation is needed so that SMEs can survive and develop occasionally. Moreover, many people depend on this business for their livelihood, so it is necessary to have the support of various parties so that the welfare of Rendang SMEs continues to improve. In addition, the development of the halal industry in Indonesia is an obligation contained in Law Number 33 of 2014 concerning Guarantees for Halal Products.

METHOD

This research uses qualitative analysis. Furthermore, SWOT analysis is used as an analysis technique in formulating the best strategy for product development. SWOT analysis as a formulation and evaluation material for implementing rendering product development strategies in Payakumbuh. The framework of thought shows that the development carried out by rendang producers so far can be examined using a SWOT analysis by first conducting an environmental analysis; the internal environment is seen from strengths and weaknesses, while the external environment is seen from opportunities, and challenges (threats) to map out the best strategy (Ardy & Yulihasri, 2020).

RESULT AND DISCUSSION

The Meaning

The origin of the word strategy is Strategos, which in Greek is a combination of the words Stratos, namely soldiers and ego or leader. One strategy must have a basis or scheme to achieve the targeted goals. A strategy is a tool to achieve company targets regarding long-term goals, born programs, and allocation of existing resources. Strategy is also interpreted as a pattern of goals, various policies, work programs, decisions or placement of resources that describe how the organization as a whole, what is done and why an organization does it (Ardy & Yulihasri, 2020).

The meaning of the development strategy is an action plan that requires top management decisions in business development to make it happen. Besides that, the development strategy also affects the organisation's life in the long term, at least for five years. Therefore, the nature of the development strategy is future-oriented. A development strategy should be oriented towards long-term plans to manage

environmental opportunities and threats effectively, as seen from the company's strengths and weaknesses (Afridhal, 2017).

Furthermore, several studies related to halal industry development have been discussed in various pieces of literature. First, the research of Putra et al. (2023) discusses the dynamics of differences in halal industry development in several countries. The facts found, for example, are that in the United States and Australia, four organizations provide halal certification for exports. Meanwhile, in the Southeast Asia region, each country's use of different standards has been identified as a significant obstacle to the export-import operation of halal products.

Second, research conducted by Batubara and Harahap (2022) discusses the response and compliance with Sharia regulations of Islam in Indonesia in the development of the halal industry. This research reveals that the halal industry could be more developed in Indonesia due to internal and external factors. These internal factors include a need for more standardization, branding, and limited human resources. In contrast, external factors include the absence of a roadmap for the halal industry and a lack of support from the government.

Third, research conducted by Amiruddin (2022) is related to Sharia Regulations on Halal Tourism and its contribution to developing the creative economy. This research was conducted primarily in the South Sulawesi region. The fact found in the field is that halal tourism has been welcomed by the people of South Sulawesi, as evidenced by the large number of Muslim tourists who appreciate Sharia-based tourism. It is just that the halal tourism industry needs to be developed due to the lack of a regulatory framework that supports it. The researcher also recommends that policymakers, including the Indonesian Ulema Council, make regulations that facilitate the development of the creative economy in South Sulawesi, especially those related to infrastructure, information services, and promotion of creative industry areas.

The Implementation

West Sumatra has three types of Small and Medium-Sized Enterprises (SMEs): manufacturing, trading and services. This manufacturing business is an activity whose role is to produce goods (convert) raw goods into semi-finished and finished goods. One example of manufacturing is engaged in food manufacturing. In West Sumatra, rendang food SMEs are a food manufacturing sector that has the potential to be developed, especially rendang food from Payakumbuh City. (Princess, 2018)

Payakumbuh City is an industrial sector generally classified as micro, small, and medium enterprises. Household businesses dominate the majority of these SMEs. According to the Office of Cooperatives, SMEs and Industry in Payakumbuh City, in 2016, according to the trading business license, there were 426 business units engaged in the SME sector. (Wati et al., 2019)

Starting in 2018, Payakumbuh changed the slogan of Galamai City to "The City of Rendang", with the rebranding of Payakumbuh City adding to the positioning of Payakumbuh City, which has so far relied on Batiah and Gelamai. (Ardy and Yuliharsi,

2020). With this new slogan, the City of Payakumbuh is indirectly introducing to the public that Payakumbuh is the centre for rendang sought by domestic and foreign tourists. For the tourism sector, of course, this has become a separate bargaining position for the city of Payakumbuh so that SMEs do not need to bother promoting themselves independently because massive publications by the City Government have assisted them.

The Government of Payakumbuh City, through the Department of Labor and Industry, is quite serious about developing Rendang SMEs that have been integrated with the halal industry in the area. The development of the halal industry is carried out by rendang entrepreneurs and the Payakumbuh City government by registering halal certification and maintaining the halal rendang process, from slaughter to processing and packaging.

The Payakumbuh government has carried out the process of developing the halal industry for food products in recent years. WA (57), as the Head of the Department of Labor and Industry (2020), said, "There are five industrial sectors that receive the full attention of the Payakumbuh government, namely the snack food industry centre, the rendang industry centre, the cocoa industry centre, the weaving industry centre, and the bamboo industry centre. So, three industrial centres in Payakumbuh are closely related to halal products. The three types of centres here are mainly processed food products." (interview, December 12, 2020).

WA (57) added that to support the development of the halal industry in food products, especially rendang, the following strategies were carried out: "The first step in helping small and medium entrepreneurs is to provide basic food safety training. They will then receive PIRT (food processing permits) on this basis. Then we send them to get halal certification, then develop to others, for example, distribution permits, food safety certificates, and shelf life certificates." (interview, December 12, 2020)

According to WA (57) Supervision is also one of the things that is of concern to the Payakumbuh City government in developing the halal industry, especially rendang products "So, although most of these products are halal in Payakumbuh, the products are indeed made from halal raw materials, but the process must also be precise. For example rendang, halal must be from the upstream, not just the end that we see." (interview, December 12, 2020)

Furthermore, according to rendang entrepreneurs in Payakumbuh (SN), halal certification is a very important component in the process of developing a rendang business in Payakumbuh "If there is no halal certification, it will not sell well. If there is no unsold certificate (rendang). Before there was halal certification, there were 20 kg a day, after there was halal certification, 50 kg were sold a day. Even when the pandemic is even increasing. After the covid went up, when Eid al-Fitr went down again, now it's up again. Now the Tangerang branch is getting better." (interview, November 16, 2020)

The main purpose of this step is none other than to have a bargaining position and overall mass production so that consumers can freely choose and buy Payakumbuh rendang products in any quantity. Processing and types of rendang products in Payakumbuh from time to time continue to modify. Several new variants emerged, such as egg rendang, suir rendang, jengkol rendang and various other types. Apart from that,

there are also rendang with various flavors such as slightly sweet, slightly salty, or spicy (Kumar and Wiranegara, 2010).

The Payakumbuh Municipal Government has created an SMEs center which aims to facilitate the business development of SMEs players. SMEs centers are business activity centers in certain areas/locations where there are SMEs that produce the same/similar products, the same raw materials/facilities, and have the prospect of being developed to become an integral part of the cluster (Putri, 2018).

Cited from Ardy and Yuliharsi (2020), the area that became the rendang village in Payakumbuh City is in the Sungai Durian Village area, Lamposi Tigo Nagari District. In this area there are at least nine home Rendang SMEs that are currently still operating, including Dapoer Rendang Riry, Rendang Erika, Rendang Indah, Rendang Usmai, Rendang Neng Keke, Rendang Yolanda, Rendang Yen, Rendang Uni As, and Rendang Evi. All of the Rendang SMEs joined in one community, namely Kampung Rendang Payakumbuh. But actually Rendang Payakumbuh SMEs are not only found in Sungai Durian Village. However, they are also scattered in several sub-districts and other sub-districts in Payakumbuh City.

Rendang Village in Payakumbuh City, precisely in Lampasi District, is very close to egg production centers. At first the home industry that developed only produced egg rendang, then developed variants that were produced other than egg rendang including meat rendang, suur rendang, lung rendang, eel rendang, corn rendang, and cassava rendang. (Wati et al, 2019)

But in terms of promotion there are still obstacles, namely Rendang entrepreneurs still rely on tourists visiting Payakumbuh to buy their products, or other export cooperation such as pilgrims leaving for Saudi Arabia. In addition, the marketing process is still in the beginner category, namely based on orders, and traditional word of mouth marketing.

The managerial side is still not optimal because it still relies on one person, namely the owner. The owner is directly involved in managing all aspects starting from access to capital, production, marketing, and management of employee resources. So that the development of the rendang industry is slow. Even though in terms of taste and product packaging, it has shown encouraging results. There needs to be better innovation, including digital marketing through social media so that consumers from various regions outside West Sumatra and Payakumbuh can experience rendang products directly from their area of origin. The use of digital media to improve business results is also carried out by asnaf entrepreneurs, as in the research of Nuryati and Bahri (2022) and in the research of Rani et al (2022) which links the strategy of asnaf entrepreneurs in developing the halal industry in Malaysia.

Based on the problems above, this study tries to look at four aspects, namely what are the strengths, weaknesses, opportunities and threats of the small and medium rendang industry in Payakumbuh City using the SWOT approach. The function of the SWOT Analysis is to obtain information from the situation analysis and separate it into internal

issues (strengths and weaknesses) and external issues (opportunities and threats). The SWOT analysis is based on literature reviews from various sources.

First, from the external side, it can be grouped into opportunities and threats. The opportunity consists of High public response to the rendang industry, especially in Payakumbuh and Rendang cuisine is claimed to be the world's most delicious food. Then, Threats consist of the decline in people's purchasing power during the COVID-19 pandemic and global competition in the halal culinary industry. Furthermore, from the internal side, it can be grouped into Strengths and Weaknesses. Strengths consist of Local government support for promoting the rending industry and The packaging process has started well. Meanwhile, weaknesses include weak marketing of rendang products and managerial at rendang SMEs needing to be maximized.

Based on the analysis above, it is necessary to have a strategy so that the development of rendang SMEs based on the halal industry can be more optimal. First, producers must understand what consumers want (producer awareness). In this case, producers can improve many aspects, namely service that picks up the ball, product quality that continues to increase, prices that are relatively affordable and aspects of product quality (taste) that are maintained. In addition, there is a guarantee for consumers if the product purchased does not match the product quality qualifications promised by the manufacturer. (Suhartanto et al, 2020). Second, strictly maintaining halal products (halal services). Of the many aspects of buying and selling food, the halal aspect of products, especially rendang, is a critical point that consumers will consider. Especially for Muslim consumers, the halal aspect is the first priority when deciding to buy.

Therefore, in addition to rendang products that must have halal certification, these products must be maintained as halal occasionally (Sanchez & Moral, 2020). Even the Muslim millennial generation, known to be critical in choosing products, also pays great attention to this halal aspect when deciding to purchase products (Amalia et al., 2020). Then, in digital marketing, the development of technology-based marketing is emphasized. On the other hand, optimal branding is also needed so that Payakumbuh-style rendang can be more in demand by consumers from anywhere (Jaiyeoba et al., 2020). The fourth was optimizing tourist attractions (ancillary services). Entertainment can often boost product sales (Spillane in Ardy and Yulihastri, 2020). For example, it invites tourists visiting Payakumbuh to participate in the marauding process. You can also promote it with well-known public figures, such as Chef Gordon Ramsay's *marandang* show on National Geographic.

CONCLUSION

Payakumbuh City has considerable potential in the development of the rendang industry. The geographical aspect significantly influences the development of these rendang SMEs because they are located near the source of raw materials for rendang. Apart from that, the people have always been accustomed to producing rendang for traditional events and migrated relatives. However, there are also many obstacles faced by rendang SMEs in Payakumbuh in developing their business, from limited aspects of capital and good managerial skills to marketing constraints. Some steps that can be taken to optimize rendang sales include consumer awareness, halal services, digital marketing

and ancillary services. This research can be helpful for halal culinary entrepreneurs to increase their sales income and also for the government to create reasonable regulations to support the halal business ecosystem.

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Study of the Differentiation of Conventional Credit Card and Sharia Card Products in Sharia Banks

The development of sharia banking in Indonesia has experienced quite significant growth. It is based on the innovation of the credit card product issued by Sharia banking, namely the Syariah Card. This research aims to explain the differences between conventional credit card products and sharia cards regarding mechanism and product use. This research uses a qualitative method with a descriptive approach. The research results found that the differences between conventional credit card products and Sharia cards are in the transaction agreement scheme used, interest and the use of fees (juror) on Sharia cards. The existence of Sharia cards refers to the fatwa of the National Sharia Council of the Indonesian Ulema Council regarding the permissibility of Sharia credit cards No.54/DSN-MUI/X/2006 concerning Sharia Cards. The difference between Sharia cards and conventional credit cards is that Sharia cards are not allowed to charge interest but only remuneration (juror) or fees from each transaction. Conventional credit cards use interest-based because they assume the "time value of money" is money. It is just a medium of exchange that turns into a commodity that can reproduce only because of the opportunity factor of time, without the role of humans who work on it. Sharia banking needs to use this as a reference in making products for the public.

Keywords: Credit cards, Sharia cards, and Sharia banking, Indonesian Ulema Council.

INTRODUCTION

Islamic economics has reached a golden age by raising the economy's level (Huda, 2016). Furthermore, with a practical lifestyle and easy transactions, banks are encouraged to provide digital services (Wardani, 2016). In Indonesia, innovation has emerged to issue credit card products in both conventional and sharia banking. (Margaretha & Sari, 2015) stated that based on Bank Indonesia data, the number of credit cards in circulation as of January 2014 reached 15.12 million. Then, Dudiyanto et al. (2021) stated that based on Bank Indonesia data, the volume of credit card transactions in 2020 reached IDR 349.211 billion. It shows a growth of 3.26 per cent compared to 2019, with a nominal value of IDR 342.68 trillion or a growth of 8.9 per cent (Dudiyanto et al., 2021). Thus, the use of credit cards is prevalent among the public.

With the public's high interest in credit cards (Dwididanti & Anggoro, 2022), Sharia banks also issue credit cards that refer to Sharia principles (Yusuf, 2011). Sharia Cards have been implemented in several Sharia banks: Bank Syariah Indonesia, Bank Mega Syariah, and CIMB Niaga Syariah (Lestari, 2021). It refers to the provisions of the MUI DSN Fatwa No. 54/DSN-MUI/X/2006, followed by government regulations as implementing regulations for the fatwa (Mutafarida, 2017). From the explanation above, the need for sharia cards has increased. However, the use of sharia cards has yet to be implemented. This is because there is still debate regarding this matter. Therefore, this

research discusses credit cards, Sharia banking, Sharia cards, credit card schemes in Indonesia, and Sharia card contract mechanisms.

METHOD

This study uses a qualitative method. Mason (2017) explains that qualitative research methods are usually exploratory, flexible, fluid, and context-sensitive (Wulan et al., 2019). The research approach is descriptive. Data and documents were obtained from literature studies originating from reference journals and books—data in the form of numbers obtained from reports from government associations that handle the credit card sector. Then, the document used in this research is a comparative study between conventional credit card products and Sharia cards at Sharia banks. Documents were analyzed using a descriptive approach. The results of the analysis are also finally presented descriptively.

RESULT AND DISCUSSION

Definition of Credit Card, Islamic Bank, and Sharia Card

According to several researchers, e.g. Ardha (2020), Hasrif (2012) and Siliwangi (2009), The Big Indonesian Dictionary explains that a credit *card* is thick paper and rectangular (for various purposes, almost the same as a ticket). Meanwhile, credit means: (1) borrowing money with card repayments in instalments. (2) loans up to a certain amount permitted by the bank or other body. If these two words are combined, the definition of a credit card is a thick paper that provides facilities to the owner in the form of a loan from a bank or other body that must be paid in instalments.

Santosa (2009) explains that credit cards are *bithloqah al i'timaniyah*, translated from Arabic into English. They are called credit cards. Furthermore, Santosa (2009) explains that the definition of a credit card in terms of terminology is taken from the word *bithaqah* (card), which is linguistically used for small pieces of paper or other materials, above which an explanation related to the piece of paper is written. Meanwhile, the word *i'timan* means a condition of security and mutual trust.

Sharia banking is a banking institution that aligns with the Islamic value system and ethos (Putra et al., 2022). Putra et al. (2022) explain that Sharia banks are institutions/banking whose operations and products are developed based on Islamic law (the Qur'an and Hadith) and use fiqh rules. A Sharia bank is a financial institution whose primary business provides financing and other services or circulation and whose implementation is adapted to Islamic principles (Rapika, 2021). According to Law of the Republic of Indonesia Number 21 of 2008, Sharia Banking is everything related to or related to Sharia Banks and Sharia Business Units, including institutions, business activities, as well as methods and processes for implementing business activities (Supriatna et al., 2022). Thus, Islamic banks operate with Islamic sharia principles. Sharia follows the principles maintained in the Al-Qur'an and Hadith (Sobarna, 2021). As an illustration, in Indonesia, Sharia banking was pioneered by Bank Muamalat (Ismal, 2013).

Sharia banking has become a new colour in the financial industry. In fact, according to several researchers, e.g. Fitriyanti et al. (2023), Pabbajah et al. (2019), and Zaini et al. (2019), Bank Sharia is the public's choice to carry out their transactions by Sharia principles.

According to several researchers, e.g. Addieningrum & Aslina (2021), Sholichah & Syakir (2022) and Wardani (2016), Syariah Card is a card that functions like a credit card where the legal relationship (based on an existing system) between the parties is based on sharia principles as regulated in the fatwa. The ulama allows the kafala system and practices in Ramallah based on the arguments of the Koran, sunnah and ijma (Maulana, 2022; Nasution, 2019; Ramadhani, 2017). Allah says, "and whoever can return it will get food (the weight of) a camel's load, and I guarantee it." (QS. Yusuf: 72). Ibn Abbas said that what is meant by the word "za'im" in this verse is "kafil". Rasulullah SAW has also said in one of his hadiths: "az-aim harm" means the person who guarantees means is in debt (Because of the guarantee) (Hadith narrated by Abu Dawud, Turmidhi, Ibn Hibban)

The term Sharia card is often used by academics and practitioners, including those who mention (a) Sharia-based credit cards, (b) Sharia credit cards, (c) Islamic credit cards, and (d) credit cards based on Sharia principles. In principle, these four terms have the same meaning. Moreover, these terms use the word credit. Thus, according to some researchers, e.g. Frimanda (2015), Huda (2021), and Norman (2020), the credit element itself contains usury, so these four terms are not appropriate to use.

By the DSN MUI Fatwa No. 54/DSN-MUI/X/2006 concerning Sharia Cards, it is defined as a card that functions as a credit card with legal relations between parties based on Sharia principles as regulated in the fatwa. DSN has also provided provisions regarding the permissibility of charging fees for occurring transactions in this fatwa. In this case, the card issuer can charge a membership fee (*rusum al udhwiyyah*). In the form of membership fees, including an extension of the membership period of the cardholder in return for permission to use the card, payment for which is based on an agreement. Merchants can also provide fees to card issuers for transactions using cards as wages/rewards or *ujrah* for intermediary, marketing and billing services.

Credit Card Scheme in Indonesia

Banking in Indonesia has experienced significant developments, especially in transactions, where the payment system used was initially traditional, namely barter. Some researchers e.g. Afif & Mulyawisdawati (2016), Pujiyono (2005), and Utsmani (2017) explain that due to difficulties in the similarity of desires for the type of goods to be exchanged (double coincidence of wants), money was born as the most efficient and effective medium of exchange. However, according to Pujiyono (2005), the existence of money itself still creates obstacles and problems in its use.

Credit cards in the early 2000s became a severe topic of discussion among Islamic scholars, academics and practitioners in line with the progress of banking and Islamic financial transactions in Indonesia (Sutono, 2022). The increasingly widespread use of credit cards raises several problems if viewed from the perspective of Islamic fiqh (Utsmani, 2017). Problems arise because so many parties are involved in credit card

transactions that the jurists need help determining the appropriate type and number of contracts to use (Wardani, 2016). Some scholars argue that credit card transactions only use one contract, others say it involves six contracts, namely *kafalah*, *wakalah*, *hawalah*, *murabahah*, *qardh* and *ijarah* (Ghozali & Fammy, 2018; Wardani, 2016).

In modern transactions, it has been proven that the existence of credit cards promises ease in making payments (Febriaty, 2019). The credit card itself is a card issued by certain financial institutions to users so that they can purchase goods and services from companies that accept the card without paying in cash or debt (Wahyuningsih, 2016). The differences in schemes between conventional and sharia credit cards can be seen in detail in Figure 1. Conventional credit cards became widely used in Indonesia in the 1990s (Hamin, 2020; Lubis & Lubis, 2012). The conventional credit card working system starts from application, issuance, and purchase transactions to billing carried out by the paying institution (Pujiyono, 2005). In the Indonesian version, the Conventional Credit Card Scheme is explained in detail in Figure 1.



Figure 1: Conventional Credit Card Scheme

Source: Chairunnisa (2018)

Sharia credit cards are very different from conventional credit cards (Chairunnisa, 2018; Haling et al., 2019). The use of Sharia credit cards to purchase goods is usually inseparable from the basis of the *murabahah* scheme because it is a form of buying and selling transaction (Pujiyono, 2005; Riska, 2016). Meanwhile, if it is related to purchasing or utilizing services, the basic approach to sharia credit cards is to use *ijarah* (Ghozali & Fammy, 2018). The primary difference between it and conventional credit cards is the limitations of Sharia credit cards in transactions (Pujiyono, 2005). Pujiyono (2005) explains that not all types of transactions can be carried out by Sharia credit cards, namely transactions that are haram according to Islamic sharia, both in terms of goods and services. Pujiyono (2005) identified that Sharia credit cards cannot and should not be used to purchase goods such as liquor, pork and other haram goods. Furthermore, Pujiyono (2005) explains that this card is also not permitted for transactions to pay for discotheques, bars, prostitution, gambling and other illicit services.

The Sharia credit card system, from the issuance request and purchase transactions to billing carried out by the paying institution, can be explained in the Indonesian version in Figure 2.

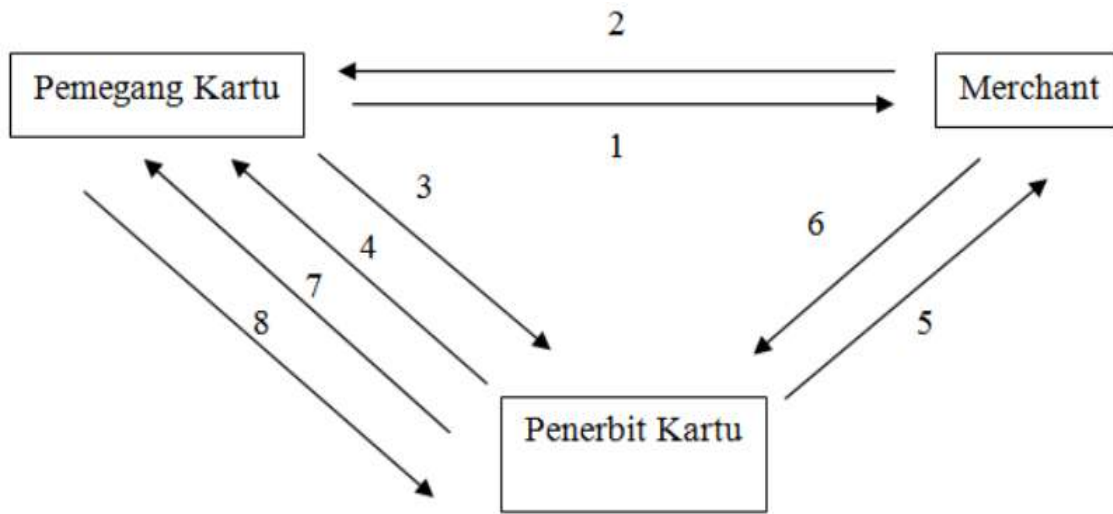


Figure 2. Sharia Card Scheme

Source: Mustofa (2015)

Based on the scheme above, three parties are involved in the Sharia card mechanism (Maksum, 2014; Mustofa, 2015). First, the card issuer (*musdir al bithaqah*) is a Sharia bank that issues Sharia cards. Second, cardholders (*pregnant al barakah*), namely customers who use sharia cards. Third, card recipients (*tajir/qabil al bitaqah*), namely merchants, shopping centres, and shops. Wardani (2016) identified that Sharia cards and credit cards go through several issuance mechanisms or procedures. First, the cardholder enters into an agreement with the credit card issuer, and based on this agreement, the issuer issues a credit card in the cardholder's name. With this card, the cardholder can shop at shops or other service sectors willing to serve where the merchant previously agreed with the issuer. Furthermore, secondly, the credit card holder enters into a sales and purchase agreement with the merchant. In the end, thirdly, the merchant collects payment from the credit card issuer, and the card issuer makes payment in advance of the credit card holder's debt (in this case, the credit card issuing company receives a commission from the merchant). The credit card issuing company will bill the cardholder at the specified time.

(Frimanda, 2015) explains that on conventional credit cards, the calculation is determined by interest costs and other costs (such as late fees) that arise in that month, which will be accumulated with the remaining principal debt that has not been paid after the due date to calculate interest costs in the following month, so it is known as a compound interest system (interest that is compounded again). Frimanda (2015) explains that interest calculations are also based on the initial value of the debt at the time of the transaction and also look at the number of days the debt has been outstanding. It is based

on the average daily debt balance calculated from the transaction date (Frimanda, 2015). Therefore, according to Frimanda (2015), it is different from sharia cards which use a monthly fee calculation system (debt management fee - *ujrah* equivalent 2.95%) calculated based on the remaining net principal debt after the due date, so the fee incurred in the previous month are not accumulated with the remaining principal debt to calculate costs in the following month.

Sharia Card Contract Mechanism

Mustofa (2015) and Sutono (2022) explains that Shariah cards or Sharia credit cards have almost no fundamental differences from Sharia charge cards. What differentiates the two is that in the Sharia charge card, there are no provisions regarding *da'wah* (compensation) as is regulated in the provisions of the Sharia card or credit card. A Sharia credit card is a card that functions as a credit card with a legal relationship (based on an existing system) between the parties based on Sharia principles. According to the view of (Al-Mushlih & Ash-Shawi, 2004), what is meant by the parties here are the card issuer or *musher al-bithâqah*, the cardholder or *hâmil bithâqah* and the card recipient, in this case, the merchant or *qâbil al-bithâqah* (Mustofa, 2015; Sutono, 2022).

In order to differentiate Syariah Cards from conventional credit cards, by DSN MUI Fatwa No. 54/DSN-MUI/X/2006 concerning Syariah Cards, it is defined as a card that functions as a credit card that has legal relations between parties based on Sharia principles as in the fatwa, so that it is free from Usury practices include: (a) kafala is transferring the responsibility of a guaranteed person by holding on to the responsibility of another person as guarantor. The kafalah contract is a guarantee that the company usually carries out. (b) Qardh can be interpreted as a loan agreement (distribution of funds) to a customer with the condition that the customer is obliged to return the funds received to the Sharia Financial Institution (LKS) at the time agreed between the customer and LKS. The connection between Qardh and Sharia cards is in the case of issuing cards as a loan (*murid*) to cardholders through cash withdrawals from the bank or ATM of the card issuing bank. (c) Ijarah, in this case, is the card issuer as a provider of payment system services and services to cardholders. For this Ijarah agreement, the cardholder is charged a membership fee. Apart from membership fees, card issuers also take *ujrah*/other fees called merchant fees and fees for cash withdrawals.

However, the MUI DSN regulates the following limits on the use of Sharia Cards: (1) does not give rise to Riba, (2) is not used for transactions that are not by Sharia, (3) does not encourage excessive spending (*israf*) by, among other things, setting a ceiling maximum spending, (4) the primary cardholder must have the financial capacity to pay off on time, (5) do not provide facilities that are contrary to Sharia.

From the above understanding, DSN MUI considers that in providing convenience, security and comfort for customers in carrying out transactions and cash withdrawals, Islamic banks are deemed necessary to provide a type of credit card, namely a payment instrument using a card that can be used to make payments for obligations arising from

economic activity, including shopping activities and/or making cash withdrawals, where the cardholder's payment obligations are fulfilled first by the issuer..

Difference between Credit Card and Sharia Card

The most prominent difference between credit and sharia cards is in calculating interest costs. Conventional credit card holders can be said to be borrowers of money so that they will be charged interest (finance charge). In contrast to Sharia cards, they do not charge interest. However, they are subject to the following provisions: first, monthly membership fees (membership fees), namely the card issuer has the right to receive membership fees (*rusum al-udhwiyah*), including an extension of the membership period from the cardholder as a reward (*ujrah*) for permission use of card facilities, the amount of which is determined by the bank.

At Bank Mega Syariah, monthly fees are charged if the cardholder pays only part of their total purchases (full payment). For example, a shopping cardholder spends 5 million, only pays half at maturity, and then the cardholder is subject to a monthly fee. Suppose full payment is not charged. Second, Sharia contracts are used in Sharia cards such as *Qardh*, *Ijarah*, and *Kafalah* so that all Sharia card activities follow Sharia principles. Meanwhile, conventional credit cards prioritize the time value of money, and there is the practice of Riba because interest charges are charged to the cardholder. Third, there is supervision from regulations other than the OJK, namely the Sharia Supervisory Board (DPS) in Sharia banking, so all the activities of this Sharia card have gone through quite a long process so that it can be issued by Sharia banking in Indonesia. Starting from the Sharia contract used and the limits in this Sharia card, it is not easy for Muslim people to be complacent in using it; one of the limitations is that it is not recommended to behave consumptively or maximize their spending..

In the DSN MUI fatwa No. 54/DSN-MUI/X/2006 several provisions set limits on sharia credit cards, namely: (1) they must not give rise to usury, (2) they must not be used for transactions with objects that are haram or immoral. (3) not encouraging *israf* (waste) by, among other things, setting a maximum spending ceiling. (4) must not result in debt that never existed. (5) The primary cardholder must have the financial capacity to pay off on time. (6) card issuers are not permitted to provide facilities contrary to Sharia.

Meanwhile, conventional credit cards are interest-based credit cards because they assume the time value of money, that money, which is just a medium of exchange (medium of change), turns into a commodity that can reproduce only because of opportunity and time factors alone, without the role of humans who worked on it. Therefore, with the issuance of sharia cards, which are cards for consumer financing in Sharia banking as a means of transactions for the public, does this not cause people's consumptive behaviour to increase, while the rate of income is not experiencing the same rapid pace? Easy access to banks and non-cash transactions quickly and efficiently will impact the desire to obtain goods and services more efficiently. Meanwhile, the concept of Sharia economics, one of the behaviours that must be adhered to and carried out by Muslims who believe in the Sharia system as a life guide in meeting their daily needs, is a consumer behaviour that is not wasteful/not consumptive..

One thing that differentiates Sharia financing cards from conventional credit cards is the cash rebate. It is a form of appreciation from the bank to cardholders for payment of bills whose size is proportional to the membership fee amount. For example, in 2023, Bank Mega Syariah issued a Syariah Card, which stipulates that there are no administration fees, only a fee (juror) if you are late in paying. The payment is not in full, approximately 1.75% of the card limit. (Frimanda, 2015)

CONCLUSION

In general, the development of sharia banking in Indonesia has experienced significant growth. This can be seen from the innovation of Sharia card products issued by Sharia banks such as Bank Syariah Indonesia, Bank Danamon Syariah, and Cimb Niaga Syariah. As of 2023, Bank Mega Syariah has also launched its Syariah Card. One of the differences between credit cards and Sharia cards is the contract used in them, so they must be by Sharia principles. Meanwhile, in Indonesia, the regulations that allow sharia cards are by DSN MUI Fatwa No. 54/DSN-MUI/X/ 2006. Credit cards and Sharia Cards are contradictory because credit cards charge fees with elements of the practice of Riba by charging fees (interest). Meanwhile, a monthly fee on sharia cards is permitted according to the DSN MUI fatwa.

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