



## The Financial Performance Analysis of Islamic Banking Using Sharia Conformity and Profitability (SCnP) Method in Southeast Asia

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### ABSTRACT

Islamic banking plays a vital role in establishing a financial system based on Islamic principles. However, as the Islamic banking industry grows in Southeast Asia, challenges arise in balancing its multidimensional aspects. This study analyzes the financial performance of twelve Islamic banks in Southeast Asia using the Sharia Conformity and Profitability (SCnP) method. Employing a descriptive quantitative approach, secondary data from the banks' annual reports were processed. Findings reveal that only Bank Mega Syariah Indonesia and Public Islamic Bank Malaysia occupy the upper-right quadrant, indicating strong Sharia conformity and profitability. Islamic Bank Thailand is in the lower-left quadrant, showing the weakest performance. Other banks are distributed across different quadrants, suggesting many still struggle to balance these multidimensional aspects effectively.

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## **INTRODUCTION**

Islamic banking has emerged as a crucial pillar in shaping a fair and inclusive financial system, particularly in regions with large Muslim populations such as Southeast Asia (Firdaus et al., 2023). The region, home to over 650 million people, includes countries like Indonesia and Malaysia that are considered leaders in the global Islamic finance industry (Siregar, 2024). Indonesia, the world's largest Muslim-majority country, and Malaysia, recognized as a global Islamic finance hub, have shown impressive growth in both Islamic banking assets and infrastructure. According to the Islamic Finance Development Indicator (IFDI, 2024), the total Islamic banking assets in Southeast Asia reached USD 337 billion in 2023, with Malaysia contributing USD 275 billion and Indonesia USD 53 billion. This rapid development is supported by regulatory frameworks, government policies, and increasing public awareness about the benefits of sharia-compliant finance (GIFR, 2024).

Despite this growth, a fundamental challenge persists: how can Islamic banks maintain compliance with Islamic legal and ethical principles while achieving competitive financial performance? Unlike conventional banks, Islamic financial institutions must ensure that their operations do not involve elements of *riba*, *gharar*, or *maysir*, while also meeting stakeholder expectations for profitability and growth. Balancing these objectives is complex and requires a multidimensional approach to performance evaluation that transcends traditional financial metrics.

Sharia Enterprise Theory (SET) supports the implementation of sharia compliance and governance in Islamic banks, emphasizing both social and economic responsibilities to partners and, most importantly, to Allah SWT. This theory asserts that an entity's responsibility extends beyond owners to a broader group of stakeholders, including Allah SWT, humanity, and the environment. Allah SWT is regarded as the ultimate authority, so all business operations must adhere to Islamic principles (Putri & Gunawan, 2019). SET directs the primary accountability to Allah SWT, which is then translated into responsibilities toward humans and the environment. Humans, as Allah's stewards (*khalifah*), are entrusted to manage and distribute resources fairly among all living beings (Triyuwono, 2001). In this research, SET relates to corporate accountability to society, as reflected in financial reporting (Annual Report) published for public access, allowing stakeholders to assess how their invested funds are managed.

Stakeholder theory posits that a company's operations are not solely for internal interests but are also responsible for providing benefits to external stakeholders, such as shareholders, creditors, consumers, suppliers, government, and the broader community. In the context of Islamic financial institutions, Muslim stakeholders expect transparency regarding performance in accordance with Islamic principles. Providing this information helps manage relationships between organizations and various stakeholder groups more effectively (Sri Wahyuni, 2020). In this study, stakeholder theory emphasizes that the primary goal of a company is not merely profit maximization but also considering stakeholder interests and delivering broader societal benefits (*maslahah*), in line with the objectives of sharia (*Maqashid Syariah*).

To address this challenge, researchers have developed various performance assessment models tailored to Islamic financial institutions. One of the prominent models is the Sharia Conformity and Profitability (SCnP) framework, introduced by (Kuppusamy et al., 2010), which integrates two key dimensions: adherence to sharia principles and financial profitability. This model provides a comprehensive tool to evaluate how well an Islamic bank aligns its operations with sharia while sustaining profitability.

The performance of Islamic banks measured by the SCnP more accurately reflects the performance of Islamic banks in terms of income, investment, and Islamic profit-sharing conducted by the banks. This can serve as a positive signal to stakeholders, including investors, who will consider it as a basis for making investment decisions in Islamic banks (Baiq Rahayu Widhiani, 2019).

Previous studies have shown that many Islamic banks struggle to achieve high performance in both dimensions simultaneously. For example, (Arimiko et al., 2022) found that several Islamic banks in Southeast Asia had strong financial returns but low levels of sharia compliance, highlighting a gap between ethical values and business performance.

Moreover, while the global Islamic finance discourse has evolved rapidly, empirical studies on Islamic banking performance in Southeast Asia using the SCnP model remain limited, particularly in the post-pandemic period (2020–2024). This period marks a crucial phase where banks faced disruptions due to COVID-19, digital transformation, and evolving customer demands. It is thus important to revisit and evaluate the performance of Islamic banks during this phase to understand how well they navigated the dual objectives of profitability and religious compliance.

This research aims to examining the financial performance of twelve Islamic banks in Southeast Asia—Indonesia, Malaysia, Thailand, and Brunei Darussalam—between 2020 and 2024 using the SCnP model. The banks selected for this study are recognized in The Asian Banker's list of "The Strongest Islamic Banks 2024," ensuring that the sample consists of major players in the region. Through this study, we contribute to the literature by providing updated insights into Islamic banking performance and mapping their positions within the SCnP quadrant framework. Our findings are expected to inform policymakers, regulators, bank executives, and researchers about the current state of Islamic banking performance and guide future strategies for achieving a more balanced and sustainable Islamic financial system.

In essence, the objective of this study is to determine how well Islamic banks in Southeast Asia perform in terms of both Sharia Conformity and Profitability and how their positions vary within the SCnP quadrant framework across a five-year period. The study also seeks to identify banks that serve as models of excellence in achieving both compliance and performance, while highlighting those that require further alignment between their ethical and economic goals.

## LITERATURE REVIEW

### *Sharia Enterprise Theory*

Sharia Enterprise Theory (SET) supports the implementation of sharia compliance and governance in Islamic banks, emphasizing both social and economic responsibilities to partners and, most importantly, to Allah SWT. This theory asserts that an entity's responsibility extends beyond owners to a broader group of stakeholders, including Allah SWT, humanity, and the environment. Allah SWT is regarded as the ultimate authority, so all business operations must adhere to Islamic principles (Putri & Gunawan, 2019). SET directs the primary accountability to Allah SWT, which is then translated into responsibilities toward humans and the environment. Humans, as Allah's stewards (khalifah), are entrusted to manage and distribute resources fairly among all living beings (Triyuwono, 2001). In this research, SET relates to corporate accountability to society, as reflected in financial reporting (Annual Report) published for public access, allowing stakeholders to assess how their invested funds are managed.

### *Stakeholders Theory*

Stakeholder theory posits that a company's operations are not solely for internal interests but are also responsible for providing benefits to external stakeholders, such as shareholders, creditors, consumers, suppliers, government, and the broader community. In the context of Islamic financial institutions, Muslim stakeholders expect transparency regarding performance in accordance with Islamic principles. Therefore, performance information based on Sharia Conformity and Profitability (SCnP) becomes a crucial tool to evaluate whether invested funds are managed in compliance with sharia law. Providing this information helps manage relationships between organizations and various stakeholder groups more effectively (Sri Wahyuni, 2020). In this study, stakeholder theory emphasizes that the primary goal of a company is not merely profit maximization but also considering stakeholder interests and delivering broader societal benefits (masalah), in line with the objectives of sharia (Maqashid Syariah).

### *Sharia Banking*

Sharia banking is defined by Law No. 21 of 2008 as banks operating based on sharia principles, comprising both general and rural sharia banks. Sharia banking functions as an investment manager, investor, provider of financial services, and executor of social activities (such as zakat management). Its goals include steering the Muslim community's economic activities towards Islamic transactions, particularly in banking, to avoid prohibited practices like *riba*, *gharar*, and *maysir*. Sharia banks operate under strict principles, including the avoidance of *riba*, *maysir*, *gharar*, *haram* activities, and *zulm*, as stipulated in Law No. 21/2008.

### *Financial Performance*

Financial performance is the depiction of a company's success as reflected in the results of its activities (Fahmi, 2012). It involves analyzing how well a company adheres to financial regulations, with the main goal of evaluating past performance to understand the company's true financial position and future potential (Kusumo, 2008). For banks, financial performance covers aspects such

as fund collection and distribution, and it is measured through financial statement analysis. Good financial performance is crucial for achieving organizational goals and maintaining stakeholder trust; poor performance can lead to loss of confidence and even bankruptcy. In the context of Islamic banking, there is a growing emphasis on measuring financial performance not only by profit but also by sharia compliance, aligning with maqashid shariah objectives.

#### *Sharia Conformity and Profitability (SCnP)*

The SCnP model, introduced by (Kuppusamy et al., 2010), combines conventional profitability indicators with sharia conformity indices to evaluate the financial performance of Islamic banks. SCnP uses two main indicators:

#### 1. Sharia Conformity

##### a. Islamic Investment

Islamic Investment is used to measure the percentage of investments made by Islamic banks in halal products. To calculate Islamic Investment in Islamic banking, it is measured by comparing Islamic Investment with the sum of Islamic Investment and Non-Islamic Investment. It is calculated as:

$$\text{Islamic Investment} = \frac{\text{Islamic Investment}}{\text{Islamic Investment} + \text{Non-Islamic Investment}}$$

##### b. Islamic Income

Islamic Income measures the percentage of halal income earned by a bank compared to the total income (halal and non-halal) earned by the bank. It is calculated as:

$$\text{Islamic Income} = \frac{\text{Islamic Income}}{\text{Islamic Income} + \text{Non-Islamic Income}}$$

##### c. Profit Sharing Ratio

This ratio compares the mudharabah and musyarakah activities with the total financing provided. It measures the extent to which an Islamic bank shares its profit with investors. It is calculated as:

$$\text{Profit Sharing Ratio} = \frac{\text{Mudharabah} + \text{Musyarakah}}{\text{Total Financing}}$$

#### 2. Profitability

##### a. Return on Assets (ROA)

ROA compares net income with total assets. It aims to show the company's ability to generate profit after tax using all assets owned. ROA is calculated as:

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

b. Return on Equity (ROE))

ROE compares net income with total equity to measure how well the company's capital generates profit. It is calculated as:

$$ROE = \frac{Net\ Income}{Total\ Equity}$$

c. Profit Margin

Profit Margin compares net income with total operating revenue to determine the real income received by the company. It is calculated as:

$$Profit\ Margin = \frac{Net\ Income}{Total\ Operating\ Revenue}$$

*Conceptual Framework*

The framework of thinking is a conceptual model that illustrates the relationship between theory and various factors identified as significant issues. Based on the underlying theories and previous research findings, the conceptual framework can be developed as follows.

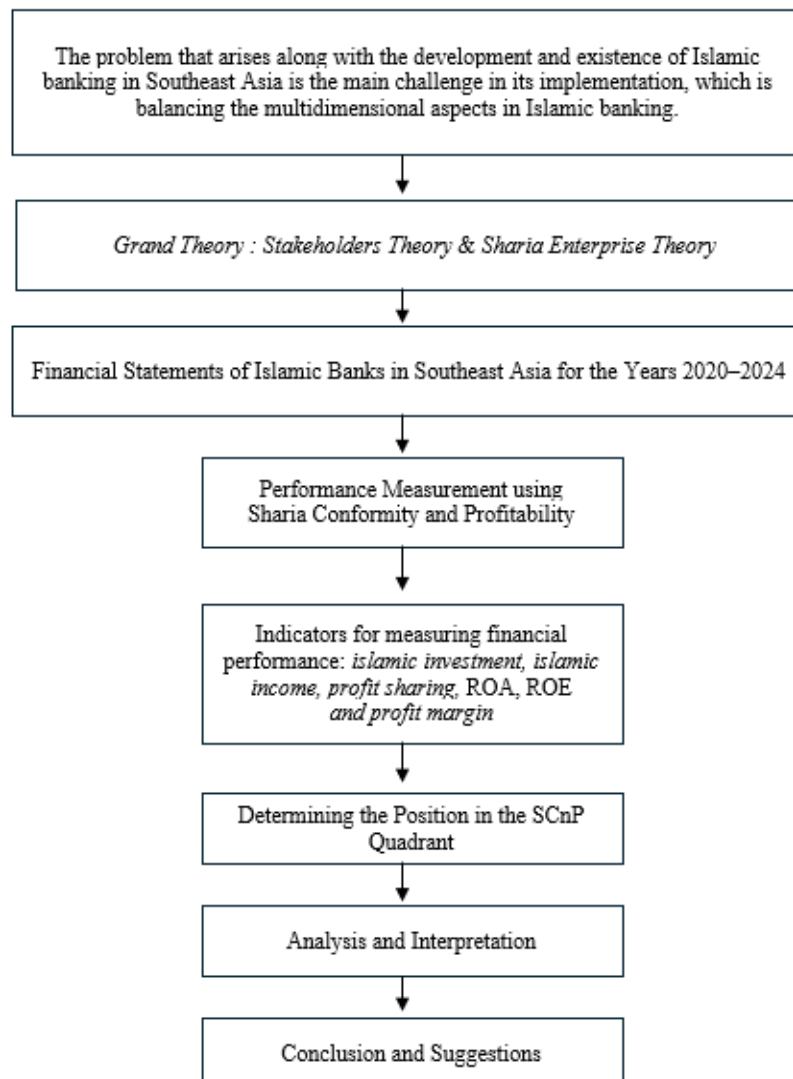


Figure 1. Conceptual Framework

## METHODOLOGY

This research is quantitative. Quantitative research is a type of data that consists of numbers or numerical values. It uses descriptive statistics aimed at describing or illustrating the data. There are various ways to describe data, one of which is through numerical measures resulting from data processing (Sugiyono, 2016).

The data used in this study are secondary data. Secondary data refers to data that were not collected directly for a specific research purpose but were previously collected by others to fulfill various needs, such as books, reports, journals, and so on (Sujarweni, 2018).

Population is a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by the researcher to be studied and then drawn conclusions from (Sugiyono, 2016). In this study, the population refers to Islamic banks in Southeast Asia ranked as *The Strongest Islamic Bank 2024* according to *The Asian Banker 2024*.

A sample is a part of the population that has the characteristics used for research (Sugiyono, 2016). However, to determine the sample, this study limits the number of Islamic banks in the countries under study because some banks do not meet the sampling criteria. The sample used in this research consists of 12 Islamic banks in Southeast Asia. This study applies purposive sampling technique. Purposive sampling is a sampling technique by considering certain factors. This technique is used to select samples that represent specific characteristics or criteria of the population being studied (Sugiyono, 2016).

Table 1. Sampling Process

No.	Criteria	Total Sampel
1.	Islamic banks registered and ranked in <i>The Strongest Islamic Bank 2024</i> by <i>The Asian Banker 2024</i>	100
2.	<i>The Strongest Islamic Banks 2024 located in Southeast Asia</i>	31
3.	The 5 largest banks in each Southeast Asian country (Indonesia, Malaysia, Brunei, Thailand) that published financial reports for the period 2020-2024	12
<b>Islamic banks in Southeast Asia selected as research samples</b>		12

The research population consists of 12 Islamic banks from Indonesia, Malaysia, Thailand, and Brunei Darussalam, selected based on their inclusion in the list of *The Strongest Islamic Banks 2024* by Asian Banker.

Table 2. Research Sample

No.	Bank	Bank Code	Country
1.	Bank Aceh Syariah	BAS	Indonesia
2.	BTPN Syariah	BTPN	Indonesia
3.	Bank Mega Syariah	BMS	Indonesia
4.	Bank Muamalat Indonesia	BMI	Indonesia
5.	Bank Panin Dubai Syariah	BPDS	Indonesia

6.	Bank Islam Malaysia Berhard	BIMB	Malaysia
7.	CIMB Islamic Bank Berhard	CIMB	Malaysia
8.	Maybank Islamic Berhad	MIB	Malaysia
9.	Public Islamic Bank	PIB	Malaysia
10.	RHB Islamic Bank Berhard	RHB	Malaysia
11.	Islamic Bank Thailand	IBT	Thailand
12.	Bank Islam Brunei Darussalam	BIBD	Brunei Darussalam

In this study, secondary data were obtained from the official websites of each bank in the form of published financial reports for the period 2020–2024. Additionally, secondary data were also collected from journals and literature studies through supporting reports relevant to this research.

The main instrument is a data collection sheet designed to extract relevant financial data from the annual reports of each bank for the period 2020–2024. The variables measured are:

- Sharia Conformity:
  - R1: Islamic Investment Ratio
  - R2: Islamic Income Ratio
  - R3: Profit Sharing Ratio
- Profitability:
  - R1: Return on Asset (ROA)
  - R2: Return on Equity (ROE)
  - R3: Profit Margin

Data Processing Analysis Using the Sharia Conformity and Profitability (SCnP) Method includes the following steps (Muchtar & Rofi, 2020):

1. Calculating the ratios contained in the SCnP variables.
2. Calculating the average of each variable using the following formulas:

$$\bar{x}SC = \frac{R1 + R2 + R3}{3}$$

$$\bar{x}P = \frac{R1 + R2 + R3}{3}$$

3. Plotting the SCnP graph and interpreting the results according to the theory.

The SCnP method was applied by calculating the average values of each indicator for every bank. The results were then plotted into the SCnP quadrant to map the performance positions of the banks. The quadrant consists of:

- Upper Right Quadrant (URQ): Good sharia conformity and high profitability
- Upper Left Quadrant (ULQ): High profitability, Weak sharia conformity
- Lower Right Quadrant (LRQ): Good sharia conformity, low profitability
- Lower Left Quadrant (LLQ): Weak sharia conformity and low profitability

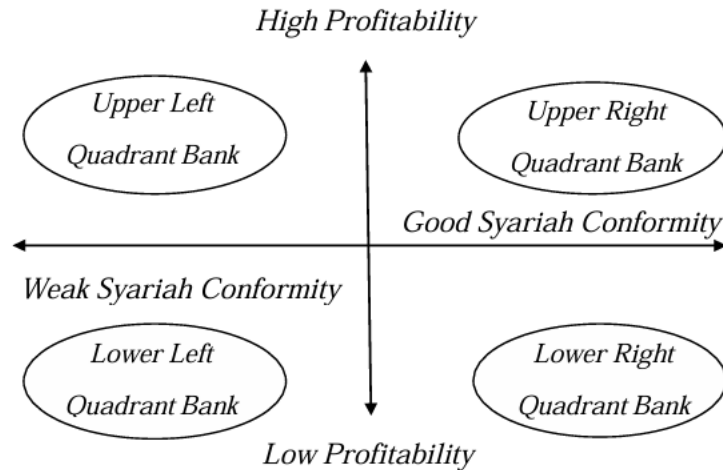


Figure 2. Sharia Conformity and Profitability Model

### RESULT AND DISCUSSION

The financial performance analysis based on the SCnP method uses two variables: sharia conformity and profitability. The financial performance variable of sharia conformity includes Islamic investment, Islamic income, and profit-sharing ratio. Meanwhile, the profitability variable consists of Return on Assets (ROA), Return on Equity (ROE), and Profit Margin.

Table 3. Sharia Conformity 2020-2024

Bank	Islamic Income	Islamic Investment	Profit Sharing	Sharia Conformity
Bank Aceh Syariah	99,33%	99,79%	27,62%	75,58%
BTPN Syariah	99,98%	99,84%	1,22%	67,01%
Bank Mega Syariah	99,91%	99,41%	59,78%	86,37%
Bank Muamalat Indonesia	99,9%	97,64%	61,09%	86,21%
Bank Panin Dubai Syariah	100%	99,49%	93,5%	97,66%
Bank Islam Malaysia Berhard	99%	100%	12,25%	70,42%
CIMB Islamic Bank Berhard	99%	100%	15,62%	71,54%
Maybank Islamic Berhad	99%	100%	13,46%	70,82%
Public Islamic Bank	99%	100%	60,29%	86,43%
RHB Islamic Bank Berhard	99%	100%	28,28%	75,76%
Islamic Bank Thailand	99%	100%	10,87%	69,96%
Bank Islam Brunei Darussalam	99%	100%	7,77%	68,92%

Table 4. Profitability 2020-2024

Bank	ROA	ROE	Profit Margin	Profitability
Bank Aceh Syariah	1,4%	12,65%	18,22%	10,76%
BTPN Syariah	6,29%	16,01%	24,82%	15,7%
Bank Mega Syariah	1,86%	12,6%	24,69%	13,05%

Bank Muamalat Indonesia	0,03%	0,32%	0,76%	<b>0,37%</b>
Bank Panin Dubai Syariah	-0,43%	-2,84%	-11,5%	<b>-4,93%</b>
Bank Islam Malaysia Berhard	0,66%	8,17%	15,62%	<b>8,15%</b>
CIMB Islamic Bank Berhard	0,62%	10,05%	16,05%	<b>8,91%</b>
Maybank Islamic Berhad	0,88%	16,33%	22,46%	<b>13,22%</b>
Public Islamic Bank	0,66%	8,58%	18,54%	<b>9,26%</b>
RHB Islamic Bank Berhard	0,68%	11,62%	17,54%	<b>9,95%</b>
Islamic Bank Thailand	-0,29%	-3,43%	-14,02%	<b>-5,92%</b>
Bank Islam Brunei Darussalam	1,48%	11,98%	46,45%	<b>19,97%</b>

After calculating the sharia conformity ratio and the profitability ratio, the next step is to determine the quadrant position using the SPSS application. The following are the data processing results using SPSS presented in the form of a graph:

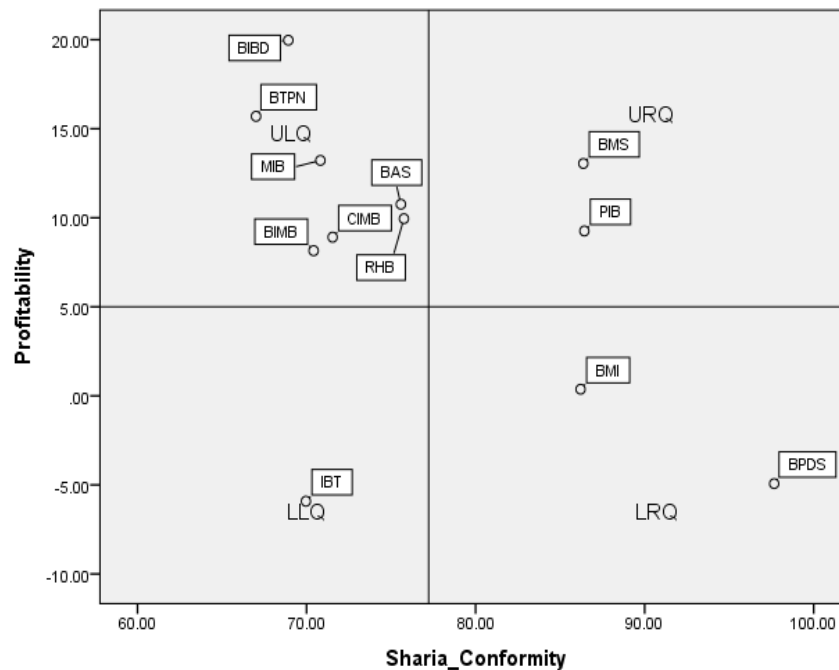


Figure 3. SCnP analysis graph 2020-2024

The SCnP graph over five years, from 2020 to 2024, shows the distribution of Islamic banks' performance into four quadrants: Upper Right Quadrant (URQ), Upper Left Quadrant (ULQ), Lower Right Quadrant (LRQ), and Lower Left Quadrant (LLQ). The results of the SCnP measurements are presented in the following table:

Table 5. SCnP Analysis 2020 - 2024

Bank	Sharia Conformity (SC)	Profitability (P)	Quadrant (Q)
Bank Mega Syariah	86,37%	13,05%	Upper Right Quadrant (URQ)
Public Islamic Bank	86,43%	9,26%	
Bank Aceh Syariah	75,58%	10,76%	Upper Left Quadrant (ULQ)
Bank Islam Brunei Darussalam	68,92%	19,97%	
Bank Islam Malaysia Berhad	70,42%	8,15%	
BTPN Syariah	67,01%	15,70%	
CIMB Islamic Bank Berhad	71,54%	8,91%	
Maybank Islamic Berhad	70,82%	13,22%	
RHB Islamic Bank Berhad	75,76%	9,95%	Lower Right Quadrant (LRQ)
Bank Muamalat Indonesia	86,21%	0,37%	
Bank Panin Dubai Syariah	97,66%	-4,93%	Lower Left Quadrant (LLQ)
Islamic Bank Thailand	69,96%	-5,92%	

Banks positioned in the URQ (Upper Right Quadrant) demonstrate good Sharia conformity and high profitability. The banks in this quadrant are Bank Mega Syariah (BMS) and Public Islamic Bank (PIB). The Sharia conformity scores of BMS and PIB are relatively high, supported by the stability of their variables. The average Islamic Income variable, both banks also record similarly high values, with 99.9% for BMS and 99% for PIB. The Islamic Investment values reach 99.41% for BMS and 100% for PIB. Regarding Profit Sharing, both banks report relatively high figures – 59.78% for BMS and 61.09% for PIB. These Profit-Sharing values are among the highest compared to other banks, contributing to strong Sharia conformity scores, 86.37% for BMS and 86.43% for PIB.

The profitability of BMS and PIB is also strong, supported by stable values in Return on Assets (ROA), Return on Equity (ROE), and Profit Margin, all of which are among the highest. The average values of these variables exceed those of other banks, positioning BMS and PIB as top performers in terms of profitability among Islamic banks. This indicates that both banks have successfully balanced spiritual aspects (Sharia conformity) with economic aspects (profitability), aligning with the principles of Sharia Enterprise Theory (SET). According to Sharia Enterprise Theory, Islamic institutions are responsible not only to shareholders but also to Allah SWT and the broader

society, through economic activities grounded in justice and benefit (Triyuwono, 2001). BMS and PIB embody these values through consistent halal investment and income, as well as significant implementation of profit sharing.

The performance of these banks shows they have successfully integrated Sharia principles with strong financial achievements. This finding is consistent with research by (Soviyatun, 2022), who analyzed financial performance using the SCnP method for Islamic commercial banks in Indonesia from 2018 to 2020. That study also placed BMS in the URQ quadrant, indicating solid performance in both Sharia compliance and profitability. Similarly, research by (Tanjung, 2024) comparing the financial performance of Islamic commercial banks in Indonesia and Malaysia using the SCnP method supports these findings. It also positioned PIB and BMS in the URQ quadrant. However, that study used a different method for determining the quadrant axes. The SCnP graph in that research used an absolute mathematical approach, with zero (0) as the midpoint for both horizontal and vertical axes, allowing direct identification of absolute positive or negative values. In contrast, this study uses an average-based approach for each variable—Sharia Conformity and Profitability—as the basis for dividing quadrants. This technique aims to illustrate the relative position of each bank compared to the average performance of other banks.

Meanwhile, banks in the ULQ (Upper Left Quadrant) such as Bank Aceh Syariah (BAS), BTPN Syariah (BTPN), Maybank Islamic Berhad (MIB), RHB Islamic Bank Berhad (RHB), CIMB Islamic Bank Berhad (CIMB), Bank Islam Malaysia Berhad (BIMB), and Bank Islam Brunei Darussalam (BIBD) show high profitability but have yet to fully meet Sharia compliance standards. This reflects a challenge in balancing profitability with the implementation of Islamic principles, where high profits do not necessarily indicate optimal Sharia performance. This condition is mainly due to the weak contribution of profit-sharing within their income structures. The average profit-sharing ratios for these banks range from only 1.22% to 28.28%, with BTPN at the lowest (1.22%) and RHB at the highest (28.28%). These findings highlight challenges in fully implementing Sharia principles. From a Stakeholder Theory perspective, this condition indicates that the banks have not yet fully met the expectations of Muslim stakeholders, who seek a financial system free from *riba* and focused on justice and blessings (Sri Wahyuni, 2020).

Research by (Marwa, 2020) using the SCnP approach on Indonesian state-owned Islamic banks found that most were in the ULQ and LRQ quadrants, indicating banks with strong profitability but suboptimal Sharia compliance. Research by (Lubis et al., 2023) also shows that during the 2017–2021 period, Islamic commercial banks in Indonesia were distributed across all four SCnP quadrants, including ULQ. In contrast, a study by (Cakhyaneu et al., 2023) titled "*Analysis of Islamic Bank Financial Performance in Asia: Sharia Conformity and Profitability (SCnP) Approach*" showed that all banks in the sample, including RHB and BIBD, were in the URQ. This discrepancy stems from methodological differences: that study summed the averages of three Sharia compliance indicators and three profitability indicators to obtain a single SCnP value, which was then plotted into the SCnP quadrant using zero (0) as the midpoint

for both axes. In contrast, the current study plots the individual values of Sharia Conformity and Profitability directly into the quadrants without combining the averages, emphasizing per-variable analysis instead.

Bank Muamalat Indonesia (BMI) and Bank Panin Dubai Syariah (BPDS), which are in the LRQ (Lower Right Quadrant), show good Sharia compliance but lack adequate profitability. The average profitability of BMI is only 0.37%, while BPDS is at -4.93%, due in part to losses in 2021. That year, BPDS posted a profitability of -51.10%, stemming from a loss of IDR 818 billion caused by a write-off of poor-quality financing amounting to IDR 1.046 trillion. External factors such as economic challenges from the COVID-19 pandemic also affected the bank's performance. This decline reflects both internal and external challenges faced by BPDS during the period, particularly under economic pressure from the pandemic. Although both banks have implemented Sharia principles well, their operational effectiveness and financial performance still need improvement to deliver greater value to stakeholders. In the context of Stakeholder Theory, this highlights the need for enhanced managerial responsibility to create economic benefit without compromising Sharia principles.

The bank in the LLQ (Lower Left Quadrant), Islamic Bank Thailand (IBT), shows the weakest performance due to low levels of both Sharia compliance and profitability. IBT's low Sharia compliance is due to its low average profit-sharing rate of only 10.87%. Meanwhile, its average profitability is -5.92%, with the lowest point in 2020 at -74.52%. This is caused by both external factors such as the pandemic and an unsupportive market environment, and internal factors like a lack of public understanding and trust, as well as operational constraints within the bank. This contradicts the core principle of Sharia Enterprise Theory, which demands full accountability to Allah, humanity, and the environment. This position serves as an indicator that the bank requires comprehensive improvements in both Sharia governance and financial efficiency to become a trusted Islamic financial institution.

## CONCLUSIONS AND RECOMMENDATIONS

The financial performance analysis using the Sharia Conformity and Profitability (SCnP) method in Southeast Asia reveals that 12 Islamic banks from four countries Indonesia, Malaysia, Thailand, and Brunei Darussalam are distributed across four SCnP quadrants. From Indonesia, Bank Mega Syariah (BMS) occupies the Upper Right Quadrant (URQ) with an Sharia Conformity value of 86.37% and profitability of 13.05%, indicating optimal performance in both Sharia compliance and profit generation. In contrast, Bank Panin Dubai Syariah (BPDS) and Bank Muamalat Indonesia (BMI) fall into the Lower Right Quadrant (LRQ), showing very high Sharia conformity (97.66% and 86.21%) but low profitability (-4.93% and 0.37%), highlighting a gap between adherence to Sharia principles and financial returns.

Bank Aceh Syariah (BAS) and BTPN Syariah (BTPN) are positioned in the Upper Left Quadrant (ULQ), with relatively high profitability (10.76% and 15.70%) but Sharia conformity values below the average threshold (75.58% and

67.01%). Among Indonesian banks, only BMS achieves a strong balance between Sharia conformity and profitability. In Malaysia, Public Islamic Bank (PIB) also resides in the URQ with Sharia conformity 86.43% and profitability 9.26%, reflecting a good balance between Sharia compliance and financial performance. Meanwhile, RHB Islamic Bank, CIMB Islamic Bank, Maybank Islamic Berhad, and Bank Islam Malaysia Berhad are in the ULQ, with Sharia conformity values below 76% and profitability ranging from 8% to 13%, indicating room for improvement in both areas.

Islamic Bank Thailand (IBT) consistently falls into the Lower Left Quadrant (LLQ), with Sharia Conformity 69.96% and negative profitability of -5.92%, reflecting weak profit-sharing contributions and economic challenges, especially during and after the pandemic. Bank Islam Brunei Darussalam (BIBD) is in the ULQ, boasting the highest profitability among all banks at 19.97%, yet its Sharia compliance stands at only 68.92%, suggesting the need to enhance the contribution of Sharia-compliant products such as profit-sharing. Overall, only Bank Mega Syariah and Public Islamic Bank have successfully balanced Sharia compliance with strong financial performance by reaching the URQ. Other banks, despite strengths in either compliance or profitability, still face challenges in integrating both aspects. This underscores the importance of harmonizing Sharia principles with economic efficiency, as emphasized in Stakeholder Theory and Sharia Enterprise Theory, where Islamic banking is expected not only to deliver economic gains but also to provide benefits and blessings aligned with Islamic values.

Islamic banks in Southeast Asia are encouraged to improve the implementation of profit sharing and enhance operational efficiency to attain balanced performance across Sharia and profitability dimensions. Management should also ensure transparency in disclosing Sharia related financial components and maintain strict adherence to Islamic principles.

## **FURTHER STUDY**

This research has several limitations, including the use of a limited observation period (2020–2024) and the focus solely on 12 Islamic banks across four Southeast Asian countries. The findings may not be generalizable to all Islamic financial institutions globally. Additionally, the SCnP model, while insightful, relies heavily on the selected indicators of Islamic Investment, Islamic Income, and Profit Sharing, which may not capture the full complexity of sharia conformity and profitability. Therefore, future studies are recommended to expand the research period, include a more diverse set of Islamic financial institutions such as Islamic insurance and Islamic pawnshops, and adopt complementary methods or variables—such as maqashid shariah-based performance indicators or qualitative assessments of Sharia governance—to provide a more holistic understanding of Islamic banking performance.

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