

Balanced Scorecard Approach: Can the Performance of Sharia Banks be Measured?

(Registered at the financial services authority)

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Abstract—Banking as the main pillar in the economic traffic as well as people who are increasingly aware of the harmful effects of *riba* (usury) cause sharia banks have been chosen by many people. However, the slowing growth of sharia banks, especially sharia commercial banks in the last 5 years, has become a bad report for the Indonesian economy, so there is a need for an appropriate assessment and strategy to improve the performance of sharia commercial banks. This research uses descriptive research method with quantitative approach, the Balanced Scorecard approach is done by assessing the performance of four perspectives, namely financial perspective, customer perspective, internal business process perspective, and growth and learning perspective. Based on the weighting of the Balanced Scorecard conducted on the performance of sharia commercial banks obtained by the number of weighted scores of 281, the final value of the total performance measurement of sharia commercial banks is 70.25%. The total value of 70.25% shows that the performance of the 2014-2016 Islamic banks is healthy with category A. Based on the measurement results, there are still some performance that still need to be improved, namely; (1) In the perspective of internal business processes, Sharia Banks need to improve new product innovations and improve services, one of which is to increase infrastructure which is expected to improve bank after-sales services. In fact, it can be said that the infrastructure owned by Islamic banks is currently limited. (2) In a financial perspective, sharia commercial banks must be able to increase the return of assets and increase cost efficiency towards operating income. (3) Although the financial, customer, and growth and learning perspectives are in the healthy category, this does not mean that the efforts of Islamic commercial banks to improve their performance are enough to arrive here. The healthy category obtained by this perspective is in the last categorization criteria, which means that sharia commercial banks have the potential to fall into the unhealthy category. So, Islamic commercial banks must continue to make various kinds of efforts to improve their performance. In the end, it is expected that performance measurement with balance scorecard can become a means to measure and then become a tool to design strategies implemented in an effort to improve the performance of Islamic commercial banks.

Keywords—sharia banking; performance; balanced scorecard

I. INTRODUCTION

Islamic banking in Indonesia is driven by the strengthening of awareness and shift in orientation of mainstream economic theory, which initially emphasized the principle of maximizing shareholder value to maximize the public interest (stakeholder value). These economic changes successively contribute to the growth and development of Islamic economics developed by economists with the foundation of Islamic ethics and morals. Islam as a philosophy of life does not only regulate the relationship between creatures and the Creator, but also completely defines the basics relating to aspects of socio-economic and financial relations called *muamalah* [1].

National sharia banking in the last decade shows the growth of positive and quite encouraging growth as reflected in the growing business volume, investment funds and public deposit funds as well as increasing financing distribution. These developments are expected to contribute to Indonesia's economic activities.

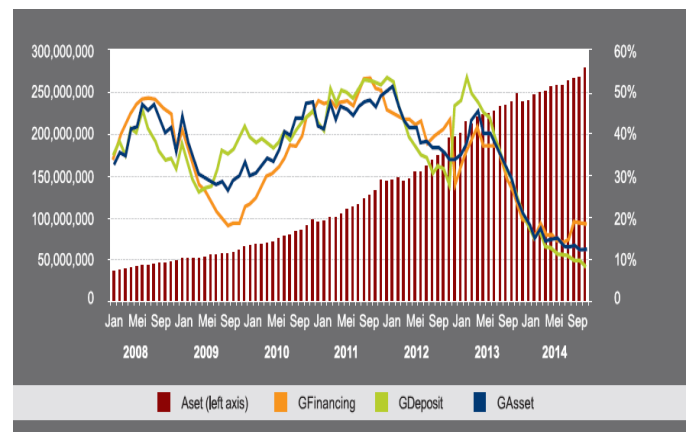


Fig. 1. Development of Sharia Banking in 2008-2014 [1].

Islamic banking as generally other (banking) companies in Indonesia only use financial benchmarks to see their business performance. Benchmarks for financial performance in Islamic banks include return on assets (ROA), return on equity (ROE), capital adequacy ratio (CAR), non-performing financing (NPF), Operational Costs on Operating Income (BOPO) and

several other financial ratios for see the extent to which a company has used the rules of financial implementation well and correctly. Like by making a financial report that has met the standard provisions in the Financial Accounting Standards (SAK) or Generally Accepted Accounting Principles (GAAP), and others [2]. Non-financial elements (non-financing) are still not an important aspect of the performance assessment of Islamic banks. In fact, the assessment of banking performance from the financial aspect is actually not representative enough to conclude whether the performance of a company is good or not. This is because financial measures do not provide a real picture of the state of the company, because it does not pay attention to other things outside the financial side, for example the customer side which is an important focus for the company and employees, even though these two things are the driving force for company activities.

Performance is the result obtained by an organization whether the organization is profit oriented or non profit oriented which is produced over a period of time. "Performance or performance is a description of the level of achievement of the implementation of an activity program or policy in realizing the goals, objectives, vision, mission of the organization as outlined in the strategic planning of an organization" [3].

Financial performance is not sufficient by itself but must be integrated with non-financial measures. Financial measures are indicators of service in the sense of reporting results from past actions. Non-financial measures are some of the main success factors such as customer satisfaction which is a guide of future financial performance [4].

Performance measurements using financial aspects still has some weaknesses, it encourages Kaplan and Norton to compile the Balanced Scorecard. Norton states [5]:

"The Balanced Scorecard performance measures for past performance with measures of the drivers of future performance. The Objectives and measure of the scorecard are derived from an organization's vision and strategy "The balanced scorecard is a set of tools to motivate employees to realize the company's vision, not just as a performance measurement tool but a management system that focuses on people's efforts through the organization and achieve organizational goals both primary and non-primary goals [6].

According to Ratna Nurhalimah in Halimah, the performance of the Syariah Bank Muamalat is not yet fully good based on the Balanced Scorecard system [7]. Because the balance is not achieved from the four perspectives in the Balanced Scorecard, namely the financial perspective, customer, internal business processes and learning and growth. This proves that the previously proposed hypothesis can be accepted.

Whereas Dwi Sulisworo and Sari Nurmaningsih stated that to improve company performance, three indicators that need to be considered are: Disciplined and Responsible Employees (0.833), work capability (0.582) and service quality (0.486) [8]. From four perspectives, the highest weighted score that needs to be focused on continuous improvement is the internal business process of 7.833 from score 7.5

Aida Fitria stated that the company If measured using the balance scorecard method, the assessment includes four perspectives, namely financial perspective, customer, internal business processes and growth learning where from the overall assessment results both financial and non-financial state of the company in very healthy condition with a value reaching 108%, included in the AAA category [9]. This can be achieved because from the perspective of non-financial insurance companies are very good. The company can provide good service both to its employees and to participants so that they can obtain satisfactory results from that perspective.

At present the market share or market share of Islamic banks in the national banking industry is still far below that of conventional banks. The low mastery of Islamic banking is due to a number of obstacles, including products that are less competitive, socialization and human resources.

Need more in-depth study is needed to assess the performance of Islamic banking. Performance appraisal is not enough to be assessed only from a financial perspective, so that this performance appraisal can be more in-depth, it needs assessment from other perspectives as well, the performance of Islamic Banks is assessed from a financial perspective, a customer perspective, internal business processes and learning perspective and growth so that it is predicted that the performance of the Islamic Commercial Bank can be fully measured by the balanced scorecard approach.

This research was conducted to find out, measure, describe, and analyze the performance of Islamic public banks using the balanced scorecard method.

II. RESEARCH METHOD

The method used in this research is descriptive method [10]. Through descriptive research, a description of the performance of sharia commercial banks registered with the Financial Services Authority (OJK) is obtained. The descriptive method in this study is used with a quantitative approach, which is the result of research which is then processed and analyzed to draw conclusions. Can be interpreted research conducted is research that suppresses its analysis on numeric data (numbers) so that will produce conclusions that will explain the description of the object under study.

It can be stated that the descriptive method with a quantitative approach, data can be calculated or data in the form of numbers, so that in this study which is quantitative data, namely Sharia Banking Statistics issued by the Financial Services Authority (OJK)

Data analysis is the process of simplifying data into selected forms that are easily interpreted after data from all respondents or other data sources has been collected. Activities in data analysis are grouping data based on variables, presenting data for each variable studied, performing calculations to answer the formulation of the problem, and performing calculations to test the hypothesis that has been proposed.

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To ensure the quality of the data used for analysis, the authors test the data by testing the normality of the data. Normal distribution test is a test to measure whether the data obtained has a normal distribution so that it can be used in parametric statistics (inferential statistics). In other words, the normality test is carried out to test whether in a regression model, independent variables, dependent variables, or both have a formal distribution. In other words, whether the data obtained comes from a population that is normally distributed.

Normality testing was carried out using statistical tests, namely Shapiro-Wilk. The Shapiro-Wilk test is used if the data or sample amounts to less than 50. The advantages of this test result using numbers so that it is more accurate. The testing criteria taken based on the probability value are (1) if the probability value (sig) > 0.05, then the data is normally distributed (2) if the probability (sig) < 0.05 then the data is not normally distributed [11]. If the data is normally distributed, it can be concluded that the data is suitable for use because it meets the normality test.

III. RESULTS

A. Financial Perspective Performance Measurement

In measuring the performance of financial perspectives, an assessment is carried out using 4 indicators, namely Return On Assets (ROA), Operational Cost Ratios to Operating Income (BOPO), Capital Adequacy Ratio (CAR), and Non Performing Financing (NPF). These four indicators are selected based on the theory proposed by Jumingan that the description of financial conditions in a certain period involves aspects of fund raising and channeling of funds, which is usually measured by indicators of capital adequacy (CAR), liquidity (NPF), and profitability (ROA and BOPO) [12].

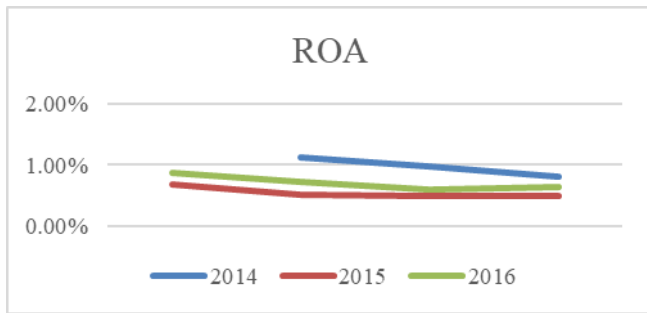


Fig. 2. Chart of sharia banks Return On Assets (ROA) growth year 2014-2016.

The standard of ROA is 1.5%. In the first quarter of 2014 ROA reached the highest value in the period of 3 years of this study, while the remainder in 2014 in the 2nd, 3rd Quarter, 4 ROA values continued to decline with consecutive values of 1.12%, 0.97%, and 0.80%. Similarly, in 2015 the value continued to decline, namely in the first quarter 0.69%, the second quarter 0.50%, the third and fourth quarters had a

constant value of 0.49%. below 1%, this shows that Islamic banking assets have not been maximized in generating profits.

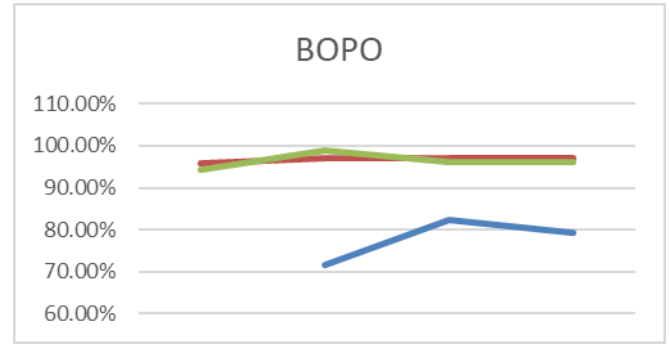


Fig. 3. Chart of Growth of Operational Costs on Operating Income (BOPO) at Islamic Commercial Banks in 2014 – 2016.

It can be seen that the growth of BOPO ratio has fluctuated, but not too significant. In general, from 2014 to 2016 the performance of Islamic public banks in Indonesia is said to be healthy. According to Bank Indonesia, the best standard for BOPO is between 85% - 92%.

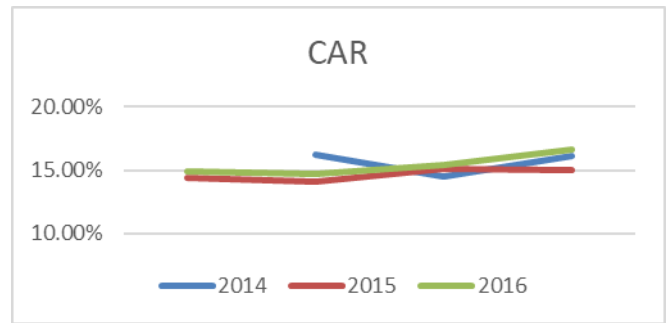


Fig. 4. Graph of Growth of Capital Adequacy Ratio (CAR) in Sharia Commercial Banks in 2014 – 2016.

The growth of CAR of Islamic Commercial Banks for 3 years of research has reached a predetermined standard of over 8%. This means that all assets that contain risks have been able to be financed by bank's own capital in addition to being funded by outside funds. This shows that Islamic banks in Indonesia have sufficient resilience in the face of potential risks.

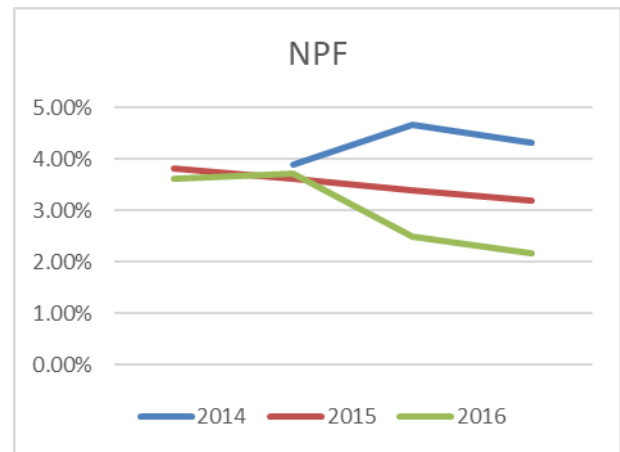


Fig. 5. Non Performing Financing (NPF) Growth Chart for Sharia Commercial Banks 2014 – 2016.

Even though NPF fluctuations occur every quarter, they are still at the standards set by Bank Indonesia. This shows that bank management is able to manage loans provided by banks and shows that problem loans can be met with productive assets owned by banks. The highest NPF was achieved in 2014 2nd Quarter with a value of 4.67% while the lowest NPF was obtained at the end of 2016 with a value of 2.17%.

B. Customer Perspective Performance Measurement

Based on Sharia Banking PerformNCE Report and data perprocessed 2017, can be explained that customer acquisition fluctuated. The highest number of customers in 2014 in the third quarter, then continued to decline in 2015, and experienced a rebound in the 3rd and 4 quarters, acquisitions again increased. In 2016 the percentage of acquisitions declined again, but in the third and fourth quarters the acquisition percentage increased again with 12.59% and 7.66% respectively.

Profitability has a positive trend in each year [1]. In 2014, profitability continued to decline, in 2015, the percentage of profitability also decreased, except in the third quarter which increased by 0.08%. This is due to increasing net income and net income every year. In 2016, the percentage of profitability only increased in the fourth quarter, which rose by 0.27%, from 3.29% to 3.56%.

The new product table shows the development of the Sharia commercial bank's internal business processes, so that it is categorized as Good [13]. Sharia public bank office networks are dominated by a decrease in the percentage of growth. This decrease in office network is an accumulation of decline from the entire Sharia bank office network. Some banks reduce the number of offices due to office inefficiencies and efforts to improve service quality. The biggest percentage of decline occurred in 2016 the second quarter of 6.14%.

C. Results of Performance Measurement for Growth and Learning Perspectives

One of the efforts to improve the quality of sharia commercial banks is by increasing its human resources through education and training. In 2014 the 2nd, 3rd and 4th quarters had a value of 0.78%, and rose to 0.79% and then dropped to 0.63%. In 2015 the 1st, 2nd, 3rd quarter continued to increase with a value of 0.68%, 0.80% and 0.83% and the fourth quarter fell to 0.82%. In 2016 the first quarter of the percentage of training costs fell to 0.46% while quarter 2, 3, 4 continued to increase by 0.39%, 0.40% and 0.52%.

Employee productivity level fluctuated, in 2014 the second quarter employee productivity reached the highest value, in 2015 the 2nd, 3rd, and 4th quarter employee productivity continued to increase by 31%, 34%, and 20%, this is in line with the increase the number of employees offset by the increase in net income. In 2016 productivity had the smallest value and increased in the 2nd, 3rd, and 4th quarters of 40%, 19% and 31%.

IV. DISCUSSION

Value criteria in the financial perspective refer to the Bank Indonesia Regulation while the value criteria in the customer perspective, internal business process perspective and learning and growth process refer to Mulyadi's assessment criteria [13]. Then the performance per indicator will be analyzed with the size above.

TABLE I. MEASURE THE FINAL VALUE PER COMPONENT

Perspective	Weighted Score Maximum	Score Weighted	Final Value of Components
Financial	104	71,5	69%
Customers	100	75	75%
Internal Business Process	100	62,5	63%
Growth and Learning	96	72	75%

TABLE II. TOTAL SCORE (RANGKUTI, 2016) [6]

Perspective	Total Score Indicator	Weighted Score Indicator	Weighted Score
Financial	11	6,5	71,5
Customers	6	12,5	75
Internal Business Process	5	12,5	62,5
Growth and Learning	6	12	72

TABLE III. LEVEL OF BALANCE SCORECARD SIZE

Condition	Category	Total Score
Healthy	AAA	≥95
	AA	80<TS<95
	A	65<TS<80
Less	BBB	50<TS<65
	BB	40<TS<50
	B	80<TS<40
UnHealthy	CCC	20<TS<30
	CC	10<TS<20
	C	TS<10

By using the performance appraisal standard criteria in table 8, it can be determined the condition of sharia commercial banks with either the final value per component or the total final value.

A. Data Normality Test

Based on the results of the test of normality above it can be seen that the outputs that come out are Kolmogorov-Smirnov and Shapiro-Wilk. Kolmogorov-Smirnov is used if the amount of data or sample is more than 50, while Shapiro-Wilk is used if the amount of data or sample used is below 50. Because in this research the data or sample used is 44 then according to Shapiro-Wilk output. That the significance value for the data is > 0.05, it can be stated that the residual significance is normally distributed.

V. CONCLUSION

Results of Performance Measurement of Sharia Commercial Banks Registered in the Financial Services Authority (OJK) with the Balanced Scorecard approach for the period 2014-2016 are:

- The results of a perspective financially show a healthy performance.
- The results of the perspective of customers or customers of Islamic banks show healthy performance.
- The results of the internal business perspective of Islamic banks show unsanitary performance.
- The results of a perspective of growth and education in sharia bank training show unhealthy performance.

Based on the performance measurement with the balanced scorecard approach, it proves that the performance of sharia commercial banks can be fully measured using the balanced scorecard approach.

Balanced scorecard weighting carried out on the performance of sharia commercial banks, the sum of weighted scores is 281. Then the final value of the total performance measurement of Islamic banks is 70.25%. Value of total final score of 70.25% shows that the performance of sharia public banks registered in the Financial Services Authority (OJK) in 2014-2016 is healthy with category A.

ACKNOWLEDGMENT

This research was supported by the Faculty of Economics, Sangga Buana University. We thank ICEBEF 2018 Universitas Pendidikan Indonesia for providing the opportunity to

participate in the conference and provide opportunities for this article to be included in the journal.

We also thank the reviewers who have provided many corrections so that our articles are better.

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