



Ethical Identity Index and Financial Performance of Islamic Banks in Asia

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ABSTRACT

This study is a follow-up study conducted by Zaki et al. (2014), who explored Islamic banks' ethical identity with financial performance. This study aims to identify the identity of Islamic banks in Asia against Shari'ah law and examine the relationship between EII and financial performance. The data used are from 7 Islamic banks in Asia in 2016-2019. The study results show that the higher the EII value, the higher the Islamic bank supervision of sharia. Then the researcher describes the relationship between EII and financial performance as measured by using Return On Assets. The result is that there is no relationship between EII and financial performance.

I. Introduction

This study is a follow-up study conducted by Zaki et al. (2014), exploring the relationship between an Islamic Bank's ethical identity and financial performance. The results show that several banks' ethical identity and companies' commitment to the workforce affect financial performance.

The study of Zaki et al. (2014) is a combination of two previous studies conducted by Berrone et al. (2007) and Haniffa & Hudaib (2007). First, Berrone et al. (2007) examined the corporate Ethical Index (CEI) effect on the company's financial performance. Second, in the study, Berrone et al. (2007) tested two research models, namely stakeholder satisfaction and corporate financial performance, while in a study conducted by Haniffa & Hudaib, (2007), they both ranked the Ethical Identity of Islamic Banks in the Middle East using eight dimensions with 78 indicators.

Ethical business is the most critical issue, and every company manager must integrate these issues into the business he runs. Al-Khatib et al. (1995) in Rice (1999) suggest that managers need to appreciate the ethical norms of various groups and cultures to understand

the environment in which the company is run entirely. This finding indicates that every company activity must adjust to the prevailing ethical norms where the company is located.

This study refers to Zaki et al.'s (2014) research by distinguishing the research years. For example, if Zaki's research et al. (2014) used a sample annual report from 2006 to 2010, this study uses 2016 to 2019 annual report. The underlying reason is that changes in the business world are very significant every year. Therefore, using the latest data will be more helpful in assessing companies and more relevant in making decisions.

2. Literature Review

2.1 *Corporate Ethical Identity (CEI) of Sharia Bank*

Islamic business is a series of activities in various forms that are not limited to property ownership (goods/services) and even profit but are limited in obtaining and using their assets because there are halal and haram regulations (Ismaeel & Blaim, 2006). The business world is synonymous with ethics and corporate identity; business ethics are unwritten rules that must be obeyed by all parts of the company, while business identity tends to be more about the business profile itself.

CEI aims to build a company philosophy so that people know, know and understand the company philosophy. The concept of corporate identity was known in the 1950s from the 20th century by Walter Margeliza. This concept describes a unique and distinctive organizational manifestation to operate well and be successful in the market and was created to provide recognition and differences between banks (Zelenovic & Davidovic, 2011).

Organizations need CEI in facing the challenges of different organizational competition and cultural mismatches, increasingly similar products/services, the power to technology, regulation, and globalization to change business forms (Balmer & Greyser et al., 2003). CEI can also be explained from a disclosure perspective Zaki et al., (2014). The flow of literature on voluntary disclosure suggests that firms have an incentive to disclose more than the minimum required information when the benefits of reducing information asymmetry outweigh the associated costs (Healy & Palepu, 2001; Marston & Shrivess, 1991; Verrecchia, 1990).

2.2 *Financial Performance (FP)*

CEI was compared using Financial Performance using Return on Assets (ROA) analysis. ROA is the ratio that divides net income after tax by the average assets at the beginning of the period and the period. This ratio is used to see the company's ability to manage each asset value to generate net profit after tax. The higher the ROA value of a company, the better its ability to manage its assets.

Al-aali & Al-owaihan (2013) stated that maximizing profit is not prohibited if it is not against ethics and beneficial. Mukhibad (2019) shows from his study that ethics positively affect profitability; on the contrary, Toumi (2019) concludes that ethics in Islamic banks affect the dividend payout ratio but has a low value on return on assets.

FP is also measured using EII developed by Haniffa & Hudaib (2007). The dimensions used in measuring FP are as follows:

1. *Vision and Mision Statement*

Vision is a distant view of the company, company goals, and what must be done to achieve these goals in the future. Some of the requirements that a vision statement should meet:

- Forward oriented
- Not created based on current conditions
- Expressing creativity
- Based on the principle of values that contain respect for the community.

The mission is a statement about what the institution must do to realize the vision. For example, the company's mission is the purpose and reason why the company exists. The mission will also provide direction and limits to the process of achieving goals.

This dimension consists of a commitment to operate following the principles of sharia, such as a commitment to providing returns according to sharia, a focus on maximizing shareholder returns, serving the needs of Muslims now and in the future, a commitment to engage only in investments that are allowed by Islam, a commitment to engage only in financing activities that Islam permits, obligation to fulfill contracts through uqud, and appreciation to shareholders and customers.

2. *BODs and Top Management*

Top management, consisting of the Board of Directors or Chief of Executives, and Senior Executives. Top management is the highest leader of a company. Its activities are leading the organization, determining objectives and necessary policies.

This dimension consists of the presence of the name of the board of commissioners, the position of the board of commissioners, a photo of the board of commissioners, the profile of the board of commissioners, shared ownership of the board of commissioners, dual positions by the board of commissioners, membership of the audit committee, the composition of the board of commissioners: executive vs. non-executive, dual roles: CEO is the chairman of the board of commissioners, name of top management, management position, photo of management, and profile of top management.

3. *Product and Service*

Products and services in Islamic banks must be more transparent than conventional banks. Information disclosure on products and services is beneficial for interested parties. Therefore, products and services must be included in the annual report to assess company performance and information to financial statement users.

This dimension consists of no involvement in non-halal activities, percentage of profit from participation in non-halal activities, reasons for participation in non-halal activities, handling non-halal activities, introducing new products, approval of the Sharia Supervisory Board (DPS) before new products, the basis of the sharia concept of products. New, list/product definition, general investment activities, and specific investment activities.

4. *Zakah, Charity, and Benevolent Loan*

The difference between conventional banks and Islamic banks is that Islamic banks have zakat. Therefore, Islamic banks must manage zakat, which means they must pay zakat, collect, administer and distribute it. This dimension is a function and role inherent in Islamic banks to mobilize social funds (Zakat, donations, alms).

This dimension consists of the responsibility for zakat, the amount paid for zakat, sources of funds, use of funds, the balance of zakat that is not distributed, the reasons for the zakat balance.

5. *Commitments Toward Employees*

Employees are the company's greatest asset, and their welfare must be considered. Therefore, employees are entitled to get fair treatment from the company, get a job under their abilities and get a wage according to their work.

This dimension consists of appreciation for employees, the number of employees, equal opportunity policy, employee welfare, training: sharia awareness, recruitment scheme training, monetary training, and rewards for employees.

6. *Commitments Toward Debtors*

The debtor is a third party from the company. Information relating to debtors must be disclosed transparently to make it easier for debtors to find out the information. In this dimension, the indicators measured are debt policy, the amount of debt written off, types of general-lending activities, and special-lending activities.

7. *Commitments Toward Society*

The company is constantly in touch with the community. Commitment to the surrounding community can be described as recruiting the surrounding community to become employees to have a positive value in the community. In this dimension, the indicators measured are a particular branch for women, creating jobs, supporting organizations that benefit society, participating in government social activities, sponsoring community activities, commitment to social roles, and organizing Islamic economic conferences.

8. *Shari'ah Supervisory Board*

In Islamic Bank, there is a Sharia Supervisory Board (DPS), which ensures that the bank operates following shari'ah principles and Islamic norms. Members of the SSC are drawn from Islamic law professionals (ulama) (Gambling et al., 1993).

These dimensions consist of DPS name, DPS photo, DPS remuneration, reports signed by all DPS, several meetings held an inspection of all transactions (before and after), transaction sampling (before and after), reports on defective products (specific and detailed.), recommendations for faulty products, actions taken by management for faulty products, and sharing of profits and losses following sharia.

Zaki et al. (2014) show that the disclosure of the vision and mission statements; board of directors and top management; zakat, charity, and benevolent loans; and sharia supervisory board are negatively related to performance, while product and service disclosure and commitment to employees are positively related to performance. Research conducted by Alessandri (2001) shows that corporate identity Communication can produce a positive corporate image and reputation. Empirical evidence provided by Berrone et al. (2007) supports the opinion that corporate ethical identity positively affects financial performance. From the above theory, the researcher argues the following hypothesis:

Ha1: The higher the EII value indicates, the more compliant Islamic banks in Asia are towards shari'ah.

Ha₂: There is a relationship between EII and the financial performance of Islamic banks in Asia.

3. Research Method

This research analyzed Islamic banks' annual reports in Asia from 2016-2019. The sample taken is Islamic banks using the conventional method, namely the sampling technique based on the researcher's freedom to select the sample. Researchers used a sample of Islamic banks from research Zaki et al., (2014). However, some samples are not used and enter new samples to replace them. This method is used because the sample annual report data is incomplete. Data was obtained through the websites of each sample Islamic bank. The following is a list of samples used in this study:

Table 1. List of Research Samples

Nama Bank	Kode	Negara	Keterangan
Al Baraka Banking Group	ABG	Bahrain	
Bank Muamalat Malaysia	BMM	Malaysia	New
Bank Syariah Mandiri	BSM	Indonesia	Higher EII
Kuwait Finance House	KFH	Kuwait	
CIMB Islamic	CIMB	Malaysia	Lower EII
Meezan Bank	Meezan	Pakistan	
Qatar Islamic Bank	QIB	Qatar	

Annual reports for each sample were analyzed using the EII formula and dimensions developed by Haniffa and Hudaib (2007). The following is the EII formula used:

$$EII_j = \frac{\sum_{t=1}^{n_j} X_{ij}}{n_j}$$

Where EII_j is the ethical identity index, n_j is the number of constructs or items disclosed by j firm, $n_j \leq 78$ and $X_{ij} = 1$ if the constructor item is expressed, 0 if the constructor item is not disclosed so that $0 \leq I_j \leq 1$. After the calculation is done, each bank will be ranked based on the EII value from the largest to the smallest. A high EII implies adopting a communication strategy with a religious, ethical identity. A low EII indicates that the company must develop a communication strategy to improve its ethical image and reputation and gain a competitive advantage.

To see the relationship with financial performance, the researchers used the Return on Assets (ROA) calculation with the following formula:

$$ROA = \frac{\text{Net Provit}}{\text{Total Assets}} \times 100\%$$

The results of the calculation of each sample bank will be given a ranking based on the most excellent ROA value. Then, the effects of EII calculations will be linked descriptively with financial performance to see the relationship between the two.

4. Result

The EII calculation results of Islamic banks are obtained by calculating all the values for each indicator and then dividing by the total number of indicators. Table 1 shows the results of the EII calculations. Table 2 shows the EII value of each bank for four consecutive periods. Bank Muamalat Malaysia obtained the highest EII value of 0.80, while the lowest EII value was CIMB Islamic at 0.19. In a study conducted by Zaki et al. (2014), CIMB Islamic also ranked the lowest among the seven observed Islamic banks. In a study conducted by Haniffa and Hudaib (2007), an Islamic bank that shows the lowest EII value is Arrajhi Bank.

The small EII value obtained by Arrajhi Bank is because the company does not present a complete report. CIMB Islamic is a bank in Malaysia that is part of a subsidiary of the CIMB Group. All of its activities are mostly reported as one with the parent company. The CIMB Islamic annual report also does not provide complete information. For example, it does not provide information about the products and services they perform.

Table 2 also contains the results of the EII calculation per dimension as a whole. The size that gets the most significant value is the BOD and Top Management dimension of 0.68, which is measured by the presentation of information regarding the names of members, positions, profiles, pictures, members of the board of shareholders, multiple directorships among members, membership of the audit committee, the composition of the executive board and non-executive, the dual role of CEO, management team name, management team position, management team picture and profile of each management team. This result indicates that almost all companies display information about their Board of Directors and Top Management.

Tabel 2 Hasil Perhitungan Ethical Identity Index

Indikator	ABG				BMM				BSM				KFH				CIMB				Meezan				QIB				Annual Mean EII setiap Dimensi	Overall Mean (rank)						
	EII (rank)				EII (rank)				EII (rank)				EII (rank)				EII (rank)				EII (rank)															
	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
Visi & Misi Statement	0,67	0,67	0,56	0,56	0,67	0,67	0,56	0,78	0,22	0,22	0,33	0,33	0,67	0,67	0,67	0,67	0,11	0,11	0,11	0,11	0,78	0,67	0,67	0,67	1,00	0,89	0,89	0,89	0,59	0,56	0,54	0,60	0,56 (4)			
BOD& Top Management	0,77	0,77	0,77	0,77	0,92	0,92	0,92	0,92	0,54	0,54	0,54	0,54	0,54	0,54	0,69	0,69	0,31	0,31	0,31	0,31	0,77	0,77	0,85	0,77	0,85	0,77	0,85	0,85	0,67	0,66	0,70	0,69	0,68 (1)			
Products & services	0,50	0,50	0,50	0,50	0,50	0,80	0,80	0,80	0,00	0,00	0,00	0,70	0,30	0,30	0,00	0,00	0,00	0,00	0,00	0,00	1,00	0,80	0,80	0,80	0,80	0,80	0,80	0,70	0,40	0,46	0,41	0,50	0,45 (8)			
Zakat, Charity & Benevolent Loan	0,60	0,33	0,33	0,33	0,73	0,80	0,93	1,00	0,47	0,47	0,47	0,47	0,40	0,40	0,40	0,40	0,27	0,27	0,27	0,27	0,60	0,40	0,47	0,33	0,67	0,60	0,60	0,60	0,50	0,47	0,50	0,49	0,50 (6)			
Commitment toward employee	0,67	0,44	0,00	0,00	0,89	0,67	0,67	0,89	0,67	0,67	0,67	0,67	0,11	0,11	0,11	0,11	0,11	0,11	0,11	0,11	0,89	1,00	1,00	1,00	0,89	1,00	1,00	1,00	0,60	0,57	0,51	0,50	0,56 (5)			
Commitment toward debtors	0,50	0,50	0,50	0,50	0,75	1,00	0,75	0,75	0,75	0,75	0,75	0,75	0,25	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1,00	1,00	1,00	1,00	0,75	1,00	1,00	1,00	0,57	0,60	0,57	0,57	0,58 (2)			
Commitment toward society	0,43	0,43	0,43	0,43	0,86	0,86	1,00	1,00	0,00	0,00	0,00	0,00	0,71	0,00	0,00	0,00	0,29	0,29	0,29	0,29	0,71	0,71	0,71	0,86	0,86	0,86	0,86	0,71	0,55	0,45	0,47	0,47	0,48 (7)			
Shariah Supervisor Board	0,64	0,64	0,64	0,64	1,00	1,00	1,00	1,00	0,64	0,64	0,64	0,64	0,36	0,36	0,45	0,45	0,27	0,27	0,27	0,45	0,55	0,55	0,64	0,55	0,55	0,55	0,55	0,55	0,56	0,57	0,58	0,56	0,57 (3)			
Overall Ethical Identity Index	0,59	0,51	0,45	0,45	0,79	0,83	0,85	0,86	0,41	0,41	0,42	0,51	0,42	0,35	0,35	0,35	0,19	0,19	0,19	0,19	0,74	0,69	0,72	0,71	0,78	0,77	0,78	0,76								
Overall rank	4	4	4	5	1	1	1	1	6	5	5	4	5	6	6	6	7	7	7	7	3	3	3	3	2	2	2	2								
4 tahun mean EII	0,50				0,83				0,44				0,37				0,19				0,71				0,77											

The dimension that shows the smallest value is the dimension of commitment toward a society with a value of 0.48. The indicators used are women who hold positions in companies, create job opportunities, support social organization activities, participate in government social activities, sponsor various social activities, commit to their social roles and hold conferences related to the development of the Islamic economy. The conclusion is that H01 can be rejected, or the higher the Ethical Identity Index (EII) value, the higher the level of compliance of Islamic banks in Asia with shari'ah.

Haniffa & Hudaib (2007) also obtained a calculation of the dimension with the smallest EII value being commitment toward society and the most excellent EII value was the commitment toward debtors dimension, while Zaki et al. (2014) research showed that the dimension value that received the highest score was commitment toward debtors. And the lowest valued size is the Vision and mission statement.

This study produces a conclusion similar to the research conducted by Haniffa & Hudaib (2007) to conclude that companies are less enthusiastic about engaging in social activities. This finding may occur because the company collects zakat funds and gives zakat management rights to the Amil zakat body. For more details, the following shows the average EII value of each Islamic bank per dimension:

Table 3. Average EII value per Islamic Bank

Bank's Name	V&M	BOD	P&S	Z, C&BL	CTE	CTD	CTS	SSB
Al Baraka Banking Group	0,61 (5)	0,77 (4)	0,50 (4)	0,40 (5)	0,28 (5)	0,50 (5)	0,43(4)	0,64 (3)
Bank Muamalat Malaysia	0,67 (3)	0,92 (1)	0,73 (3)	0,87 (1)	0,78 (3)	0,81 (3)	0,93 (1)	0,93 (1)
Bank Syariah Mandiri	0,28 (6)	0,54 (6)	0,18 (5)	0,47 (3)	0,67 (4)	0,75 (4)	0,00 (7)	0,64 (2)
Kuwait Finance House	0,67 (4)	0,62 (5)	0,15 (6)	0,40 (6)	0,11 (6)	0,06 (6)	0,18 (6)	0,41 (6)
CIMB Islamic	0,11 (7)	0,31 (7)	0,00 (7)	0,27 (7)	0,11 (7)	0,00 (7)	0,29 (5)	0,27 (7)
Meezan Bank	0,69 (2)	0,79 (3)	0,85 (1)	0,45 (4)	0,97 (1)	1,00 (1)	0,75 (3)	0,55 (5)
Qatar Islamic Bank	0,92 (1)	0,83 (2)	0,75 (2)	0,62 (2)	0,97 (2)	0,94 (2)	0,82 (2)	0,55 (4)

Source: data processed by researchers, 2020

1. Vision and Mision Statement

The vision and mission statement dimensions get an overall score of 0.56 or occupy the 4th position (Table 1). How complete the vision and mission stated by the company can be seen in table 3. Qatar Islamic Bank has the highest vision and mission score, and CIMB Islamic gets the lowest score. This shows that Qatar Islamic Bank expresses its vision and mission firmly regarding its adherence to sharia in its annual report as stated below: "vision: a leading innovative and global Islamic bank adhering to the highest Shari'a and ethical principles; meeting international banking standards; partnering with the development of the global economy and participating in the advancement of the society."

"Mission: to provide innovative Shari'a-compliant financial solutions and quality services to our customers; to maximize return for our shareholders and partners; to nurture an internal environment of qualified professionals and cutting-edge technology" (QIB Annual Report, 2019, p. 3).

The vision and mission of Qatar Islamic Bank are stated very clear about its adherence to shari'ah, providing the best service for customers, and maximizing returns for shareholders and the environment. Meanwhile, CIMB Islamic does not state its vision and mission directly in the annual report because the CIMB Islamic annual report is integrated into the parent company's annual report, namely CIMB Group.

2. BODs and Top Management

In table 1, BODs & Top Management is ranked 1 (one) or, in other words, almost all Islamic banks list BODs & Top Management in their annual reports. Meanwhile, the complete bank in delivering BODs & Top Management is Bank Muamalat Malaysia, which received a score of 0.92. In the annual report, Bank Muamalat Malaysia presents almost all information except for information regarding the CEO's dual role. Bank Muamalat Malaysia does not have a CEO who carries out different functions at once. *Product and Service (Produk dan Layanan)*

The product & service dimension is the dimension that gets the lowest ranking among the other seven dimensions. This data means that the company does not fully deliver products and services in the annual report. The value of this dimension has the highest score owned by Meezan Bank. Meezan Bank includes information about the bank's products and services in the company's annual report. Besides, Meezan Bank also introduced new products, namely Euro-Linked Bai Salam, Bai Salam against forwarding Promise, and Forward Cover against Foreign Currency Private Loans.

3. Zakah, Charity, and Benevolent Loan.

In its annual report, information about zakat, alms, and various contract regulations is ranked 6th (sixth). Bank Muamalat Malaysia is a company that has the highest index score of 0.87. For example, in the 2019 annual report, Bank Muamalat Malaysia conveyed the amount of zakat that has been distributed and included in the calculation of the income statement as a deduction from profit before zakat and taxes. Bank Muamalat Malaysia said that:

"...besides regular banking business, the Committee also supports the development of other Shariah based on products and services initiated by Bank Muamalat, namely wakaf, Rahn, zakat, and qardh to fulfill the need of the Ummah at large" (BMM Annual Report, 2019, p. 35).

4. Commitments Toward Employees.

Commitments toward employees are a company's commitment to its workforce. The calculation results show that workers' obligation is in the 5th (fifth) rank with a value of 0.56. Meezan Bank is a company that delivers information about commitment to employees with the highest index score of 0.97 among the other six samples. In its 2019 annual report, Meezan Bank expresses its commitment to its employees with the following statement:

"human capital is the bank's most valuable equity. Therefore, Meezan Bank uses various means to ensure that its people stay motivated and committed to the cause of Islamic banking and are groomed to develop

into better professionals as well as productive members of the society" (Meezan Bank Annual Report, 2019, p. 87).

5. *Commitments Toward Debtors.*

Commitment to debtors based on the overall calculation results is in the 2nd (second) rank with a value of 0.58. Meanwhile, according to the effects of calculations per company, it is known that Meezan Bank has the highest score. Meezan Bank regulates debt policy through information in the annual report as follows:

"An agreement involving a promise by a person (the guarantor) to fulfill the obligations of another person owning debt if that person fails to perform" (Meezan Bank Annual Report, 2019, p.212).

6. *Commitments Toward Society.*

Commitment to society is a dimension that is ranked 7 (seven) with a value of 0.48. In short, this dimension of responsibility to the community is the dimension with the lowest index value. This result is the same as the Haniffa and Hudaib (2007) study, which concluded that the dimension of commitment to society received the lowest score among the other seven dimensions.

Companies with high value in this dimension show a high commitment to conveying information about the company's role in society. The results show that Bank Muamalat Malaysia has the highest index score of 0.93, which indicates that information about society's role is conveyed in detail. The commitment to the community is stated in the 2019 annual report as follows:

"at Bank Muamalat, we know that consumers' decision grows in line with their awareness of social issues. We understand that Bank Muamalat has served beyond the stakeholder's fundamental responsibilities, especially towards the community's people in which Bank Muamalat operates. Consumers will want to engage with an organization that reflects their values. At Bank Muamalat, we are inspired to be ethical, fair and transparent in our business dealings" (Bank Muamalat Malaysia Annual Report, 2019, p.84).

7. *Shari'ah Supervisory Board.*

The last dimension is the Sharia Supervision Board dimension, which obtains an average index score of 0.57 or is in the 3rd (third) rank. Meanwhile, the highest index score was obtained by Bank Muamalat Malaysia at 0.93. Bank Muamalat Malaysia provides complete and detailed information about this Sharia Supervision Board. In the 2014 annual report, one of the functions of the Sharia Committee is conveyed, namely:

"The Shariah Committee is expected to advise the Board, Management including Bank Muamalat's subsidiaries and provide input to Bank Muamalat on Shariah matters for Bank Muamalat to comply with Shariah principles at all times" (Bank Muamalat Malaysia Annual Report, 2019, p.32).

The Sharia Supervision Board functions as a committee providing assessment and consideration for management to adhere to sharia principles. One of the results of the review conducted by the Sharia Supervision Board is as follows:

".....the contracts, transactions and dealing entered into by the Bank during the year ended 31 March 2014 that we have reviewed are compliance with the Shariah principles..." (Bank Muamalat Malaysia Annual Report, 2014, p.133).

In addition to calculating the Ethical Identity Index (EII), the researcher also estimates the Return On Asset value, used to measure each sample's financial performance. The relationship between EII and financial performance was only analyzed descriptively or did not use inferential statistical analysis. This issue cannot be done because of the limited sample used. Financial performance as measured by ROA will later be ranked again to see whether companies with high EII will also have increased financial performance.

ROA is calculated by dividing net income and total assets. Because the sample consists of Islamic banks in several Asian countries with different currencies and includes the value of net income and total assets in their respective currencies, the researchers converted the currency exchange rates of each country in 2019 into US Dollars using exchange rate converter application. The following are the results of the ROA calculation, which are presented in the following table:

Tabel 4 Retun On Asset Sampel Tahun 2016-2019

Bank's Name	ROA (%)				Total Average ROA per Bank
	2016	2017	2018	2019	
Al Baraka Banking Group	1,24	1,23	1,23	1,17	1,22 (4)
Bank Muamalat Malaysia	0,73	0,41	0,79	0,74	0,67 (7)
Bank Syariah Mandiri	2,30	2,52	2,57	0,11	1,88 (2)
Kuwait Finance House	0,62	0,68	0,92	0,93	0,79 (6)
CIMB Islamic	1,43	0,78	0,74	0,78	0,94 (5)
Meezan Bank	1,69	1,28	1,20	1,07	1,31 (3)
Qatar Islamic Bank	2,97	1,54	1,71	1,74	1,99 (1)
Total Rata-rata ROA per tahun	1,57 (1)	1,21 (3)	1,31 (2)	0,93 (4)	1,26

Source: data processed by researchers, 2020

Table 4 shows the value of ROA calculations for four periods from 2016 to 2019. The highest ROA value was obtained in 2016 at 1.57%, and the lowest value in 2019 was 0.93%. Simultaneously, the average value of ROA per bank shows that Qatar Islamic Bank has the highest ROA with a value of 1.99%, and Bank Muamalat Malaysia obtains the lowest ROA value at 0.67%. These results indicate that EII has no relationship with financial performance. Even though Bank Muamalat Malaysia has the highest EII value (based on the calculation results in table 2), Bank Muamalat Malaysia's performance has the lowest ROA value. Thus, it can be said that the researcher cannot reject H02, or in other words, there is no relationship between EII and financial performance in Islamic banks in Asia

5. Discussion

The Corporate Ethical Index is an index that tends to describe the company's philosophy. In this study, the Ethical Identity Index of shariah Bank is an Islamic bank based on the teachings of the Islamic religion, which is the philosophy. This research's main objective is to explore how Islamic banks in Asia develop their philosophies based on the Al-Qur'an As-Sunnah.

Calkins (2000) states that religious ethics guides and becomes the reason for human action and its consequences. So, Islamic banks are expected to be ethically superior to conventional banks because they are based on religious ethics. Religious ethics are the foundation in business because religion provides clear and philosophical rules (Kim et al., 2009). In Islam, the company must be based on ethics and humanity (Al-aali & Al-owaihan, 2013)(Trad et al., 2016).

In this study, Islamic banks have a close relationship with ethics. On average, the EII of Islamic banks in this study reached more than 50%. This data shows that the sample in this study's Islamic bank implements 50% of the index criteria. The second criterion's highest score is BODs and Top Management, consisting of the Board of Directors or Chief of Executives and Senior Executives. BODs and Top Management function as goal-setting and making important decisions regarding the highest leadership in company management. In its annual report, almost every sample Islamic bank revealed the existence of BODs and Top Management.

The disclosure of BODs and Top Management's composition aims to provide investors and other users with an overview of the people in these positions and their ability to lead the company. The composition of BODs and Top Management also aims to maintain the company's reputation. These results indicate that Islamic banks consider the availability of human resources in managing the company. However, there is no indication that Islamic ethics in business affects the company's financial performance. Bank Muamalat Malaysia, with the highest EII score, is, in fact, in the last position in the criteria for evaluating financial performance. This study's results align with Toumi's opinion that there is no relationship between ethics and profitability.

Of course, to improve financial performance, the company is not only based on ethics. Large capitalization can also affect a company's financial performance. Return on assets measures the company's ability to earn profits using its total assets. The greater the assets issued will increase, the more profit obtained. Trad et al. (2016) stated that companies with a larger asset capitalization could generate higher profitability in Islamic and conventional banks.

6. Conclusion

This research is a descriptive study regarding the relationship between EII and Islamic banks' financial performance in Asia. First, the study results show that the higher the EII value, the higher the compliance of Islamic banks to shari'ah. Then the researcher describes the relationship between EII and financial performance as measured by using Return On Assets. The result is that there is no relationship between EII and financial performance.

This study has several limitations related to the small number of samples used. The researcher cannot perform inferential statistical test tools, thus causing a lack of statistical evidence of the hypothesis. The data available is very limited because researchers have to discard some samples that do not have complete annual reports, resulting in the small sample used.

Further research can increase the number of samples and include several control variables, as was done in the study of Zaki et al. (2014), to get better results and reduce bias. Can also perform Ethical Identity Index comparisons between Islamic banks and conventional banks.

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