

Performance Analysis of Sharia Banking in Indonesia: Abu Zahrah Maqasid Shariah Index Approach

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ABSTRACT

This study aims to analyze the performance of Islamic Banking (IB) in Indonesia through the maqashid shariah index Abu Zahrah approach. Performance appraisal on Islamic Banking (IB) is generally done through financial performance measurements without including non-financial performance measurements. Furthermore, this study uses descriptive quantitative research methods, namely an approach with a ratio value that can be calculated and described. The research object is 3 Islamic banks in Indonesia registered on the Indonesia Stock Exchange (IDX) and published their financial reports for 2018-2020. The results showed that Panin Dubai Sharia Bank obtained the best MSI score among 2 other Islamic banks with an MSI value of 38.59%. Furthermore, Bank BRI Sharia with an MSI score of 30.38%, and finally Bank BTPN Sharia with an MSI score of 30.24%. Panin Dubai Sharia Bank is more focused on achieving maqashid sharia aspects than the other 2 Islamic banks.

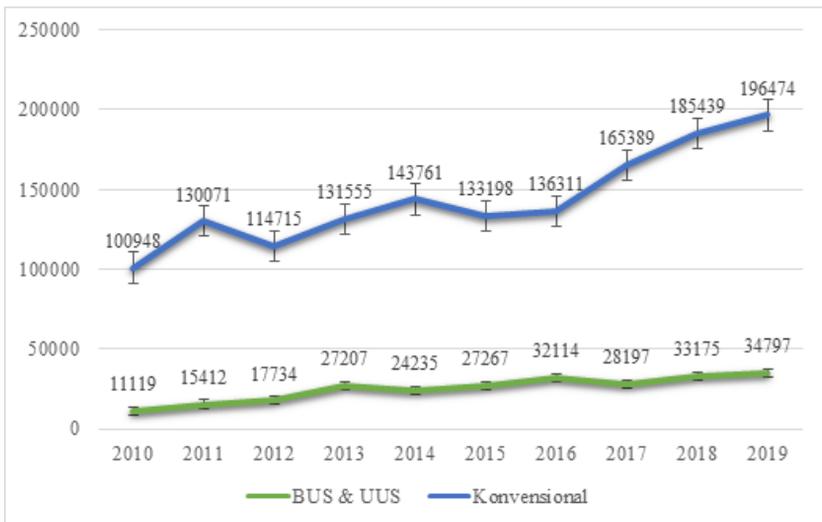
Keywords: Sharia Bank, Performance evaluation, Maqashid Sharia Index, Abu Zahrah concept

INTRODUCTION

Islamic banks are financial institutions which of course, also have obligations to their stakeholders. According Amarah^{1,2} the obligation is

to disclose information in a timely, adequate, clear, accurate, and comparable manner and easily accessible by stakeholders. It can be in the form of financial statements or other supporting reports. And from the report, stakeholders can assess the performance of a financial institution/Islamic bank according to the reporting time. In assessing the performance of a financial institution/Islamic bank, an assessment or measurement of the institution's performance is required.

The first Islamic bank established in Indonesia was Bank Muamalat Indonesia (BMI) in 1992. Then in 1999, the establishment of Sharia Banks and other Sharia Business Units such as BRISharia and other Islamic financial institutions began. The development of Sharia Banks and Sharia Business Units (UUS) continues to increase, as can be seen from the graph of growth in business income of Sharia Commercial Banks and Sharia Business Units, which continues to increase. The expansion of Islamic banking services usually supports this growth, thereby increasing the use of sharia-based banking services.



Source: SPS Otoritas Jasa Keuangan

Figure 1 shows that the operating income of BUS and UUS has increased from 2010 - 2019, which is indicated by the green line. Meanwhile, the blue line represents operating income data from

conventional banks for the last 10 years, which projects conventional banks' operating income growth. From the graph, it can be concluded that the operating income of conventional banks is better than Islamic banks.

Many studies have been conducted to find a proper indication to measure Islamic banks activity. Hafiez et al, suggest that to measure financial performance in Islamic banks, Islamic corporate social responsibility (ICSR) can be adopted as proxies. The study results show that although some Islamic banks experience losses in certain years or decrease profits, this does not make Islamic banks out of the sharia corridor.³ Nawaz & Haniffa, study determinant intellectual capital (IC) on financial performance⁴ while controlling for firm-specific variables, namely, bank size, level of risk, listing status, and firm complexity.⁵

So far, the measurement of banking financial performance uses profitability ratios such as Return On Assets (ROA) and Return On Equity (ROE) which can be seen from the level of effectiveness of the bank's business to earn a profit. In addition to using profitability ratios, the CAMELS method (Capital, Asset, Management, Earning, Liquidity, and Sensitivity of Market Risk) used Data Envelopment Analysis (DEA) to measure banking financial performance.⁶ However, in this case, it is not enough to measure the performance of Islamic banking with the ratios mentioned above. Islamic banks have a different foundation from conventional banks in general. As a financial institution based on sharia principles, Islamic banks should not only focus on fulfilling profits, but addition, they must also be responsible for fulfilling Islamic goals, namely Maqashid Sharia.^{7,8,9}

The Maqasid sharia index is an alternative performance measurement model for Islamic banking which generally uses profitability ratios such as ROA, ROE, or ROI as a financial performance tool. Today's performance appraisal of Islamic banking tends to prioritize aspects of achieving profit (economy) and sometimes forgets its priority in fulfilling its social function (maslahah). Performance appraisal in conventional and Islamic banking usually only looks at measuring financial performance using the CAMELS ratio (Capital, Asset, Management, Earning, Liquidity, Sensitivity of Market Risk) and EVA (Economic Value Added).¹⁰

Mehmet Asutay^{11,12} has developed a concept to measure the performance of Islamic banking centered on the achievement of Maqashid Sharia. The concept is the Maqashid Sharia Index (MSI), which aims to measure Islamic banks in achieving Maqashid Sharia. In this study, the researcher applied the concept that Abu Zahrah had formulated. Abu Zahrah himself divides the Maqashid Sharia concept into three main aspects, namely, Tahdzibu-l-fard (individual education), Iqamatu-l-'Adl (Enforcement of Justice), and Jalbu-l-Maslahah (Encouraging Welfare).¹³ Furthermore, the concept by Omar M & Taib¹⁴ developed and applied to the current concept. It became a measurable parameter, and from these parameters, it can describe the performance of Islamic banking in achieving Maqashid Sharia.¹⁵

Furthermore, Mifrahi & Fakhrunnas¹⁶ study the performance of Sharia banking under Maqashid Shariah's Performance Evaluation Model (MPEM) approach. To measure the Islamic banks, this research adopts *maqashid* sharia measurement that consists of 5 (five) elements formulated in MPEM. The main purpose of sharia is to encourage human welfare, which lies in the protection of faith (*Din*), life (*Nafs*), intellectual (*Aql*), descent (*Nasb*), and wealth (*Mal*).^{17,18}

Regarding the importance of achieving Maqasid Sharia, Chapra¹⁹ states that an important key to sustainable growth is the implementation of Islamic Law. This is based on Al-Ghazali's formula regarding five fulfillment of human needs based on maqasid sharia. The main purpose of sharia is to encourage human welfare, which lies in the protection of faith (*Din*), life (*Nafs*), intellectual (*Aql*), descent (*Nasb*), and wealth (*Mal*). Anything that guarantees the protection of these five cases is fulfilling the public interest and is highly recommended, and what injures these five cases is against the public interest that must be disposed of.²⁰

Based on this background, this paper will examine the factors that determine the performance of sharia-based maqashid. Several previous researchers studied the financial aspect, while in this method combining the financial and non-financial aspects with the concept of measuring the performance of maqashid sharia. Abu Zahrah divides maqashid sharia into 3 main objectives, namely: (1). Tahdzib al fard (Individual education),

(2). Iqamah al-adl (Enforcing justice), (3). Jalb al maslahah (Realizing the benefit/public interest). So that a comprehensive financial performance assessment can be comprehensive and in accordance with the Maqasid Syariah indicators

Literature Review

Shariah Enterprise Theory (SET)

Triyuwono²¹ proposes what is called shariah enterprise theory. The most important axiom that must be based on any determination of the concept of SET according to Triyuwono²¹ is Allah as the Creator and Sole Owner of all resources in this world. God as the main source of trust and resources owned by stakeholders. In these resources, there is a responsibility in the use, methods and goals set. The concept of SET encourages the understanding that in real estate the rights of others are stored. This understanding certainly brings an important change in the terminology of SET which lays its premise on distributing wealth based on the contribution of the participants, namely participants who make financial or skill contributions. This thinking is based on the premise that humans are khalifatullah fil ardh who carry the mission of creating and distributing welfare for all humans and nature. This premise encourages SET to realize the value of justice for humans and the natural environment. Therefore, SET will bring benefits to stockholders, stakeholders, society and the environment²¹.

According to this explanation, the concept of responsibility brought by the Sharia Enterprise Theory can be described. In principle, Sharia Enterprise Theory provides the main form of accountability to God (vertical accountability) which is then further elaborated on the form of accountability to humans and nature (horizontal accountability). The final premise is falah, true success in business is the achievement of prosperity which includes happiness (spiritual) and prosperity (material) at the individual and community levels²¹.

Implementation of sharia enterprise theory (SET) in which Islamic banking in its operational activities must be based on sharia principles because Islamic banking has a responsibility not only to the owners of the

company but also to stakeholders and Allah SWT.) in Islamic banking will make the bank's performance healthier because management will always comply with the principles that have been set .

Resource-Based Value Theory

Resource-Based Value Theory is a theory that explains that a company can increase its superiority in competition by developing resources so that it can direct the company to survive in the long term. The key to this theoretical approach is to understand the strategy of understanding the relationship between resources, capabilities, competitive advantage, and profitability, in particular, to understand the mechanism by which to maintain a competitive advantage over time. In his work entitled "A Resource-based view of the firm". However, the research that is widely used as a reference is the article by Barney , "Firm Resource and Sustained Competitive Advantage". It is explained that firm resources can help companies improve the efficiency and effectiveness of their operations. Furthermore, competitive advantage can be instilling an understanding that the company consists of heterogeneous and immovable elements. To maximize competitive advantage, companies must meet four criteria: valuable, rareness, inimitability, and non-substitutability

Maqashid Sharia Index Concept

The concept of Maqashid Sharia Index is a measuring tool developed recently for use in measuring the financial performance of Islamic financial institutions. This concept arose because the existing and widely used measuring instruments were not sufficient to describe the overall condition of a sharia financial institution in its achievement in achieving Falah and Maqashid Sharia . Furthermore, many study formulated a performance evaluation for Islamic banking, which refers to the maqashid sharia concept. The development of the Maqashid Sharia Index (MSI) method is based on the incompatibility of conventional performance indicators when applied to Islamic banking. This discrepancy is caused by the difference in objectives between conventional measurement indicators that focus more on measuring financial performance than

Islamic banking measurement indicators, which are more multi-dimensional^{8, 9, 11, 12}.

Fiqh scholars have different opinions or views in classifying the concept of measuring the maqashid (purpose/intention) of sharia. The concept of measuring the performance of the Maqashid Sharia Index (MSI) in this study compares the concept of measuring the performance of the Maqashid Sharia Index (MSI) according to Zahrah.²⁶

Concept of Maqashid Sharia (MSI) Abu Zahrah

Concept of Maqashid Sharia Abu Zahrah. In his book of Usul Fiqh²⁶, he formulated the concept of maqashid sharia and then classified it into three main objectives: (1). Tahdib al fard (educating individuals), (2). Iqamah al-adl (enforcing justice or establishing fairness), and jalb al maslahah (realizing or promoting public interest/welfare). The three concepts of Abu Zahrah are used and developed by Omar Mohammed & Md Taib¹⁴, as shown in table 1. The Maqashid sharia index of Omar M and Thaib is as follows:

Concept (Purpose)	Dimension	Element
1. Individual Education	D1. Knowledge Advancement	E1. Education Grant E2. Study
	D2. Instilling New Skills and Upgrades	E3. Training
	D3. Creating Awareness of Sharia Banking	E4. Publication
	D4. Fair Return	E5. Fair Return
2. Upholding Justice	D5. Products and Services	E6. Functional Distribution
	D6. Elimination of the Negative Elements That Gives Birth to Injustice	E7. Interest-Free Products
	D7. Bank Profitability	E8. Profit Ratio
3. Promote Prosperity	D8. Redistribution of Income and Wealth	E9. Personal Income
	D9. Investment in Real Sector	E10. Investment Ratio in Real Sector

Source: Omar Mohammed & Md Taib, (2015)

The explanation of the concept of the Maqashid Sharia Index (MSI) Abu Zahrah briefly consists of:

(1) Tahdib al fard (Individual education). Individual education performance indicators oriented to Islamic banks are required to develop knowledge not only for their employees but also for the

general public. Performance measurement on this dimension includes 4 measurement elements: E1. Education Grants, E2. Research, E3. Training, and E4. Publication

(2) *Iqamah al-adl* (Enforcing justice). Performance Indicators upholding justice oriented to Islamic banks are required to conduct transactions fairly and equally so that they do not harm their customers. Performance measurement on this dimension includes 3 measurement elements: E5. Fair return, E6. Functional distribution, and E7. Educational interest-free products.

(3) *Jalb al maslahah* (Realizing benefit or public interest). Performance indicators of public interest are oriented to that the greater the profits obtained by Islamic banks will have an impact on increasing the welfare of the owners and employees of Islamic banks and all stakeholders of Islamic banking. Performance measurement on this dimension includes 3 measurement elements: E8. Profit ratio, E9. Personal income, E10. Investment in the real sector.

The objectives in the Maqashid Sharia Index concept are individual education, upholding justice, and promoting welfare¹².

Research Method

In this research, descriptive quantitative research is used to assess the performance of Islamic banking in Indonesia by using the ratios of the Maqashid Sharia Index (MSI) and knowing the percentage value of each ratio in the Maqashid Sharia Index, which is known from the annual financial statements of sample banks for the 2015-2019 period. There are three objectives to the current method Mohammed & Razak¹². The concepts (C) into observable characteristic behaviors, which she termed as dimensions (D). The dimensions are then further broken down into measurable behaviors that she referred to as elements (E). The three (3) broad objectives of IB, namely educating individuals, establishing justice and Maslahah are operationally defined. Each of these objectives or concepts (c) are then translated into broad characteristics or dimensions (D) and finally into measurable behaviors or elements (E) as follows in Table 2 below:

Table 2. Operationalization of Islamic banking objectives

Concept (Purpose)	Dimension	Element	Performance Ratio	Data source
1. Individual Education	D1. Knowledge Advancement	E1. Education Grant	Ratio 1: Education Grants/Total Cost	Annual report
		E2. Study	Ratio 2: Research Cost/Total Cost	Annual report
	D2. Instilling New Skills and Upgrades	E3. Training	Ratio 3: Training Cost/Total Cost	Annual report
		D3. Creating Awareness of Sharia Banking	E4. Publication	Ratio 4: Publication Cost/Total Cost
	D4. Fair Return		E5. Fair Return	Ratio 5: Profit/Total Revenue Ratio 6: Musyarakah and Mudharabah Financing/Total Investment
2. Upholding Justice	D5. Products and Services	E6. Functional Distribution		Annual report
	D6. Elimination of the Negative Elements That Gives Birth to Injustice	E7. Interest-Free Products	Ratio 7: Interest-Free Income/Total Income	Annual report
			E8. Profit Ratio	Ratio 8: Net Profit/Total Assets
3. Promote Prosperity	D8. Redistribution of Income and Wealth	E9. Personal Income	Ratio 9: Zakat/Profit	Annual report
	D9. Investment in Real Sector	E10. Investment Ratio in Real Sector	Ratio 10: Investment in Real Sector/Total Investment	Annual report

Source: Omar Mohammed & Md Taib, (2015)

Research Method

This research applies the descriptive quantitative method. Sugiyono, (2017) explains that quantitative research is a research method that uses positivism as the basis. This method is to examine a data source and test it to prove temporary conjectures. While the descriptive approach, according to (Sugiyono, 2008), is the rule used to determine the existence of a variable, both independent and dependent variables, without comparing these variables and connecting them with other variables.

In this research, descriptive quantitative research using to assess the performance of Islamic banking in Indonesia by using the ratios of the Maqashid Syariah Index (MSI) and knowing the percentage value of each ratio in the Maqashid Syariah Index, which is known from the annual

financial statements of sample banks for the 2015-2019 period.

These three objectives to the current method Mohammed & Razak, (2008), there is Concept (C), then with specific characteristics, the concept is derived into several measurable dimensions (D). Some of these dimensions reducing to certain elements that are easier to measure (E). After applied the objectives in the Maqashid Syariah Index concept to the current method, ratios emerge that can be measured to achieve the goals mentioned. These ratios can be using the current method of the Maqashid Syariah Index concept in Table 2 below:

Table 2. Operationalization of Islamic banking objectives

Concept (Purpose)	Dimension	Element	Performance Ratio	Data source
1. Individual Education	D1. Knowledge Advancement	E1. Education Grant	Ratio 1: Education Grants/Total Cost	Annual report
		E2. Study	Ratio 2: Research Cost/Total Cost	Annual report
	D2. Instilling New Skills and Upgrades	E3. Training	Ratio 3: Training Cost/Total Cost	Annual report
		D3. Creating Awareness of Sharia Banking	E4. Publication	Ratio 4: Publication Cost/Total Cost
	D4. Fair Return		E5. Fair Return	Ratio 5: Profit/Total Revenue Ratio 6: Musyarakah and Mudharabah Financing/Total Investment
2. Upholding Justice	D5. Products and Services	E6. Functional Distribution	Ratio 7: Interest-Free Income/Total Income	Annual report
	D6. Elimination of the Negative Elements That Gives Birth to Injustice	E7. Interest-Free Products	Ratio 8: Net Profit/Total Assets	Annual report
	D7. Bank Profitability	E8. Profit Ratio	Ratio 9: Zakat/Profit	Annual report
3. Promote Prosperity	D8. Redistribution of Income and Wealth	E9. Personal Income	Ratio 10: Investment in Real Sector/Total Investment	Annual report
	D9. Investment in Real Sector	E10. Investment Ratio in Real Sector		Annual report

Source: Omar Mohammed & Md Taib, (2015)

Population and Sample

The population in this study is Islamic banks located in Indonesia and have been operating and publishing their annual financial statements. This study's sample used a purposive sampling method, a sampling technique with specific considerations. Some considerations in sampling in this study are as follows:

- 1). Sharia banks that have registered with IDX.
- 2). Has been operating at least early 2015.
- 3). Has published its annual report from 2018 to 2020 on the company's official website.

From some of these considerations, Islamic banks obtained as samples in this study, namely:

- 1). BRI Sharia Bank
- 2). BTPN Sharia Bank
- 3). Panin Dubai Sharia Bank

Data analysis

As explained in the previous chapters and sub-chapters, this research uses the Maqashid Sharia Index (MSI) concept in conducting data analysis and assessing Islamic banking performance. In a study conducted by Omar & Taib¹⁴, where verification of sharia experts in the Middle East and Malaysia, 12 experts were interviewed, and 16 experts were asked to the components of the Middle East and Malaysia, 12 experts were interviewed, and 16 experts were asked to give weight to the components of the Maqashid Sharia Index concept. Furthermore, determine whether the concept is acceptable. Furthermore, the average weight given by the experts is presented in Table 3 below:

Table 3. Average weight for each maqashid and ten ratios

Aim	Average Weight (Scale 1)	Element	Average Weight (Scale 1)
01. Individual Education (Tahdhib-l-Fard)	0.30	E1. Education Grant	0.24
		E2. Study	0.27
		E3. Training	0.26
		E4. Publication	0.23
		Total	1

02. Upholding Justice (Iqamatu-l-'Adl)	0.41	E5. Fair return	0.30
		E6. Functional Distribution	0.32
		E7. Interest-Free Products	0.38
		Total	1
03. Promote Welfare (Jalbu-l-Maslahah)	0.29	E8. Profit Ratio	0.33
		E9. Personal Income	0.30
		E10. Investment in the real sector	0.37
Total	1	Total	1

Source: Omar Mohammed & Md Taib, (2015)

The steps taken in the analysis using the MSI concept are as follows:

1. Determine the performance ratio. This determination is based on the ten (10) ratios mentioned in Table 1.
2. Determine the value of each Performance Indicator (PI) or Concept. In determining the value of each Performance Indicator (IK), the weighting in Table 2 is used and the following formula:

Performance Indicator 1 (IK 1) = Individual Education

$$IK 1 = W_1^1 \times E_1^1 \times R_1^1 + W_1^1 \times E_1^2 \times R_1^2 + W_1^1 \times E_1^3 \times R_1^3 + W_1^1 \times E_1^4 \times R_1^4$$

$$\text{Or } W_1^1 (E_1^1 \times R_1^1 + E_1^2 \times R_1^2 + E_1^3 \times R_1^3 + E_1^4 \times R_1^4)$$

Where:

1 = First Performance Indicator of Maqashid Sharia

W_1^1 = Average weight for the first concept

E_1^1 = Average weight for the first element in the first concept

E_1^2 = Average weight for the second element in the first concept

E_1^3 = Average weight for the third element in the first concept

E_1^4 = Average weight for the fourth element in the first concept

R_1^1 = Average weight for the first ratio on the first concept

R_1^2 = Average weight for the second ratio on the first concept

R_1^3 = Average weight for the third ratio on the first concept

R_1^4 = Average weight for the fourth ratio in the first concept

etc.,

3. Determine the value of the Maqashid Sharia Index (MSI) of each bank. The determination of the MSI value by adding up the results of each of the first to third Performance Indicators. This can be written as the following formula:

$$MSI = CI 1 + CI 2 + CI 3$$

Provide a rating of each Islamic bank according to the achievement of each Maqashid Sharia Index (MSI) value and define how the performance of Islamic banks is measured using the Maqashid Sharia

Result And Discussion

Performance of Islamic Banks in Achieving the Maqashid Shariah Index (MSI) Concept

In measuring the performance of Islamic banks using the Maqashid Sharia Index (MSI), several steps must be taken. The first step is to measure the performance of Islamic banks using 10 performance ratios following the Maqashid Sharia Index concept. The second step is to determine the value of each performance indicator based on a predetermined ratio. The third step is to add up these values to determine each Islamic bank's Maqashid Sharia Index (MSI) value.

Maqashid Sharia Performance Indicators the First Index of Education Grant Ratio

The first MSI performance indicator, Educating Individuals, has 3 dimensions, namely: Advancing knowledge (D1), Enhancing new skills (D2), and Creating awareness of Islamic banking (D3). Each of these dimensions is reduced to something measurable and observable, which is denoted by an element. The dimension of advancing knowledge is measured by Education Grants (E1) and Research (E2). The dimension of improving skills is measured by Training (E3). And the dimension of creating awareness of Islamic banks is measured by Publication (E4).

These four elements are the measure for the first dimension, the greater the Islamic bank in allocating its funds into these 4 elements, namely: Education grants (E1), Research (E2), Training (E3), and Publications (E4), it symbolizes that more focus for Islamic banks in

advancing knowledge which is an indicator of the first dimension. This also shows that Islamic banks focus on improving the quality of Human Resources, which can educate customers and prospective customers about sharia-based banking services. Table 4 shows the results of calculating the ratio of the first element, namely education grants.

Table 4. Islamic Bank Education Grant Ratio 2018 – 2020

No.	Bank	Years	Education Grant (%)	Means (%)
1	BRIS	2018	0,1	0,06
		2019	0,05	
		2020	0,02	
2	PNBS	2018	1,16	1,04
		2019	1,16	
		2020	0,78	
3	BTPS	2018	0	0
		2019	0	
		2020	0	

Source: Author Dataa

Based on Table 4, the average value of Islamic banks' highest educational grants allocation was achieved by Panin Dubai Sharia Bank of 1.04%. This shows that 1.04% of the total costs incurred by Panin Dubai Sharia Bank were allocated for educational grants. Then Bank BRI Sharia, with a ratio value of 0.06%, shows that 0.06% of the total costs incurred by Bank BRI Sharia is allocated for the benefit of education grants. Finally, BTPN Sharia bank with a ratio value of 0%. This is because Bank BTPN Sharia does not report its expenditure in educational grants in the related sharia bank's annual financial statements.

Maqashid Sharia Performance Indicators the First Index of Research

Based on Table 5, the highest average ratio value from research allocated by Islamic banks was achieved by BTPN Sharia Bank of 2.92%. This indicates that 2.92% of the total costs incurred by Bank BTPN Sharia were allocated for research purposes. . then Bank BRI Sharia with a ratio value of 2.67%, indicating that 2.67% of the total costs incurred are allocated for research purposes and finally, Bank Panin Dubai Sharia with

a ratio value of 0.93% indicating that 0.93% of funds of the total costs incurred, allocated for research purposes.

Table 5. Islamic Bank Research Fund Ratio 2018 – 2020

No.	Bank	Years	Research (%)	Means (%)
1	BRIS	2018	2,65	2,67
		2019	2,61	
		2020	2,73	
2	PNBS	2018	0,92	0,93
		2019	1,14	
		2020	0,74	
3	BTPS	2018	1,95	2,92
		2019	2,76	
		2020	4,07	

Source: Authors Data

Training Ratio

Based on Table 6, the highest average ratio value for training allocated by Islamic banks was achieved by Bank BTPN Sharia at 2.31%, and this indicates that 2.31% of the total costs incurred by Bank BTPN Sharia were allocated for training purposes. Then Panin Dubai Sharia Bank amounted to 0.96%, indicating that 0.96% of the total costs incurred by Panin Dubai Sharia Bank were allocated for training purposes. Lastly, Bank BRI Sharia is 0.55%. This shows that the allocation of funds for training is only 0.55% of the total costs incurred.

Table 6. Islamic Bank Training Ratio 2018 – 2020

No.	Bank	Years	Training (%)	Mean (%)
1	BRIS	2018	0,71	0,55
		2019	0,62	
		2020	0,30	
2	PNBS	2018	2,09	0,96
		2019	0,27	
		2020	0,52	
3	BTPS	2018	2,87	2,31
		2019	2,98	
		2020	1,10	

Source: Author Data

Publication Ratio

Based on Table 7, the average value of the highest ratio of publications allocated by Islamic banks was achieved by BRI Sharia Bank of 1.64%. This shows that 1.64% of the total costs incurred by BRI Sharia Banks were allocated for publication purposes. . Then Bank Panin Dubai Sharia with a ratio value of 1.52%, indicating that 1.52% of the total costs incurred were allocated for publication purposes. Finally, Bank BTPN Sharia is 0.73%, which shows that 0.73% of the total costs incurred are allocated for publication purposes.

Tabel 7. Islamic Bank Publication Ratio 2019 - 2020

No.	Bank	Years	Publication (%)	Means (%)
1	BRIS	2018	1,68	1,64
		2019	1,70	
		2020	1,54	
2	PNBS	2018	1,97	1,52
		2019	1,49	
		2020	1,11	
3	BTPS	2018	1,06	0,73
		2019	0,90	
		2020	0,24	

Source: Data Analysis

***Maqashid* Sharia Performance Indicators the Second Index Upholding Justice**

The second MSI performance indicator is Enforcing Justice. This second indicator has 3 dimensions, namely: Fair returns (D4), Affordable products and services (D5), and eliminating injustice (D6). Each of these dimensions is reduced to something measurable and observable, which is denoted by an element. The fair return dimension is measured by Fair return (E5). The dimensions of affordable products and services are measured by Functional distribution (E6). And the dimension of eliminating injustice is measured by the interest-free product (E7).

The second MSI performance indicator, namely upholding justice, relates to providing rights and obligations for all customers who fairly conduct transactions with Islamic banks. The second performance

indicator is interpreted as the greater the Islamic bank allocates its funds through fair returns, functional distribution, and interest-free products. The better the performance of Islamic banks in achieving performance indicators in upholding justice.

Islamic Bank Fair Return

Based on Table 8, the average value of the highest ratio of fair returns allocated by Islamic banks was achieved by Bank BTPN Sharia of 35.75%, which shows that 35.75% is the company's profit from the total revenue earned. Then Bank BRI Sharia got a ratio value of 5.75%, which shows that 5.75% is the company's profit from the total revenue earned. Finally, Bank Panin Dubai Sharia, with a ratio value of 3.45%, shows that 3.45% is the company's profit from the total revenue earned.

Table 8. Fair Return Ratio 2018 - 2020

No.	Bank	Years	Fair Return Ratio (%)	Mean (%)
1	BRIS	2018	4,78	5,75
		2019	3,27	
		2020	9,20	
2	PNBS	2018	0,68	1,41
		2019	2,80	
		2020	0,74	
3	BTPS	2018	37,64	35,75
		2019	42,03	
		2020	27,58	

Source: Author Data

Affordable Products and Services

Affordable products and services are measured by functional distribution. Based on Table 9, the average value of the highest ratio of functional distribution allocated by Islamic banks was achieved by Panin Dubai Sharia Bank of 93.80%. This indicates that musyarakah and mudharabah financing carried out by Panin Dubai Sharia Bank amounted to 93.80% of the total financing disbursed. Then Bank BRI Sharia, with a ratio value of 41.48%, shows that the musyarakah and mudharabah financing carried out by BRI Sharia Bank is 41.48% of the total financing disbursed. Finally, Bank BTPN Sharia, with a ratio value of 0.14%, shows

that the musyarakah and mudharabah financing carried out by Bank BTPN Sharia is 0.14% of the total financing disbursed.

Table 9. Shariah Functional Distribution Ratio 2018-2020

No.	Bank	Years	Functional Distribution (%)	Mean (%)
1	BRIS	2018	40,17	41,48
		2019	45,64	
		2020	38,62	
2	PNBS	2018	92,29	93,80
		2019	96,29	
		2020	92,82	
3	BTPS	2018	0	0,14
		2019	0,33	
		2020	0,09	

Source: Data Analysis

Eliminating Injustice

Eliminating injustice is measured by the interest-free product. Based on Table 10, the average value of the ratio of interest-free products allocated by Islamic banks is the same. BRI Sharia Bank, Panin Dubai Sharia Bank and BTPN Sharia Bank obtained an average value of 100%. This shows that the income earned by the three Islamic banks is completely free of interest. And this is in line with the basic principles of sharia, which is to stay away from something that is usury.

Table 10. Islamic Bank Interest-Free Product Ratio 2018 – 2020

No.	Bank	Years	Interest-Free Product (%)	Means (%)
1	BRIS	2018	100	100
		2019	100	
		2020	100	
2	PNBS	2018	100	100
		2019	100	
		2020	100	
3	BTPS	2018	100	100
		2019	100	
		2020	100	

Source: Authors Data

Maqashid Sharia Performance Indicators the Third Index Promotes Welfare

The third MSI performance indicator is Encouraging welfare. This third performance indicator has three dimensions, namely: bank profitability (D7) measured by the profit ratio (E8), redistribution of income and welfare (D8) measured by individual income (E9), and investment in the real sector (D9) measured by the investment ratio in the real sector (E10). Each of these dimensions is reduced to something measurable and observable, which is denoted by an element.

The third MSI performance indicator is to encourage benefits related to the public benefit. This is interpreted as the advantages and benefits obtained by Islamic banks are not only owned and felt for Islamic banks, but customers can also feel these advantages and benefits. The greater the ratio achieved by Islamic banks in this third indicator, it shows the achievement of Islamic banks in meeting the indicators of encouraging better welfare.

Bank Profitability

Bank profitability is measured by the profit ratio. Referring to Table 11, the highest average value of the ratio of profit allocated by Islamic banks was achieved by Bank BTPN Sharia at 11.07%. This shows that the net profit received by Bank BTPN Sharia is 11.07% of the total assets it owns. Then Bank BRI Sharia with a ratio value of 1.13%, indicating that the net profit received by Bank BRI Sharia is 1.13% of the total assets owned. Finally, Panin Dubai Sharia Bank, with a ratio value of 0.19%, shows that the net profit received by Panin Dubai Sharia Bank is 0.19% of the total assets owned.

Table 11. Islamic Banking Profit Ratio 2018 – 2020

No.	Bank	Years	Profit (%)	Means (%)
1	BRIS	2018	1,59	1,13
		2019	1,79	
		2020	0,01	
2	PNBS	2018	0,26	0,19
		2019	0,25	
		2020	0,06	

3	BTPS	2018	12,40	11,07
		2019	13,60	
		2020	7,20	

Source: Data Analysis

Redistribution of Income and Welfare

The redistribution of income and welfare is measured by individual income. According to Table 12, the average value of the highest ratio of individual income allocated by Islamic banks was achieved by BRI Sharia Bank of 6.11%. This shows that of the total profit received, 6.11% is allocated for zakat purposes. Then Bank Panin Dubai Sharia amounted to 2.43%, indicating that 2.43% of the total profit received was allocated for zakat purposes. Finally, Bank BTPN is 0%. This is because Bank BTPN Sharia does not attach the amount of zakat issued in the last 3 years in its annual report.

Table 12. Islamic Banking Individual Income Ratio 2018 – 2020

No.	Bank	Years	Individual Income (%)	Means (%)
1	BRIS	2018	6,59	6,11
		2019	9,49	
		2020	2,26	
2	PNBS	2018	0	2,43
		2019	4,79	
		2020	2,50	
3	BTPS	2018	0	0
		2019	0	
		2020	0	

Source: Author Data

Investment in the Real Sector

Investment in the real sector is measured by the investment ratio in the real sector. Based on Table 13, the average value of the highest investment ratio in the real sector allocated by Panin Dubai Sharia Bank is 92.89%. This shows that the total investment in the real sector by Panin Dubai Sharia Bank is Rp. 92.89% of the total investment made. Then Bank BTPN Sharia amounted to 81.25%, indicating that the total investment in the real sector made by Bank BTPN Sharia was 81.25% of the total

investment made. Finally, BRI Sharia Bank is 71.14%. This shows that the total investment in the real sector made by BRI Sharia Bank is 71.14% of the total investment made.

**Table 13. Islamic Banking investment ratio in the real sector Ratio
2018 - 2020**

No.	Bank	Years	Investment ratio (%)	Means (%)
1	BRIS	2018	68,32	71,14
		2019	70,92	
		2020	74,19	
2	PNBS	2018	89,87	92,89
		2019	94,90	
		2020	93,89	
3	BTPS	2018	87,31	81,25
		2019	80,83	
		2020	75,61	

Source: Analysis Data

Assessing Each Element of the Sharia Maqashid Performance Ratio.

Based on Table 14, in the first ratio, namely education funds, Panin Dubai Sharia Bank received the highest average ratio value compared to 2 other Islamic banks, which was 1.04%. This is due to the large amounts of funds disbursed by Panin Dubai Sharia Bank in the form of educational grants compared to the total costs incurred. Furthermore, Bank BRI Sharia has an average ratio value of 0.06%, and Bank BTPN Sharia has a ratio value of 0.

The second ratio, namely research, Bank BTPN Sharia gets the highest average ratio value compared to 2 other Islamic banks, namely 2.92%. The large allocation of funds from Bank BTPN Sharia in research compared to the total costs incurred. Furthermore, BRI Sharia Bank got an average ratio value of 2.67%, and Panin Dubai Sharia Bank got 0.93%.

Third ratio, namely training, Bank BTPN Sharia obtained the highest average ratio value compared to the other 2 Islamic banks, 2.31%. It is caused by the large number of funds disbursed by Bank BTPN Sharia in training compared to the total costs incurred. Furthermore, Bank Panin Dubai Sharia got an average ratio value of 0.96%, followed by Bank BRI Sharia, which got 0.55%.

Table 14. Islamic Bank Performance Ratio Following the Maqashid Sharia

ELEMENT	RATIO	Bank		
		BRIS	PNBS	BTPS
E1. Education Grant	R1	0.06	1.04	0
E2. Study	R2	2.67	0.93	2.92
E3. Training	R3	0.55	0.96	2.31
E4. Publication	R4	1.64	1.52	0.73
E5. Fair return	R5	5.75	1.41	35.75
E6. Functional Distribution	R6	41.48	93.8	0.14
E7. Interest-Free Products	R7	100	100	100
E8. Profit Ratio	R8	1.13	0.19	11.07
E9. Personal Income	R9	6.11	2.43	0
E10. Investment in the real sector	R10	71.14	92.89	81.25

Source: Analysis Data

Fourth ratio, namely publications, BRI Sharia Bank obtained the highest average ratio value compared to 2 other Islamic banks, which was 1.64%. That is because of the large number of funds disbursed by Islamic banks in publications compared to the total costs incurred. Furthermore, Bank Panin Dubai Sharia got an average ratio score of 1.52%, followed by Bank BTPN Sharia, which got an average ratio score of 0.73%.

The fifth ratio, which is a fair return, Bank BTPN Sharia gets the highest average ratio value compared to 2 other Islamic banks, which is 35.75%. That is due to the high operating profit obtained by the BTPN Sharia bank compared to the total income obtained. Furthermore, Bank BRI Sharia got an average ratio value of 5.75%, followed by Bank Panin

Dubai Sharia, which got an average ratio value of 1.41%.

Sixth ratio, namely functional distribution, Panin Dubai Sharia Bank gets the highest average ratio value compared to 2 other Islamic banks, 93.80%. That is because of the largest musyarakah and mudharabah financing modes carried out by Panin Dubai Sharia Bank for the total financing carried out. Furthermore, Bank BRI Sharia got an average ratio value of 41.48%, followed by Bank BTPN Sharia, which got an average ratio value of 0.14%.

Seventh ratio, namely interest-free income, the three Islamic banks get a perfectly average score. BRI Sharia Bank, Panin Dubai Sharia Bank and BTPN Sharia Bank got an average score of 100%. That means that the three Islamic banks carry out their operational activities based on sharia principles and generate income to stay away from anything with usury elements.

Eighth ratio, namely the profit ratio, Bank BTPN Sharia obtained the highest average ratio value compared to 2 other Islamic banks, 11.07%. That is influenced by the net profit earned by Islamic banks compared to the total assets owned. Furthermore, Bank BRI Sharia got an average ratio value of 1.13%, followed by Bank Panin Dubai Sharia, which got an average ratio value of 0.19%.

Ninth ratio, namely personal income, Bank BRI Sharia gets the highest average ratio value compared to 2 other Islamic banks, which is 6.11%. Due to the high amount of zakat funds issued by the Islamic bank from the total profit earned. Then Bank Panin Dubai Sharia got an average ratio value of 2.43%, followed by Bank BTPN Sharia with an average ratio value of 0. This is because Bank BTPN Sharia has not recorded the expenditure of zakat funds in the financial statements in the last three years.

Finally, in the tenth ratio, namely investment in the real sector, Panin Dubai Sharia Bank got the highest average ratio value compared to 2 other Islamic banks, which was 92.89%. That shows that almost the total investment made by Panin Dubai Sharia Bank is the channel to the real sector. Furthermore, Bank BTPN Sharia got an average ratio score of 81.25%, followed by Bank BRI Sharia, which got 71.14%.

Determine the Rating of Islamic Banks Based on Performance Indicators (IK).

Furthermore, in the second ratio, namely research, Bank BTPN Sharia gets the highest average ratio value compared to 2 other Islamic banks, namely 2.92%. The large allocation of funds from Bank BTPN Sharia in research compared to the total costs incurred. Furthermore, BRI Sharia Bank got an average ratio value of 2.67%, and Panin Dubai Sharia Bank got 0.93%.

Table 12. Islamic Banking Individual Income Ratio 2018 – 2020

Bank	Educating Individuals	Upholding Justice	Encouraging Prosperity	Maqashid Shariah Index
	IK 1	IK 2	IK 3	(MSI)
BRI Sharia Bank	0.38	21.73	8.27	30.38
Panin Dubai Sharia Bank	0.33	28.06	10,20	38.59
BTPN Sharia Bank	0.47	20	9.78	30.24

Source: Authors Data

Table 15 shows the calculation results of the Performance Indicator (IK) value and the Maqashid Sharia Index (MSI) value of BRI Sharia Bank, Panin Dubai Sharia Bank, and BTPN Sharia Bank for the period 2018 – 2020. From Table 5, it can be explained that the achievement of the first performance indicator is individual education. Bank BTPN Sharia obtained the highest score of 0.47%. In this performance indicator, Bank BTPN Sharia is supported by the large allocation of funds for research and training elements. Each of these elements obtained a value of 0.24% and 0.18%. Furthermore, Bank BRI Sharia with the achievement of an IK 1 ratio of 0.38%. And Bank Panin Dubai Sharia with the achievement of an IK 1 ratio of 0.33%.

The second indicator, namely upholding justice, the achievement of each Islamic bank is quite good overall. Panin Dubai Sharia Bank is the Islamic bank with the second-highest achievement of performance indicators among the other two Islamic banks. Panin Dubai Sharia Bank obtained a score for the second performance indicator of 28.06%. That is

because the size of the available distribution ratio, which reached 93.80%. Furthermore, Bank BRI Sharia obtained the second performance indicator score of 21.73%, and finally, Bank BTPN Sharia with the second performance indicator score of 20%.

In addition, the third performance indicator, namely encouraging welfare. From the analysis results, it can be concluded that of the three attached Islamic banks, Panin Dubai Sharia Bank obtained the highest indicator value compared to the other two Islamic banks, with the acquisition of the third performance indicator value of 10.20%. This is supported by the outstanding achievements of Islamic banks in profit ratios and investment ratios in the real sector which reached 11.07% and 81.25%, respectively.

Each Islamic bank's belief shows that the greater the ratio obtained by the Islamic bank the more focused the Islamic bank is in fulfilling the aspect of achieving the Islamic maqashid itself. After knowing each Performance Indicator (IK) value, the next step is to add up each of the Performance Indicator values to get the Maqashid Sharia Index (MSI) value of each Islamic bank. From the MSI value, it will be known how the performance of sharia banking in achieving the maqashid sharia aspect is. Based on Table 4, it can be explained that the achievement of maqashid sharia index scores from Islamic banks can be explained. BRI Sharia Bank got an MSI score of 30.38%, Panin Dubai Sharia Bank got an MSI score of 38.59%, and Bank BTPN Sharia got an MSI score of 30.24%.

Calculate the Value (scoring) *Maqashid* Shariah Index

The next stage is to calculate the value of the maqashid sharia index (MSI) of the Islamic bank, which is the object of research by adding up all measurement performance indicators with the following formulation:

Table 16. Rank Maqashid Index (MSI) Value Ranking for the Period 2018 – 2020

Sharia Commercial Bank	MSI	Rank
Panin Dubai Sharia Bank	38.59	1
BRI Sharia Bank	30.38	2

BTPN Sharia Bank	30.24	3
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Source: Author Data

It appears that Bank Panin Dubai Sharia got the highest MSI score of 38.59%, followed by Bank BRI Sharia with an MSI value of 30.38%, and finally Bank BTPN Sharia with an MSI value of 30.24%. This means that Bank Panin Dubai Sharia has a fairly good performance among other Islamic banks in fulfilling the maqashid aspects of sharia formulated by Abu Zahrah. While Bank BRI Sharia and Bank BTPN Sharia got MSI scores with a not too far difference, but the performance of the two Islamic banks was also quite good in achieving the maqashid sharia aspect.

CONCLUSION

The performance assessment of Islamic banking using the Maqashid Sharia Index (MSI) concept shows that the achievement of Islamic bank performance is quite good. The achievements of each Islamic bank in fulfilling the aspects of individual education, upholding justice, and promoting welfare, in general, are outstanding even though several Islamic banks have not fully met the ratio of the Maqashid Sharia Index (MSI) concept. The Islamic banks with the highest MSI value to the lowest in 2018 - 2020 are Panin Dubai Sharia bank, BRI Sharia Bank, and BTPN Sharia Bank.

The greatest significance of this research is that it proposes the objectives of IB from the Maqasid al-Shariah Perspective. It also suggests methodologies that can be used to develop IB performance measures based on the Shariah framework. The results of the study have shown variations in the performance of the selected Islamic banks. Not all banks are able to realize high performance in all three performances, alternatives and performance indicators. Although in general, Bank Panin Dubai Syariah Variation has the highest value compared to Bank BRI Syariah and Bank BTPN Syariah although the difference is not too high. This shows that there is inconsistency on the part of individual Islamic banks to focus on overall Islamic objectives. As this is an exploratory

study, hopefully future research will consider it a starting point for further developing objectives and performance measures of IB based on the sharia framework.

Limitation

Related to the samples of Islamic banks, this research only investigates the ones registered in the ISE, not all Islamic banks in Indonesia.

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