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Performance Analysis of Islamic Banks in Indonesia: The Maqashid Shariah Approach

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Abstract

The objective of this study is to analyze the performance of Islamic banks with the *Maqashid Shariah* approach. The analysis technique used is the Simple Additive Weighting Method (SAW) to solve multi-attribute decision problems. The sampling technique used was purposive sampling while the data came from the annual report of each bank. The results showed that the BTPN Shariah (BTPNS) and Bank Muamalat Indonesia (BMI) are ranked first and second respectively on the *Maqashid Shariah* Index (MSI) with values of 0.265429 and 0.237110 respectively. Panin Dubai Shariah Bank (PDSB) ranked third with an MSI value of 0.180733, followed by BCA Shariah which ranked fourth with an MSI value of 0.151299. BRI Shariah ranked fifth with an MSI value of 0.128606, followed by BNI Shariah which ranked sixth with an MSI value of 0.124661. Bank Mega Shariah ranked last with an MSI value of 0.087068. Furthermore, there is a relationship (correlation) between ROE, ROA, and OEOI and MSI since each data has a value of 0.000, 0.000, 0.050, and 0.001 respectively, which is smaller than the significance value of 0.05. On the other hand, NPF, TPF, and Asset Growth Rates do not correlate with the MSI since each data has a value of 0.051, 0.252, and 0.215 respectively which is greater than the significance value of 0.05.

Keywords: Maqashid Shariah, Maqashid Shariah Index, Performance, Islamic Bank

JEL Classification Code: C02, C43, G21, M21, P47

1. Introduction

Performance is a complete display of the company's state for a certain period of time and a result or achievement influenced by the company's operational activities in utilizing its resources (Helfert, 1996). It is a function of the interaction between ability (A), motivation (M), and opportunity (O), where it can be formulated that performance is $\forall$ (A × M × O) (Robbins, 1996). Thus, performance is important to be achieved since it is a reflection of the company's ability to manage and allocate resources to carry out its operations (Sudiyatno & Suroso, 2010).

Performance is more synonymous with a company's financial performance which is the achievement of the company's financial performance for a certain period covering the collection and allocation of finance measured by capital adequacy, liquidity, solvency, efficiency, leverage, and profitability. The financial report is a product of information that is generated related to the condition of the company. Based on the financial report, a number of financial ratios can be calculated in general and used as a basis for assessing company performance, which reflects the health level of the company and is also related to the ability of management to manage their resources effectively and efficiently.

Judging from the financial performance, Islamic Commercial Banking in Indonesia shows positive growth. This is reflected in the increase in Capital Adequacy Ratio

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(CAR) of 20.39% in 2018 from 17.91% in 2017 with an increase in capital from IDR 31.1 trillion in 2017 to IDR 36.7 trillion in 2018. The previous ROA, which was only 0.63% in 2017, increased to 1.28% in 2018 with a profit increase of IDR 1.6 trillion in 2017 to IDR 3.8 trillion in 2018. The increase in CAR and ROA shows that each bank has successfully implemented strategic business and work plans.

Non-performing financing (NPF) also experienced a significant decline, from 4.76% or IDR 9 trillion in 2017 to 3.26% or IDR 6.5 trillion in 2018, with financing increasing from IDR 148.4 trillion in 2014 to IDR 202.7 trillion in 2018. This data shows that Islamic Commercial Bank (ICB) management has succeeded in suppressing NPF and third-party funds (TPF) to customers through its policies. Judging from TPF, CAR, and ROA, the financial performance of Islamic banks increased by an average of 11% for TPF, 17% for CAR, and 52.02% for ROA. These financial ratios show that the growth of Islamic banks is rapid compared to conventional banks and the financial performance of Islamic banks is very good.

With the complexity of the problems faced by Islamic banking, a measurement tool with various approaches is needed - both with financial ratios and the Islamic approach. Islamic economists have used different approaches to measure the performance of Islamic banks. Hameed et al. (2004) introduced the Islamicity Performance Index (IPI), Mohammed et al. (2008) introduced the Maqashid Index (MI), Kuppusamy et al. (2010) introduced the Shariah Conformity and Profitability (SCnP) model, and Khanifah (2020) introduced the Corporate Governance Disclosure Index (CGDI).

The measuring technique adopted for the performance of Islamic banks in this study is the techniques used by Mohammed et al. (2008), Antonio and Taufiq (2012), Jazil and Syahruddin (2013), Afrinaldi (2013), Ghifari et al. (2015) and Hartono and Sobari (2017) with the addition of new Shariah objectives namely *falah* (glory), *tahdzib al-fard* (educating individuals), *iqamah al-'adl* (upholding justice), and *jalb al-maslahah* (promoting the public interest). *Falah* means success, glory, or victory in life, and this word is often interpreted as long-term prosperity (the world and the afterlife). Therefore, it does not only look at the material aspects, but also spiritual aspects and covers all outlooks of life - economy, culture, and politics (Khan, 1984).

Falah according to Khan (1994) is a both-worldly concept. In this world, it represents three things: survival freedom from wants, power, and honor. These elements are then derived from the macro and micro aspects, where the macro aspects consist of ecological and environmental balance, natural resource management, providing business opportunities for all residents, social togetherness, absence of conflict between groups, provision of resources for the entire population and the future generation, economic strength, freedom from debt, and military strength. The micro aspect consists of health, freedom of heredity, ownership of production factors, brotherhood, social harmony, freedom in political participation, freedom from poverty, independence of life, self-respect, liberty, protection of life, and honor.

Shariah *falah* in this study is broken down into several dimensions: religious, ethical, and social dimensions (Amaroh, 2014; Arif, 1985; Asutay, 2007; Barom, 2018; Pramanik, 1998). Considering that the concept of *Masqashid Shariah* measures performance based on Islamic values, this research is important to the scientific literature that has already existed and developed.

2. Literature Review

2.1. Performance Measurement of Islamic Banks

Measurement of the performance of Islamic banks in previous studies is dominated by performance measurements seen from the ratio of return on assets (ROA), return on equity (ROE), price-to-earnings (PER), operating expenses/operating income (OEOI), capital adequacy ratio (CAR), financing to deposit (FDR), third-party fund (TPF), and non-performing finance (NPF) (Bashir, 2001; Ranianti & Ratnawati, 2014; Hidayat & Abduh, 2012; Sudiyatno & Suroso, 2010; Zeitun, 2012). The results of those studies consistently show that TPF, OEOI, CAR, FDR, NPF have an effect on ROA. Meanwhile, the analysis tools used in previous studies are conventional such as the CAMELS method (capital, assets, management, equity, liability, sensitivity), economic value added (EVA), and financial ratio analysis (FRA).

Other studies with a conventional approach were conducted by Dusuki (2008), Hamid and Azmi (2011), and Wibowo and Syaichu (2013), but the results have not been able to show the actual performance of Islamic banks as an Islamic economic subsystem which aims at realizing justice and balance in society as the embodiment of the *Maqashid Shariah*. As a result, most Islamic banking seems to be profit-oriented, not based on social goals (Dusuki, 2008; Mohammed & Syahidawati, 2013). *Maqashid Shariah* is a measurement of Islamic banking performance following the objectives and characteristics of Islamic banking. Measuring the performance of Islamic banks is different from measuring the performance of conventional banks (Antonio & Taufiq, 2012; Bedoui, 2012; Hameed et al., 2004; Kuppusamy et al., 2010; Mohammed et al., 2008). Therefore, it is necessary to have a special measuring instrument used to measure the performance of Islamic banking so that it is in line with the objectives of Shariah or *Maqashid Shariah* (Mohammed et al., 2008). These studies are the link in the chain of this research.

2.2. Falah as the Maqashid Shariah

Barom (2018) used *falah* in measuring the performance of Islamic banks with Sacrificial Behavior, Altruistic Behavior,

and Obedient Behavior. Baron's opinion is the measuring tool for the elements of *falah* in this study. The explanation of each element is as follows:

2.2.1. Sacrificial Behavior

Sacrificial behavior is behavior that reflects individual readiness to sacrifice economic interests in achieving *falah*. The sacrificial behavior is representative of the voluntary aspect of Islamic ethics and is closely related to Ihsan's ideas. Sacrifice, whether that of wealth or desires, is the practical proof of man's devotion to his Creator. It is in fact religion in action. This behavior is a sense of social responsibility towards the community. Islamic banks have come into sight to cope with the banking needs of the Muslim society in search of banking services that do not contravene the principles of Shariah. Therefore, it is imperative that Islamic banking institutions stick to their basic principles of Shariah compliance, even if they have to sacrifice monetary returns. This social responsibility ratio is very important in the process of spiritual elevation because the lack of this behavior will hinder the process of manifesting *falah*. According to Barom (2018), social responsibility is a critical component in facilitating socio-economic justice and overall human well-being in society, its ability to facilitate spiritual development remains the central consideration in the vision of human development and well-being in Islam. Choi and Yoon (2005) stated that self-sacrificing behavior is an inherent part of charismatic and transformational leaders. These leaders model what they expect their followers to do, exemplify the struggle by self-sacrifice and engage in image-building and self-promotion actions to come across as powerful and competent

The sacrificial behavior in Indonesian banking is seen from the ratio of corporate social responsibility (CSR), which is an ongoing commitment by the business world to act ethically and contribute to the economic development of the local community or the wider community along with improving the standard of living of workers and their families (Wibisono, 2007). Furthermore, Wibisono (2007) stated that implementing CSR will be very beneficial for companies, communities, the environment, and the state. Muhammad (2020) stated that i-CSR is oriented towards creating a social role based on justice and sustainable development and it is a form of practicing Islamic teachings and proof of human devotion to God.

2.2.2. Altruistic Behavior

Altruistic behavior is a behavior that pays attention to the welfare of others. Altruism refers to behavior that benefits another individual at a cost to oneself. This behavior is a must-have in Islamic banking and this idea is often described as the golden rule of ethics. An example is *qard al-hasan.* It refers to an interest-free loan. In a *qard al-hasan* transaction, the borrower repays the principal amount of the loan without interest, mark-up, or a share in the business for which the loan was used. This product is consistent with the Sharia prohibition against *riba* because the borrower is not compensating the lender for the money advanced. Altruistic values have been conceptualized as part of a personal value structure or overall guiding principle that motivates individuals to contribute to the wellbeing of others or of society as a whole (Amaroh, 2014; Pramanik, 1998).

The application of altruistic values in the Islamic banking system is shown by the existence of qard al-hasan funds (Amaroh, 2014). Qardh al-hasan is a gratuitous loan extended to people in need, for a specified period of time. At the end of that period, the face value of the loan is to be paid off. In other words, shariah prohibits the stipulation of excess for the lender, as it amounts to riba, whether the excess is expressed in terms of quality or quantity, or whether it is a tangible item or a benefit. However, it is permitted that the repayment of qardh is made with an excess, provided that such excess is neither expressly stipulated nor implicitly pre-arranged in the contract of loan. Benevolence funds or qardh al-Hasan and charity in Islamic banks can come from the following sources: (1) infaq (spending, disbursement without asking for any favor or hoping for a return) (2) shodaqah (voluntary charity) (3) the funds of wakaf management in accordance with the prevailing laws and regulations (4) productive benevolence refund (5) fines (6) non-halal income, while its uses include (1) productive benevolence funds (2) donations and (3) other uses for public purposes (Amaroh, 2014).

2.2.3. Obedient Behavior

Obedience comes from the Latin word "obedire" which means to hear. Thus, obedience can be defined as obeying orders and rules. Matsumoto and Juang (2004) define obedience as a form of compliance that occurs when individuals follow direct orders that are generally given by someone in a position of power or authority.

One of the steps that a Shariah bank can take to gain customer trust is by obtaining halal income in accordance with Shariah regulations. Halal income is earned by following or complying with Shariah principles in muamalah. Therefore, a Shariah bank is not allowed to earn interest from each of its transaction activities since charging interest or riba is forbidden by verses of the Holy Quran and the Hadith (traditions/sayings/teachings of the Prophet Muhammad). Furthermore, Barom (2018) provides an indicator that in achieving this attitude; no ratio leads to usury, injustice, and corruption.

3. Research Method

3.1. Data Types and Sources

The research is descriptive. Descriptive research is a quantitative research method that attempts to collect quantifiable information for statistical analysis of the population sample. It is a popular market research tool that allows us to collect and describe the demographic segment's nature. The main data used was secondary data taken from the ICB annual reports (2014 to 2018) that were audited by an independent auditor, published officially on the ICB, and have complete data for all variables of the *Maqashid Shariah* Index model.

3.2. Population and Samples

The population of this research was all Islamic Commercial Banks (ICB) in Indonesia, amounting to 13 (thirteen) firms (Islamic Banking Statistics, June 2018). The sampling method used was purposive sampling. Purposive sampling is where a researcher selects a sample based on their knowledge about the study and population. The criteria for determining the sample are as follows:

1. The ICB had published annual financial reports for the period 2014–2018.
2. In the second semester of 2018, the ICB has a core capital of between IDR 1 and 5 trillion.
3. In 2018, the ICB has entered its fifth year of operation.
4. Has complete data for all variables of the *Maqashid Shariah* index model.
5. Has comprehensiveness and representativeness aspects.
6. Has network affordability and a specific business character and strategy.

From the above criteria, the samples of this study were:

1. Bank Muamalat Indonesia (BMI) (https://www.bankmuamalat.co.id)
2. Bank Mega Shariah (BMS) (https://www.megaShariah.co.id)
3. BRI Shariah (BRIS) (https://www.briShariah.co.id)
4. Panin Dubai Shariah Bank (PDSB) (https://www.paninbankShariah.co.id)
5. BNI Shariah (BNIS) (https://www.bniShariah.co.id)
6. BCA Shariah (BCAS) (https://www.bcaShariah.co.id)
7. BTPN Shariah (BTPNS) (https://www.btpnShariah.com)

3.3. Sekaran Concept and Variable Operations

Sekaran method is a method introduced by Sekaran and Bougie (2000). The Sekaran Concept defines the concept (C) or objective (O) into an example of observable behavior. To be able to measure the extent of the achievement of each predetermined objective, several indicators or dimensions (D) are used that are in accordance with the predetermined objectives. This indicator or dimension is then more clearly measurable through the element (E) which will measure directly the things that describe the dimensions and concepts.

Based on the operationalization of the Sekaran method, a performance measurement model for the *Maqashid Shariah* index was created, in this case, the *Abu Zahrah Maqashid Shariah,* which is shown in the following table:

Table 1 above shows that *falah* is the fourth Shariah goal after *Tahdzib al-Fard*, *Iqamah al-'Adl*, and *Jalb al-Maslahah*. All the objectives of the Shariah except *falah* are *Maqashid Shariah* according to *Abu Zahrah* which were used by Mohammed et al. (2008) as variables in their research. *Falah* is a development from previous research as well as an addition to new Shariah objectives as a complement to the Shariah objectives to be achieved by Islamic banks.

3.4. Verification of *Maqashid* Index Variables

Verification and interviews, and weighting of each concept and element of measurement were done by experts on *muamalah fiqh* and Islamic economics as well as practitioners of Islamic banking.

The results of the interviews and weighting are shown in the following table:

Weighting was carried out as a measuring tool for the performance appraisal of ICB in achieving objectives based on *Maqashid Shariah*. In the *Maqasidh Shariah* index weighting mechanism, the parties involved included: Authorities, Practitioners, Academics, and Consultants (the resource persons). The views and opinions of these parties were also collected through questionnaires and interviews to provide an assessment of the Objectives, Elements, and Performance Ratios in this study. The parties that had provided suggestions and opinions were: 6 (six) Shariah Bank Supervisors who were members of the Financial Services Authority (FSA) body (a quasi-judicial body responsible for the regulation of the financial services industry), 1 (one) from the National Shariah Board-Indonesian Ulama Council, 2 (two) from the Shariah Bank Supervisory Board, Academicians (7 persons), 2 (two) Islamic financial consultants

3.5. Analysis Method

The ranking of the seven ICB was carried out through the Performance Indicator (IK) of each ICB. This process was done through the Simple Additive Weighting Method (SAW) approach adapted from Hwang and Yoon (1981) and Mohammed et al. (2008) by weighting, aggregating, and ranking processes. Simple Additive Weighting (SAW) is one of the methods used to solve multi-attribute decision

Table 1: The Variable of Performance Measurement Model for *Maqashid Shariah* Index

The Objectives of Shariah	Dimension (D)	Element (E)	Performance Ratio (R)	Data Source
Tahdzib al-Fard (Educating Individuals)	D1. Advancing Knowledge	E1. Educational Assistance	R1. Educational Assistance / Total Expense	Annual Report
		E2. Research	R2. Research Expense / Total Expense	Annual Report
	D2. Applying and Improving New Skills	E3. Training	R3. Training Expense / Total Expense	Annual Report
	D3. Raising awareness of Islamic Banks	E4. Publication	R4. Promotion Expense / Total Expense	Annual Report
Iqamah al-'Adl (Upholding Justice	D4. Fair returns	E5. Fair return	R5. PER / net investment income	Annual Report
	D5. Affordable products and services	E6. Distributional Function	R6. *Mudharabah* and *Musyarakah* Financing / Total Financing	Annual Report
	D6. Removing negative elements that can create injustice	E7. Interest-free product	R7. Interest-free income / Total income	Annual Report
Jalb al-Maslahah (Maintaining the benefit)	D7. Bank Profitability	E8. Profit ratio	R8. Net income / Total assets	Annual Report
	D8. Redistribution of income and welfare	E9. Individual income	R9. Zakat paid / net assets	Annual Report
	D9. Investments in the real sector	E10. The investment ratio in the real sector	R10. Real Sector Investment / Total investment	Annual Report
Falah (Success, victory)	D10. Religious	E11. Obedient Behavior (Obedience)	R11. Halal income / total income	Annual Report
	D11. Ethical	E12. Sacrificial Behavior	R12. CSR / Total Cost	Annual Report
	D12. Social	E13. Altruistic Behavior	R13. Qardhul Hasan and Charity / Total assets	Annual Report

problems. The usefulness of the basic concept of the SAW method is to find the number of weighted performance ratings for each alternative on all attributes. In this study, the attributes are the four *Maqashid Shariah* objectives and the intra-attributes are the 13 elements and 13 performance ratios (IK) as shown in Table 2. The decision-makers determined the weight of each attribute and intra-attribute as shown in Table 3. The total score for each ICB was obtained by multiplying each attribute and intra-attribute. Mathematically, the process of determining the IK and the *Maqashid Shariah* index level is as follows:

3.5.1. *Tahdzib al-Fard* (Educating Individuals) = Objective 1 (T1)

IK from T1 is as follows:

$$\text{IK}\left(T_1\right) = W_1^1 \times E_1^1 \times R_1^1 + W_1^1 \times E_1^2 \times R_1^2 + W_1^1 \times E_1^3 \times R_1^3 + W_1^1 \times E_1^4 \times R_1^4 \quad (3.1)$$

Where;

T_1 = The first objective of the *Maqashid Shariah* (*Tahdzib al-Fard*)

W_1^1 = Average weight for the first objective (*Tahdzib al-Fard*)

E_1^1 = Average weight for the first element of objective 1 (education)

E_2^1 = Average weight for the second element of objective 1

E_3^1 = Average weight for the third element of objective 1

E_4^1 = Average weight for the fourth element of objective 1

R_1^1 = Performance ratio for the first element of objective 1

Table 2: Average Weights of *Maqashid Shariah* Index Variables

Objectives	Average Weight (from 1%)	Element	Average Weight (from 1%)
1. Education (*Tahdzib al-Fard*)	0.334	E1. Educational Assistance	0.24
		E2. Research	0.21
		E3. Training	0.32
		E4. Publication	0.23
		Total	1
2. Justice (*Iqamah al-'Adl*)	0.26	E5. Fair Return	0.34
		E6. Distributional Function	0.29
		E7. Interest-free Product	0.37
		Total	**1**
3. Public Interest (*Jalb al-Maslahah*)	0.222	E8. Profit Ratio	0.27
		E9. Individual Income	0.35
		E10. The investment ratio in the real sector	0.38
		Total	1
4. *Falah*	0.184	E11. Obedient Behavior	0.33
		E12. Sacrificial Behavior	0.32
		E13. Altruistic Behavior	0.35
Total	1		1

R_2^1 = Performance ratio for the second element of objective 1
R_3^1 = Performance ratio for the third element of objective 1
R_4^1 = Performance ratio for the fourth element of objective 1

So that IK ($T1$) = $IK_1^1 + IK_2^1 + IK_3^1 + IK_4^1$ (3.2)

Where,

$$IK_1^1 = W_1^1 \times E_1^1 \times R_1^1 \quad (3.3)$$
$$IK_1^2 = W_1^1 \times E_1^2 \times R_1^2 \quad (3.4)$$
$$IK_1^3 = W_1^1 \times E_1^3 \times R_1^3 \quad (3.5)$$
$$IK_1^4 = W_1^1 \times E_1^4 \times R_1^4 \quad (3.6)$$

3.5.2. *Iqamah al-'Adl* (Upholding Justice) = Objective 2 (T2)

The IK for Objective 2 is as follows:

$$IK\,(T2) = W_2^2 \times E_2^1 \times R_2^1 + W_2^2 \times E_2^2 \times R_2^3 + W_2^2 \times E_2^3 \times R_2^3 \quad (3.7)$$

So that IK (T2) = $IK_1^2 + IK_2^2 + IK_3^2$ (3.8)

Where,

$$IK_2^1 = W_2^2 \times E_2^1 \times R_2^1 \quad (3.9)$$
$$IK_2^2 = W_2^2 \times E_2^2 \times R_2^2 \quad (3.10)$$
$$IK_2^3 = W_2^2 \times E_2^3 \times R_2^3 \quad (3.11)$$

3.5.3. *Jalb al-Maslahah* (Public Interest) = Objective 3 (T3)

The IK for Objective 3 is as follows:

$$IK\,(T3) = W_3^3 \times E_3^1 \times R_3^1 + W_3^3 \times E_3^2 \times R_3^2 + W_3^3 \times E_3^3 \times R_3^3 \quad (3.12)$$

So that IK (3) = $IK_1^3 + IK_2^3 + IK_3^3$ (3.13)

Where,

$$IK_3^1 = W_3^3 \times E_3^1 \times R_3^1 \quad (3.14)$$
$$IK_3^2 = W_3^3 \times E_3^2 \times R_3^2 \quad (3.15)$$
$$IK_3^3 = W_3^3 \times E_3^3 \times R_3^3 \quad (3.16)$$

3.5.4. *Falah* = Objective 4 (T4)

The IK for Objective 4 is as follows:

$$IK\,(T4) = W_4^4 \times E_4^1 \times R_4^1 + W_4^4 \times E_4^2 \times R_4^2 + W_4^4 \times E_4^3 \times R_4^3 \quad (3.17)$$

So that IK (4) = $IK_1^4 + IK_2^4 + IK_3^4$ (3.18)

Where,

$$IK_4^1 = W_4^4 \times E_4^1 \times R_4^1 \quad (3.19)$$
$$IK_4^2 = W_4^4 \times E_4^2 \times R_4^2 \quad (3.20)$$
$$IK_4^3 = W_4^4 \times E_4^3 \times R_4^3 \quad (3.21)$$

3.6. Determination Analysis of *Maqasidh Shariah* Index

The *Maqashid Shariah* index for each ICB is the total of all performance indicators of the 4 (four) objectives of *Maqashid Shariah*. The *Maqashid Shariah* index (MSI) of each Islamic bank is formulated as follows:

$$MSI = IK\ (T1) + IK\ (T2) + IK\ (T3) + IK\ (T4) \qquad (3.22)$$

Furthermore, the MSI value was reprocessed to be categorized as perfect, excellent, good, poor, and very poor with a range of values as shown in the following table:

Table 3: MSI Performance Grade

NO	CATEGORY	GRADE		MSI VALUE
1	Perfect	Upper limit	100%	1
		Lower limit	80%	0.800000
2	Excellent	Upper limit	79.99%	0.799900
		Lower limit	60%	0.600000
3	Good	Upper limit	59.99%	0.59990
		Lower limit	40%	0.400000
4	Poor	Upper limit	39.99%	0.399900
		Lower limit	20%	0.200000
5	Very Poor	Upper limit	19.99%	0.199900
		Lower limit	0%	0

Furthermore, to see the correlation between MSI and financial ratios (ROA, ROE, OEOI, NPF, Growth Rate of TPF, and Assets) of the seven ICBs, correlation analysis was carried out with the help of the SPSS program.

4. Discussion

The score obtained by each ICB for each element of the assessment performance is an indicator of how well the ICB is performing in implementing and reaching the objectives of *Maqashid Shariah*. The MSI score for the seven ICBs is shown in the table below:

From the table above, each ICB has a different assessment score for each performance element. For the performance elements of *Falah*, the majority of ICBs have a good score for the obedient behavior element. The score for each ICB for the obedient behavior element is around 0.06. This an indicator of ICBs' compliance with Shariah aspects (the ratio of the performance of halal income divided by total ICB revenue). The higher the percentage of halal income received, the greater the score that is obtained. Obedient behavior obtained is inversely proportional to altruistic behavior and sacrificial behavior, which are on average 0.000003 and 0.000016, respectively. This data indicates that the elements of altruistic behavior and sacrificial behavior do not get adequate attention from ICB.

Table 4: ICBs' *Maqashid Shariah* Index Score in Indonesia

Objective	Element	ICB Name						
		BMI	BMS	BRIS	PDSB	BNIS	BCAS	BTPNS
Education (Tahdzib al-Fard)	Educational assistance	0.000155	0.000030	0.000046	0.000096	0.000113	0.000211	–
	Research assistance	0.000187	–	–	–	–	–	–
	Training	0.001003	0.000467	0.000720	0.000919	0.007404	0.001793	0.002458
	Publication	0.002494	0.000004	0.001759	0.001353	0.004287	0.000604	0.004252
Justice (Iqamah al-'Adl)	Fair Return	0.000027	0.000154	0.004733	0.000574	0.000060	0.001702	0.011697
	Distributional function	0.038718	0.007169	0.025986	0.054653	0.015967	0.031349	0.074952
	Interest-free product	0.090881	0.009832	0.005152	0.002266	0.017402	0.019462	0.024276
Public Interest (Jalb al-Maslahah)	Profit ratio	0.000059	0.000473	0.000208	-0.001064	0.000564	0.000400	0.003217
	Individual income	0.000286	0.000201	0.000210	0.000071	0.000248	0.000036	–
	Investments in the Real sector	0.043319	0.008021	0.029074	0.061148	0.017864	0.035074	0.083859
Falah	Obedient behavior	0.059963	0.060684	0.060706	0.060702	0.060709	0.060655	0.060716
	Sacrificial behavior	0.000016	0.000028	0.000008	0.000008	0.000042	0.000007	0.000002
	Altruistic behavior	0.000003	0.000003	0.000005	0.000006	0.000002	0.000005	0.000001
Total MSI		0.237110	0.087068	0.128606	0.180733	0.124661	0.151299	0.265429

The score for the sacrificial behavior and altruistic behavior elements for the majority of ICBs is very low. The sacrificial behavior element is measured by the ratio of the amount of CSR funds disbursed to the total cost. The altruistic behavior element is measured by the *Qardhul Hasan* ratio and charity to the total assets owned by the ICB. BNIS excels in the element of sacrificial behavior because the distribution of CSR funds distributed is 0.07% of the total cost for five years. BTPNS has the lowest score with only 0.003% of the total cost distributed as CSR funds. For the altruistic behavior element, PDSB excels in charity funds distributed. For five years, the PDSB had distributed benevolence funds amounting to 0.01% of the total assets. Meanwhile, BTPNS had the lowest score due to the low percentage of benevolence fund distribution to total assets, which was only 0.002%.

For the performance elements of *Tahdzib al-Fard,* the majority of ICBs do not provide research assistance funds. BMI is the only ICB that distributed them in a small amount, an average of 0.27% of the total operating expenses. The distribution of research assistance funds by BMI, in the implementation of *Maqashid Shariah and* which was consistently carried out, has a score of 0.000187 or we can say that BMS, BRIS, PDSB, BNIS, BCAS, and BTPNS lost 0.000187 in the implementation of *Maqashid Shariah* in their respective operations. This is in accordance with the research of Suhada and Pramono (2014) who stated that the majority of ICBs in Indonesia have not allocated their budget for research assistance.

Educational assistance (as a means of educating individuals) is also an element with a low score. In fact, for five consecutive years, BTPNS did not provide educational assistance funds. This makes BTPNS the only ICB that does not provide educational assistance funds. Meanwhile, BMS distributed 0.04%, BRIS 0.06%, PDSB 0.12%, BNIS 0.14%, and BCAS 0.26% of their respective operating expenses. For the publication element, the majority of ICBs have a small performance score. However, BNIS and BTPNS are ICBs with good publication performance. This is because the two ICBs have a publicity fund ratio of 5.5% of the total operating expenses. BMI has a publication fund percentage of 3.3%, BRIS 3%, PDSB 1.8%, BCAS 0.8% and BMS 0.01%.

BNIS allocates an average publication expenditure of 5% per year of its operating expenses. It makes BNIS the ICB with the largest percentage of spending. Meanwhile, BMS allocated only 0.2% per year of the total expenses for publication. The very low-performance score of BMS in publications and promotions can occur since BMS is under the auspices of CT Corp, which is also the largest media owner in Indonesia. It means that the majority of BMS operational costs in terms of publication and promotion are absorbed by CT Corp. Publication performance is crucial in developing a bank's business and brand image. Therefore, according to Wahid (2018) and Suhada and Pramono (2014) publication performance should be the biggest score compared to other performance elements.

In terms of training element, BNIS has the best performance score compared to the others, due to the large percentage of training funds allocated by BNIS from its total operating expenses, which is an average of 3% of the total operating expenses. BMS has the smallest score, that is only 0.2% of the total operating expenses each year is allocated for training expenses.

Fair return means that an ICB has fairness in conducting transactions and does not harm customers. This performance indicator is measured by the ratio of ICB Profit Equalization Reserve (PER) divided by net investment income. For the performance elements of *Iqamah al-'Adl*, BTPNS exceled in the fair return element. In 2016, BTPNS had a PER to net investment income ratio of 50%. Meanwhile, the lowest performance was by BMI due to the small PER ratio of net investment income for five consecutive years. For the distribution function element, the majority of ICBs have good performance. PDSB and BTPNS have an advantage in their financing performance because of using *mudharabah* and *musyarakah* financing schemes. BMS has the smallest performance since the financing used was *mudharabah* and *musyarakah* (10% of total financing). The high ratio of *mudharabah* and *musyarakah* financing carried out by BTPNS is due to the high financing ratio of 99%. In terms of interest-free products, BMI exceled in comparison to the other six ICBs with an average interest-free income ratio of 94% of the total revenue for five years. Overall, the performance of *Iqamah al-'Adl's* Shariah objectives is one of the performance advantages of ICBs in which there are elements of fair return, distributional function, and interest-free products

For the performance of elements of *Jalb al-Maslahah, i*n terms of earning profits element, BTPNS has the advantage of having a high ratio of profits compared to total assets owned. BTPNS has an average of 5.4% return on total assets. Meanwhile, since PDSB has suffered several losses, PDSB becomes an ICB with the lowest profitability and performance score. The recorded average loss for 5 (five) years is 2% of total assets owned. Individual income performance is a performance that measures the distribution of zakat funds to total net assets owned by ICB. BMI has an advantage in individual income element because BMI's total zakat distribution is 0.4% of its net assets. In 2014, BMI distributed 5% of its total net assets, which was IDR 22.7 billion of net assets of IDR 3.9 trillion. BTPNS never distributed zakat funds. In the real sector investment element, BTPNS has an advantage compared to the others with a large financing ratio of 99%. BMS is the ICB with the lowest performance.

On a consolidated basis, the scores, rank, and categories of ICB are as follows:

Table 5: *Maqasidh Shariah* Index (MSI) Ranking of ICBs in Indonesia

No	ICB Name	MSI		Category
		Score	Rank	
1	BTPN Shariah (BTPNS)	0.265429	1	Poor
2	Bank Muamalat Indonesia (BMI)	0.237110	2	Poor
3	Panin Dubai Shariah Bank (PDSB)	0.180733	3	Very Poor
4	BCA Shariah (BCAS)	0.151299	4	Very Poor
5	Bank Rakyat Indonesia Shariah (BRIS)	0.128606	5	Very Poor
6	BNI Shariah (BNIS)	0.124661	6	Very Poor
7	Bank Mega Shariah (BMS)	0.087068	7	Very Poor

Although the ranking table above shows that BTPNS and BMI are ranked 1 and 2 respectively, if assessed as per the MSI performance grade table, these 2 ICBs have MSI scores of 0.23 and 0.26, respectively, which is classified as poor in terms of MSI performance, while the other five banks, namely PDSB, BCAS, BRIS, BNIS, and BMS have MSI scores in the range of 0 and 0.199900 which means that the MSI performance for five banks was classified as very poor.

The first position was assigned to BTPNS because of the consistency in certain elements in its operations such as interest-free income, real sector investment, and consistently increasing halal income. The Growth Rate of TPF and assets in 2014 experienced a significant increase, namely 2118.85% and 1136.67% respectively. This increase was due to a change in bank status from Shariah Business Unit to ICB (spin-off) in 2014. Meanwhile, BMI was in the second position for its consistency with all elements of MSI, even though there was a fluctuation in the allocation of funds, especially in 2017. The bank experienced a decrease in the elements of educational assistance, net profit, halal income, and *Qardh al-Hasan*.

The other banks experience a vacuum in allocating funds to MSI elements for 5 (five) consecutive years, for example, BMS which does not allocate research and promotion funds. From 2016-2018, it even did not allocate educational assistance funds. BRIS, PDSB, BNIS, BCAS do not allocate research assistance funds. Therefore, this ratio becomes 0 (zero). The void in allocating funds to the MSI element implies that the ICB does not allocate research and promotion funds or there is no transparency in the allocation of funds. Tabash (2019) stated that information disclosure is very important for the progress and development of the Islamic banking industry. Transparency has a significant relationship with performance, where Islamic banks with a high level of transparency have a higher operating performance.

Furthermore, the correlation between MSI and ROE, ROA, OEOI, NPF, TPF, and asset growth rates is shown in the following table:

The data in the table above shows that there is a relationship (correlation) between ROE, ROA, and OEOI and MSI since each data has a value of 0.000, 0.000, 0.050, and 0.001 respectively, which is smaller than the significance value of 0.05. On the other hand, NPF, TPF, and Asset Growth Rates do not correlate with the MSI since each data has a value of 0.051, 0.252, and 0.215 respectively which is greater than the significance value of 0.05. The correlation analysis between MSI and ROE, ROA, OEOI, NPF, TPF, and asset growth rates is an attempt to look further than just the MSI-based ICB ranking. The results of this study are in line with research by Maulina and Novia (2018) who stated that individual education, justice, and promoting welfare can have an impact on increasing profitability. The results of the analysis by Wahid et al. (2018) and Belianti and Ruhadi (2020) reveal that there is a positive and significant correlation between the MSI and company size and profitability. The increase in the MSI value will be followed by an increase in profitability in the form of operating net income.

5. Conclusion and Recommendations

5.1. Conclusion

The concept of M*aqashid Shariah* in this study is the *Abu Zahrah Maqashid Shariah*, namely *Tahdzib al-Fard*, *Iqamah al-'Adl,* and *Jalb al-Maslahah* which was adopted from the research by Mohammed et al. (2008), Antonio and Taufiq (2012), Jazil and Syahruddin (2013), and Suhada and Pramono (2014), and a new Shariah objective, namely *falah* was added as per research by Arif (1985), Asutay (2007), and Khan (1984), which are the goals to be achieved by ICB. Furthermore, the objectives of Shariah are broken down into different dimensions: religious, ethical, and social as suggested by Barom (2018), and this objective is then derived with elements of obedient behavior (Arif, 1985; Asutay, 2007; Balog et al., 2014; Falikhatun & Assegaf, 2012). The second element is the sacrificial behavior (attitude of self-sacrifice (Arif, 1985; Choi & Yoon, 2005), and the third element is altruistic behavior (helping attitude) (Amaroh, 2014; Barom, 2018). *Falah* according to Khan (1994) is a both-worldly concept. In this world, it represents three things: survival freedom from wants, power, and honor.

Table 6: Correlation between MSI and ROE, ROA, OEOI, NPF, TPF, and Asset Growth Rates

		ROE (%)	ROA (%)	OEOI (%)	NPF (%)	TPF Growth Rate (%)	Asset Growth Rate (%)	MSI
ROE (%)	Pearson Correlation	1	0.872**	–0.980**	–0.485**	0.087	0.107	0.572**
	Sig. (2-tailed)		0.000	0.000	0.003	0.620	0.541	0.000
ROA (%)	Pearson Correlation	0.872**	1	–0.796**	–0.571**	0.136	0.160	0.604**
	Sig. (2-tailed)	0.000		0.000	0.000	0.436	0.359	0.000
OEOI (%)	Pearson Correlation	–0.980**	–0.796**	1	0.493**	–0.061	–0.082	–0.551**
	Sig. (2-tailed)	0.000	0.000		0.003	0.729	0.640	0.001
NPF (%)	Pearson Correlation	–0.485**	–0.571**	0.493**	1	–0.151	–0.173	–0.333
	Sig. (2-tailed)	0.003	0.000	0.003		0.388	0.321	0.051
TPF Growth Rate (%)	Pearson Correlation	0.087	0.136	–0.061	–0.151	1	0.999**	0.199
	Sig. (2-tailed)	0.620	0.436	0.729	0.388		0.000	0.252
Asset Growth Rate (%)	Pearson Correlation	0.107	0.160	–0.082	–0.173	0.999**	1	0.215
	Sig. (2-tailed)	0.541	0.359	0.640	0.321	0.000		0.215
MSI	Pearson Correlation	0.572**	0.604**	–0.551**	–0.333	0.199	0.215	1
	Sig. (2-tailed)	0.000	0.000	0.001	0.051	0.252	0.215	

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

ICB performance ratings as measured by MSI are as follows: The results showed that the BTPN Shariah (BTPNS) and Bank Muamalat Indonesia (BMI) are ranked first and second respectively on the *Maqashid Shariah* Index (MSI) with values of 0.265429 and 0.237110 respectively. Panin Dubai Shariah Bank (PDSB) ranked third with an MSI value of 0.180733, followed by BCA Shariah which ranked fourth with an MSI value of 0.151299. BRI Shariah ranked fifth with an MSI value of 0.128606, followed by BNI Shariah which ranked sixth with an MSI value of 0.124661. Bank Mega Shariah ranked last with an MSI value of 0.087068. Other research findings from 7 (seven) research samples found that there were 2 (two) ICBs namely BTPNS and BMI that have MSI scores of 0.23 and 0.26, respectively, which is classified as poor in terms of MSI performance. While the other five banks, namely PDSB, BCAS, BRIS, BNIS, and BMS have MSI scores in the range of 0 and 0.199900 which means that the MSI performance for the five banks was classified as very poor.

Furthermore, the correlation analysis between MSI and ROE, ROA, OEOI, NPF, TPF, and Asset Growth Rate shows that there is a relationship (correlation) between ROE, ROA, and OEOI and MSI since each data has a value of 0.000, 0.000, 0.050, and 0.001 respectively, which is smaller than the significance value of 0.05. On the other hand, NPF, TPF, and Asset Growth Rates do not correlate with the MSI since each data has a value of 0.051, 0.252, and 0.215 respectively which is greater than the significance value of 0.05. Thus, large assets or high NPF do not influence MSI. On the other hand, ROE, ROA, and OEOI greatly affect MSI.

5.2. Recommendations

From the research results, it is suggested to various parties who have concerns and interests in the results of this research that:

Islamic banks in Indonesia must be able to maintain the basis of Shariah as the characteristic of Shariah banking, namely implementing activities based on *Maqashid Shariah* principles and avoiding unfair practices, such as *maisir* (speculative), *gharar* (unclarity), *riba* (*ziyadah* / usury) and not forgetting social responsibilities such as allocating CSR funds, *Qardh al-Hasan*, charity and collecting *zakat*.

Maximize financing in the real sector, especially financing with *mudharabah* and *musyarakah* contracts.

In distributing funds for education, research, and training, it is expected to not only be oriented towards internal issues, but also external issues such as how to assist education, research, and training to the wider community, especially those outside/external to the company.

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