



## **Al Maqashid Syariah Performance in Islamic Bank**

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### **Abstrak**

This study is aim to examined the effect of maqashid syariah performance. This study employed Maqashid Syariah Index and content analysis as the method of analysis. The Islamic Banks usually employed the conventional yardstick in measuring the IBs performance and firm value. Otherwise, this yardstick is not fit with the condition of IBs. Therefore this study suggests the usage of the IMSPM as the tool measurement of IBs performance, that more complete than the conventional yardstick. This study had important contribution for practitioners of IBs and also Islamic accounting researchers.

**Keywords:** *Firm Performance, Al Maqashid Syariah Performance, Islamic Bank.*

### **INTRODUCTION**

In Indonesia, the development of Islamic Banks is growing rapidly and it reaches 10% of the growing process per year, this phenomenon encourages the strict competition between Islamic Banks and conventional Banks (OJK, 2020). There are about 189 Islamic Banks in Indonesia and generally there are 520 Islamic Banks around the world. This is due to the rising economies in Moslem countries. The increasing number of Islamic Banks was closely related with the Islamic Accounting for Islamic Bank regulation and policy, because in order to get its trustworthy from the stakeholders, the Islamic Bank should disclose the financial information towards financial statement which is published periodically. The Bank activity and operation is describing in the financial and management performance which could be seen in the annual report. Generally annual report is giving information about profile, vision, mission, business performance and business activity, including charity and social values of an enterprise. Islamic Banking delivers their corporate activity via communication in annual report. The information which is given by Islamic Banking could become an important data for the internal and external stakeholders. Commonly the stakeholders and researchers only highlighted the information about the financial performance, but do not pay attention deeply about the Islamic values (Rudi, et.all., 2019). This Phenomenon is caused by the case that conventional Banks still become the benchmark of the Islamic Banks (Austay and Harningtyas, 2015).

According to the author, this case occurred because the measurement method of the conventional Bank is not suitable with Islamic Banks. Some of Islamic finance experts stated that the principles of conventional Banks are based upon the western economy paradigm. This paradigm puts capital owners to gain the most benefit in the economic system or well known as capitalist system . On the other hand, Islamic Banks offer Islamic economic concept that put human behavior based upon the spirit and norms of Qur'an and Sunnah (Hosen et.,all., 2019). Moral, ethics and social values are the core values of Islamic business. The application of Islamic spirits and norms in Islamic Banking could be measured by using Maqashid Syariah Index (Hartono, et.,al., 2017). The other researchers also stated that the decision making based upon the conventional principles is not enough to fulfill the need of the annual report user, especially the Islamic stakeholders (Hanifa and Hudaib, 2007). This is furthered supported by the

statement by Hartono et.,all, (2017) and Wahyuni et.all., (2020) that the annual reports of Islamic Banks have to disclose about the moral, and ethics, as well as social values which is rooted from Maqashid Sharia performance. Contrary the other scholars argued that the conventional measurement is enough and clear to calculate and explain about the Bank conditions (Al Matari, et., all, 2014; Rashid, et.all., 2017).Therefore, the research about Islamic Values in the annual report demands to be investigated deeply in a new research which takes the new, updated and more data. The recent study have been discussed about the adoption of Maqashid syariah Index as a tool to measure Islamic Bank performance, which used content analysis as the analysis tool. Meanwhile, the study that has been examined about this issue remains insignificant (Hidayat and Usman, 2021). On this paper, the author aims to study about this issue from Intergrated Maqashid Syariah Performance Measurement (IMSPM) Index explained by Mohammed, et. al (2015).

**METHOD**

This research employee Maqashid Syariah Performance as the independent variable (X1) which is measured by IMSPM. There are 10 samples of Islamic Banks. The object of the research is annual report which is collected from each website of the Islam Banks from 2016 to 2020. The population is Islamic Bank in the world and the sample is the 10 best Islamic Banks in the world. The author has been collected the secondary data from website of the Islamic Bank. In this paper the author used Maqashid syariah index or IMSPM in measuring Islamic Banks performance, and this measurement has been used by Noordin and Hudaefi (2019).

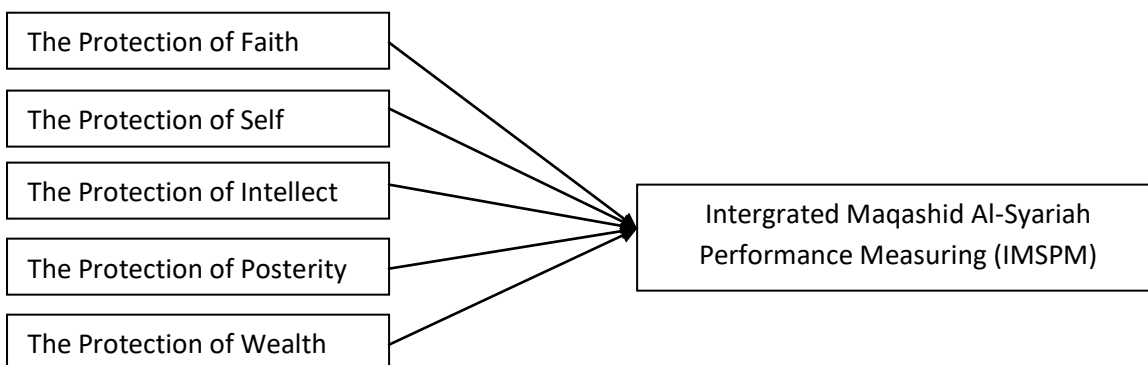


Diagram 1. The Conceptual Framework of Maqashid Al-Syariah Based on Al-Ghazali Tehory  
Source : (Antonio et.all.,2020)

**Table 1. Concept, Dimension, Element and Performance Ratio of IMSPM.**

Concept (C)		Dimensions (D)	Elemen (E)	Performance Ratio (PR)
<i>Maqashid Syariah</i>	Faith (Din)	D.1. Non-Negatif Elements	E.1. Interest Free Product	R1. Interest Income Free/Total Income
		D.2. Creating Awareness of Islamic Banking	E.2. Publicity	R2. Publicity expense/Total Expense
		D.3. Justice	E.3. Charity E.4. Employee Welfare	R3. Charity gained/Total Charity distributed R4. Employees Expenses/Total Income
	Self (Nafs)	D.4. Removal of Poverty	E.5. Zakat Fund	R5. Zakat Paid/Net Assets
		D.5. Job Opportunities	E.6. Total Number of Branch	R6. Total no. of Branches this year/Total no. of brenches in

Intellect (Aql')	D.6. Education	E.7. Education Grant	the previous year
	D.7. Research	E.8. Research Expenses	R7. Education grant/Total Income
Posterity (Nasl)	D.8. Health Environment	E.9. Agricultural Financing	R8. Research expense/Total Income
	D.9. Moral Deleopment	E.10 Training	R9. Bay' al-salam (agricultural) financing/Total financing
	D.10. Affordable Product and Services	E.11. Non Performing Loan ((Loan(NPF)L)	R10. Training expense/Total expense
	D.11. Profit Sharing Ratios	E.12. Mudharabah Financing	R11. NPF(L)/Total Investment (Financing)
Wealth (Mal)	D.12. Restructed Financing	E.13. Musyarakah Financing	R12. Mudarabah financing/Total financing
		E.14. Restructed Mudharabah Financing	R13. Musharakah financing/Total financing
		E.15. Restructed Musyarakah Financing	R14. Total restricted musharakah financing/Total restucted financing
	D.13. Earning ability	E.16. Return on Assets (ROA)	R15. Total restricted Musharakah financing/Total restricted financing
		E.17. Return on Equity (ROE)	R16. Net income/Total asset
	D.14. Management Quality	E.18 Operational Efficiency	R17. Net income/Total Equities
			R18. Operating expenses/Operating revenue

Source: Noordin and Hudaefi (2019)

The table above gives information about the concept, dimensions, element and the ratio (performance ratio) which has been employed in order to measure each element of Maqashid syariah performance.

$$\text{IMSPM} = \text{P1}(01) + \text{PI}(02) + \text{PI}(03) + \text{PI}(04) + \text{PI}(05) \dots \dots \dots (1)$$

Where:

IMPSPM = Intergrated Maqashid Syariah Performance Measuring

P1 = The protection of Faith

P2 = The protection of Self

P3 = The protection of Intellect

P4 = The protection of Posterity

P5 = The protection of Wealth

**Table 2. List Sample of Study Representative of Islamic Bank (IBs)**

No	Country	Name of IBs	Abbreviation	IB's Website
1.	Egypt	Abu Dabhi Islamic Bank Egypt	ADIB	<a href="http://www.adib.ae">www.adib.ae</a>
2.	Egypt	AlBaraka Bank Egypt	ABG-EGYPT	<a href="http://www.albaraka-bank.com.eg">www.albaraka-bank.com.eg</a>
3.	United Kingdom (UK)	Al-Rayan Bank United Kingdom	UK-RYB	<a href="http://www.alrayanbank.co.uk">www.alrayanbank.co.uk</a>
4.	Bahrain	Islamic Bank Al Salam Bahrain	ASBB	<a href="http://www.alsalambank.com">www.alsalambank.com</a>
5.	Bahrain	Al-Baraka Banking Group Bahrain	ABG	<a href="http://www.albaraka.bh">www.albaraka.bh</a>

6.	Kazakhstan	Al-Hilal Islamic Bank Kazakhstan	ALHILAL	<a href="http://www.alhilalbank.kz">www.alhilalbank.kz</a>
7.	Srilanka	Amana Bank Sri Lanka	AMANABANK- IK	<a href="http://www.amanabank.lk">www.amanabank.lk</a>
8.	Oman	Aliz Islamic Bank Oman	IZZB	<a href="http://www.alizzislamic.com">www.alizzislamic.com</a>
9.	Indonesia	Bank Jawa Barat Syariah	BJB Syariah	<a href="http://www.bjbsyariah.co.id">www.bjbsyariah.co.id</a>
10.	Indonesia	Bank Muamalat Indonesia	BMI	<a href="http://www.bankmuamalat.co.id">www.bankmuamalat.co.id</a>

Source: Secondary Data Process (2022)

## RESULT AND DISCUSSION

The first step that has been done was collecting data from each of IBs websites and then the author employed the yardstick of measuring maqashid syariah performance using the formula which was adopted from Hudaefi & Noordin (2019). This current work has examined 10 samples IBs performance which is from 7 different countries. The author chooses these samples used purposive sampling method. After collecting the data, the samples were computed using performance ratio (PR). Furthermore, the authors multiply the results of PR equations with the assigned weight of IMSPM. The calculation has been done by using Microsoft Excel because of its accuracy reason. The result of IMSPM analysis has been shown in Table 2.

**Table 2. The Performance of IMSPM Islamic Banks in the period of 2016-2020**

Bank	Year					Average
	2016	2017	2018	2019	2020	
Abu Dhabi Islamic Bank Egypt	0,645969559	0,49218842	0,49067603	0,60881787	0,67770525	0,583071427
Al Baraka Bank Egypt	1,090984802	1,069930163	1,059781232	0,939278025	0,950252125	1,022045269
Al-Rayan Bank United Kingdom	0,57614	0,469995	0,557248	0,592703	0,650722	0,569361
Islamic Bank Al Salam Bahrain	0,549383	0,65729	0,654766	0,745319	0,744001	0,670152
Al Baraka Islamic Banking Group Bahrain	1,0990841	0,80760914	0,6227148	0,609305169	0,66642869	0,7610284
Al-Hilal Islamic Bank Kazakhstan	0,8132126	0,9650358	0,9783494	0,7817183	0,81562079	0,8707874
Amana Bank SriLanka	1,343765558	0,576194084	0,58834379	0,55418869	0,539160494	0,720330523
Alizislamic Bank Oman	0,75247258	0,90229977	0,76761362	0,78606755	0,83252359	0,80819542
BJB Syariah	0,387469559	-3,368107027	2,442362619	2,222178674	1,884205944	0,713621954
Bank Muamalat Indonesia	0,469308012	0,492605337	0,5631091	0,588186338	0,483252683	0,519292294

Source: Secondary Data Process (2022)

**Based upon the data on the table 2, the sample which had the highest ratio for the objective of faith (din) was Al Baraka Bank Egypt.** According to Al-Ghazali theory that interpreted by Ibn Ashur, this achievement reflected Al Baraka Bank Egypt's high commitment to establish IBs that adhered the Syariah principles and its effort to create society awareness to the existing of Islamic Bank on their country (Khatib, 2018). This is also supported by the management statement on Al Baraka Bank Egypt annual report:

"Al Baraka Bank of Egypt S.A.E is one of the most leading distinguished financial institutions in the business of Islamic banking in Egypt, as started to practice its various activities and business more than thirty years in accordance with the provisions of the tolerant Islamic Shari'a, and Bank was able to impose itself strongly in the banking market in Egypt in view of the integrated system of solutions (Al Baraka Bank of Egypt, 2020,p.7)"

**The sample that recorded the highest ratio for the objective of self (nafs) was Amana Bank SriLanka.** This achievement portrayed the Amana Bank commitment to adhere and embrace the Islamic values and principles on their organization by providing the

independent sharia supervisory council. This finding confirmed that the IBs had been adhered the AAOIFI standard and regulation, AAOIFI standard had been stated that the Islamic Bank should explain about the role and members of Independence of Shari'ah Supervisory Board on the annual report. This finding supported by the disclosure on the annual report, that report about the shariah supervision goals:

“The Sharia Supervision Department focuses on matters pertaining to the rules and principles of Sharia, enabling the facilitation of smooth operations whilst ensuring Sharia compliance at all levels in the Bank. Staff within the department were encouraged to perform their duties from home, as far as possible, after the country was affected by the outbreak of Covid-19 pandemic in March 2020. (Amana Bank SriLanka,2020,p.72)”

**The sample which had the highest value on the objective of intellect (aql) was Bank Muamalat Indonesia.** This result portrayed the BMI spirit and commitment in supporting education in Indonesia that had been disclosed in their annual report. This finding supported the Ghazalian theory, especially the concept of intellect which was reflected by the education grant (Hartono & Sobari, 2017).

“Bank Muamalat & BMM provided educational assistance worth Rp319 million to IPB University students through the Muamalat Undergraduate Scholarship program. The scholarship award ceremony was held online on Monday, December 7, 2020. (PT.Bank Muamalat Indonesia,Tbk., 2020,p.17)”

**The sample that achieved the highest proportion on the objective of posterity (nasl) was Amana Bank SriLanka.** This result indicated that Amana Bank SriLanka had high commitment in supporting the government and society mainly in protecting the posterity; this is proven by the Amana Bank SriLanka activity during the emergency condition which was portrayed on the disclosure on the annual report:

“The Covid-19 pandemic shifted many paradigms during the year, but the Bank continued to extensively support effective and sustainable Corporate Social Responsibility initiatives. With the pandemic affecting and putting a strain on several areas of livelihood and economies, the Bank extended its support to government, healthcare workers, individuals, families, businesses and micro enterprises. (Amana Bank SriLanka, 2020,p.82)”

The finding in the objective of posterity confirmed and explained the Ghazalian theory, Ibn Ashur interpreted that the protection of posterity was reflected by the IBs commitment in creating brotherhood bonding between the IBs and its stakeholders including customers, employee and the society that lives around the IBs (Nurhadi, 2019).

**The sample which recorded the highest ratio under the objective of wealth (mal) was Al Hilal Islamic Bank Kazakhstan and followed by AlBaraka Bank Egypt.** This achievement reflected that the IBs prioritized the balanced between the IBs return and the stakeholders return as well as the commitment of the IBs in order to minimizing the disparity of the economic level, which was described in the following disclosure:

“The total amount revealed by the Balance Sheet as at December 31, 2020 is 75.5 billion Egyptian pounds at a growth rate -despite the pandemic- 4%approximately to the previous year (with an average growth rate of 17% to the previous three years approximately). This reflects the customers' trust in the Bank, the positive development of the volume of its business, the growth of its activities and the increase of its market share.”

**This result supported the Maqashid Syariah Theory, that stated about the fifth concept of Maqashid Al-Syariah (Wealth) (Herlyanto & Oktavendi, 2019).** Ibn Ashur interpreted that the existing of wealth dimension in the IBs reflected the IBs major intention in



creating the wellbeing of the society as well as its intention to minimizing income and wealth disparity.

## CONCLUSSION

This academic work examined the role of maqashid syariah performance which measured by using maqashid syariah index, which more complete than the conventional yardstick. This current academic work found that maqashid syariah performance had a role in disclose the achievement of financial and non-financial in Islamic Bank. This study had important contribution for practitioners of IBs and also Islamic Accounting Researchers, the maqashid syariah index could become the best alternative for the practitioners and researchers in measuring IBs performance. Because this measurement fit with the condition of IBs.

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