

Indonesian Islamic bank's performance under Maqāshid Based Performance Evaluation Model (MPEM)

Mustika Noor Mifrahi*, Faaza Fakhrunnas

Faculty of Economics, Universitas Islam Indonesia

*Corresponding Author: mustika.mifrahi@uui.ac.id

Keywords:

Islamic bank, performance
evaluation, maqashid shari'ah.

DOI:

[10.20885/JEKI.vol4.iss2.art6](https://doi.org/10.20885/JEKI.vol4.iss2.art6)

Abstract

This study aims to measure the performance of Sharia banking under Maqashid Shariah's point of view. Maqashid-sharia-based Performance Evaluation Model (MPEM) approach does not only shows the overall banking performance as usual, but also in the aspect of its Sharia compliance. The samples used in this study are 11 Islamic banks which is retrieved from Central Bank of Indonesia that consist of Islamic Bank's annual report from 2011 to 2017. To measure the Islamic banks, this research adopts maqashid sharia measurement that consist of 5 (five) elements formulated in MPEM. According to the finding, Bank Muamalat Indonesia (BMI) outperforms in all aspects with an average value of 177,93. However, in detail each Islamic banks has its strength in different criteria. Eventhough in certain period Islamic banks suffered loss, this condition did not lead the bank to perform non sharia activity.

Abstrak

Penelitian ini bertujuan untuk mengukur kinerja perbankan syariah dengan sudut pandang Maqashid Shariah. Pendekatan Maqashid-sharia-based Performance Evaluation Model (MPEM) tidak hanya menunjukkan kinerja perbankan seperti pada umumnya, tetapi dapat menampilkan aspek penerapan kesyariahan. Sampel yang digunakan dalam penelitian ini adalah 11 Bank Umum syariah yang terdaftar di Bank Indonesia. Data laporan keuangan tahunan bank dari tahun 2011 hingga 2017 dijadikan dasar pengukuran dalam penelitian ini. Dari 5 (lima) kriteria maqashid syariah yang dirumuskan dalam MPEM ini, BMI mengungguli dari semua aspek dengan rata-rata nilai sebesar 177,93 tetapi jika dijabarkan masing-masing bank unggul pada kriteria yang berbeda. Meskipun di beberapa bank mengalami kerugian pada tahun-tahun tertentu atau penurunan profit, hal tersebut tidak menjadikan bank syariah keluar dari koridor syariah.

Introduction

Islamic banking was established in the early 90s marked by the establishment of Bank Muamalat Indonesia in 1992. The public's desire for a sharia-based service encouraged the government to legalize the operation of Islamic banking with the issuance of Law No. 21 of 2008 concerning Islamic banking.

Islamic banking continues to experience significant asset growth. Until the end of 2017, Islamic banking had total assets of 200 trillion and controlled 5% of the banking market share in Indonesia (OJK, 2017). Sharia banking asset development in Indonesia is not as fast as in other countries that control more than 20% of the total banking assets. Some indications of an imbalance between the initial intention and purpose of establishing Islamic banking with the existing reality have become one of the causes of the slow development of Islamic banks in Indonesia. Demand in term of business and welfare have not been clearly defined regarding the exact direction.

Although Islamic banking is profit-oriented, it is also required to have a greater social impact than conventional banking. Financial statements that provide financial information for investors and customers, cannot show how the Sharia performance of Islamic banks. Financial information shows the performance of sharia banking development which is almost the same as conventional banks. The financial statements are not able to specifically show the performance difference between Islamic banking and conventional banking. The index commonly used in measuring the performance of Islamic banking is CAMELS (Capital, Assets, Management, Earning, Liquidity, Sensitivity of Market Risk) and EVA (Economic Value Added) (Antonio, 2012). So that there is a need to measure the performance of Islamic banking which can show the characteristics of Islamic banking and apply it to conventional one.

Improving financial performance is a necessity for Islamic banks, but how can Islamic banking be able to impact values that are in accordance with the objectives of Shari'ah (maqasid syariah) that have not been

widely reviewed. The purpose of Maqashid Sharia was formulated for the first time by which the purpose of sharia is to achieve the benefit of the ummah. then developed by Al Ghazali to al-Syatibi.

Many studies have conducted to find a proper indication to measure Islamic banks activity. Masood & Ashraf, (2012) suggest that to measure financial performance in Islamic banks, Return on Asset (ROA) and Return on Equity (ROE) can be adopted as proxies. Those proxies are also an indicator to understand the financial performance of Islamic banks which is in regard to how lucrative of Islamic banks. Furthermore, CAMEL is also suggested to assess financial performance in banking industry (Roman & Şargu, 2013). Firstly performed in USA in 1979, CAMEL is the widely adopted to measure financial stability in banking industry worldwide.

Roman and Sargu (2013) explain that CAMEL are an abbreviation of several terms. Capital Adequacy Ratio (C) is the first measurement in CAMEL to inform the condition of capital in the banking industry. This ration informs how stable the banks through all risks faced in business operation. Then, asset quality (A) is the second measurement that will reveal how much asset than is able to generate return for the bank. The asset quality may be measured by comparing total loans to total assets.

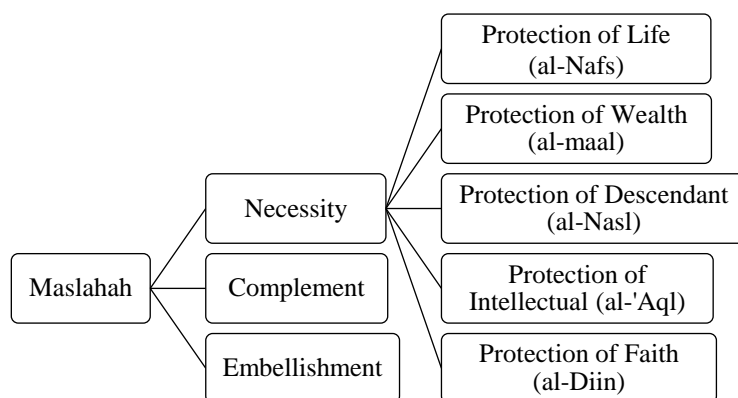
The management quality (M) is the third measurement in CAMEL which will concern on the intention of the bank to improve management quality. This improvement is a symbol to the stakeholders that when the banks commit to intensify the management quality at the same time the banks will increase their performance. The management quality can be measured by the ratio of operating expense to total asset. The fourth of CAMEL measurement is earning ability (E) that enlightens the ability of the bank to generate return. Earning ability may be measured by using the ratio of return to asset. And finally the last measurement of CAMEL is liquidity (L) that will assess how liquid id the banks' asset to perform their short-term obligation. The measurement of liquidity is the ratio of net loans to deposits and short term funding. What about the views of Islam? Human needs in the view of Islam are divided into 5 basic objectives, namely Maqashid Syariah. Maqashid Syariah comes from the word maqashid which means the purpose. Maqashid syariah can be interpreted as goals or purpose of Sharia. Jurists use the term maqasid to refer to goals, principles, intentions, and ultimate goals. In addition, maqasid is often used as an alternative to express interests (masalih). Maqasid was previously classified in various ways, according to a number of dimensions, including the level of need, the scope of decisions aimed at achieving goals, the scope of people including goals, and the level of universality of objectives, which according to Auda (2008) is similar to the hierarchy of human needs by Abraham Maslow in the twentieth century. Generally, Sharia is based on individual and community benefits, and its laws are designed to protect these benefits and facilitate the improvement and perfection of the conditions of human life on earth (Hurayra, 2015).

Protection of the rights of every Muslim is reflected in an index that has been developed by several previous researchers including Mohammed and Tahib (2008) and Antonio in 2012. Maqashid Index as an alternative in measuring the performance of Islamic banking is considered in accordance with the vision of Islamic banking. This study compares the performance of Islamic banking in Indonesia when measured using the CAMELS ratio compared to the Maqashid Based Performance Evaluation Model (MPPEM).

Auda (2008) explained that the maqashid syariah formulation arose for the first time during the caliph Umar bin Khattab. The maqasid classification according to the level of need did not develop until the fifth century of Islam. The fifth century of Islam witnessed the birth of Abdallah Bin Bayyah with the theory of "A philosophy of Islamic law". The literal and nominal methods developed, until the fifth century, proved unable to overcome the complexities of developing civilizations. This is why unlimited desire (al maslahah al-mursalah) was developed as a method that includes "what is not mentioned in the text" so that it can compensate for the limitations of qiyas. Al-maslahah al-mursalah helped fill the gap and also gave birth to the maqasid theory in Islamic law. Some jurists made the most significant contribution to maqasid theory between the fifth and eighth centuries of Islam, namely Abu al-Ma'ali al-Juwaini, Abu Hamid al-Ghazali, al-Izzn Ibn as-Salam, Shihab al-Din al-Qarafi, Shams al-Din Ibn al-Qayyim and the most important one is Abu Ishaq al-Shatibi.

Regarding the importance of achieving Maqasid Sharia, Chapra (2008) states that an important key to a sustainable growth is the implementation of Islamic Law. This is based on Al-Ghazali's formula regarding five fulfillment of human needs based on maqashid 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.

Mohammed and Taib (2008) formulated the framework of al-Ghazali's thinking as follows:



Picture 1: Framework of Maslahah form al-Ghazali

Form the Maslahah framework on figure 1, Mohammed, Tarique, and Islam (2015) make the evaluation of Islamic Bank based on maqashid shariah, described in Table 1.

Table 1. Maqāshid-Based Performance Evaluation Model (MPEM)

Maqasid Syariah according to Al-Ghazali	Ibnu ‘Ashrur. Representation of Al-Ghazali’s Thought	Ratio
Protection of Faith	Freedom of faith	i) <i>Muḍārabah & Mushārah</i> /Total Inv. ii) Interest free income/Total income iii) Government support
Protection of Life	Protection of human dignity/human right	i) CSR Exp/Total Exp ii) Zakat distribution/Net Asset iii) Investment on Muslims/ Total investment
Protection of Intellectual	Propagation of Scientific thinking/Avoiding brain drain	i) Investment in Technology/Total asset ii) Employee retention ratio iii) CSR in education and Waqf/Total CSR
Protection of Wealth	Well-being of society/ diminishing the difference between economic level	i) Investment in real economic sector /Total Inv. ii) Investment in SME/Total Inv. iii) Investment in Agriculture/ Total Inv.
Protection of Descendant	Care of Family or Care of stakeholder (In case of PLC)	i) Market to book value ratio ii) Research exp/Total Exp iii) Training & Development exp /Total asset iv) Net income /Total asset v) Credit risk vi) Tax paid/Profit before Tax vii) Level of customer satisfaction

The implementation of the Maqashid sharia described by al-Muafatafa, Abdul Razak and Taib (2008) developed performance measurements based on the model of Maqāshid al-Sharī'ah (Performance Measures based on Maqāshid al-Sharī'ah-PMMS). This model operationalizes Abu Zaharah's theory of Maqāshid al-Sharī'ah into financial ratios. The ratio is then compiled mathematically to create an index to access the overall performance of Islamic and conventional banks based on Maqasid. Their results show that Islamic banks appear better when measured by the PMMS model.

Antonio, Sanrego and Taufiq (2012) used Mohammed and Taib (2008) to measure the performance of two Islamic banks in Indonesia and two in Jordan. Antonio et.al use the concept used by Mohammed and Taib (2008). The results of the study show that among the index values produced there is no single Islamic bank in the research object that is able to represent the high maqashid index value. However, Bank Muamalat Indonesia BMI shows better performance than the other three Islamic banks according to the Maqashid Index approach.

The study on the comparison between the performance measurement of Islamic banking in Indonesia using the CAMELS and Maqasid Syariah Index ratios is conducted by Roza (2015). Using 5 Islamic banks in 2010-2013 as their research sample, the study found that the Maqashid Syariah Index is more suitable to be used in measuring the performance of Islamic banking. This is because Maqashid Syariah Index covers aspects of financial and Sharia performance.

The difference between this research and several previous studies lies on the object and years observed. This study will use all Islamic Commercial Banks during the period of 2010-2017.

Research Method

The object of this research used in this study is all Sharia Commercial Banks in Indonesia, both foreign and non-foreign banks. Sharia Commercial Banks in Indonesia include Bank Muamalat Indonesia (BMI), Bank Syariah Mandiri (BSM), Bank Mega Syariah (BMS), BNI Bank Syaiah (BNIS), BCA Syariah Bank (BCAS), Bank BRI Syariah (BRIS), Bank Panin Syariah (BPS), Bank Syariah Bukopin (BSB), Victoria Syariah Bank (BVS), and Bank Jabar Banten Syariah (BJBS). The data used in this study are data from the financial statements of the bank that are reported on annual basis. Data is obtained from banking websites from 2010 to 2017. The year of observation is based on avoidance of the 2008 global crisis period and the latest data available. This study uses a banking performance measurement model using maqasid sharia developed by Mohammed et al. (2015). The index determination below has been reviewed and approved by 5 professors in the fields of economics, business and finance. The following index is an index that has been revised.

The maqashid variable measurement used Simple Additive Weighting (SAW) method. The basic concept of SAW method is to find a weighted sum of performance ratings on each alternative of all attributes based on table 2. The Maqasid-based performance offered by Mohammed et. al (2015) has included internal and external banking factors. Moreover, this ratio is based on the maqasid sharia approach which covers basic human needs. After obtaining data about the value of each data, then the calculation is done using a simple weighted average.

The Weighted Average Ratio (WR) for objective 1 (O1) to objective 5 (O5), denoted by WAR (O1), WAR (O2), WAR (O3), WAR (O4) and WAR (O5) are as follows.

$$WAR (O_i) = \sum_i^n WA_i \times ER_i \times R_i$$

where i refers to the items number of each category.

The MPEM Index (MI) can be obtained by adding the five WAR of objectives from

$$MPEMI = WAR (O1) + WAR (O2) + WAR (O3) + WAR (O4) + WAR (O5)$$

Table 2. Weighted Average of Maqāsid-Based Performance Evaluation Model (MPEM)

Maqasid Syariah according to Al-Ghazali	Ibnu 'Ashrur. Representation of Al-Ghazali's Thought	Weighted Average	Element (ER)	Ratio (R)	Source
1. Protection of Faith	Freedom of faith	20	i) <i>Muḍārabah & Mushārakah</i> /Total Inv.	33,33	Financial Statement
			ii) Interest free income/Total income	33,33	
			iii) Government support	33,33	
			Total	100	
2. Protection of Life	Protection of human dignity/human right	20	i) CSR Exp/Total Exp	33,33	Financial Statement
			ii) Zakat distribution/Net Asset	33,33	
			iii) Investment on Muslims/ Total investment	33,33	
			Total	100	
3. Protection of Intellectual	Propagation of Scientific thinking/Avoiding brain drain	20	i) Investment in Technology/Total asset	33,33	Financial Statement
			ii) Employee retention ratio	33,33	
			iii) CSR in education and Waqf/Total CSR	33,33	
			Total	100	
4. Protection of Wealth	Well-being of society/ diminishing the difference between economic level	20	i) Investment in real economic sector/Total Inv.	33,33	Financial Statement
			ii) Investment in SME/Total Inv.	33,33	
			iii) Investment in Agriculture/ Total Inv.	33,33	
			Total	100	
5. Protection of Descendant	Care of Family or Care of stakeholder (In case of PLC)	20	i) Market to book value ratio	16,66	Financial Statement
			ii) Research exp/Total Exp	16,66	
			iii) Training & Development exp/Total asset	16,66	
			iv) Net income/Total asset	16,66	
			v) Credit risk	16,66	
			vi) Tax paid/Profit before Tax	16,66	
			vii) Level of customer satisfaction	16,66	
Total	100	Total	100		

Source: Mohammed,et.al.(2015)

Protection of Faith

Religious protection includes an assessment of Mudharabah and musharaka/total investment and interest-free income/total income. Muḍārabah is basically a sharia business contract based on profit sharing. Under the contract, the capital provider (rab-al-māl) owns the business and manager (muḍārib) manages the business (Job, 2007). Mushārahah is partnership contact based on sharing profits and losses where all partners contribute capital to invest. That profit will be distributed according to the agreement between partners and losses will be distributed according to the capital ratio. In this case, both banks and customers will become providers of capital (Khan, 2003). Mudharabah and musyarakah are important because transactions with this contract in their implementation are not easy because they are very dependent on the trust of mudharib and shabihul maal.

Total investment refers to the amount of money placed to generate income. Investment is also defined as an asset that the owner puts into business. Total income is the amount of money received from an investment (Collin, 2007).

Protection of Life

Ibn Āshūr redefines the dimension into two elements, namely the preservation of human dignity and the preservation of human rights. The soul preservation index includes CSR cost which means the amount of money spent on social activities. At present, the amount of money spent on CSR activities must be reported. Cost is the cost of assets consumed or services used in Indonesia to generate income. Thus, the total cost represents all of these costs. Zakat is the amount charged to all individuals who have wealth above a certain threshold (Nisab). Sharī'ah imposes a rate of 2.5% of wealth as zakat (Khan, 2003). And the net assets equal to total assets minus total liabilities for which they are calculated.

Protection of Intellectual

Ibn Āshūr defines the protection of 'aql as the spread of scientific thought and avoids the drought of scientific thought. The size used is technology investment/total assets. Technology is the use of science in industry, engineering, etc., to find useful things or to solve problems. So investing in technology means money spent on technology. Number of employee turnover/number of employees. Employee turnover means the number of employees who have left work. As well as the number of employees.

Protection of offspring

Market ratio to book value and ratio of net income to total assets related to shareholders, cost of research and training related to employees. Credit risk relates to customers and tax ratio is related to contributions to the government. The components of these six elements are defined; market value means the current market price of each share unit of a bank. Book value means the share price at the time of the IPO (Initial Public Offering). Research costs are the amount of money spent on research and development. The cost of training and development is the amount of money spent on training and developing employee skills. Net income refers to the organization's income after all costs and taxes are deducted. Non Performing Investment refers to investments where there is no future income. The tax paid is the amount of money spent as a tax on income. Profit before tax is income after all costs and before tax deduction

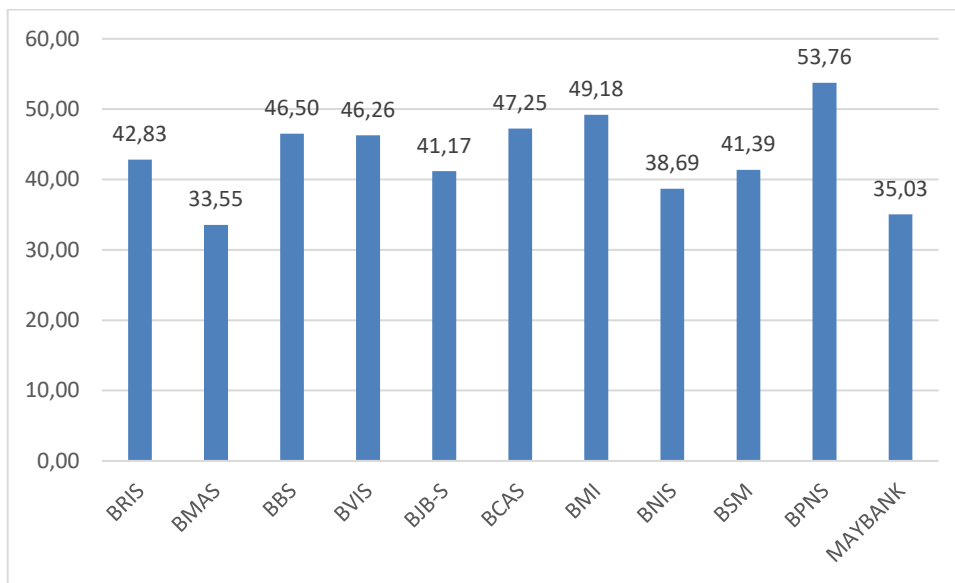
Protection of Wealth

This ratio measures investment in the real economic sector including SMEs and agriculture. Higher investment in this sector will improve people's welfare and reduce the gap between rich and poor. The real economic sector refers to sectors where there are goods and services produced through the utilization of a combination of raw materials and other production factors such as land, labor and capital. SMEs are small and medium enterprises. SME is a business with a number of employees between 10 to 250 and capital of less than 50 million IDR. Investment in SMEs means that money is invested in small and medium enterprises. Agriculture means the science, art, or practice of cultivating land, producing plants, and maintaining livestock and varying levels of preparation and marketing of the products produced. So investment in agriculture means that bank participation in agriculture supports the farmers.

Result and Discussion

Performance Under MPEM from several variables proposed by Mohammed et.al (2015), not all can obtain the required data. This is because not all of these variables are stated in the financial statements.

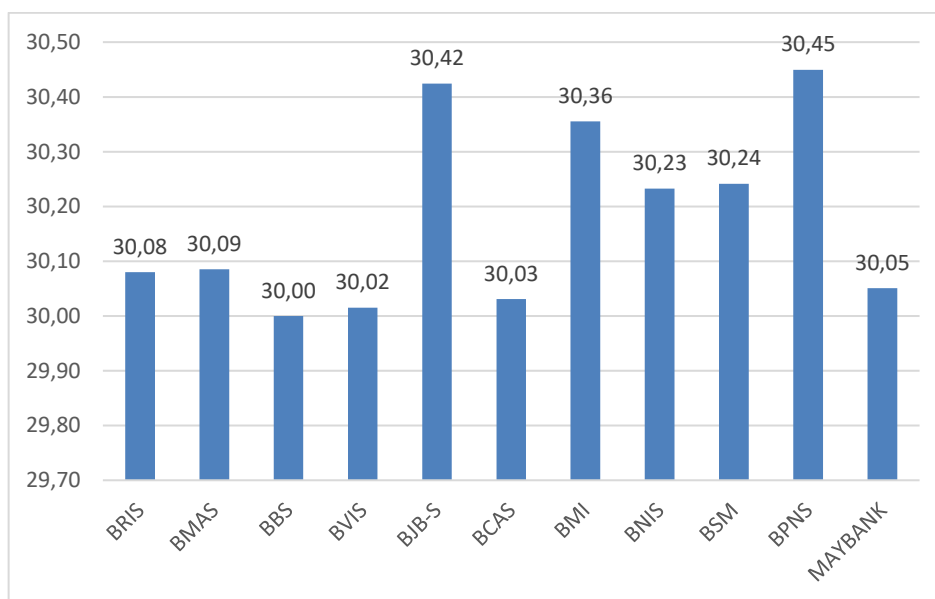
Protection of Faith



Picture 2. Weighted average ratio of protection of faith

Picture 2 shows the performance of BPNS (Bank Panin Syariah) outperforming other Islamic banks with a proportion of 53.76. Bank Panin Syariah during the observation period provided mudharabah-based financing and the average profit of 62.29% was compared with the total financing and investment. BMI and BCAS are in the second and third positions with the weight values of 49.18 and 47.25. Of all banks observed, Islamic banks in general have been proven to be trying to increase the portion of mudharabah and musyarakah financing. Similarly, non-halal income obtained by Islamic banks has a very small proportion, so that 99.89% of Islamic banking operating income is halal income. While at government support, the amount of funds placed in Islamic banks is not available. Government support is only limited to providing a legal support not on capital support.

Protection of Life

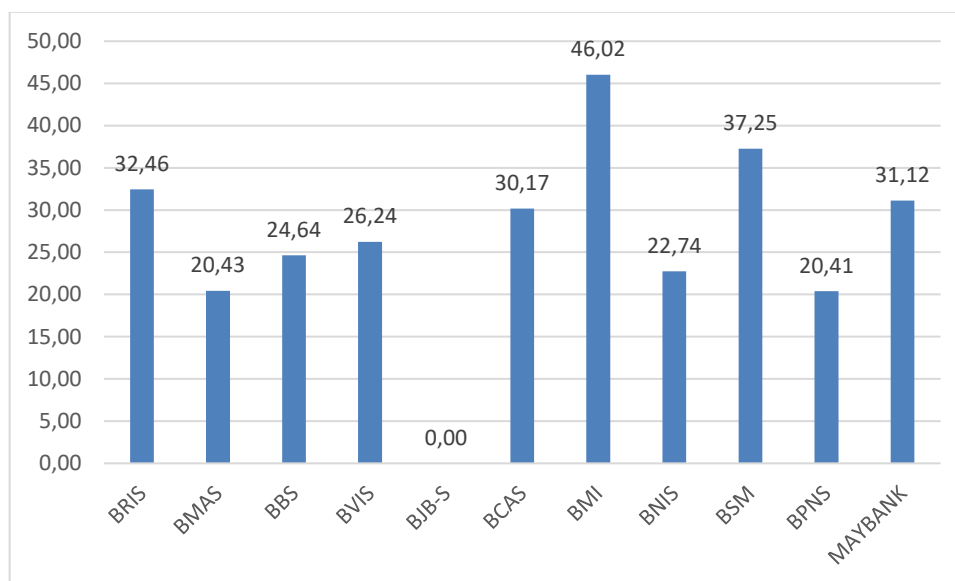


Picture 3. Weighted average ratio of protection of life

Protection of the sustainability of the ummah in the implementation of Islamic banking by looking at the Islamic banking concerns for people's lives. Bank Panin Syariah gets the highest score with a weight of 30.45 which is 0.02 points ahead of Bank Jabar Banten Syariah. Through its CSR program, BPNS also ranks first. The

amount of CSR funds compared to the amount of costs incurred was 1.28% and BJB Syariah Bank was 1.27%. For the second weighting, the amount of zakat funds distributed to banking net assets is surpassed by the BNIS with an average amount of 0.15%. In the ratio of the number of sharia bank customers categorized by religion, the dominance of sharia bank customers is the Muslim community. This is certainly an opportunity for Islamic Bank because Islamic values that are revealed to social life through banking should be able to attract more non-Muslim customers. In countries with a majority of the population that are non-Muslim, Islamic banks are proven to be able to attract customers from non-Muslims because of the value of Islamic banks.

Protection of Intellectual



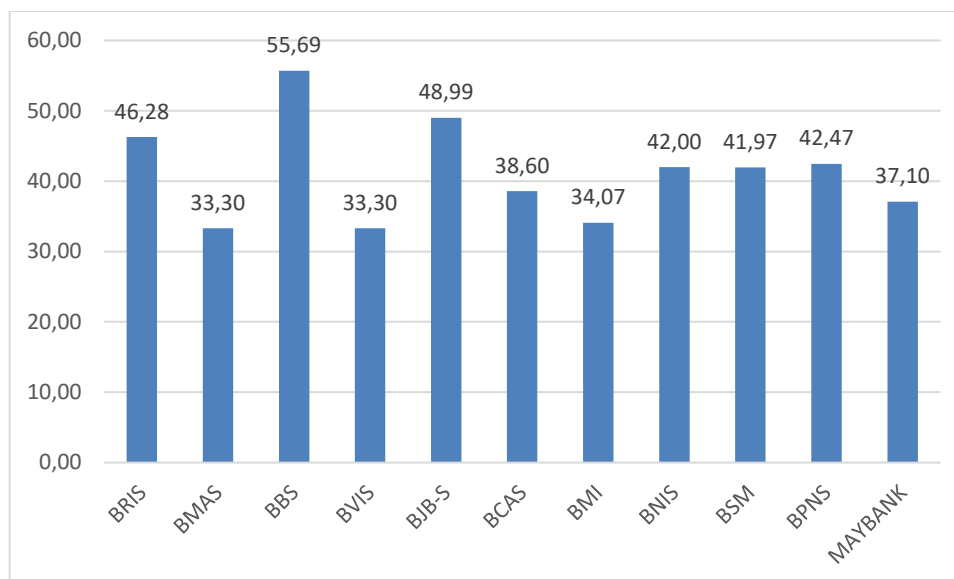
Picture 3. Weighted average ratio of protection of intellectual

Protection of intellectual by Ibn Ahsrur implemented with efforts to develop knowledge and skill of critical thinking. BMI shows the highest score in the intellectual protection with a weight of 19.87. The ratio of total investment on technology to total assets held cannot be found in the financial statements. Even so, BRIS in 2011 provided a share of 19.5% and 16.5% of the total assets owned for technology development. The bank will expand in the field of technology if the capacity and technology used are not able to support its business operations. So the cost of developing technology in the banking system may not appear every year. Because the bank is aware of the importance of technology, the Bank will choose the best technology with high durability as its asset.

Employee retention ratio for Sharia banks in Indonesia is high. BRIS has the highest score in the weighted of employee retention ratio as 97,37%. BRIS can conform the employee to stay and work as a team. On the other side, BPNS has the lowest score as 61,22% means that the amount of the employee decrease each year. It is undeniable that the financial condition of Islamic banking which is still in the development stage, it still has to go through difficult times where the profits obtained have not been able to give extra bonus for its employees. The BPNS recorded a decline in revenue in 2013-2014 until finally acquired by Dubai Bank. This rescue effort also did not make satisfactory performance, where in 2016 and 2017 the bank suffered losses. Unstable banking conditions can affect employee retention rates, because employees are less able to trust management in carrying out their business. The lowest retention was obtained by BRIS with an annual average of 2.63%.

Intellectual protection is further implemented through banking attention to education. Of the eleven banks, only BMI and BSM respectively provided information of 48.8% and 17.31% of the total CSR given to the world of education and waqf. Other Islamic banks also pay attention to the world of education and waqf, but in the bank's financial statements, the nominal is not explicitly stated.

Protection of Wealth



Picture 4. Weighted average ratio of protection of wealth

Protection of wealth is achieved by achieving community welfare and reducing income gap. By weight, Bank Bukopin Syariah has the highest value in wealth protection with a score of 55.69. The role of banks in wealth protection, first is through giving priority to financing programs in the real economy. 99.8% of financing channeled by Islamic banking is in the real sector. Islamic banks recognize the importance of developing the real sector in increasing economic resilience. The real sector proved to be able to survive in times of uncertain economic conditions.

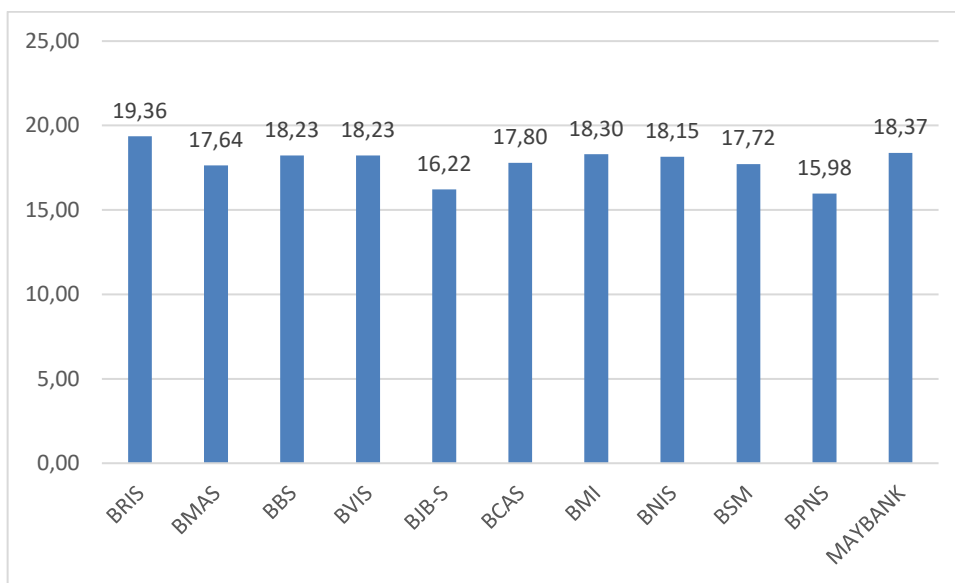
Furthermore, protection of wealth is reflected in how banks give priority to MSMEs. The average during the observation period shows that BBS has an average level of financing in the MSME sector of 66.75% of the total financing and investment. BMAS, BVIS, and BMI does not provide information on the ratio of financing to the MSME sector. However, this does not mean that banks do not finance the MSME sector, because there are still several banks currently in the initial stages of providing funding to the micro sector. In the case of certain banks, the portion of financing is given to micro outlets that specialize in dealing with problems in Islamic banking.

The third point is the attention of Islamic banking in terms of the sustainability of human life seen from the provision of financing in the agricultural sector. Some banking financial statements do not classify the types of financing based on certain economic sectors. This classification is also not regulated in financial reporting, so researchers do not get overall information about the portion of financing in the agricultural sector. BJB Syariah ranks first with the percentage of financing in the agricultural sector amounting to 19.55% of the total financing and investment. Overall Islamic banks have sought to provide space for the protection of education by providing space for economic sectors that support the needs of people's lives.

Protection of Descendant

Islamic banking which is listed in the Sharia Securities List until the end of 2017 is Bank Panin Syariah (PNBS). So that the market to book value ratio of Islamic banking that can be calculated is only Bank Panin Syariah. The average market to book value ratio is 2.42%. This means that a higher ratio (greater than 1) could mean the stock is overvalued (i.e. it has performed well). Other Islamic banks can immediately register their companies in the capital market. Strong asset support is still an obstacle to the lack of Islamic banks in Indonesia to sell their shares to the public.

The second ratio is the comparison of research costs of Islamic banks to maintain the durability of Islamic banks. Unlike a manufacturing company, bank is engaged in the service sector conducting market research or research based on the results of financial performance. The reported financial performance has a ratio that can be used as research and benchmarks in the development of Islamic banks. So that in this study there were no reports of the use of research and development funds by Islamic banks.



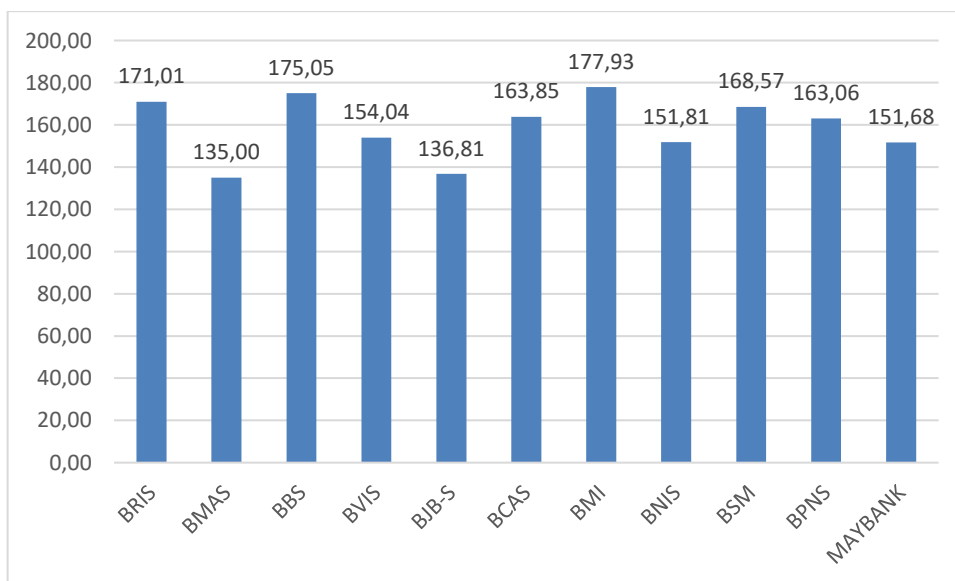
Picture 5. Weighted average ratio of Protection of Descendant.

Third, the ratio of education and development costs, especially for human resources in Islamic bank. The expenditure ratio on education and training costs compared to the highest total assets with an average value of 0.12% is BNI Syariah. Islamic banks are committed to always maintaining service quality as indicated by their human resource competencies.

Furthermore, the fourth ratio of protection to descendant is indicated by the value of net income compared to total assets. Bank Mega syariah has the highest average of 1.48%. BJB Syariah and Bank Panin Syariah recorded losses at the end of the year of observation. So this value decreases the overall weighted of banking performance. Credit risk is also a benchmark in the performance of banks in the aspect of descendant protection. The highest risk of bad financing for sharia banking is the BBS and BVIS with the average of NPF value of 5.25%. This number is still on the reasonable limits set by the government.

The tax paid and the profit before tax shows how much tax is paid by Islamic banking. From the data found, Islamic banks pay taxes of 28.6% of total profits before the tax. This payment is in accordance with the provisions set by the government. By paying taxes in an orderly manner, Islamic banks support the government's efforts to improve development.

Overall maqashid based performance



Picture 6. Overall Performance of Islamic Bank under MPBM

Form the eleven banks evaluated using the maqashid approach, it was seen that Bank Muammalat Indonesia was ranked first with a value of 177.93. The results of this study is different form Acarya et. al (2016) where BRI, BSM and BNIS has the best performance under Islamicity Index. the different result can seen form the different of the maqashid syariah criteria and the observation time. This value is obtained from the value of protection of intellectual, where BMI reports clearly the amount of cost usage on employee training and development. The second rank is BBS with a high weight of bank attention in the MSME sector. The third place is BRIS with the highest performance in protection of descendant.

Conclusion

Measuring the performance of Islamic banks using the MPEM approach shows good performance. Islamic banks are able to perform Islamic values under Maqashid Syariah based permormance model. Although the main purpose of Islamic banks is to achieve profits, Islamic banks are able to show concern about sharia enforcement in the financial sector in Indonesia. Of the five aspects of maqashid sharia (based on data availability), protection of wealth gives the highest value. Followed by protection of faith, protection of intellectual, protection of life and protection of descendant respectively. The measurement of weight between the criteria are the same, the bank is expected to increase the long-term business continuity that can guarantee the fulfillment of all maqashid syariah criteria.

From the value of the weighted average ratio for each category for each bank, Islamic banks in Indonesia have different concerns under MPEM. This can be seen in the acquisition of each category not only dominated by one bank. Management policy is very influential on the allocation of bank assets that have an impact on banking performance both with conventional approaches and with MPEM measurement.

Maqasid Index measurement is not socialized and used entirely by Islamic banking in Indonesia. So that not all Islamic banks present the maqashid syariah criteria on their financial reports. The regulator should put more emphasis on Islamic banks to more attention on Islamic finance development by giving different criteria of the performance of Islamic bank.

This research is still limited to measurements within the scope of Islamic banking in Indonesia. There is no comparison, for example, in terms of financial performance that is generally accepted. Possible differences in results can also be obtained to answer the question whether a bank with good performance of Maqashid index has overall good performance?

References

- Abdul-Razak, D., Mohamed, M. O., & Md Taib, F. (2008). The performance measures of Islamic banking based on the Maqasid framework. Oral presentation in IIUM International Accounting Conference (INTAC IV).
- Al-Mubarak, T. & Osmani, N. M. (2010) Applications of Maqasid al-Shari'ah and Maslahah in Islamic Banking practices: an analysis. In: *International Seminar on Islamic Finance in India*, 4 - 6 October 2010, Kochi, India. (Unpublished).
- Antonio, M. S., Sanrego, Y. D., & Taufiq, M. (2012). An Analysis of Islamic Banking Performance: Maqashid Index Implementation in Indonesia and Jordania. *Journal of Islamic Finance*, 1(1).
- Ascarya, S. R., & Sukmana, R. Measuring The Islamicity of Islamic Bank in Indonesia and other Countries based on shari'ah objectives. *Conference Paper*. Retreive form <https://www.researchgate.net/publication/314093831>.
- Auda, J. (2008). *Maqasid Al-Shariah as philosophy of Islamic Law: a systems approach*. International Institute of Islamic Thought (IIIT).
- Ayub, M. (2007). *Understanding islamic finance*. PT Gramedia Pustaka Utama.
- Chapra, M. U., Khan, S., & Al Shaikh-Ali, A. (2008). *The Islamic vision of development in the light of maqasid al-Shariah* (Vol. 15). The International Institute of Islamic Thought.
- Hurayra, M. A. (2015). Achievement of Maqasid-al-Shariah in Islamic Banking: An Evaluation of Islami Bank Bangladesh Limited. *Global Journal of Computer Science and Technology*.
- Masood, O., & Ashraf, M. (2012). Bank-specific and macroeconomic profitability determinants of Islamic banks. *Qualitative Research in Financial Markets*, 4(2/3), 255–268. <https://doi.org/10.1108/17554171211252565>

- Mohammed, M. O., Tarique, K. M., & Islam, R. (2015). Measuring the performance of Islamic banks using maqasid-based model. *Intellectual Discourse*, 23, 401.
- Roman, A., & Şargu, A. C. (2013). Analysing the Financial Soundness of the Commercial Banks in Romania: An Approach based on the Camels Framework. *Procedia Economics and Finance*, 6(13), 703–712. [https://doi.org/10.1016/S2212-5671\(13\)00192-5](https://doi.org/10.1016/S2212-5671(13)00192-5).
- Roza, I. (2015). Analisis Perbandingan Kinerja Perbankan Syariah dengan Metode Indeks Maqasid Syariah dan CAMEL. *Skripsi UIN Sunan Kalijaga*.