

SHARIA MAQASHID INDEX AS A MEASURING PERFORMANCE OF ISLAMIC BANKING: A MORE HOLISTIC APPROACH

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Abstract

So far, measurements of financial performance of Islamic banking is still predominantly still used by indicators of financial performance of conventional banking system. Its implication, many stakeholders, especially customers of Islamic banks. For Moslems are difficulty in measuring the benefits of the existence of Islamic banking. It is clearly due measure of success of Islamic banking course will be very different from conventional banking successes. If the benchmarks used today is still conventional, the consequences will be contained incorrect results of performance comparison of Islamic banking and conventional banking. Thus, both of the banking system becomes irrelevant and less apt to be compared directly. The size of Islamic banking performance should not directly benchmarking with conventional banking. It must be linked to the objectives and the establishment of Islamic banking noble intentions, namely to provide human well simultaneously implement the principles contained in *sharia maqashid*. This research will try to practice the measurement of financial performance based *sharia maqashid* and use it to make comparisons between the performance of the national largest-scale of Islamic commercial banks and regional small-scale of Islamic rural banks (BPR Syariah). This study presented using data from the financial statements of the three Islamic commercial banks and three Islamic rural banks (BPR Syariah). The results showed that the performance of the national largest-scale of Islamic commercial banks and regional small-scale of Islamic rural banks (BPR Syariah), all of them, has no a *sharia maqashid* index whose high value. This shows the inconsistency, that should be, the national largest-scale of Islamic banking to always focus on the *muamalah* objectives according by sharia. From the comparison of financial performance based on *sharia maqashid*, it turns out the national large-scale of Islamic commercial banks tend to have a lower index of *sharia maqashid* than the regional small-scale of Islamic rural banks (BPR Syariah).

Keywords: Sharia Maqashid Index, Islamic Financial System, Islamic Commercial Banks, Islamic Rural Bank (BPR Syariah).

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1. INTRODUCTION

The bank's development very rapidly in order to perform the intermediary function of public funds. The Indonesian government has also commissioned the monetary authorities, namely Bank of Indonesia (BI) and the Indonesia Financial Services Authority (OJK) to monitor, control, and manage all banking operations of policy tools so that the national banking system running well. One good indicator of the national banking system is reflected in the increasing of health indicators activities of national banks, including Islamic banking of course.

Major changes and rapid mechanisms, systems, technology, and other types of products the national banking services has been revolutionized patterns and attitudes of the general public to manage and use their financial resources. Companies and households have relied on banks for the activity of saving, investment, payment transactions of goods and services, as well as other financial transactions.

Rapid changes in technology and financial innovation because globalization has resulted in many changes in banking facilities. Currently, most countries operating in dual banking system of conventional banks and Islamic banks. The existence of Islamic banks triggered by the presence of conventional banks that do not meet the Islamic way of life. Moslem communities are expecting their attention on the morality and ethics to adopt the Islamic banking system.

The growth of Islamic banks is promising with growth of 15% which is much higher than conventional banks. But such growth is not yet supported serious efforts to measure performance in accordance with the objectives of sharia. Practice existing Islamic banks, only in the form of avoidance of usury and the concept of *riba* only limited interest in Islamic financial studies (Mustafa, Razak and Taib, 2008).

Most studies using conventional benchmarks to measure the results of Islamic banks. The use of

conventional size because the lack information of Moslem clerics who seriously examines the sharia-based measuring performance. This raises the question of whether the measuring performance are rights. Therefore, we need empirical test to measure such performance. The existence of Islamic banking is currently only just avoiding usury. The purpose of Islamic banking has not been seriously addressed. Measuring performance of Islamic bank is still focused on financial performance as well as in conventional banks. Therefore, there is a need to develop other performance measures that will complement the operational objectives an Islamic bank.

Islam, for the benefit of human in the world and in the judgment day, have put the rules of life is very clear. Thus, putting the objective of human life only with the intent and purpose that are worldly merely unjustified and will only end up with futility. Thus, all the commands and prohibitions in Islam covers all human interests as a whole. The rules for human benefit. Rules of human life that has been outlined clearly in Islam is solely for the benefit of human himself in this world and in the judgment day. Rule of life was called by *sharia maqashid* (*maqashidu's-shar'i*) (Esen, 2015).

This study proposes objectives based on the principles of Islamic banking and *sharia maqashid* index of measuring performance models are also based on those objectives. In the development of this research conducted on research by Mustafa, Razak and Taib (2008) on measuring performance of Islamic banks on the basis *sharia maqashid*, and also draws on research Jazil and Syahrudin (2013), the comparative performance of Islamic banks Indonesia and Malaysia on the basis *sharia maqashid*, and refers to the study Essen (2015) on the framework for identifying *sharia maqashid* for socio-economic development index.

The performance of Islamic banking is often done during more use indicators or benchmarks of financial performance as it is used in measuring the performance of conventional banking. This resulted in many Islamic banking stakeholders, can not clearly see the difference between Islamic and conventional banking. By using benchmarks financial performance of conventional banking to measure the financial performance of Islamic banking would lead to a mismatch between the conventional bank performance indicators with the broader objectives of Islamic banking. So that the necessary empirical tests on the financial performance of Islamic banking which has been adapted to the purpose of the establishment of Islamic banking, which provide for the welfare of the people and at the same time keeping the pillars upholding *sharia maqashid*.

This study reveals the financial measuring performance practices for Islamic banking both large scale and small scale in enforcing *sharia maqashid* in order to identify the ideal destination of the existence of Islamic banking is based on the principles of *sharia maqashid*. In addition, proposed an idea to develop a measuring performance model based on the principles of Islamic banks *sharia maqashid* and for measuring the performance of Islamic banks, as well as compare the performance of Islamic banks and Islamic finance bank based on *sharia maqashid* principles.

It is hoped this research will contribute to achievement of the development of thought of *sharia maqashid* principles in the business practices of Islamic banks. These results are also expected as a reference and evaluation for practitioners of Islamic banks and Islamic financial banking system in upholding the purposes of *sharia maqashid* performance according with the principles of sharia.

1.1. The research questions

There are two research questions in which the urgently of this research has to do.

- How is the performance of Islamic banks based on *sharia maqashid* index?
- Is there any difference in the performance between national largest-scale of Islamic commercial bank and regional small-scale of Islamic rural banks (BPR Syariah) based on the *sharia maqashid* index?

1.2. The objectives of research

There are two objectives of this research in which the urgently of this research would have founded.

- To test the performance measures Islamic bank based on *sharia maqashid* index
- To test the performance differences of national largest-scale of Islamic commercial banks with regional small-scale of Islamic rural banks (BPR Syariah) based on *sharia maqashid* index.

2. LITERATURE REVIEW

According to Kamel (1997) the purpose of establishment of Islamic banking is reflected in economic development, creation of added value, increased exports, reduced imports, job creation, rehabilitation, training, and elements that are able to narrow the gap between Islamic banks and conventional banks.

Islamic banks should strive for balanced and fair society; The public-oriented and friendly businessmen to emphasize productivity and real economic expansion. It will increase the brotherhood and cooperation (Dusuki, 2005). In his book, Chapra (1985) has also confirmed the distinctive features of Islamic banks, among others are the abolition of interest, compliance with the public interest, the catalyst for the development, promotion of economic prosperity, the establishment of social and economic justice, and equal distribution of income.

2.1. The objectives of Islamic banking based on sharia maqashid

The purpose of Islamic banks in the opinion of Moslem scholars since the nineteenth century has been unanimously agreed *sharia maqashid* objective is to improve the welfare of *sharia* (*jalb al-masalih*) and avoid vices (*dar al-mafasid*) (Ibn Ashur, 1998). But for some other specific purposes may be different. Ibn Ashur mention specific objectives include maintaining sales, improving human welfare, prevent corruption, creating justice, stability, and harmony (Al-Rasyuni, 1992).

While Allal al-Fasi classify specific objectives of sharia, include: reforming the human mind, develop and manage for the benefit of all, preserve order and

system of commerce, creating justice, and utilize natural resources belong to God. A subtler forms of the specific objectives of *sharia* delivered by Abu Zahrah (1997), which are classified into three areas, namely: *tahdhib al-fard* (education for people), *iqamat al-`adl* (build equity), *jalb al- maslahah* (promoting well-being).

2.2. Performance of Islamic bank

Performance measures for Islamic banks in general is oriented to the achievement of financial performance are high. That phenomenon makes the management of Islamic banks tend to be oriented more to meet the expectations of the manager or the owner alone. Such management makes the management of Islamic banks merely satisfy human ambition to meet the individual needs and seek their own prosperity (Deina, 2003).

Performance is the feedback received by the organization of the activities carried out (Lynch, 1997). This measurement is also an indicator of whether an organization has achieved the purpose and extent of the activities carried out in line with the organization. Almost all Islamic banks have adopted a conventional bank performance benchmarks. This is due to the lack of formal education that teaches Islamic banking performance measures clearly *sharia*. This condition causes the mismatching of Islamic bank performance measures that should be multidimensional than only as unidimensional (financially), as occurs in conventional banks.

Naqvi (2000) quotes (IRTI, 1998) related to the expert opinion survey on 30 major Islamic banks disclose the performance of Islamic banks are less good. Based on this research, it was found that the rate of return offered by Islamic banks in general lower than the interest-based banks. Similarly, Samad study (1999) showed that the efficiency of Islamic banks and conventional banks in Malaysia. The result with using statistical tests showed that conventional banks have higher managerial efficiency of Islamic banks. The conclusion is corroborated by the results of empirical research conducted Abd el Rahman, et al. (2003) concluded that the efficiency of Islamic banks in Sudan also experienced technical inefficiency conditions.

Dusuki (2005) examined the Islamic perspective of corporate social responsibility (CSR) from an Islamic perspective. The empirical evidence is based on a survey conducted in seven stakeholder groups (customers, depositors, local communities, managers, employees, regulators and advisers Shariah) revealed that the stakeholders of Islamic banks in Malaysia had a generally positive towards corporate social responsibility (CSR).

The gap condition at the measuring performance of Islamic bank, between the practice and goals of the Islamic bank, is a bad condition. On the basis of these conditions, the measuring performance of the Islamic bank required in accordance with the objectives of *sharia*. It be done by the *sharia maqashid*. It is being expected to solve the gaps problem in measuring performance. *Sharia maqashid* is oriented on financial performance for the benefit of wholly stakeholders. The measuring performance on the basis of *sharia maqashid* is expected to provide the balance and fairness to all

the stakeholders, accordance with in, the objectives of *sharia*.

The bigger the bank will support good governance, because it has sufficient funds for the implementation of good governance. According Matoussa and Grassa (2012), which is a great asset ownership, the governance of the bank, the better. Therefore, the amount of assets of Islamic banks will have an impact on governance, so as to improve the performance of Islamic banking based on *sharia maqashid* index. Based on these considerations, it can be concluded that large-scale Islamic bank is sensible to have *sharia maqashid* index performance better than the bank's Islamic finance.

2.3. Measuring performance of Islamic banking with sharia maqashid Index

Sharia maqashid index is measuring performance model of Islamic banking that suits the purpose and characteristics of Islamic banking. In this study, the authors use the concept of *sharia* objective by Abu Zahrah (1997) and also some research done before. 3 Based on *sharia* objectives set by Zahrah (1997) in his research, specifically the Islamic banking has three main objectives that must be achieved as follows:

1. *Tahdhib al-fard* (education for people). The first objective should reveal how the Islamic banking spread knowledge, education, training, and capabilities development, as well as, instill the values that support the spirituality development.
2. *Iqamah al-adl* (creating justice). The second objective, namely the Islamic banking should be assured that any transaction in any business activity conducted in a fair, including product, pricing, terms and conditions of the contract. Besides the Islamic banking must also ensure that any banking business free from negative elements which can create injustices as usury, fraud, and corruption.
3. *Jalb al-maslahah* (public interest). The third objective, namely the Islamic banking must make a priority of the business activities which provide a greater benefit to society. This objective includes activities that cover people's basic needs such as investment in vital sectors, home financing, and so on.

Sharia maqashid Index (SMI) developed Abu Zahrah (1997) based on three main factors, namely the education for people, the creation of justice, and the attainment of prosperity (Mustafa, Razak and Taib, 2008),

The first factor is the education for people stated that the performance of banks rated on how Islamic banking is able to education design and training programs, especially for its employees. Education and training is designed with moral values, so that there are increasing capacity and expertise of the employees. On the first factor, there are four indicators of the work is the cost of educational grants, the cost of research and development, employee training costs, as well as the cost of publicity.

While the second factor, namely creating justice, based on the objective assessment of performance of Islamic banking in order to ensure honesty and fairness in all transactions and business

activities. All are included in the product as well as the overall transaction activity is an activity free of interest.

For the third factor, namely the achievement of prosperity, Islamic banking should already be developing investment projects and social services to improve the welfare of society.

These three factors above, by Mustafa, Razak and Taib, (2008) revealed to be several indicators of measurement by using the operation initiated by Sekaran (2000). This is done so that the three objectives of *sharia* above can be operationally measured and determined its value.

3. TECHNICS OF MEASUREMENT

This study aims, first, to test the ideal objectives of *sharia maqashid* index for Islamic banks from the perspective of the sharia, namely to education for people, creating justice, and the achievement of welfare or benefit for the human (*ummah*).

Second, redefine the operational objectives of Islamic banks become more measurable objectives, with a view dimensions of behavior which is symbolized by the concept. Then the concept is translated in the elements that can be observed and measured, thus forming an index measuring the concept.

3.1. Measurement of education for people

Education for people is an attempt by the bank to increase the knowledge and create awareness to the public of the existence of Islamic banks as well as add new capabilities for employees. The dimension of education for people is measured using indicators: educational grant spending, research spending, spending for employees training, and expenses allocation for public interests (Antonio et al., 2012). Improved knowledge, be proxies by financial ratios as follows:

- a. expenditure of educational grants (scholarships) divided by total expenditure

- b. research expenditure divided by total expenditure
- c. training expenditure divided by total expenditure
- d. Spending for public interests divided by total expenditure

3.2. Measurement of realizing creating justice

Creating justice is an attempt by the banks to provide affordable services and implement a fair contract and to eliminate injustice for stakeholders. Efforts to achieve fairness is measured using indicators: fair return, functional distribution, and product non-interest.

Creating justice, be proxies by financial ratios as follows:

- a. net income divided by total income
- b. non performance Financing divided by total funds disbursed
- c. interest-free product revenue divided by income

3.3. Measurement of public interests

Public interest is an attempt by the banks to generate decent profits and distribute income to the benefit of society in order to move the economy. Good efforts to realize the benefit of society is measured using indicators: the ability to generate profits, income distribution (zakat spending), investments in the real sector (Antonio et al., 2012). Measurement of the benefit or the benefit of society, be proxies by the financial ratios that include:

- a. the net profit divided by total assets;
- b. zakat spending divided by total net revenues;
- c. investment financial divided by total financial.

In this method of measurement was done based on the model have now (2000), where the concept denoted by C, the dimension is denoted by D, and E. The relationship of elements denoted by the three measurements are described as follows:

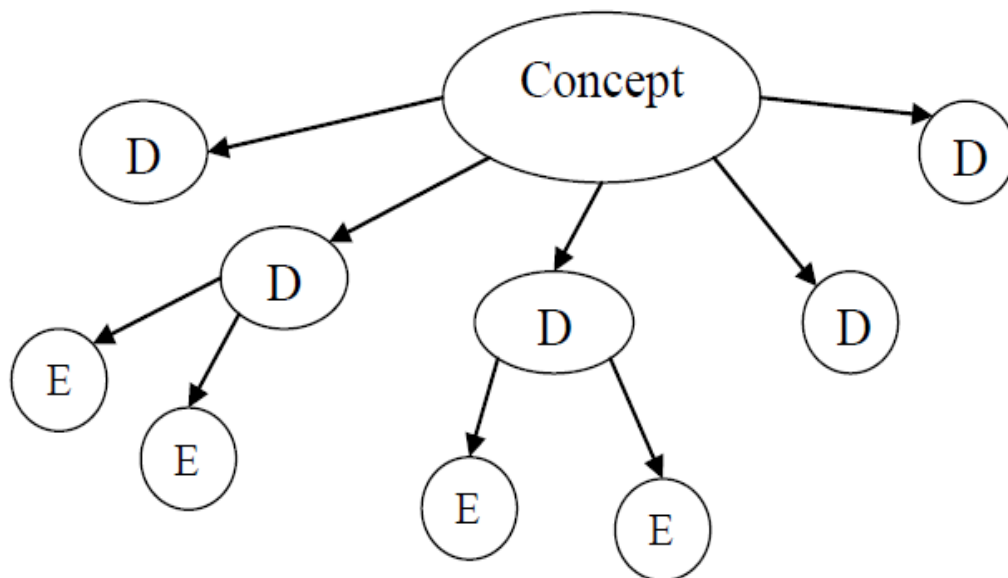


Figure 1. Relationship Concept, Dimension and Elements(adapted from Sekaran, 2000)

3.4. The definition of objectives in Islamic banking.

The measuring of objectives in Islamic bank at this study are including: education for people, creating justice, and aims to benefit the people. Each objective or concept denoted by C (concept), D (Dimension) and E (Element). The relationship between the operational objectives of Islamic banking and measurement performance, measured

by financial ratios and other financial data that is used for the benefit of the performance measurement. By using the method from Sekaran (2000), assessment of the performance of Islamic banking is based on the concept of *sharia maqashid*. Indicators used to refer to what has been formulated by Mustafa, Razak and Taib, (2008) and Jazil and Syahrudin (2013), as follows:

Table 1. Definition of Sharia Maqashid

Concepts (Objectives)	Dimensions	Elements	Performance Ratios
education for people	D1. Advancement of Knowledge	E1. Education grant	R1. Education grant/total expense
		E2. Research	R 2. Research expense/total expense
	D2. Instilling new skills and improvements	E3. training	R 3. Training Expense/total expense
	D3. Creating Awareness of Islamic banking	E4. Publicity	R 4. Publicity expense/total expense
creating justice	D4. Fair dealings	E5. Fair Returns	R 5. profit/ total income
	D5. Affordable products and Services	E6. Affordable price	R 6. Bad debt/ total investment
	D6. Elimination of injustices	E7. Interest free product	R 7. Interest free income/ total income
Public interests	D7. Profitability	E8. Profit ratios	R 8. Net profit/ total asset
	D8. Redistribution of income & wealth	E9. personal income	R 9. Zakat/ Net Income
	D9. Investment in vital real Sector	E10. Investment ratios in real sector	R 10. Investment deposit/total deposit

From table 1, it can be seen that the purpose of achieving the first *sharia maqashid* index, education for people (employees) were measured using the: the ratio of the cost of education, research cost, training costs, the cost of publication. The second objective of creating justice is measured using profitability ratios, bad debt, the ratio of interest-free incomes. The third objective is measured using the ratio of net profit to total assets (benefit for investors), zakat spending to net income (overcoming inequalities) and the ratio of investment to ensure that funds channeled to the real sector, especially for small businesses and rural communities.

The size of the performance of Islamic banks mentioned above have been verified by previous researchers (Mustafa, Razak and Taib, 2008) refers

to what has been done by 12 (*twelve*) experts of *sharia* scientist, Fiqh scientist and Islamic Economics scientist, in Malaysia, Indonesia, and the Middle East. They are experienced in the Islamic banking and conventional banking. Methods of data collection is done through interviews with them (Mustafa, Razak, and Taib, 2008). They claimed that these measures have been sufficiently credible and valid for use. The performance measures have also been conducted to verify both conducted through questionnaires to 16 (sixteen) experts to assign weights to the component-based performance of *sharia maqashid* index. The concept of the operation methods have now (2000) and the weighting value developed by Mustafa, Razak and Taib, (2008), and Jazil (2013), as follows:

Table 2. Interest and Weights as well as Elements of *Sharia maqashid*

Objectives	Average Weight (Out of 100%)	Elements	Average Weight (Out of 100%)
O1. Education (Tahdhib al-Fard)	30	E1. Education Grants/Donations	24
		E2. Research	27
		E3. Training	26
		E4. Publicity	23
		Total	100
O2. Justice (Al-'Adl)	41	E5. Fair Returns	30
		E6. Fair Price	32
		E7. Interest free product	38
		Total	100
O3. Welfare (Al-Maslahah)*	29	E8. Bank's Profit Ratios	33
		E9. Personal Income Transfers	30
		E10. Investment Ratios in real sector	37
Total	100	Total	100

* Maslahah includes the bank's interest plus the public interest

4. POPULATION AND SAMPLE

Population specified in this study are all Islamic banking in Indonesia period in 2015. While the sample for this study were taken by purposive sampling method. We used this method because we had to take samples of Islamic banking by grouping in the two category:

1. The national largest-scale of Islamic commercial banks in Indonesia in 2015
2. The regional small-scale Islamic rural banks (BPR Syariah)

This study uses secondary data. Source of data for this study was obtained from the *website* of each Islamic bank directories in Indonesia as well as www.bi.go.id. Data fulfilled by this research are available in full-format in the annual Islamic banking

reports and other sources that can be accessed. The data collection is done by using the method of documentation and literature. The data in this study are collected from Bank of Indonesia (BI) with a sample of three national largest-scale of Islamic commercial banks and three regional small-scale of Islamic rural banks (BPR Syariah) as follows: Bank Mandiri Syariah (BSM), BNI Syariah (BNIS), Bank Muamalat Indonesia (BMI), BPR Syariah Binama, BPR Syariah Hidayatullah, and BPR Syariah Barokah. Aggregated data of six Islamic banks for a period of 2015.

5. TECHNICS OF ANALYSIS

The results of calculation of the *sharia maqashid* index from six Islamic banks compared using descriptive-statistical analysis. Two different sample-groups are testing to see average performance difference overall. After that, doing compare between the national largest-scale of Islamic commercial banks and regional small-scale of Islamic rural banks (BPR Syariah) in Indonesia.

From the ten identified ratio of performance, the ratio of the first four indices linked to the objectives of *sharia maqashid* first element, namely education for people. While the next three ratio, related to the achievement of creating justice, while the last three ratios associated with the third objective, that is the problem. educational grants divided by total revenue.

1.	scholarship	:	total revenue divided scholarships
2.	research	:	research costs divided by total costs)
3.	training	:	training costs divided by total cost
4.	publication	:	publication costs divided by total cost
5.	a reasonable return	:	profit divided by revenues
6.	reasonable prices	:	bad-debt divided by the total investment
7.	interest free products	:	interest-free income divided by total revenue
8.	profitability	:	net income, divided total assets
9.	alms	:	zakat spending divided by net income
10.	real sector investment	:	investment financials to total financials

Then the result is multiplied by the weight as that of the previous research in using as an "simple additive weighted". Therefore, mathematically, from

evaluation purposes of an Islamic bank can be calculated with the following formula:

$$PI(O1) = (W_1 * E_{1,1} * R_{1,1}) + (W_1 * E_{1,2} * R_{1,2}) + (W_1 * E_{1,3} * R_{1,3}) + (W_1 * E_{1,4} * R_{1,4}) \tag{1}$$

$$PI(O2) = (W_2 * E_{2,1} * R_{2,1}) + (W_2 * E_{2,2} * R_{2,2}) + (W_2 * E_{2,3} * R_{2,3}) \tag{2}$$

$$PI(O3) = (W_3 * E_{3,1} * R_{3,1}) + (W_3 * E_{3,2} * R_{3,2}) + (W_3 * E_{3,3} * R_{3,3}) \tag{3}$$

Where, definitions of the formula are:

- PI (O1) = performance indicator for the 1st objective of sharia (education for people)
- PI (O2) = performance Indicator for the 2nd objective of sharia (creating justice)
- PI (O3) = performance indicator for the 3rd objective of sharia (promoting welfare)
- W1 = denotes the weight assigned to the 1st objective of sharia
- W2 = denotes the weight assigned to the 2nd objective of sharia
- W3 = denotes the weight assigned to the 3rd objective of sharia
- E1.1 = denote the weight assigned to the 1st element of the 1st objective of sharia
- E1.2 = denote the weight assigned to the 2nd element of the 1st objective of sharia
- E1.3 = denote the weight assigned to the 3rd element of the 1st objective of sharia
- E1.4 = denote the weight assigned to the 4th element of the 1st objective of sharia
- E2.1 = denote the weight assigned to the 1st element of the 2nd objective of sharia
- E2.2 = denote the weight assigned to the 2nd element of the 2nd objective of sharia
- E2.3 = denote the weight assigned to the 3rd element of the 2nd objective of sharia
- E3.1 = denote the weight assigned to the 1st element of the 3rd objective of sharia
- E3.2 = denote the weight assigned to the 2nd element of the 3rd objective of sharia
- E3.3 = denote the weight assigned to the 3rd element of the 3rd objective of sharia
- R1.1 = evaluations for the ratio of performance corresponding to the 1st element of the 1st objective of sharia
- R1.2 = evaluations for the ratio of performance corresponding to the 2nd element of the 1st objective of sharia
- R1.3 = evaluations for the ratio of performance corresponding to the 3rd element of the 1st objective of sharia
- R1.4 = evaluations for the ratio of performance corresponding to the 4th element of the 1st objective of sharia
- R2.1 = evaluations for the ratio of performance corresponding to the 1st element of the 2nd objective of sharia
- R2.2 = evaluations for the ratio of performance corresponding to the 2nd element of the 2nd objective of sharia
- R2.3 = evaluations for the ratio of performance corresponding to the 3rd element of the 2nd objective of sharia
- R3.1 = evaluations for the ratio of performance corresponding to the 1st element of the 3rd objective of sharia
- R3.2 = evaluations for the ratio of performance corresponding to the 2nd element of the 3rd objective of sharia
- R3.3 = evaluations for the ratio of performance corresponding to the 3rd element of the 3rd objective of sharia

Overall indicators for the three objectives of *sharia maqashid* be analyzed in which a reflection of the application of *sharia maqashid* index. Model used *sharia maqashid* for financial analysis. In other words, the *sharia maqashid* index for an Islamic bank is the number of performance indicators in terms of objective 1, objective 2, and objective 3.

6. MEASUREMENT RESULT

6.1. Performance Ratios

Analysis of the performance ratios of Islamic banks will be covered by the ratio of the performance as a combination of financial performance index and the *sharia maqashid* index.

For performance ratios can be seen in table 3. Table 3 shows that the performance ratios of the of

national Islamic commercial banks is relatively low, especially for the performance ratio associated with the first objective of education for people. Outstanding performance even in financial performance which are prevalent in conventional banks, primarily related to the profitability and the distribution of funds. The most notable performance ratio can be seen from the efforts to creating justice which is the second objective. For the third objective is also relatively low. It can be seen from the average zakat spending institutions are still relatively low compared with the profits or income earned.

Likewise, the results of the calculation of the performance ratios of regional small-scale of Islamic rural banks (BPR Syariah), which consists of BPR

Syariah Binama (BNM), BPR Syariah "Barokah" (BRK), and BPR Syariah "Hidayatullah" (HDY), relatively low. The performance ratios, especially for first objective of education for people, are the lowest point than the others. This is due to the lack of funds allocated for activities BPR Syariah scholarships, research and training. The other caused by the possibility that the absence of explicit information on these activities. The most notable performance ratio can be seen from the efforts to creating justice which is the second objective. For the third objective is also relatively low. Meanwhile, spending components explicitly zakat institutions should be reported in the financial statements, only one bank has reported, which is in the BPR Syariah Barokah.

Table 3. Performance Ratios (PR) for 1st, 2nd, and 3rd of Sharia's Objective

Elements	Comercial Banks			Rural Banks (BPR)		
	BNI	BMI	BSM	BNM	BRK	HDY
E1. Education Grants/Donations	0.000	0.005	0.012	0.006	0.011	0.001
E2. Research	0.001	0.001	0.000	0.001	0.002	0.001
E3. Training	0.021	0.013	0.012	0.024	0.034	0.029
E4. Publicity	0.064	0.032	0.014	0.026	0.120	0.030
Total elements of education for people	0.086	0.051	0.038	0.057	0.167	0.061
E5. Fair Returns	0.083	0.124	0.049	0.080	0.320	0.190
E6. Fair Price	0.026	0.042	0.023	0.053	0.260	0.120
E7. Interest free product	0.930	0.045	0.210	0.940	0.830	0.750
Total elements of creating justice	0.225	0.262	0.320	1.130	1.577	1.060
E8. Bank's Profit Ratios	0.010	0.001	0.004	0.010	0.050	0.040
E9. Personal Income Transfers	0.034	0.204	0.033	0.026	0.019	0.028
E10. Investment Ratios in real sector	0.267	0.539	0.267	0.410	0.205	0.180
Total elements of public interest	0.331	0.744	0.324	1.546	0.344	0.248

6.2. Performance indicators

From the analysis of the performance indicator for 1st, 2nd, and 3rd of Sharia's Objective obtained by multiplying between performance ratio with the weight of the elements. In general, performance

indicators of bank, both on commercial and financial of Islamic banks, not much different. This can be seen in Table 4 as follows:

Table 4. Performance Indicator for 1st, 2nd, and 3rd of Sharia's Objective

Elements	Comercial Banks			Rural Banks (BPR)		
	BNI	BMI	BSM	BNM	BRK	HDY
E1. Education Grants/Donations	3.4210E-05	3.7123E-04	8.6574E-04	4.5000E-04	7.9200E-04	4.6800E-05
E2. Research	4.4127E-05	1.1069E-04	3.6834E-05	4.9410E-05	1.8630E-04	8.1000E-05
E3. Training	1.6695E-03	1.0192E-03	9.3789E-04	1.8720E-03	2.6520E-03	2.2620E-03
E4. Publicity	4.4158E-03	2.1927E-03	9.4773E-04	1.7940E-03	8.2800E-03	2.0700E-03
Total (PI) 1rd sharia Objective	6.1636E-03	3.6938E-03	2.7882E-03	4.1654E-03	1.1910E-02	4.4598E-03
E5. Fair Returns	1.0148E-02	1.5215E-02	5.9761E-03	9.8400E-03	3.9360E-02	2.3370E-02
E6. Fair Price	3.3850E-03	5.5104E-03	3.0176E-03	6.9536E-03	3.4112E-02	1.5744E-02
E7. Interest free product	1.4493E-01	6.9645E-03	3.2734E-02	1.4645E-01	1.2931E-01	1.1685E-01
Total (PI) 2rd sharia Objective	1.5846E-01	2.7690E-02	4.1728E-02	1.6325E-01	2.0279E-01	1.5596E-01
E8. Bank's Profit Ratios	9.5013E-04	1.2469E-04	3.9381E-04	9.5700E-04	4.7850E-03	3.8280E-03
E9. Personal Income Transfers	2.9318E-03	1.7782E-02	2.8821E-03	2.2620E-03	1.6530E-03	2.4360E-03
E10. Investment Ratios in real sector	2.8613E-02	5.7878E-02	2.8613E-02	4.3993E-02	2.1997E-02	1.9314E-02
Total (PI) 3rd sharia Objective	3.2495E-02	7.5784E-02	3.1889E-02	4.7212E-02	2.8435E-02	2.5578E-02

Table 5 show the comparison of *sharia maqashid* index of Islamic commercial banks and Islamic rural banks (BPR Syariah). It can be seen in table 5. Analysis of the index of *sharia maqashid* in

national Islamic commercial banks show the performance based on *sharia maqashid* still far from our expectations. This can be seen in Table 7 as follows:

Table 5. The ranking of *sharia maqashid* Index from national largest-scale of Islamic commercial banks and regional small-scale of Islamic rural banks

No.	Names of Banks	PI (O1)	PI (O2)	PI (O3)	Sharia Maqashid Index	Ranking
1	BNIS	0.0062	0.1585	0.0325	0.1971	3
2	BMI	0.0037	0.0277	0.0758	0.1072	5
3	BSM	0.0028	0.0417	0.0319	0.0764	6
4	BNM	0.0042	0.1632	0.0472	0.2146	2
5	BRK	0.0119	0.2028	0.0284	0.2431	1
6	HDY	0.0045	0.1560	0.0256	0.1860	4

From table 5 could be observed that the achievement of the performance of Islamic banks based on *sharia maqashid* of three largest Islamic banks and three Islamic rural banks (BPR Syariah) sampled of the Islamic banks has no a high ratio and performance indicators of *sharia maqashid* index. This shows inconsistent of Islamic banks to focus on the objectives of Islamic ways in a comprehensive manner.

These results indicate the need for objective setting from the perspective of Islamic banks in which need *sharia maqashid*. The performance of Islamic banks measures from developed framework of *sharia maqashid*. Many Islamic banks, especially of Islamic rural bank (BPR Syariah) do not inform comprehensive *sharia maqashid* indicators. This is because Indonesian financial service authorities (OJK) and Bank of Indonesia (BI) do not strictly required the presence of these indicators in its financial statements.

While the two groups of Islamic commercial banks and Islamic rural bank (BPR Syariah) compared, shows that the index of *sharia maqashid* of Islamic rural banks (BPR Syariah) tend to have higher index than the national largest-scale of Islamic commercial banks in Indonesia. The higher index of Islamic rural banks (BPR Syariah) than the largest Islamic banks in Indonesia, especially, in *maqashid* index which derived from the index of creating justice, here are from the level of profitability and from the majority customer funds channeled to the real sector of interest-free.

7. CONCLUSION

These results indicate the need to determining the scale or an index measuring the performance of Islamic banking differs from conventional banking measuring performance techniques. To that end, measuring performance techniques need to be developed within the framework of Islamic banking *maqashid* index implement the concept of sharia. The most of Islamic banks, especially Islamic rural banks (BPR Syariah), did not provide the information of the financial transactions in the financial balance sheet that can be used as an indicator to measure *sharia maqashid*. This is understandable because the financial services authority (FSA) did not require the release of Islamic banks related indicators *smaqashid* in the consolidated balance sheet of the bank.

The performance of the three national largest-scale of Islamic commercial banks in Indonesia and three regional small-scale of Islamic rural banks (BPR Syariah) are same. None of these banks has no a high ratio of financial performance and an alternative performance indicator on the basis of *sharia maqashid*. This shows inconsistency with Islamic banking to always focus on the activities objective by sharia. From the comparison of financial performance on the basis of *sharia maqashid*, it turns out Islamic commercial banks tend to have *sharia maqashid* index lower than the rural banks (BPR) sharia

From these findings are expected to be used, at least be able to evaluate the policy and the further development related to the performance appraisal Islamic banks in Indonesia in accordance with Islamic *sharia* objectives that benefit the people on

the basis of the index of *sharia maqashid*, ranging from reporting began using indicators which point to the benefit people. In the end, the expected presence of Indonesian Islamic bank can be the best alternative for financial and economic arrangements Moslem community in Indonesia.

8. RESEARCH LIMITATION

This study only uses a small sample, because it is only meant as a research mini, sort of simulating the use of *sharia maqashid* index in measuring the financial performance of Islamic banks are classified into two types, namely the national largest-scale of Islamic commercial banks and the regional small-scale of Islamic rural banks (BPR Syariah). It is expected to further research on the technical analysis of the financial performance *sharia maqashid* in Islamic banking can be applied using a much larger sample, especially by using panel data (longitudinal data).

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