Maqashid Sharia Implementation in Indonesia and Bahrain

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Abstract. This study aims to analyze the performance of Islamic banking in Indonesia and Bahrain from the perspective of the maqashid shariah index. Performance is the success of an organization in implementing its strategy so that its achievement on the targets set. Maqashid shariah is a measurement of Islamic banking performance following the objectives and characteristics of Islamic banking. The research method used is descriptive and comparative methods, while the data analysis technique used is the independent t-test. The results of this study are that there is no significant difference between the application of Islamic maqashid in Indonesia and the implementation of Islamic maqashid in Bahrain. Thus, the application of Islamic values and the application of sharia maqashid has been integrated with Islamic bank business activities so that different government policies or regulations because each country has a specific constitution, then the impact is not significant or does not affect the implementation of sharia maqashid on operational and business activities in Islamic banks.

Keywords: maqashid shariah index, Islamic bank, government regulation

JEL Classification: G21, L25


Kata Kunci: maqashid syariah Index, bank syariah, peraturan pemerintah

How to Cite:
Introduction

The development of Islamic economics in Indonesia took place so rapidly in recent decades. This is likely to be influenced by several factors, namely: economic, political, social, cultural, geographical and security stability and also the presence of legislation in the field of Islamic economics, among others, which is quite phenomenal is the issuance of Law Number 19 of 2008 concerning Sukuk State and Law Number 21 Year 2008 concerning Islamic Banking. Islamic banking in June 2018 showed positive growth and an improved intermediation function as indicated by an increase in assets, an increase in the amount of financing disbursed, and also third-party funds, which were higher than the same period in the previous year.

The Islamic banking sector is one of the determinants in the development of the sharia financial industry (Jannah & Nugroho, 2019; Nugroho et al., 2019; Nugroho, Kuncoro, & Mastur, 2019). Even so, when viewed from the number of assets, capital adequacy ratio (CAR-capital adequacy ratio), profitability ratio (ROA-return on assets), and a decrease in bad loans (NPF-Non Performing Financing), Islamic banking data in 2014 to 2018 show a positive trend. Furthermore, when viewed through total Islamic banking assets, according to the Ministry of Finance data until April 2018, total Islamic banking assets in Indonesia reached Rp 435 trillion or 5.79 percent of the total assets of the national banking industry.

The characteristics of the Islamic banking system that operates based on profit-sharing principles provide an alternative banking system that is mutually beneficial to the public and banks. By providing a variety of products and various banking services with more varied financial schemes, Islamic banking has become a credible alternative to the banking system. Thus, all classes of people, without exception, can access the impact of various products and various services, Islamic banks. The Koran has provided several emphatic examples of economic problems, which emphasize that economics is one area of concern for Islam or commonly mention with muamalah (Choudhury & Hoque, 2006). Performance measurement of the leading financial indicators of banks is essential because performance measurement is an indicator of achievement that has been carried out in its operational activities so that the indicator can show the excellent performance condition of a bank.

One of the challenges in the development of Islamic banking is the absence of financial performance measurement tools that are by the characteristics and objectives of Islamic banks, which are also different from conventional banks. According to (Ghifari et al., 2015), there are still many measurements of the performance of companies in the global world, including Islamic banking, which use financial ratio measurements such as Data Envelopment Analysis (DEA), Return on Assets (ROA) and Return on Equity (ROE), where these measurements are only intended to determine the benefits that can be generated by the company or bank. Some previous researchers said there were challenges in measuring the performance of Islamic banks, which included the following: First, regarding previous research that it is still difficult to distinguish characteristics between Islamic banks and conventional banks to establish the appropriate different financial indicators (Arafah & Nugroho, 2016; Zaman & Movassaghi, 2002). That is because there are differences in views about Islamic finance, primarily related to Islamic banks functioning as intermediary financial institutions in the community so that it is necessary to adjust to the environment and local regulations (Hawary et al., 2013). Second,
referring to the results of previous studies which stated that in measuring the performance of Islamic banks is certainly not the same as measuring conventional banks, because both are different in their objectives and operational characteristics (Asutay & Harningtyas, 2015; Omar & Taib, 2015; Rusydiana & Parisi, 2016; Syafii et al., 2012). Third, some conditions also indicate that the regulator in the local country has not seriously addressed the primary objectives of Islamic banking itself. Therefore, the existence of Islamic banking performance measurement indicators is still using conventional measurement tools that only focus on financial measurement (Zarrouk et al., 2016). Thus, there is a need to develop Islamic banking performance measurements that are following Islamic (Ahmad & Hassan, 2007). Referring to research conducted by Syafii et al., (2012), stated that the performance of Islamic banking in Indonesia in terms of the implementation of maqashid sharia has a better performance when compared to the performance of Islamic banks in Jordan.

Furthermore, according to Omar & Taib (2015), Islamic banks are banks that have a focus not only on the financial aspects but also have a focus on social aspects, environmental aspects, and spiritual aspects. Therefore, with these different objectives, the performance measurement of Islamic banks must also have a specific approach, one of which uses the maqashid sharia index. So far, the maqashid sharia index (MSI) model has been widely applied in subsequent scientific studies to measure the performance of Islamic banking in various countries including Indonesia. Some studies that use the maqashid sharia index on Islamic banking are Firmansyah, (2018); Rusydiana & Firmansyah, (2018); and Sudraji & Sodiq, (2016). These studies are indications that Islamic banking can not only be measured through financial performance with conventional measurements, but as an Islamic business entity. Therefore, Islamic banks can also be measured in terms of the implementation of sharia values and the implementation of sharia maqashid has been carried out by Islamic banking with optimal.

Islamic banking requires a measuring tool in terms of sharia objectives (maqashid sharia) to assess the extent to which performance has been achieved and must comply under Islamic principles in its operations, especially in terms of the objectives of the Islamic bank itself. The purpose of Islamic banks is not limited to financial aspects but also must consider other aspects such as the social aspect, environmental aspect, and spiritual aspect (Nugroho & Tamala, 2018). Based on the Law of the Republic of Indonesia No. 21 of 2008 concerning Islamic banking, “The purpose of Islamic banks is to support the implementation of national development to improve justice, equality, brotherhood and equitable distribution of people’s welfare.” Thus, to achieve these national development goals, Islamic banking must, in its operations, adhere to the principles of sharia comprehensively and in totality (kaffah), as well as consistently (istiqamah).

Maqashid sharia is the objectives that are to be achieved by Islam religion, which is implemented in the daily life of a Muslim. Therefore maqashid sharia becomes one of the crucial concepts in the study of Islamic law, and also in research related to Islamic banks. Regarding Nugroho et al., (2017) dan Satibi et al., (2018), Implementation of maqashid sharia must be carried out by a Muslim in fulfilling his daily life where the main determinant factor to meet the needs of life is maslahah. Nevertheless, the concept of maslahah is the goal of the actions of a Muslim to benefit all God’s creatures. Therefore, in line with the
concept, there are three important aspects to measure the performance of Islamic banks based on Islamic Maqashid. The three aspects of maqashid sharia include Tahdzib al Fard (education), Iqamah al-adl (justice), and Jalb al-maslahah (welfare). Then the three elements are transformed into a ratio to assess the performance of Islamic banks (Sarif et al., 2017).

The implementation of Islamic bank operations cannot be separated from the application of accounting standards. Indonesia and Bahrain use sharia standards and AAOIFI accounting standards as a basis for guidelines in the preparation of sharia standards and sharia accounting standards. AAOIFI is an Accounting and Audit Organization for Islamic Financial Institutions, which is an organization founded in 1991 and based in Bahrain. AAOIFI is a non-profit organization that focuses on developing and publishing accounting standards for the global Islamic financial industry, including Islamic banks. One of AAOIFI’s objectives is to disseminate accounting standards and relevant audit standards in Islamic financial institutions whose training is through training, seminars, magazine publishing, organizing training, and other facilities. AAOIFI carries out these objectives to conform to the comprehensive teachings of Islamic Sharia in all aspects of life and following the environment in which Islamic financial institutions are located. Also, Indonesia and Bahrain are the countries with the most significant number of Islamic banks in the world (Alam, 2014).

Furthermore, based on the above phenomena, the problem formulation in this study is how the performance of Islamic banks in Indonesia and Bahrain is based on the perspective of Maqashid Sharia. Therefore, this research will contribute to the Islamic banking industry, both executives, regulators, and all stakeholders, to assess the performance of Islamic banks. Also, this research contributes to academics that will measure the performance of Islamic banks based on the concept of Maqashid Sharia.

Economics has a vital role in the life of humanity, namely in the framework of human activities to meet their needs. Economics is generally defined as the study of human activities related to the production, distribution, and consumption of goods and services (Miller & Rose, 1990). Islam, as a perfect religion and a way of life by Muslims, certainly does not only regulate religious or spiritual aspects but also regulates all aspects of human life (muamalah), including those related to economic activities. Islamic economic activity is not only material but also aims to meet the needs of a person of adequate living. Furthermore, greed for wealth and attitudes that are concerned with mere material are intensely disliked (Nugroho & Husnadi, 2014).

Akhlaq (good moral) as a pillar of Islamic economics in which all Islamic economic activities must be based on morals. Moral occupies a vital position in the teachings of Islam, because as the Bukhari-Muslim hadith, “Prophet Muhammad SAW said, I was sent to improve the morality of mankind.” Therefore good morals (akhlaqul karimah) became the foundation in transactions in Islamic economics. Morals cannot be separated from faith (aqeedah). Both are a unity that cannot be separated.

Furthermore, the foundation of Islamic banks is Islamic Maqashid that consists of six elements, among others according to Fitrotulloh (2013), and Masruri & Rossidy (2007) are: first, maintain the religion; second, maintain the soul; third, maintain the brain; fourth, maintain the properties; fifth, maintain the families; and sixth, protect the environment. The sharia maqashid is implemented in everyday human life, namely in meet up the basic needs, secondary needs,
and tertiary needs so that Islamic banking services in supporting human life in business and financial transactions need to have the appropriate vision and mission. The vision and mission must be based on sharia maaqashid, which aims to achieve maslahah and Falah (hereafter). Also, Islamic banking with its pillars (prophet, profit, people and planet) is to maintain a balance between business profits that have moral and spiritual responsibilities and have an impact on reducing social problems such as poverty, unemployment, and social inequality.

Economic conditions are undoubtedly inseparable from the social problems that occur in the country. Developing countries like Indonesia and Bahrain have economies that are not so good when compared to developed countries. One reason is that there are still many social problems that occur in developing countries (Dobers & Halme, 2009). Islamic banking, as one type of Islamic financial institution, has an inseparable social responsibility in conducting business and operations (inherent), which aims to provide benefits to all stakeholders (maslahah). Furthermore, it stated in the Qur’an as a source of worldview related to the muamalah concept (QS. Al-Jumu’ah verse 10), which mean: “And when the prayer has been concluded, disperse within the land and seek from the bounty of Allah, and remember Allah often that you may succeed.” The importance of the contribution of Islamic banks to public welfare and financial stability, then Islamic banks need to maintain their performance. Performance evaluation is a method for measuring company achievements based on predetermined business targets and is usually done at the end of the year, along with a budget realization. Performance determination is part of the control that aims to help the company improve its future performance and also helps to identify deficiencies in the organization’s operations throughout the financial year. Financial performance is an activity of analyzing to determine the extent to which the company has realized its work program and strategy following the achievement of key financial indicators that have become commitments from the management board (Prentice, 2016).

Performance measurement with the maqashid Sharia Index in this study refers to the theory of maqashid sharia by Zahra (1997), which includes three aspects of sharia objectives, namely Tahdzib al Fard (education aspect), Iqamah al-adl (justice aspect), and Jalb al-maslahah (welfare aspect). These three objectives were reduced to several measurement indicators. This is so that the three aspects of sharia objectives can be operationally measured and determined in value. The unique character possessed by Islamic banks allows the measurement of performance from a different perspective from conventional banks. This paper begins with the background of the study, which includes the literature review relevant to this study as well as the conceptual framework. It is followed by the research method and provides and discusses the result of hypothesis tests. Finally, it concludes with summary, implication and recommendation for further research.

Methods

The research method used in this research is descriptive and comparative methods. The descriptive approach is a method used to describe or analyze research results. The comparative method is research that compares one or more variables in two or more different samples. Furthermore, this study uses cross-sectional data types, which is a type of
data whose value is taken at a particular time (one shoot time) within limits corresponding to specific attributes measurement. The source of the data used is secondary data that is data from parties or institutions that have used or published it. Therefore the data used can be ascertained of its use, so researchers are no longer needed to test their validity and reliability. The population in this study is 13 Sharia Commercial Banks in Indonesia in 2017, and in Bahrain, which is 9 Banks in 2017. The sampling technique used is the census sampling technique. The census is a technique of taking the whole of the population members. In determining the maqashid shariah index variable. Furthermore, to provide an assessment of these ratios, a weighting value is determined to calculate the valuation of the sharia maqashid index of an Islamic bank. The weight of the value of each ratio shows in Table 1.

<table>
<thead>
<tr>
<th>Maqashid Sharia</th>
<th>Weight Average (100%)</th>
<th>Element (E)</th>
<th>Performance Ratio (R)</th>
<th>Weight Average (100%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tahdzib al-Fard (Education Aspect) – O1</td>
<td>30 (W1)</td>
<td>E1(^1). Education Grant</td>
<td>R1(^1). Education Grant/Total Income</td>
<td>24 (E1(^1))</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E1(^2). Research</td>
<td>R1(^2). Research Expense/Total Expense</td>
<td>27 (E1(^2))</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E1(^3). Training</td>
<td>R1(^3). Training Expense/Total Expense</td>
<td>26 (E1(^3))</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E1(^4). Publication</td>
<td>R1(^4). Publicity Expense/Total Expense</td>
<td>23 (E1(^4))</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Iqamah al- adl (Justice Aspect) – O2</td>
<td>41 (W2)</td>
<td>E2(^1). Fair Return</td>
<td>R2(^1). Profit/Total Income</td>
<td>30 (E2(^1))</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E2(^2). Profit and Loss Sharing Contract</td>
<td>R2(^2). Mudharabah and Musharakah Contract/total investment Contract</td>
<td>32 (E2(^2))</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E2(^3). Free Interest Products</td>
<td>R2(^3). Interest-Free income/Total Income</td>
<td>38 (E2(^3))</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Ijab al-Masalahah (Welfare Aspect) – O3</td>
<td>29(W3)</td>
<td>E3(^1). Profit Ratio</td>
<td>R3(^1). Net Profit/Total Asset</td>
<td>33 (E3(^1))</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E3(^2). Social Purposes Ratio</td>
<td>R3(^2). Zakah/Net Income</td>
<td>30 (E3(^2))</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E3(^3). Real Sector Investment Ratio</td>
<td>R3(^3). Investment Deposit/Total Deposit</td>
<td>37 (E3(^3))</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: (Syafii et al., 2012)

There are several mechanisms to process it. Some of the steps are as follows:

- The Mechanism to Determine Performance Indicators (PI):
  a. The ratio of Education Grants/Total Expenses (R1\(^1\))
  b. The ratio of Research/Load Amount (R1\(^2\))
  c. The ratio of Training Costs/Total Load (R1\(^3\))
d. The ratio of Publicity Costs/Total Expenses (R1^4)
e. The ratio of Profit Equalization Reserve/Net Profit Investment (R1^5)
f. The ratio of Total Mudharabah and Musyarakah Financing/Total Investment (R2^3)
g. The ratio of Non-Interest Income/Total Income (R2^2)
h. The ratio of Revenue/Total Assets (R3^1)
i. The ratio of Zakat/Net Income (R3^2)
j. The ratio of Investment in the Real Sector/Total Investment (R3^3)

- Calculate the performance of Islamic banks based on each performance indicator (PI). The next step is to multiply the weight of each variable with the weight of the performance ratio for each attribute. Mathematically, the performance indicator calculation model is then called Performance Index (PI) with the following formula:

a. Education Aspect (O1)

PI (O1) = W1^1 x E1^1 x R1^1 + W1^2 x E1^2 x R1^2 + W1^3 x E1^3 x R1^3 + W1^4 x E1^4 x R1^4

or

PI (O1) = W1^1 (E1^1 x R1^1 + E1^2 x R1^2 + E1^3 x R1^3 + E1^4 x R1^4)

b. Justice Aspect (O1)

PI (O2) = W2^1 x E2^1 x R2^1 + W2^2 x E2^2 x R2^2 + W2^3 x E2^3 x R2^3

or

PI (O2) = W2^1 (E2^1 x R2^1 + E2^2 x R2^2 + E2^3 x R2^3)

c. Welfare Aspect (O3)

PI (O3) = W3^1 x E3^1 x R3^1 + W3^2 x E3^2 x R3^2 + W3^3 x E3^3 x R3^3

or

PI (O3) = W3^1 (E3^1 x R3^1 + E3^2 x R3^2 + E3^3 x R3^3)

Furthermore, the hypothesis test is using the independent t-test at a 95% confidence level with an error rate of analysis (Vania et al., 2018). Therefore, the criteria for acceptance or rejection of hypotheses will base on p-values. Thus, the decision based on probability is as follows:

(i) If p-value > 0.05 then the hypothesis is rejected (not significant);
(ii) If p-value < 0.05, the hypothesis is accepted (significant).

Result and Discussion

According to the secondary data that we collected and based on the methodology used, the maqashid sharia index (MSI) for Islamic banks in Indonesia and Islamic banks in Bahrain shows in Table 2. Furthermore, this study also uses descriptive statistical analysis to provide an overview of the Maqashid Shariah Index. Table 3 presents descriptive statistics for the Maqashid Shariah Index approach.
Based on Table 2 and Table 3, it is known that the minimum value of the Maqashid Shariah Index (MSI) of Islamic banking in Indonesia is 0.006. However, the maximum value of MSI of Islamic banks in Indonesia is 0.117, with an average MSI value of 0.043. Meanwhile, Islamic banking in Bahrain has a minimum MSI value of 0.007. While the maximum value of MSI of Islamic banks in Bahrain is 0.061, and the average MSI value is 0.031. According to the data in table 3, the average MSI of Islamic banks in Indonesia is higher when compared to the average MSI of Islamic banks in Bahrain.

Table 3. Descriptive Statistics Result

<table>
<thead>
<tr>
<th>Country</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSI</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>13</td>
<td>4311.7692</td>
<td>3326.75676</td>
<td>922.67631</td>
</tr>
<tr>
<td>Bahrain</td>
<td>9</td>
<td>3181.1111</td>
<td>2181.28566</td>
<td>727.09522</td>
</tr>
</tbody>
</table>
Using the Independent t-Test, in this case, carried out data analysis techniques in this study, the analysis was carried out in the framework of testing the hypothesis, before testing it was carried out examining the normality of the data as a condition for the use of parametric statistics. The data normality test uses the Shapiro Wilk test. The normality test decision is if the significance value of Shapiro Wilk is higher than 0.05, then the data is normally distributed. Vice versa, if the significance value is smaller than 0.05, then the data is not normally distributed. The following data normality test uses the Shapiro Wilk test:

<table>
<thead>
<tr>
<th>Table 4. Test of Normality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kolmogorov-Smirnov</strong></td>
</tr>
<tr>
<td>Statistic</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Indonesia</td>
</tr>
<tr>
<td>Bahrain</td>
</tr>
</tbody>
</table>

a. Lilliefors Significance Correction
* This is a lower bound of the true significance.

Based on the test results in Table 4, the results obtained are normally distributed data because the value of the Shapiro-Wilk significance level is above 0.05. Therefore, an Independent T-Test can be carried out because the t-Test, which is a parametric statistic, requires that the data be normally distributed.

<table>
<thead>
<tr>
<th>Table 5. Independent T-Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levene's Test for Equality of Variances</td>
</tr>
<tr>
<td><strong>F</strong></td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>MSI</td>
</tr>
<tr>
<td>Equal variances assumed</td>
</tr>
<tr>
<td>.962</td>
</tr>
</tbody>
</table>

Based on the data in Table 5, hypothesis testing can be done by comparing the significance levels as follows: (i) If sig. > 0.05, then Ho is accepted; (ii) If sig. < 0.05 then Ho is rejected. In this case, it can be seen that the significance is 0.3 > 0.05, then Ho is accepted, and Ha is rejected, meaning that the hypothesis stating that there are differences in performance at Islamic Commercial Banks in Indonesia and Bahrain is rejected.

The average Maqashid Shariah Index in Islamic banking in Indonesia is higher compared to Islamic banking in Bahrain. This shows that the performance of Islamic banking in Indonesia implements the principle of the maqashid shariah index is better if compared to Islamic banking in Bahrain. However, the difference is not significant, so that although the MSI of Islamic banks in Indonesia is higher than Islamic banks in Bahrain, the overall
MSI of Islamic banks in Bahrain is no different from the MSI of Islamic banks in Indonesia. Testing to prove the level of performance appraisal based on the maqashid shariah index can be determined by looking at a descriptive statistical table (Table 3). Nevertheless, the higher the MSI value, the better the implementation of the principles of maqashid shariah in Islamic banks.

As explained previously, the significance of the comparison of the performance of Islamic banking in Indonesia and Bahrain in terms of the maqashid sharia index is 0.3 > 0.05, which means that the hypothesis stating that there are differences in performance at Islamic Commercial Banks in Indonesia and Bahrain is rejected. Although there are differences in the application of accounting standards between the two countries, the measurement using the maqashid shariah index of Islamic banking performance in the two countries, there is no difference that is too significant. This condition is because Islamic banks, despite their location in different countries and also differences in regulations, but in carrying out their operations, Islamic banks remain consistent with Universal and inclusive Islamic values. Therefore, Islamic values teach the upholding of the values of justice, honesty, transparency, anti-corruption, and exploitation. This means that the primary mission of the existence of Islamic banks is to uphold ethical and moral values in business activities in terms of individuals, companies also countries (Sadhana, 2012).

Also, the results of this study are by previous research conducted by Ramadhani & Mutia (2016) related to the comparative analysis of the performance of Islamic banking in Indonesia and Malaysia in terms of the maqashid sharia index (MSI) is also consistent with this study that overall the object of research is not too significant differences. Although the countries that are the objects of research conducted by the authors differ (Indonesia and Malaysia). Syafii et al., (2012) also conducted further research related to the maqashid sharia index, also stated that MSI of Islamic banks in Indonesia are better than MSI of Islamic banks in Jordanian. However, the gap between MSI Islamic banks in Indonesia and Islamic banks in Jordan is not too far away, namely Islamic International Arab Bank Jordan (IIABJ) has an MSI of 0.09630, and Bank of Muamalat Indonesia (BMI) has an MSI of 0.11008. In other words, MSI of Islamic banks in Indonesia and MSI Islamic banks in Jordanian, there is no significant difference. Nevertheless, the results of this research, also supported by data from IFCI (Islamic Finance Country Index), which states that the ranking of Indonesia and Bahrain are close together. In 2017 Indonesia was ranked 7th while Bahrain was ranked 8th. IFCI itself is a financial advisory company based in London specializing in banking, finance, and Islamic education. IFCI's ranking is released in the annual edition of the Global Islamic Finance Report and is distributed through several conferences and seminars throughout the world.

Islamic values are an integral part of Islamic banking activities. These Islamic values include: justice; equality, fairness, and gender equity (Ahmad & Mahadi, 2019; Anas & Mounira, 2009; Nugroho & Chowdhury, 2016). According to Sukmadilaga & Nugroho (2017), Islam is a comprehensive religion so that in carrying out daily activities both in meeting basic needs (dharuriyah), secondary needs (hajjiyah), and tertiary needs (tahsiniyah) a Muslim must be following the objectives of the Islamic religion or maqashid sharia.
Likewise, to meet the needs of business transactions and financial transactions, they should choose Islamic bank products and services. Also, the application of Islamic maqashid applies to the operational and business activities of Islamic banks, where the main focus of Islamic banks is to carry out their business to provide benefits for all the Ummah. The existence of Islamic banks based on the concept of the tawhid string relationship (TSR) has the objective of creating a social well being based on the Qur’an and hadith (Choudhury, 2010; Harahap, 2006; Pratiwi, 2016). The purpose of social well being is to realize a “tamadun” society and “tsaqafah,” namely a community that has a high civilization (madani) where intellectual (tamadun) and spiritual aspects (tsaqafah) of society have been fulfilled (Nugroho et al., 2019). Because in Islam, the measure of prosperity is not from how much wealth is owned, but the knowledge and assets owned can be beneficial to the Ummah, and the level of faith of a Muslim can only be measured by Allah SWT (Pranam, 2013). Therefore, referring to the results of the research in this article, Islamic banks in Indonesia and Bahrain, although the two countries have different constitutions, the implementation of performance based on the Maqashid sharia perspective does not record significant differences. In other words, the application of maqashid sharia has been integrated into the business activities of Islamic banks. It has become the specific products and services of Islamic banks that differentiate them from conventional banks.

Conclusion

The objectives and operational systems of Islamic banks have different characteristics from conventional banks. Therefore, to measure the performance of Islamic banks, different methods are needed from conventional banks. One of them is using the maqashid sharia index (MSI). Implementation of Islamic banks in a country is influenced by government policies and regulations that apply so that there are possible differences in their application in the country’s Islamic banks. However, based on the results of MSI research, Islamic banks in Indonesia and Bahrain Islamic banks, there were no significant differences so that universal values that became one of the principles of Islamic banks could be implemented even though there were differences in government policies and state regulations. Furthermore, this research is expected to be an evaluation material to improve the quality of the performance of Islamic banking by the principles and objectives of sharia (maqashid shariah) in Indonesia and Bahrain.

Islamic banking in Indonesia has developed quite rapidly, but Islamic banking in Indonesia has not forgotten its social responsibility to the community. This can be seen from the measurement results using the maqashid shariah index approach, which shows quite high figures on several measurement elements, which imply that the measurement of Islamic banking performance is not only measured with financial ratios but also there is a measurement of social aspects and spiritual aspects. Nevertheless, Islamic laws and regulations can adapt to social changes that occur in society.

The Islamic banking industry can use the maqashid sharia index to inform its performance following sharia principles in its financial statements to disclose the business performance and compliance with Islamic law. Also, future studies can use the maqashid
sharia index to measure the performance of sharia financial institutions so that more evidence found that sharia financial institutions have implemented maqashid sharia in their business activities.

References


