

# PERFORMANCE ANALYSIS OF SHARIA BANKING IN INDONESIA AND MALAYSIA USING THE SHARIA *MAQASHID* INDEX CONCEPT (Comparative Study on Sharia Banking in Indonesia and Malaysia 2015-2019 Period)

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**Abstract:** This study aims to determine whether there is a significant difference between Indonesian and Malaysian Sharia banks and to analyze performance Sharia banks based on the *Maqashid* Syariah concept using the SMI (Sharia *Maqashid* Index) value. This study uses data from financial statements and annual reports provided by each sample of Sharia banks. All samples consist of 6 Sharia Banks in Indonesia and 9 Sharia Banks in Malaysia using the purposive sampling method. The observed period was for a five-year period, from 2015 to 2019. The analytical methods in this study were the Descriptive Test, Normality Test, Homogeneity Test, and Difference Test. Based on the results of the study, it can be concluded that the highest performance rating of Sharia banking in Indonesia was achieved by BTPN Syariah and the highest performance rating of Sharia banking in Malaysia was achieved by CIMB Islamic Bank Berhad. The results of this study indicate that the SMI value in Indonesian Sharia Banking has a significant difference from Malaysian Sharia Banking.

**Keywords:** *Maqashid* Sharia, Banking Performance, Sharia Banking, Sharia *Maqashid* Index, Indonesia, Malaysia

**Abstrak:** Penelitian ini bertujuan untuk mengetahui ada tidaknya perbedaan yang signifikan antara Bank Syariah Indonesia dan Malaysia serta menganalisis kinerja berdasarkan konsep *Maqashid* Syariah dengan menggunakan Nilai SMI (Sharia *Maqashid* Index). Penelitian ini menggunakan data dari laporan keuangan dan laporan tahunan yang disediakan oleh masing-masing sampel Bank Syariah. Seluruh sampel terdiri dari 6 Bank Umum Syariah di Indonesia dan 9 Bank Umum Syariah di Malaysia dengan menggunakan metode purposive sampling. Total observasi adalah 75 selama periode lima tahun (2015-2019). Metode analisis dalam penelitian ini adalah Uji Deskriptif, Uji Normalitas, Uji Homogenitas, dan Uji Beda. Berdasarkan hasil penelitian dapat disimpulkan bahwa peringkat kinerja tertinggi perbankan syariah di Indonesia diraih oleh BTPN Syariah dan peringkat kinerja tertinggi perbankan syariah di Malaysia diraih oleh CIMB Islamic Bank Berhad. Hasil penelitian ini menunjukkan bahwa nilai SMI pada Perbankan Syariah Indonesia terdapat perbedaan yang signifikan dengan Perbankan Syariah Malaysia.

**Kata Kunci:** *Maqashid* Syariah, Kinerja Perbankan, Perbankan Syariah, Sharia *Maqashid* Index, Indonesia, Malaysia

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## INTRODUCTION

One of the aspects of Islamic economics that are considered the most developed today is Sharia banking. The growth of Sharia banking finance has caught the attention of the financial world in recent years. Sharia banking can provide innovations for financial solutions, especially for the Muslim community in the world who want to conduct transactions without compromising the principles of sharia (Imansari, 2015).

It is undeniable that the Southeast Asia region has now developed into a center for the development of the Islamic finance and banking industry in the world. Indonesia and Malaysia as countries with a majority Muslim population are driving the industry in Southeast Asia. The two countries even ranked first and second as countries with growth in Islamic finance and banking according to the IFCI in 2019.

**Table 1.** Islamic Finance Country Index (IFCI) Values and Ratings for 2019

COUNTRIES	2019 SCORE	2018 SCORE	CHANGE IN SCORE	2019 RANK	2018 RANK	CHANGE IN RANK
INDONESIA	81.93	24.13	+ 57.80	1	6	+ 5
MALAYSIA	81.05	81.01	+ 0.04	2	1	-1
IRAN	79.03	79.01	+ 0.02	3	2	-1
SAUDI ARABIA	60.65	66.66	- 6.01	4	3	-1
SUDAN	55.71	17.09	+ 38.62	5	11	+ 6
BRUNEI DARUSSALAM	49.99	10.11	+39.88	6	14	+ 8
UNITED ARAB EMIRATES	45.31	39.78	+5.53	7	4	-3
BANGLADESH	43.01	17.78	+25.23	8	10	+ 2

Source : Islamic Finance Country Index, 2019

Malaysia, which has been ranked first with stable growth, can finally be surpassed by Indonesia with the highest growth value in IFCI. According to the IFCI (Islamic Finance Country Index) survey data, the significant growth experienced by Indonesia was influenced by growth factors in the Sharia banking sector which were getting better.

In Indonesia, Sharia banking first appeared in 1991 with the establishment of Bank Muamalat Indonesia (BMI) which was initiated by the *Majelis Ulama Indonesia* (MUI) or Indonesian Ulama Council and the government as well as support from *the Ikatan Cendekiawan Muslim Indonesia* (ICMI) or Indonesian Muslim Intellectuals Association and several Muslim entrepreneurs. Bank Muamalat Indonesia (BMI) itself was also briefly affected by the monetary crisis at the end of the 90s which left only a third of its equity capital remaining. Then, IDB provided an injection of funds so that in the 1999-2002 period it could rise and generate profits. Currently, the existence of Sharia banks in Indonesia has been regulated in the Act, namely Law no. 10 of 1998 concerning amendments to Law no. 7 of 1992

concerning Banking and more specifically the Government Regulation no. 73 of 1992 concerning Banks Based on Profit Sharing Principles (Presiden Republik Indonesia, 1972).

Meanwhile, Sharia banking in Malaysia was established in 1983. The establishment of the Bank Islam Malaysian Berhad (BIMB) or Islamic Bank Malaysian Berhad on July 1, 1983, as the first Islamic bank was the first step in the development of Sharia banking in Malaysia. In its development, Sharia banks in Malaysia have developed faster than the development of Sharia banks in Indonesia. It can be seen from the total assets of Sharia banks in Indonesia in 2019 of 350 trillion Rupiah, which is smaller than the total assets of Sharia banks in Malaysia of 2,789 trillion Rupiah.

Sharia banks as business institutions that run based on sharia principles should not be directed to generate maximum profit. As a business institution, Sharia banks must be directed to achieve success in this world and the *Akhirat* (hereafter). The establishment of Sharia banks has the aim of contributing to the achievement of Islamic *Maqashid*, Sharia banks must have a much bigger goal than just achieving maximum profit and must also strive to realize sharia *Maqashid* (Wahyuni, 2018).

Performance measurement is very important in banking because performance measurement is a description of the achievements that have been made by banks in their operational activities (Hannan, 2018). With the development of Sharia banking in Indonesia and Malaysia, the company's performance also needs to be increasingly considered, because Sharia banking is not only a company with a profit-oriented goal, but also profit and *falah* must go hand in hand so that sharia goals can be achieved.

Currently, sharia banking performance measurement is still adopting conventional banking performance measurement. This happens because there is no study on the objectives of Sharia banking to measure its performance. As a consequence, the measurements used to measure the performance of Sharia banking are similar to those of conventional banking. As a result, there is a measurement discrepancy due to different objectives, where conventional banking measurements are focused on measuring financial condition, while Sharia banking has other objectives besides financial goals (Syahputra, 2015).

So far, the measurement of Sharia banking performance is only limited to measurements in terms of economic performance or from the financial side based on financial ratios such as CAMELS (Capital, Asset, Management, Earning, Liquidity, Sensitivity of Market Risk) and EVA (Economic Value Added). The performance assessment of Sharia banking based on the calculation of CAMELS and EVA financial ratios has several weaknesses. First, by making financial ratios the main determinant of banking performance appraisal, managers will act to

ignore long-term plans. Second, ignoring the non-financial and fixed asset measurement aspects will give bank managers a wrong view, both now and in the future. Third, banking performance which is only based on past financial performance is not able to bring the company to achieve its goals in the future (Syofyan, 2017).

Sharia banking has a goal that is based on the foundation of Islamic economics. The assessment of objectives in Sharia banks is not only assessed from the high and low profitability values such as conventional banking, but also considers aspects that should be taken into account in the assessment of Sharia banking. This aspect is in the form of an index of the usefulness of Islamic financial institutions (*syari'ah Maqashid*) by measuring the growth of five parameters such as: *Aql, Dien, Nasl, Nafs* and *Maal*. These five aspects are classified into three main objectives of sharia, namely *Tahzib al-Fardi* (Educating Humans), *Iqamah Al adl* (Enforcing Justice) and *Jalb Maslahah* (Public Interest) (Imansari, 2015).

In this case, the performance assessment of Sharia banks can be measured using the *Maqashid* sharia concept. This concept is one of the efforts to implement unique performance measurements by *Maqashid* sharia for Sharia banking. Furthermore, the concept of *Maqashid* sharia was developed from Abu Zahrah's theory that there are three objectives of the *Maqashid* sharia concept more broadly and generally, namely *Tahzib al-Fardi* (Educating Humans), *Iqamah Al adl* (Enforcing Justice) and *Jalb Maslahah* (Public Interest) (Devi and Fitriyah, 2017).

The development of *Maqashid* sharia as an assessment of the performance of Sharia banks has been tested empirically by Mohammed et al., (2008) in "The Performance Measures of Sharia banking Based on the *Maqashid* Framework" which produces a concept of measuring financial performance called the Sharia *Maqashid* Index (SMI). . The concept of Sharia *Maqashid* Index has been tested and verified by experts from the Middle East and Malaysia who are experts in both Sharia banking and conventional banking through several stages. The first stage was conducted by interviewing 12 experts from the field of Sharia banking, fiqh experts, and Islamic economists. The second stage is by giving questionnaires to 16 other experts who in the end agreed to accept the Sharia *Maqashid* Index as the most suitable concept for measuring the performance of Sharia banking according to its objectives.

In addition to the Sharia *Maqashid* Index, Kuppusamy et al, 2010 developed another method to measure the performance of Sharia banking, namely the Sharia Conformity and Profitability (SCnP) method. This method only develops 2 approaches or variables, namely Sharia Conformity and Profitability which are divided into 4 performance ratios while the Sharia *Maqashid* Index has a larger scope by developing 3 variables into 10 performance ratios.

All research results using these measuring instruments show better results when compared to measuring using conventional methods (Prasetyowati and Handoko, 2016).

The measurement of the performance of Sharia banking in Indonesia is still using the same method as conventional banking. This is of course very unfortunate because Sharia banking and conventional banking have different objectives and the legal basis. Therefore, a method that is by the basis and objectives of sharia is needed. Sharia *Maqashid* index is one of the appropriate methods to measure the performance of sharia banking because it contains elements and objectives of sharia.

Based on the explanation of the background above, this research raises the title **“Performance Analysis Of Sharia Banking In Indonesia And Malaysia Using The Sharia *Maqashid* Index Concept” (Comparative Study On Sharia Banking In Indonesia And Malaysia 2015-2019 Period).**

Based on the description of the background above, the problems discussed in this study are:

1. How was the performance of sharia banking in Indonesia during 2015-2019 based on the sharia *Maqashid* index?
2. How was the performance of sharia banking in Malaysia during 2015-2019 based on the sharia *Maqashid* index?
3. Is there a difference in the performance of sharia banking in Indonesia with sharia banking in Malaysia during 2015-2019 based on the sharia *Maqashid* index?

## **LITERATURE REVIEW**

### **Sharia Bank**

Sharia Banks or Sharia banks in Law no. 21 of 2008 concerning Sharia Banking is defined as a bank that carries out business activities based on sharia principles, or the principles of Islamic law regulated in the fatwa of the *Majelis Ulama Indonesia* (MUI) or Indonesian Ulama Council such as the principles of justice and balance (*'adl watawazun*), benefit (*maslahah*), universalism (*alamiyah*), and does not contain *gharar*, *maysir*, *riba* (usury), *zalim* (injustice) and unlawful objects (Presiden Republik Indonesia, 2008).

The differences between Sharia banks or Sharia banks and conventional banks are described as follows:

**Table 2.** Difference Between Sharia Banks and Conventional Banks

Sharia Banks	Conventional Banks
Make only investments that are <i>halal</i> (lawful) according to Islamic law;	Make investments, both <i>halal</i> and <i>haram</i> according to Islamic law;
Profit-oriented and <i>falah</i> (happiness in the world and the <i>akhirat</i> (hereafter) according to Islamic teachings);	Profit Oriented;
Using the principle of profit sharing, buying and selling, and renting;	Using the bank's interest rate tool;
Collection and distribution of funds in accordance with the fatwa of the Sharia Supervisory Board;	The collection and distribution of funds is not regulated by a similar board;
Relationships with customers in the form of partnerships.	Relationships with customers in the form of creditors-debtors.

### Sharia Banking Principles

According to the Republic of Indonesia Law No. 21 of 2008 article 2, Sharia Banking in carrying out its business activities must be based on Sharia Principles, economic democracy, and the principle of prudence. So that in carrying out its activities, Sharia banks have principles that must be obeyed and must not be violated. The principles of Sharia banks are different and more stringent than those of conventional banking (Presiden Republik Indonesia, 2008).

The sharia principles according to Imansari (2015) are as follows:

1. Not allowed to take or receive bank interest;
2. Financial transactions must be free from usury and directly or indirectly related to economic transactions in real terms. Profits taken from debt transactions and debt trading are viewed from the sharia perspective as unethical;
3. Financial transactions may not exploit one of the parties to the transaction;
4. Both the lender and the borrower must share the profits and losses arising from the activities carried out;
5. Prohibit illicit assets;
6. Prohibit transactions involving uncertainty such as speculation or gambling.
7. Every financial transaction must be based on tangible assets as well as identifiable real sectors.

Then in the Elucidation of Law No. 21 of 2008 Article 2, it is stated that business activities based on sharia principles are business activities that do not contain the following elements:

1. *Riba*, namely the addition of illegal income (*batil*), among others, in the exchange of similar goods that are not of the same quality, quantity and time of delivery (*fadhhl*) or in

- lending and borrowing transactions that require the customer receiving the facility to return the funds received in excess of the loan principal because the passage of time (*nasi'ah*);
2. *Maisir*, namely transactions that are dependent on an uncertain situation and are chancy;
  3. *Gharar*, namely transactions whose object is unclear, not owned, whose whereabouts are unknown, or cannot be submitted at the time the transaction is made unless otherwise regulated in sharia;
  4. *Haram*, namely transactions whose objects are prohibited in sharia;
  5. *Zalim*, namely transactions that cause injustice to other parties.

### Sharia Banks Functions

Sharia banks have two main roles, namely as a business entity (*tamwil*) and a social entity (*maal*). Sharia banks as business entities have several functions, namely as investment managers, investors, and services. Sharia banks that act as investment managers collect funds from investors/customers with the principle of deposit (*wadi'ah yad dhamanah*), profit sharing (*mudharabah*), or rent (*ijarah*). Meanwhile, Sharia banks as investors distribute funds through investment activities with the principle of profit-sharing, buying and selling, or leasing. As a provider of banking services, Sharia banks provide financial services, non-financial services, and agency services. Financial services provided by Sharia banks include, among others, the principle of granting a mandate (*wakalah*), bank guarantees (*kafalah*), debt transfer (*hiwalah*), debt guarantees or pledges (*rahn*), benevolence loans for bailout funds (*qardh*), buying and selling foreign exchange. (*sharf*), and others. Non-financial services in the form of *wadi'ah yad amanah* (safe deposit box) and agency services with the principle of *mudharabah muqayyadah*. Meanwhile, as a social agency, Sharia banks have the function of managing social funds.

The activities of Sharia banks are not only profit-oriented but also social welfare-oriented. Therefore, in running their business, Sharia banks always pay attention to the social implications that come from the decisions taken by the bank, including financing. The concept of Sharia banking requires Sharia banks to provide social services whether through *Qard* funds (benevolent loans) or *zakat* and donation funds by Islamic principles. In addition, the concept of Sharia banking requires Sharia banks to play an important role in developing their human resources and contributing to social welfare (Sukoco, 2017).

Profit is not the only criterion in evaluating the performance of an Islamic bank because it must also be in line with material and social objectives by the interests of the community. In addition to paying attention to social welfare in every commercial business, Sharia banks also carry out social activities through various activities, including:

- a. Has a division that receives and distributes *zakat*, *infaq*, and *sadaqah*;
- b. Giving benevolent loans without interest (*qardhul hasan*);
- c. Set aside a portion of the profits for social activities, such as providing scholarships.

### **Maqashid Sharia**

*Maqashid* sharia in language consists of two words, namely *Maqashid* and *al-syariah*. *Maqashid* means intentional or purposes while *al-syariah* means the road to a water source, it can also be said as a way to the main source of life (Al Ghifari et al., 2015). In terminology, *Maqashid* sharia is the safeguarding of the aims and objectives of sharia as a basic effort to survive, withstand the factors of damage and encourage prosperity (Rosyidah et al., 2018).

For the goals of sharia (*Maqashid* sharia) to be achieved, humans must obey and implement them in everyday life. The achievement of the goals of sharia includes maintaining religion (*Hifdz Ad-Din*), maintaining the soul (*Hifdz An-Nafs*), maintaining the mind (*Hifdz Al'Aql*), maintaining offspring (*Hifdz An-Nasb*) and maintain the property (*Hifdz Al-Maal*) (Cakhyaneu, 2018). These goals must be implemented and achieved to bring benefit and prevent harm to humans. All aspects of the life of individual Muslims must lead to the achievement of benefits as desired by *Maqashid* sharia (Liliani, 2018).

*Maqashid* Sharia is based on benefits for the individual and his community. The law in it is designed to protect all benefits, as well as facilities that promote human life on earth. The concept of *Maqashid* sharia is important to be implemented so that it can be a guard for every economic and financial transaction so that it can keep up with the times but at the same time cannot be separated from the basic principles of sharia (Pratama, 2017). *Maqashid* Sharia or sharia objectives are evidence of an integral aspect of sharia law and are the key to sharia supervisory boards in financial institutions (Hurayra, 2015).

Abu Zahrah (in Khosmiyah, 2019) classifies that there are three laws in Islamic sharia, namely as follows:

1. *Tahdhib al-Fard* (educating individuals)

Educating individuals each Muslim can be a source of goodness, not a source of evil for the community. Cleansing the individual to become a source of virtue for the group and society, that is, by not being a source of evil for them. This can be achieved by doing worship. All of which are aimed at cleansing the soul of all impurities (diseases) and strengthening social solidarity. There are four indicator ratios contained in this variable, namely Education Funds or scholarships, Research, Training, and Publicity which can be

obtained from the annual report data or the annual report of each Islamic Commercial Bank in each country.

2. *Iqamah al-Adl* (establishing justice)

Upholding justice in society, both concerning matters between fellow Muslims and in dealing with other parties (non-Muslims). The purpose of establishing justice in Islam is very noble. Concerning various aspects of life, namely justice in the fields of law, justice and witnessing as well as fairness in muamalah (associating) with other parties, as well as efforts to realize social justice Islam requires that upholding human rights so that each person gets the part to which they are fully entitled, is not harmed and not mistreated. There are three indicator ratios contained in this variable, namely Fair Return, Distribution Function, and Non-Interest Products which can be obtained from the annual report data or the annual report of each Islamic Commercial Bank in each country.

3. *Jalb al-Maslahah* (achieving prosperity)

Realizing benefit in all legal aspects. All legal provisions that have been prescribed by the Qur'an and Sunnah must contain the content of true benefit. Although the charge of benefit is not visible in front of people who are made of lust. Because the benefit that Islam wants is not lust, but the general essential benefit, not the interests of certain (special) parties. There are three indicator ratios contained in this variable, namely Profit Return, Investment Ratio in the Real Sector, and *Zakat*. Which can be obtained from the annual report data or the annual report of each Islamic Commercial Bank in each country

### **Sharia *Maqashid* Index (SMI)**

Sharia *Maqashid* Index (SMI) is a method of measuring the performance of Sharia banking developed by Mohammed et al., (2008). In his research "The Performance Measures of Sharia banking Based on The *Maqashid* Framework". This performance measurement method is based on the inappropriate use of conventional performance indicators in Sharia banking. This is due to a mismatch between their goals, which should be multidimensional, and conventional benchmarks that are unidimensional, with a focus on financial measures (Wahyuni, 2018). The variables used to adopt Abu Zaharah's *Maqashid* sharia theory are *tahdhib al-fard* (educating individuals), *iqamah al-adl* (enforcing justice), and *jalb al maslahah* (achieving prosperity).

Mohammed and Razak are Associate Professors and Coordinators at the Center for Islamic Economics within the Department of Economics, Kulliyyah Economics and Management, International Islamic University Malaysia (IIUM). Mohammed et al used the Sekaran method operationally to determine the objectives of Sharia banking into a measurable ratio. This is

done by looking at the behavioral dimensions which are symbolized by the concept. Then it is translated to the observed and measured elements to form a concept measurement index.

By using the Sekaran method, the three general objectives of Sharia banks, namely educating individuals, upholding justice, and achieving prosperity can be explained operationally. Each of these goals or concepts is then translated into broad characteristics or dimensions and finally into measurable behaviors or elements. The three *Maqashid* can be transformed into 9 dimensions and 10 elements. Those ten elements turn into a performance ratio.

**Table 3.** *Maqashid* Sharia Concept

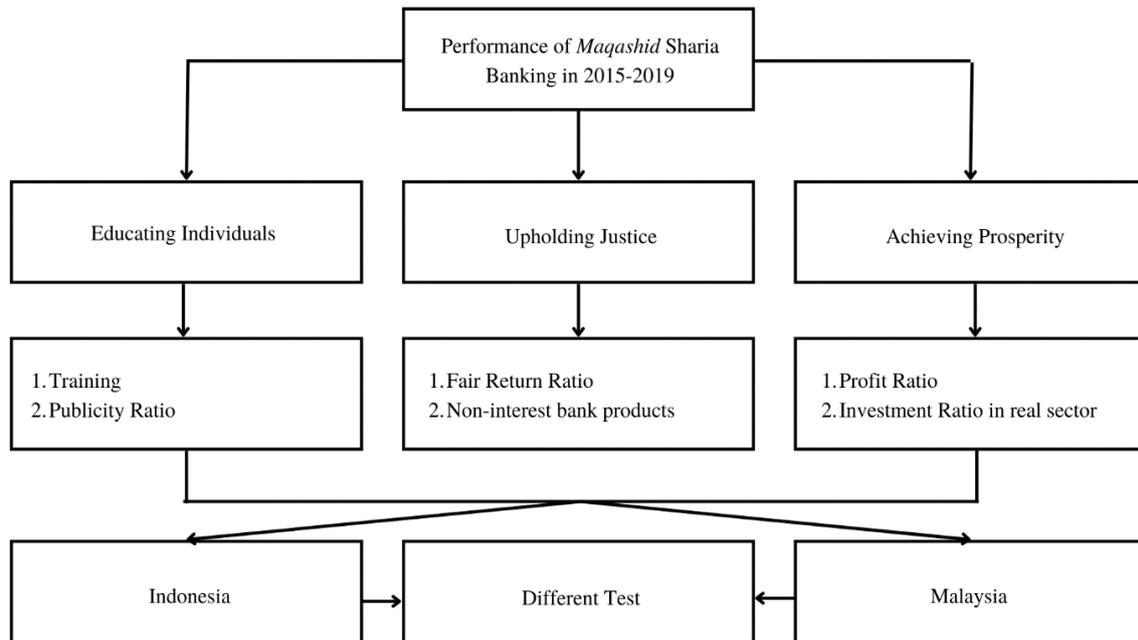
Concept	Dimension	Element
<b>1. Educating Individuals</b>	D1. Increase Knowledge	E1. Education Grant
		E2. Research
	D2. Add and Upgrade new abilities	E3. Training
	D3. Creating Public Awareness of the Existence of Sharia banks	E4. Publicity
<b>2. Upholding Justice</b>	D4. Fair Contract	E5. Fair Return
	D5. Affordable Products & Services	E6. Affordable Cost
	D6. Elimination of Injustice	E7. Non-interest bank products
<b>3. Achieving Prosperity</b>	D7. Profitability	E8. Profit Ratio
	D8. Distribution of Wealth & Profit	E9. Personal Income
	D9. Investment in the Vital Real Sector	E10. Investment Ratio in real sector

Source: Astuti, 2018

In this research, the variables that will be used to examine the differences between Sharia banks in Indonesia and Malaysia underwent a slight modification due to the limited data sources available, including a reduction in the variables for the ratio of educational grants, research and development costs, affordable fees, and personal income.

### Theoretical Framework

The theoretical framework built in this research is to analyze the performance of sharia banking listed on the Indonesia Stock Exchange and the Malaysia Stock Exchange. This study uses *Maqashid* Sharia, namely educating individuals, realizing justice, and achieving prosperity which is divided into 10 elements that can be calculated by ratios.



**Figure 1.** Theoretical Framework

## RESEARCH METHODOLOGY

### Variables and Measurements

In this research, the variable used is the performance of Sharia banks based on the *Maqashid* sharia concept. The concept of *Maqashid* Sharia used is the concept of sharia objectives from Abu Zahra. Abu Zahra divides the goals of sharia into three concepts, namely *Tahfidz al-Fard* (educating individuals), *Iqamah al-Adl* (enforcing justice), and *Jalb al-Maslahah* (achieving prosperity) (Vonza, 2019). The performance of Sharia banking is the result of the sum of the values of the three objective variables of the Islamic bank.

$$IMS = IK(T1) + IK(T2) + IK(T3)$$

Description:

IMS = *Shariah Maqashid Index*

IK(T1) = Total performance indicators of individual educational goals

IK(T2) = Total performance indicators for the purpose of upholding justice

IK(T3) = Total performance indicators of the goal of achieving prosperity

Each of these goals or concepts is then translated into broad characteristics or dimensions and finally into measurable behaviors or elements. The three *Maqashid* can be transformed into 9 dimensions and 10 elements. The ten elements turn into performance ratios as shown in the following table:

**Table 4.** Dimension of *Maqashid* Sharia

Concept	Dimensions	Element	Ratio	Source
1. Educating Individuals	D1. Add and Upgrade new abilities	E1. Training	R1. Education and Training Cost / total cost	Annual report
	D2. Creating Public Awareness of the Existence of Sharia banks	E2. Publicity	R2. Publicity fee / total cost	Annual report
2. Upholding Justice	D3. Fair Contract	E3. Fair Return	R3. Profit / total income	Annual report
	D4. Elimination of Injustice	E4. Non-interest bank products	R4. Non-Interest Income/total income	Annual report
3. Achieving Prosperity	D5. Profitability	E5. Profit Ratio	R5. Net profit/total assets	Annual report
	D6. Investment in the Vital Real Sector	E6. Investment Ratio in real sector	R6. Investment in real sector/total investment	Annual report

Source : The concept of *Maqashid* Sharia

By using the current method, the performance assessment of Sharia banking based on the *Maqashid* sharia concept formulated by Muslim researchers in Imansari (2015) is as follows:

**Table 5.** Average Weight of Variables and Elements

Konsep	Weight of Scale Variables (100%)	Element	Scale Element Weight (100%)
1. Educating Individuals	30	E1. Training	53
		E2. Publicity	47
		<b>TOTAL</b>	<b>100</b>
2. Upholding Justice	41	E3. Fair Return	44
		E4. Non-interest bank products	56
		<b>TOTAL</b>	<b>100</b>
3. Achieving Prosperity	29	E5. Profit ratio	47
		E6. Investment Ratio in real sector	53
		<b>TOTAL</b>	<b>100</b>

Source : Imansari, 2015

### Educating Individuals

The first objective is to reveal how Sharia banking should spread knowledge and abilities and instill values that support spiritual development (Sukoco, 2017). The Indikator Kerja (IK) or Performance Indicators for the first Goal are as follows:

$$\mathbf{IK (T1) = W11 \times E11 \times R11 + W11 \times E21 \times R21}$$

or

$$\mathbf{W11 (E11 \times R11 + E21 \times R21)}$$

Description:

- T1 = The first objective of *Maqashid* sharia  
 W11 = Average weight to educating individuals  
 E11 = Average weight for the first element to educating individuals  
 E21 = Average weight for the second element to educating the individual  
 R11 = Performance ratio for the first element of the goal of educating individuals  
 R21 = Ratio of performance for the second element of the goal of educating individuals

### **Upholding Justice**

The Indikator Kerja (IK) or Performance Indicators for the second objective are as follows:

$$\mathbf{IK (T2) = W22 \times E12 \times R12 + W22 \times E22 \times R32}$$

or

$$\mathbf{W22 ( E12 \times R12 + E22 \times R32 )}$$

Description:

- T2 = The second goal of *Maqashid* sharia  
 W22 = Average weight for justice purposes  
 E12 = Average weight for the first element to Upholding Justice  
 E22 = Average weight for the second element to Upholding Justice  
 R12 = Performance ratio for the first element of the objective of Upholding Justice  
 R22 = Performance ratio for the second element of justice

### **Achieving Prosperity**

The Indikator Kerja (IK) or Performance Indicators for the third Goal are as follows:

$$\mathbf{IK (T3) = W33 \times E13 \times R13 + W33 \times E23 \times R23}$$

or

$$\mathbf{W33 ( E13 \times R13 + E23 \times R23 )}$$

Description:

- T3 = The third objective of *Maqashid* sharia  
 W33 = Average weight to achieve welfare  
 E13 = Average weight for the first element of the goal of achieving achieving prosperity  
 E23 = Average weight for the two elements of the goal of achieving achieving prosperity  
 R13 = Performance ratio for the first element of the goal of achieving prosperity

R23 = Performance ratio for the second element of the goal of achieving prosperity

### **Population**

The population is a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by the researcher to be studied and then draw conclusions (Wahyuni, 2018). The population in this study are Islamic Commercial Banks in Indonesia and Malaysia which are registered with the Otoritas Jasa Keuangan (OJK) or Financial Services Authority and Bank Negara Malaysia during the 2015-2019 period.

### **Sample**

The sample is part of the number and characteristics possessed by the population. The sampling technique used was the purposive sampling technique. Purposive sampling is the selection of samples based on certain criteria (Sari, 2016). The considerations in determining the sample in this study are as follows:

- a. Sharia banking that has been in the form of a Bank Umum Syariah (BUS) or Sharia Commercial Bank and registered with the Financial Services Authority and Bank Negara Malaysia;
- b. Has been operating at least early 2015;
- c. Sharia Commercial Banks have published their annual reports consistently during the 2015-2019 period.

### **Data Collection Technique**

This research uses secondary data with the method of documentation and literature study. The documentation method is carried out by collecting the required data from the official website of the Indonesia Stock Exchange (IDX), Bursa Malaysia, and the official websites of each Islamic bank. While the literature study method is carried out as a basic guide in using literature, journals, and library sources for research.

### **Data Analysis Method**

The data analysis method used in this research is to use the Simple Additive Weighted method. This method is used to see how big the achievement of the *Maqashid* index is by summing each ratio that has a certain weight value that has been determined by sharia experts in the world (Imansari, 2015). After calculating the *Maqashid* value and sharia purpose value in the two countries, a descriptive statistical analysis and two-sample difference test will be carried out to see the average difference in overall sharia *Maqashid* performance and the difference in sharia objectives between Indonesian and Malaysian Sharia banking.

## **Descriptive Statistics**

Descriptive statistics is a statistical technique used to provide an overview of information about the characteristics of a group of data. The purpose of this descriptive statistical test is to combine and provide simple explanations regarding research variables, such as the number of research variables, maximum, minimum, average, and standard deviation values of each variable to be studied (Ghozali , 2016).

## **Normality Test**

The normality test aims to test whether the regression model of the confounding or residual variables has a normal distribution or not. It is known that the t and F tests assume that the residual value follows a normal distribution. If this assumption is violated, the statistical test becomes invalid for a small sample size (Ghozali, 2016). Submission of data in this study was carried out using Kolmogorov-Smirnov (KS) with test criteria  $\alpha = 0.05$  where:

- a. If  $\text{sig} \geq \alpha$  means the residual is normally distributed
- b. If  $\text{sig} \leq \alpha$  means the residual is not normally distributed

## **Homogeneity Test**

The homogeneity test is different from the normality test although both are used as a condition in a parametric test. The difference lies in that if a normality test is required for all parametric tests, the homogeneity test is not always used. The homogeneity test is only used in the parametric test which examines the difference between the two groups or several groups with different subjects or data sources. Therefore, a homogeneity test is needed as an assumption of the independent t-test and ANOVA test. Whereas in the linear regression test, homogeneity is not needed as a condition because the linear regression test does not test the differences between several groups

## **Different Test Independent Sample T-test**

The variables used in this study will be tested using parametric testing, namely independent sample t-test. The t-test difference test was used to determine whether two unrelated samples had different mean values. The t-test difference test is carried out by comparing the difference between the two average values with the standard error of the difference in the average of the two samples (Ghozali, 2016). The purpose of the different t-test is to compare the mean of two groups that are not related to each other.

## RESULT AND DISCUSSION

### Descriptive Statistical Analysis

Descriptive statistics provide an overview of the minimum value, maximum value, total value, the average value (mean), standard deviation, and variance of the data used in the study. In this study, the characteristics of the Sharia *Maqashid* Index of Sharia banks in the two countries that are the object of research will be described. The results of the descriptive statistical test are presented in the following table:

**Table 6.** Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
SMI Bank Syariah Indonesia	6	,2996	,3921	,3524	,0325
SMI Bank Syariah Malaysia	9	,3535	,4120	,3809	,0168
Valid N (listwise)	15				

Source : Characteristics of the Sharia *Maqashid* Index

In this research, Indonesian Sharia banks consist of 6 Sharia banks where the average SMI reaches 0.3524 with a standard deviation of 0.0325. The minimum SMI value in this group is 0.2996 with a maximum score of 0.3921. This means that the highest SMI value for Indonesian Sharia banks in the 2015-2019 research period is at BTPN Syariah at 0.3921 while the lowest SMI value is at Bank Muamalat Indonesia at 0.2996.

In the Malaysian group, there are 9 Sharia banks where the average SMI is 0.3809 with a standard deviation of 0.0168. The minimum SMI value in this group is 0.3535 with a maximum score of 0.4120. The highest SMI value for Malaysian Sharia banks in the 2015-2019 research period was at CIMB Islamic Bank Berhad at 0.4120 while the lowest SMI value was at MIB at 0.3535.

Before testing the parametric data (differential t-test), the distribution of research data was first tested. One of the normality tests that can be used if the data is small is to use the Shapiro-Wilk method. If the research data is normally distributed, then the research data testing can use the parametric method. Meanwhile, if the data is not normally distributed, then the research data testing uses non-parametric methods. In addition, testing was also carried out on a variety of research data. Testing the data variance (homogeneity) of this study used the Levene test.

### Normality Test

Decision making from the Shapiro-Wilk test uses a significance value (p-value). The significance value of the test results which is greater than the alpha of 5% indicates that the data used is normally distributed.

**Table 7.** Shapiro-Wilk Normality Test Results

Sharia Bank		Tests of Normality					
		Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Maqashid Index	Indonesian Islamic Bank	0,217	6	0,200*	0,944	6	0,694
	Malaysian Islamic Bank	0,157	9	0,200*	0,970	9	0,897
*. This is a lower bound of the true significance.							
a. Lilliefors Significance Correction							

Source : Shapiro-Wilk method

Based on the table above, the normality test using the Shapiro-Wilk method obtained a significance value of 0.694 in the Indonesian Islamic Bank data group and 0.897 in the Malaysian Islamic Bank data group. Having a significant value for both groups that are greater than 0.05, creates that the research data is normally distributed.

### Homogeneity Test

This test uses the Levene test method to determine whether the sample groups to be compared have a homogeneous variance or not. The basis for making decisions from this test uses the significance value. The significance value of the test results which is greater than the alpha of 5% indicates that the variance between the sample groups is homogeneous.

**Table 8.** Levene Test Result

Test of Homogeneity of Variance					
		Levene Statistic	df1	df2	Sig.
Maqashid Index	Based on Mean	2,667	1	13	0,126
	Based on Median	1,503	1	13	0,242
	Based on Median and with adjusted df	1,503	1	8,847	0,252
	Based on trimmed mean	2,483	1	13	0,139

Source : p-value

Based on the table above, the significance value (p-value) of Levene's test is 0.126. It can be said that the research data has a homogeneous range of values between groups to be compared because the significant value obtained is greater than 0.05.

### Different test Independent t-Test

Different test Independent T-Test is used to test whether there is a difference in the mean between two independent groups. The basis for making this test decision is using the t-count value and the significance value (p-value). The t-count value that is greater than the t-table

value or the significance value (p-value) which is smaller than the alpha of 5% indicates that there is a significant difference in the average between the two groups being compared.

**Tabel 9.** Different Test Independent Sample t-Test

		Independent Samples Test				
		t-test for Equality of Means				
		t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
<i>Maqashid</i> Index	Equal variances assumed	-2,245	13	0,043	-0,0285	0,0127
	Equal variances not assumed	-1,979	6,809	0,089	-0,0285	0,0144

The hypotheses in this research are:

H0: There is no difference in the performance of Sharia banking in Indonesia and Malaysia for the 2015-2019 period.

H1: There are differences in the performance of Sharia banking in Indonesia and Malaysia for the 2015-2019 period.

Based on the table above, in the comparison of the value of the Sharia *Maqashid* Index between Indonesia and Malaysia, the value of Sig. (2-tailed) of 0.043. The significant value used is the assumed equal variance decision because the data is homogeneous. Because the significance value is smaller than the 5% significance level, H0 is rejected and H1 is accepted or it can be concluded that there is a significant (significant) difference between the performance of Sharia banking in Indonesia and Malaysia in the 2015-2019 period.

## Discussion

### Performance of Sharia banking in Indonesia Based on Sharia *Maqashid* Index

Based on the above calculations, it can be concluded that the average SMI in Sharia banking in Indonesia is 0.3524. BTPNS achieved an SMI score of 0.3921 and became the bank with the best performance. This can not be separated from the performance indicators of BTPNS on the third goal of *Maqashid*, namely the welfare of the community which reached 10.34%. In the second place with an SMI value of 0.3676, namely BNIS, then BRIS and BCAS which ranked third and fourth with an SMI value of 0.3674 and 0.3565. Meanwhile, BSM and BMI became Sharia banks with the worst performance compared to other Sharia banks with only SMI scores of 0.3312 and 0.2996, respectively.

### **Sharia Banking Performance in Malaysia Based on Sharia *Maqashid* Index**

From the above calculation, it can be seen that the average performance of Malaysian Sharia banks based on the Sharia *Maqashid* Index is better than Sharia banks in Indonesia with an average SMI value of 0.3809. CIMB IB became the bank with the best performance among Sharia banks in Indonesia and Malaysia by achieving an SMI score of 0.4120. This is because CIMB IB is the bank that pays more attention to the second and third objectives of Islamic *Maqashid* compared to other Malaysian Sharia banks. It can be seen from the performance index obtained by CIMB IB to uphold justice by 26.71% and the goal of realizing welfare by 14.36%. In contrast to CIMB IB, RHB IB is the Malaysian Islamic bank with the lowest performance rating. RHB IB only gets an SMI value of 0.3535. This is because RHB IB does not pay attention to the second *Maqashid* sharia objective, namely upholding justice. It can be seen that RHB IB only got a performance index of 21.66%.

### **Differences in the Performance of Sharia banking in Indonesia and Malaysia Based on the Sharia *Maqashid* Index**

Based on the results of statistical processing using SPSS 25 and after different independent sample t-test tests have been carried out, the sig t count value is 0.043. Because the value of sig t is smaller than 0.05, then H<sub>0</sub> is rejected and H<sub>1</sub> is accepted, which means that there is a significant (significant) difference in the performance of Sharia banking in Indonesia and Malaysia based on the *Maqashid* sharia index. The results of this study are in line with research conducted by Imansari (2015) who conducted research on Sharia banks in Indonesia and Malaysia from the period 2010 to 2013. In this study, researchers found a significant difference between the performance of Sharia banks in Indonesia and Malaysia.

## **CONCLUSION AND SUGGESTION**

### **Conclusion**

This research can be concluded that:

1. The performance of Sharia banking in Indonesia based on the *Maqashid* Syariah concept is quite good, it's just that some Sharia banks do not publish some of the ratios included in the measurement of the sharia *Maqashid* index. Compared to Malaysian Sharia banks, Indonesian Sharia banks are superior in the value of educating individuals.
2. The performance of Sharia banking in Malaysia based on the *Maqashid* Sharia concept is also not inferior to Sharia banks in Indonesia, although it is the same with several banks in Indonesia which do not publish several ratios that are included in the measurement of the sharia *Maqashid* index as well as some Sharia banks in Malaysia which does not publish

it. Overall, Sharia banks in Malaysia are superior in Islamic *Maqashid* compared to Indonesian Sharia banks.

3. There is a significant (significant) difference between the performance of Sharia banking in Indonesia and Malaysia based on the *Maqashid* sharia concept.

### Suggestion

Based on the conclusions that have been described, this research is expected to contribute to the development of accounting and banking science, especially Sharia banking. In addition, this research is expected to provide additional information regarding the performance of Sharia banking with the *Maqashid* sharia concept. So the suggestions that researchers can give are as follows:

1. For companies, it is expected to consider the *Maqashid* sharia concept in measuring
2. For investors, it is expected that in making decisions they can consider the company's performance with the *Maqashid* sharia concept in determining investment.
3. For further research, it is recommended to add samples and years of observation, so that the results obtained are more accurate.

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