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## Performance of Islamic Banks in Indonesia Based on Maqashid Shariah Index (MSI)

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### Abstrak

Secara umum, kinerja perbankan diukur menggunakan rasio keuangan. Namun, untuk kinerja perbankan syariah jauh lebih kompleks dibandingkan bank konvensional, yang tidak hanya menguji tingkat profitabilitas, melainkan kepatuhan terhadap prinsip syariah, yakni Maqashid Syariah. Tujuan dari penelitian ini adalah untuk mengetahui kondisi kinerja Bank Umum Syariah jika diukur dengan Indeks Syariah Maqashid. Metode penelitian yang digunakan adalah metode kuantitatif deskriptif dengan pendekatan indeksasi. Objek penelitian ini adalah enam bank umum syariah yang diambil berdasarkan teknik purposive sampling. Data diambil dari laporan keuangan tahunan Bank Umum Syariah tahun 2021-2022, kemudian dihitung dengan membuat indeks sesuai model Maqashid Syariah Index (MSI). Data yang diperoleh diolah dengan meninjau data laporan, dihitung dan kemudian ditafsirkan, sehingga diketahui kinerja masing-masing Bank Umum Syariah berdasarkan Indeks Syariah Maqashid. Berdasarkan hasil perhitungan, capaian Indeks Maqashid Syariah Bank Umum Syariah tahun 2021 tertinggi diperoleh Bank Syariah Indonesia, juara kedua Bank Syariah Bukopin, ketiga Bank Mega Syariah, keempat BCA Syariah, dan terendah Bank Muamalat Indonesia. Adapun capaian kinerja bank syariah tahun 2022, tertinggi adalah BCA Syariah, kedua adalah Bank Syariah Indonesia, ketiga adalah Bank Mega Syariah, keempat adalah Bank Victoria Syariah, kelima adalah Bank Syariah Bukopin dan capaian terendah adalah Bank Muamalat Indonesia.

Kata Kunci: *Kinerja, Bank Umum Syariah, Maqashid Syariah Index*

## Abstract

In general, banking performance is measured using financial ratios. However, for Islamic banking performance is much more complex than conventional banks, which is not only testing the level of profitability, but rather compliance with sharia principles, namely Maqashid Syariah. The purpose of this study is to determine the performance condition of Islamic Commercial Banks when measured by the Maqashid Syariah Index. The research method used is descriptive quantitative method with indexation approach. The object of this research is six Islamic commercial banks which are taken based on purposive sampling technique. Data is taken from the annual financial statements of Islamic Commercial Banks for 2021-2022, then calculated by creating an index according to the Maqashid Syariah Index (MSI) model. The data obtained is processed by reviewing the report data, calculated and then interpreted, so that the performance of each Islamic Commercial Bank based on the Maqashid Syariah Index is known. Based on the results of the calculation, the highest achievement of the Maqashid Syariah Index of Islamic Commercial Banks in 2021 was obtained by Bank Syariah Indonesia, second place was Bank Syariah Bukopin, third was Bank Mega Syariah, fourth was BCA Syariah, and the lowest was Bank Muamalat Indonesia. As for the achievement of Islamic bank performance in 2022, the highest is BCA Syariah, second is Bank Syariah Indonesia, third is Bank Mega Syariah, fourth is Bank Victoria Syariah, fifth is Bank Syariah Bukopin and the lowest achievement is Bank Muamalat Indonesia.

*Keywords: Performance, Islamic Commercial Bank, Maqashid Syariah Index*

## INTRODUCTION

Assessment of bank performance is important, both by management, shareholders, government, or interested parties in order to maintain public confidence in the bank. Regulatorily, Bank Indonesia (BI) has issued Bank Indonesia Regulation (PBI) Number 9/1/PBI/2007 on the Health Level Rating System for Commercial Banks based on Sharia Principles. This PBI explains that the health level of Islamic banks is determined by CAMELS factors. In general, the assessment of the bank's health level used is almost the same as the performance evaluation model used by the conventional banking assessment system (Muhammad, 2014). In addition, PBI No.13/1/PBI/2011 regulates the assessment of bank performance with the RGEC approach (Risk Profile, Good Corporate Governance, Earning, and Capital), another approach is the EVA (Economic Value Added) method (Rahman et al., 2016).

Performance applicable to the role of Islamic banks as business organizations include: traditional financial performance assessment Balanced Scorecard (BSC) and Capital, Asset quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk (CAMELS) and classic performance measurements used on financial aspects, such as Return On Asset

(ROA), Return On Equity (ROE) and technical aspects such as, Operating Cost divided by Operating Income (BOPO). Nonperforming Financing (NPP) and Financing to Deposits Ratio (FDR), are basically oriented towards the fulfillment of financial performance, namely in the form of profit while other aspects receive less attention (Wijaya & Nuryasman, 2018).

Measuring the performance of a company in general, including Islamic banks, is only limited to financial ratios such as CAMELS (Capital, Asset, Management, Earning, Liquidity, Sensitivity of Market Risk), where measuring the performance of Islamic banking with this method has many weaknesses. First, by making financial ratios the main determinant of a company's performance makes managers act in a short-term manner and ignore long-term plans. Secondly, ignoring non-financial measurement aspects and fixed assets will give a wrong view of the company's managers in the present and even into the future. Finally, financial performance is only based on past performance so it is unable to bring the company to achieve the plan in the next period. (Antonio et al., 2012).

The purpose of Islamic banks is for the welfare and benefit of life, both physically and mentally, world and ahirat and achieving falah, so that the size of its performance cannot be assessed solely from financial measures alone (Muhammad et al., 2020). Islamic banking as a business entity is not only required to pursue profit (profit oriented), but also must carry out its functions and objectives as a sharia entity based on the concept of maqashid sharia. In addition, these differences are the most fundamental things that have implications for the differences in the creation of products of the two banking models, including the evaluation of the performance of each bank.

The use of the maqashid sharia index concept in the context of Islamic bank performance is considered important because most Islamic banks use financial ratios derived from conventional banks so as not to provide an evaluation of all dimensions owned by Islamic banks. If the performance of Islamic banking and conventional banking is measured using the same indicators, there will be incompatible values. This is because Islamic banking has a broader measurement object than conventional banking.

The idea of Muslim scholars to measure the performance of Islamic banking based on maqashid sharia has been welcomed, especially in the academic world, but has not been implemented regulatively by banking authorities in various countries. (Sa'diyah et al., 2021). (Mohammed & Taib, 2009) said that the measurement of Islamic banking performance using maqashid syariah variables showed a better percentage than the measurement of conventional banking performance. With the performance assessment based on the Maqashid Syariah Index, it is expected that Islamic banking is certainly not focused on the

system applied by conventional banks, which aims to make a profit by not paying attention to the values of religious norms in its activities.

Studies on measuring the performance of Islamic banks with the maqashid sharia index have been conducted by several researchers previously, both on the performance of Islamic banks in Indonesia and Islamic banks abroad. (Marwal, 2023) in the results of his research stated that until 2020 based on the maqashid syariah index, Bank Muamalat Indonesia has a very good performance, while other Islamic banks have performance at a good level. (Ht & Rama, 2018) assessing the performance of Islamic banks in Southeast Asia in 2013-2015 states that the majority of Islamic banks in Southeast Asia have low maqashid sharia index performance, and BRI Syariah in Indonesia has the highest performance in the maqashid sharia index. (Amalia, 2020) in his research stated that of the 14 Islamic Commercial Banks measured based on the syariah maqashid index, Bank Panin Dubai Syariah obtained the highest total performance indicator value in 2018. The Maqashid Syariah Index of Islamic banks in Indonesia has the highest value compared to ASEAN countries (Mutia & Musfirah, 2017), as well as compared to Islamic banks in Jordan (Antonio et al., 2012).

This study wants to further explore or expand previous research with a more recent time, namely from 2021-2022, so that this research is different from previous studies. The aim is to provide information related to the development of Islamic bank performance based on maqashid sharia in Indonesia which continues to be updated with the hope that it is useful for the development of the academic world and as input for Islamic banking stakeholders in Indonesia in particular and the banking world in general.

## RESEARCH METHOD

This research is quantitative descriptive research. A descriptive approach is research that seeks to tell the solution of existing problems now based on data, present data, analyze data and interpret data. (Narbuko & Achmadi, 2009). The measurement of Islamic bank performance used in this study is the measurement of the Maqashid Syariah Index. The object of this research is six Islamic Commercial Banks (BUS) taken using purposive sampling technique, namely samples that meet the criteria set in the form of Islamic Commercial Banks that publish complete financial reports based on maqashid syariah elements on the official website in 2022. The six samples are Bank Muamalat Indonesia, Bank Victoria Syariah, Bank Syariah Indonesia, Bank Mega Syariah, Bank Syariah Bukopin, and BCA Syariah. The

data used is secondary data taken from the annual financial statements of each BUS which is the object of research on their respective official websites in 2022.

The data that has been obtained is analyzed using the indexation method. The measurement index used is the Maqashid Syariah Index (MSI). The MSI concept is a combination of the Ibn Assur and Abu Zahra maqashid concepts which are then developed with the Sekaran methodology concept. In the MSI concept, maqashid sharia is classified into three aspects, namely aspects of Education (Tahdzib Al-Fard), Establishing Justice (Al-'Adl), and Public Interest (Al-Mashlahah). In this study, the attributes are the three objectives of maqashid sharia, 9 dimensions, 10 elements and 10 indicators:

Table 1: Operationalization of Maqashid Syariah Index variables

Concepts (Objectives)	Dimensions	Elements	Indicator/Performance Ratios
Educating Individual	Advancement of Knowledge	Education Grant	R1. Education Grant or Scholarship/ Total Expenses
		Research	R2. Research Expenses/ Total Expenses
	Instilling New Skills and Improvements	Training	R3. Training Expenses/ Total Expenses
	Creating Awareness of Islamic Banking	Publicity	R4. Publicity Expenses/ Total Expenses
Establishing Justice	Fair Returns	Fair Returns	R5. Profit Equalization Reserves (PER)/ Net or Investment Income
	Cheap Product and Services	Functional Distribution	R6. Mudharabah and Musharakah Modes/ Total Investment Modes
	Elimination of Negative Elements that Breed Injustices	Interest Free Produc	R7. Interest Free Income/ Total Income
Maslahah	Profitability of Bank	Profit Ratio	R8. Net Income/ Total Assets
	Redistribution of Income and Wealth	Personal Income	R9. Zakah Paid/ Net Asset
	Investment in Vital Real Sector	Investment Ratio in Real Sector	R10. Investment in Real Economic Sector/ Total Investment

To determine whether the ratios or performance measures are acceptable and mathematically measurable, verification of the model and weighting of each concept and measurement element are conducted. The average weight given by sharia experts is presented in the table below:

Table 2: Weights of each objective and element

Sharia Objectives	Objective Weight (%)	Element	Element Weight (%)
Educating the Individual	30	E1. Education Grants	24
		E2. Research	27
		E3. Training	23
		E4. Publicity	26
		Total	100
Upholding Justice	41	E5. Fair Returns	30
		E6. Affordable Load	32
		E7. Non-Interest Bank Products	38
		Total	100
Creating Prosperity	29	E8. Profit Ratio	30
		E9. Operating Income	33
		E10. Investment Ratio in Real Sector	37
		Total	100

In carrying out data analysis to obtain results clear picture about condition performance in Sharia commercial banks , there is three The stages carried out are :

a. Calculation of ratios in the MSI weighting model from ten ratio elements with performance indicators

1) Educating Individuals (P1)

The elements of educating individuals are:

R1 = Educational Assistance/Total burden

R2 = Research/Total load

R3 = training/Total load

R4 = Publications/Total expenses

2) Upholding Justice (P2)

The elements of upholding justice are:

R5 = Unshared profit sharing/Net investment income

- R6 = Mudharabah and musyarakah financing/Total financing
- R7 = Interest-free income/Total income
- 3) Maintaining Benefits (P3)
  - The elements of maintaining benefits are:
  - R8 = Net profit/Total assets
  - R9 = Zakat paid/Net assets
  - R10 = Real sector investment/Total investment

b. Calculation of performance index with MSI with the formula:

$$\text{MAQASHID INDEX} = P1 + P2 + P3$$

Where:

Maqashid Index = Sharia Maqashid Index Value

P1 = total performance indicators for the first objective that educates individuals

P2 = total indicators for the second objective, namely upholding justice

P3 = total performance indicators for the third objective, namely maintaining benefits

c. Sort the ranking of the maqashid index results based on the largest to smallest Total MSI Value.

## RESEARCH METHOD

### Results

Based on the results of the research, the data on the financial statements of Islamic Commercial Banks (BUS) that have been obtained are six BUSs as the object of this research. The BUSs are Bank Muamalat Indonesia, Bank Victoria Syariah, Bank Syariah Indonesia, Bank Mega Syariah, Bank Syariah Bukopin, and BCA Syariah. The financial statement data will be analyzed using the Maqashid Syariah Index (MSI), where the performance assessment based on this MSI is divided into 3 major parts, namely education, justice and welfare.

#### a. Ratio Calculation on the MSI Weighting Model

##### 1) Educating the Individual (P1)

The goal of educating individuals/P1 has 3 (three) dimensions, namely: advancing knowledge (D1), applying and improving new skills (D2), and creating awareness of Islamic banking (D3). Each dimension can be observed through measurable behaviors (elements). The dimension of advancing knowledge (D1) can be measured by educational assistance (E1) and research activities (E2). The dimension of applying and improving new skills (D2)

can be measured by training activities (E3). The dimension of creating awareness of Islamic banking (D3) can be measured by publication activities (E4).

The more Islamic banks allocate funds in terms of 4 (elements)/indicators, through educational assistance (E1), research activities (E2), training activities (E3, and publication activities (E4), it shows that Islamic banks are increasingly focused on achieving individual education programs, and this is a good thing for Islamic banks in terms of improving the quality of human resources so that in turn it can educate consumers about the objectives, products, and services of Islamic banks. The four elements can be seen from the following data:

Table 3: Achievement of individual education ratios in 2021-2022

Bank name	Year	Education Assistance	Activity Research	Activity Training	Activity Publication
		(E1)	(E2)	(E3)	(E4)
		R1	R2	R3	R4
BMI	2021	0.0502	0.0027	0.0114	0.0243
	2022	0.0643	0.0040	0.0151	0.0316
BVS	2021	0.0422	0.0019	0.0015	0.0122
	2022	0.0479	0.0043	0.0033	0.0122
BSI	2021	0.2905	0.0119	0.0492	0.4538
	2022	0.3555	0.0127	0.0328	0.2922
BMS	2021	0.1809	0.0053	0.0207	0.1089
	2022	0.0634	0.0026	0.0126	0.0836
BSB	2021	0.0506	0.0150	0.0029	0.0486
	2022	0.0833	0.0117	0.0041	0.1070
BCA	2021	0.0600	0.0032	0.0260	0.1334
Syariah	2022	0.0659	0.0042	0.0389	0.4166

Source: Secondary Data Annual Report 2021-2022 for each bank

Based on the table above, it can be seen that the Islamic bank that obtained the highest achievement in 2021 in terms of educational assistance (E1) was Bank Syariah Indonesia with a ratio value of 0.2905. The highest achievement in terms of research activities (E2) is Bank Syariah Bukopin with a ratio value of 0.0150. The highest achievement in terms of training activities (E3) is Bank Syariah Indonesia 0.0492. While the highest achievement in terms of publication activities is Bank Syariah Indonesia with a ratio value of 0.4538.

The Islamic bank that obtained the highest achievement in 2022 in terms of education (E1) was Bank Syariah Indonesia with a ratio value of 0.3555. The highest achievement in terms of research activities (E2) was Bank Syariah Indonesia with a ratio value of 0.0127. The highest achievement in training activities (E3) was Bank BCA Syariah with a ratio value of 0.0389. While the highest achievement in terms of publication activities (E4) is Bank BCA Syariah with a ratio value of 0.4166.

## 2) Upholding Justice (P2)

The goal of upholding fairness/P2 has 3 (three) dimensions, namely making fair returns (D4), creating affordable products and services (D5), and eliminating negative elements that can create injustice (D6). Each dimension can be observed through measurable behaviors (elements). The dimension of making fair returns (D4) can be measured by fair returns (E5). The dimension of creating affordable products and services (D5) can be measured by distribution function (E6). The dimension of eliminating negative elements that can create injustice (D6) can be measured by interest-free products (E7). The following is the ratio of the achievement of upholding justice by BUS:

Table 4: Achievement of the ratio of upholding justice in 2021-2022

Bank name	Year	Fair Return	Function	Interest Free
		(E5) R5	Distribution (E6) R6	Products (E7) R7
BMI	2021	0.0147	0.4988	0.1304
	2022	0.0245	0.4832	0.1983
BVS	2021	0.0076	0.7381	0.0929
	2022	0.0153	0.7996	0.0662
BSI	2021	0.0253	0.5834	0.0373
	2022	0.0143	0.4670	0.0333
BMS	2021	0.0053	0.5979	0.0199
	2022	0.0017	0.8267	0.0281
BSB	2021	0.0082	0.6071	0.2216
	2022	0.0045	0.6359	0.1410
BCA Syariah	2021	0.0076	0.5979	0.1147
	2022	0.0153	0.8267	0.0912

Source: Secondary Data Annual Report 2021-2022 for each bank

Based on the table above, it can be seen that the Islamic bank that obtained the highest achievement in 2021 in terms of fair return (E5) was Bank Syariah Indonesia with a ratio value of 0.0253 and the lowest achievement was Bank Mega Syariah with a ratio value of 0.0053. The highest achievement in terms of distribution function (E6) is Bank Victoria Syariah with a ratio value of 0.7381 and the lowest achievement is Bank Muamalat Indonesia with a ratio value of 0.4988. The highest achievement in terms of interest-free products (E7) is Bank Syariah Bukopin with a ratio value of 0.2216 and the lowest achievement is Bank Mega Syariah with a ratio value of 0.0199.

In 2022 the Islamic bank that obtained the highest achievement in terms of fair return (E5) was Bank Muamalat Indonesia with a ratio value of 0.0245 and the lowest achievement was Bank Mega Syariah with a ratio value of 0.0017. The highest achievement in terms of distribution function (E6) is Bank Mega Syariah and BCA Syaiah with the same ratio value of 0.8267 and the lowest achievement is Bank Syariah Indonesia with a ratio value of 0.4670. The highest achievement in terms of interest-free products (E7) is Bank Muamalat Indonesia with a ratio value of 0.1983 and the lowest achievement is Bank Mega Syariah with a ratio value of 0.0281.

### 3) Maintaining Prosperity (P3)

The objective of maintaining benefit/P3 has 3 (three) dimensions, namely generating bank profitability (D7), redistributing income & welfare (D8), and investing in the real sector (D9). Each dimension can be observed through measurable behaviors (elements). The dimension of generating bank profitability (D7) can be measured by the profit ratio (E8). The dimension of redistributing income & welfare (D8) can be measured by individual income (E9). The dimension of investing in the real sector (D9) can be measured by the ratio of investment in the real sector (E10). The following is a table of the ratio of masalah / welfare achievement by BUS:

Table 5: Achievement of the ratio of upholding justice in 2021-2022

Bank name	Year	Profit Ratio	Individual	Real Sector
		(E8)	Income ( E9 )	Investment (E10)
		R8	R9	R10
BMI	2021	0.0003	0.1421	0.0775
	2022	0.0004	0.1302	0.0802
BVS	2021	0.0028	0.0991	0.0996
	2022	0.0025	0.1091	0.1349

BSI	2021	0.0004	0.4627	0.1820
	2022	0.0006	0.2666	0.1052
BMS	2021	0.0038	0.1756	0.3084
	2022	0.0028	0.2307	0.1476
BSB	2021	0.0037	0.0818	0.0953
	2022	0.0017	0.0678	0.0933
BCA	2021	0.0002	0.2547	0.1259
Syariah	2022	0.0003	0.3501	0.1166

Source: Secondary Data Annual Report 2021-2022 for each bank

Based on the table above, it can be seen that the Islamic bank that obtained the highest achievement in 2021 in terms of profit ratio (E8) was Bank Mega Syariah with a ratio value of 0.0038. The highest achievement in terms of individual income (E9) is Bank Syariah Indonesia with a ratio value of 0.4627. The highest achievement in terms of investment in the real sector (E10) is Bank Mega Syariah with a ratio value of 0.3084.

In 2022, the Islamic bank that obtained the highest achievement in terms of profit ratio (E8) was Bank Mega Syariah with a ratio value of 0.0028. The highest achievement in terms of individual income (E9) is Bank BCA Syariah with a ratio value of 0.3501. The highest achievement in terms of investment in the real sector (E10) is Bank Mega Syariah with a ratio value of 0.1476.

#### b. Calculation of Islamic Bank Performance Index Based on MSI

Based on the results of weighting the performance of Islamic banks based on indicators in MSI in 2021-2022, the next step is to calculate the overall performance index of Islamic banks based on MSI, namely by adding up the total performance indicators of the 3 Maqashid Sharia objectives, namely P1 (total performance indicators for the purpose of educating individuals), P2 (total indicators for the purpose of upholding justice), and P3 (total performance indicators for the purpose of maintaining benefits) in each Islamic Commercial Bank.

Table 6: Total performance indicators based on MSI 2021

Bank name	Maqashid Syariah Index			Total Performance Indicators (%)
	P1 (%)	P2 (%)	P3 (%)	
BMI	0.0886	0.6439	0.2199	0.9524
BVS	0.0578	0.8386	0.2015	1.0979
BSI	0.8054	0.6460	0.6451	2.0965

BMS	0.3158	0.6231	0.4878	1.4267
BSB	0.1171	0.8369	0.9170	1.8170
BCA Syariah	0.2226	0.7202	0.3808	1.3236

Source: processed data, 2023

The performance index of Islamic Banks based on MSI in 2022 is:

Table 7: Total performance indicators based on MSI 2022

Bank name	Maqashid Syariah Index			Total Performance Indicators (%)
	P1 (%)	P2 (%)	P3 (%)	
BMI	0.1150	0.7060	0.2108	1.0318
BVS	0.0677	0.8811	0.2465	1,1953
BSI	0.6932	0.5146	0.3724	1.5802
BMS	0.1622	0.8565	0.3811	1.3998
BSB	0.2061	0.7814	0.1628	1.1503
BCA Syariah	0.5256	0.9332	0.4670	1.9260

Source: processed data, 2023

### c. Islamic Bank Ranking Based on MSI

After summing up all the indicators in the MSI, from the results obtained, the performance of Islamic banks in 2021-2022 is ranked based on the highest to lowest value. The ranking can be seen from the graph below:

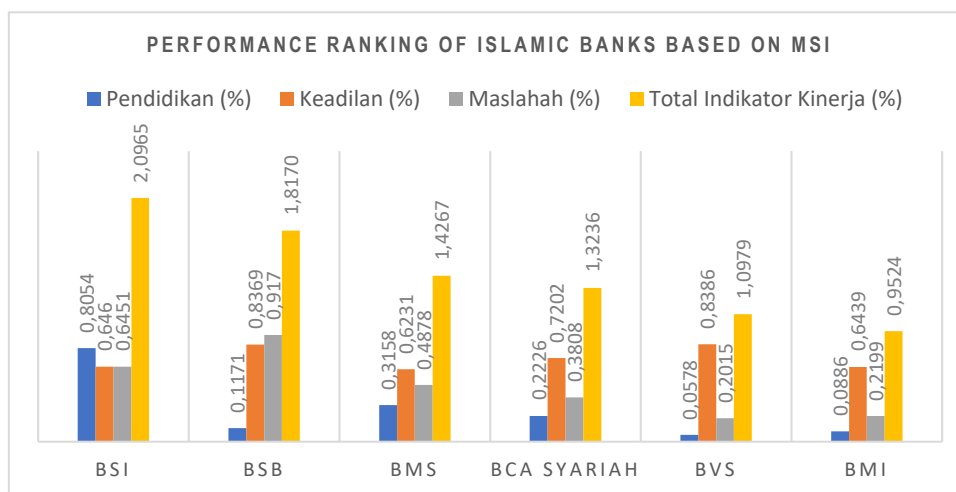


Figure 2: Graph of Islamic bank performance ranking in 2021 based on MSI

From the graph above, it can be seen that the Islamic bank that obtained the highest achievement of the first objective of Maqashid Syariah educating individuals / PI was Bank Syariah Indonesia at 0.8054 and the lowest achievement was Bank Victoria Syariah at 0.0578.

The highest achievement of the second objective of Maqashid Syariah upholding justice / P2 was Bank Syariah Bukopin at 0.8369 and the lowest achievement was Bank Mega Syariah at 0.6231. The highest achievement of the third objective of Maqashid Syariah maintaining benefit / P3 was Bank Bukopin Syariah at 0.9170 and the lowest achievement was Bank Victoria Syariah at 0.2015. Meanwhile, the highest achievement of the Maqashid Syariah Index in 2021 was Bank Syariah Indonesia at 2.0965 and the lowest achievement was Bank Muamalat Indonesia at 0.9524. The performance ranking of Islamic banks based on the Maqashid Syariah Index in 2022 is:

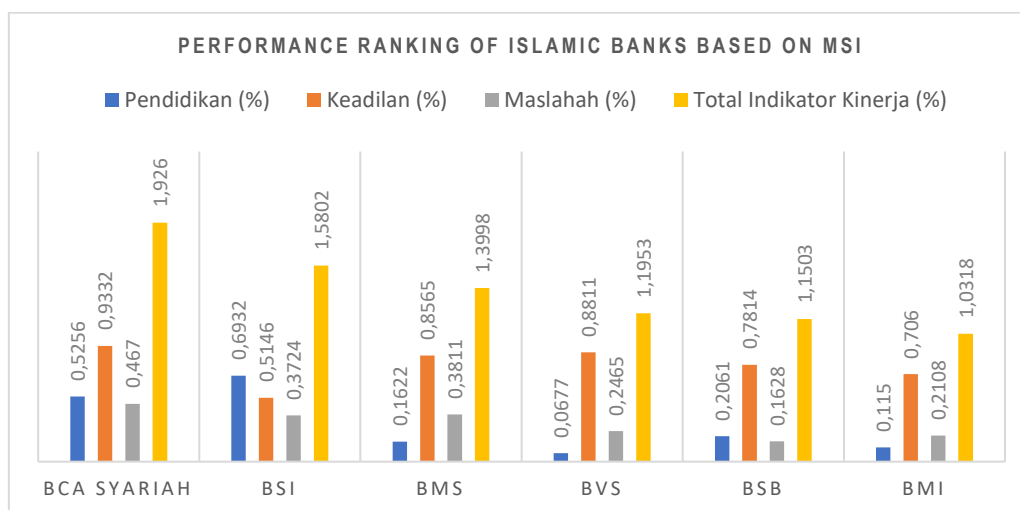


Figure 3: Graph of Islamic bank performance ranking in 2022 based on MSI

Based on the graph above, it can be seen that the Islamic bank that obtained the highest achievement of the first objective of Maqashid Syariah educating individuals / P1 was Bank Syariah Indonesia at 0.6932 and the lowest achievement was Bank Victoria Syariah at 0.0677. The highest achievement of the second objective of Maqashid Syariah upholding justice / P2 was BCA Syariah Bank at 0.9332 and the lowest achievement was Bank Syariah Indonesia at 0.5146. The highest achievement of the third objective of Maqashid Syariah maintaining benefit / P3 is Bank BCA Syariah amounting to 0.4670 and the lowest achievement is Bank Syariah Bukopin amounting to 0.1628. While the highest achievement of the Maqashid Syariah Index in 2022 was Bank BCA Syariah at 1.9260 and the lowest achievement was Bank Muamalat Syariah at 1.0318.

## Discussion

The financial statements of Islamic banks can identify the achievements, weaknesses and strengths of the bank. Financial reports are always used to see how the condition of a bank's financial performance, but in addition, financial reports can also be used to assess

the extent to which Islamic banks are able to achieve the objectives of sharia (Maqashid Syariah) which is a differentiator from conventional banking. The purpose of sharia (maqashid sharia) formulated by (Abu Zahara, 1997) is to educate individuals (Tahdhib al-fard), uphold justice (Iqamah al-'Adl) and produce benefits (Jalb al-Maslahah). Then later the maqashid sharia from Abu Zahrah was formulated in the form of an index by Mustafa Omar et al into the Maqashid Sharia Index (MSI) which consists of three indicators of sharia objectives, namely educating individuals, upholding justice and maintaining benefits.

a. Educating the individual (Tahfidz al-Fard)

The first objective of the maqashid sharia index is the purification of the soul which is developed into the concept of the goal of improving education. Educating individuals indicates the dissemination of skills and knowledge so that every Muslim in society becomes a source of good and not a source of bad. In this case, the concept of Islamic banking aims to establish itself as a positive rather than negative influencer on society. The role of Islamic banks in terms of educating individuals is divided into two categories, namely education for internal and external parties of the bank, which is focused on providing education or scholarships (Individual Grants), Research, and Training provided for employees and advertising (Publicity) which is education for the community.

Based on the table of performance indicators after weighting the ratios, it can be seen that Bank Syariah Indonesia obtained the highest achievement of the first objective, namely educating individuals of 0.6932 in 2021 and 2022. The lowest achievement was obtained by Bank Victoria Syariah during 2021-2022. (Priyatno et al., 2022) based on the results of their research on 12 Islamic Commercial Banks in Indonesia stated that BSI also obtained the highest achievement on the indicator of educating individuals.

b. Upholding justice (Iqamah al-'Adl)

Iqamah al-'adl is an attitude of fairness towards fellow humans regardless of differences in religion, race and ethnicity. As mentioned in the Qur'an that every Muslim should behave fairly to all creatures. Allah says in QS. Al-Ma'idah verse 8:

اِنَّ قَوْمَ عَلٰى اَلَّا تَعْدِلُوْا اَعْدِلُوْا هُوَ اَقْرَبُ يَّآئِيْهَا الَّذِيْنَ ءَامَنُوْا كُوْنُوْا قَوِّمِيْنَ لِلّٰهِ شُهَدَآءَ بِالْقِسْطِ وَلَا يَجْرِمَنَّكُمْ شَنَا لِّلْقَوِّىِّ وَاتَّقُوا اللّٰهَ اِنَّ اللّٰهَ خَبِيْرٌۢ بِمَا تَعْمَلُوْنَ

"O you who have believed, be persistently standing firm for Allah, witnesses in justice, and do not let the hatred of a people prevent you from being just. Be just; that is nearer to righteousness. And fear Allah; indeed, Allah is Acquainted with what you do."

In this case, Islamic banking must ensure fairness in every transaction and business activity covered by products, pricing and contract terms. In addition, all existing contracts must be free from *maysir*, *gharar*, and *usury*. (Hartono & Sobari, 2017) states that creating justice must be based on an objective assessment of Islamic banking performance to ensure honesty and fairness in all transactions and business activities of the company's ownership, including in products and overall transaction activities are activities that are free from interest.

The concept (purpose) of Islamic banks upholding justice relates to upholding the rights and obligations of all parties transacting with Islamic banks in a fair manner. When an Islamic bank establishes an unshared profit sharing account, it means that a portion of the gross income from fund management income is set aside, before allocating it to the *mudharib's* share with the aim of providing more equitable returns to account holders and shareholders. The existence of an unshared profit-sharing account causes other people's rights to be withheld, causing injustice. For example, a customer who decides to leave an Islamic bank cannot get his rights because the bank withholds part of the profit sharing. Even though the customer's money has been used to distribute financing.

Meanwhile, the increase in the distribution function elements/indicators and interest-free products shows that Islamic banks are trying to improve their objectives in terms of socio-economic justice and contribute positively to the elimination of income and wealth disparities in society. Through *musyararakah* and *mudharabah* financing, Islamic banks create justice between depositors and Islamic banks, between Islamic banks and financing customers and eliminate injustice stemming from the interest system.

From these results, Sharia Banks must be able to increase existing interest-free income, so that the activities of Sharia Banks in order to increase income can run in accordance with the principles held, namely free from all activities related to *usury*. In this case, Bank Mega Syariah obtained the highest achievement in 2021, while in 2022 BCA Syariah had the highest percentage value which indicated that the sharia business activities were running well. While the lowest achievement in 2021 was bank Mega Syariah and in 2022 the lowest was Bank Syariah Indonesia.

c. Maintaining Welfare (*Jalb al-Maslahah*)

The meaning of *Jalb al-Maslahah* in Islam is a benefit related to the public interest, not just the interests of individuals or a handful of people. Providing benefits or welfare for the public interest, namely Islamic banking must give priority to business activities that generate

greater benefits for the community, such as investment in important sectors, real sector financing and so on. (Sholichah, 2022) said that in essence *maslahah* refers to the maintenance of five things, namely: maintaining religion (*hifdzu diin*), maintaining the soul (*hifdzu nafs*), maintaining the mind (*hifdzu aql*), maintaining offspring (*hifdzu nasl*), and maintaining property (*hifdzu maal*). This third goal of Islamic banking must prioritize business activities that provide greater benefits to society. So that the benefits or benefits are not only felt by the Islamic Commercial Bank itself, but can also be felt by the community.

(Zamroni, 2016) states that an increase in the ratio of investment in the real sector shows that Islamic banks directly invest in the real economic sector, such as agriculture, mining, fisheries, construction, manufacturing, small and medium enterprises. The MSME sector is the pulse of the people's economy. Limited capital will cause the space for MSMEs to narrow, for example experiencing difficulties in developing their business because they are unable to fulfill orders from consumers. If this is not resolved, it is possible that efforts to create jobs will again be difficult to pursue. The provision of financing or capital to MSME actors will directly affect business volume if it is used as working capital. If the financing is used for investment or to diversify businesses, it will increase employment opportunities, which in turn will increase business volume as well. The increase in business volume will be able to increase income for SMEs and labor working in the company. The government as a policy holder is expected to support the development of micro, small and medium enterprises (MSMEs). In addition, existing financial institutions can support and help overcome capital problems which are common problems faced by the community.

Related to generating this *maslahah*, Islamic banking, in addition to increasing investment in the real sector, can also develop investment projects and social services to improve the welfare of the community. *Maslahah* (welfare) in addition to providing benefits to the community, also provides benefits to Islamic banks.

Based on the table of performance indicators related to creating *maslahah*, after weighting the ratios, it can be seen that Bank Syariah Bukopin obtained the highest achievement in 2021, while the lowest was Bank Victori Syariah. Meanwhile, in 2022 the highest achievement was BCA Syariah Bank, while the lowest was Bukopin Syariah Bank. From these results, the performance of Bank Bukopin Syariah has decreased considerably in creating *maslahah*.

d. Performance of Islamic Banks based on Maqashid Syariah Index

Based on the results of the overall performance indexation of Islamic banks based on MSI, it can be seen that in 2021 BSI is in the first position while in 2022 it is in second place, this happens because in the first element, namely educating individuals, BSI is still totality in the goal of educating individuals both from education, research, training and publicity, but in implementing the second goal it is still lacking in terms of upholding justice related to upholding the rights and obligations of all bank parties who transact with Islamic banks fairly. From these results, the overall performance of BSI based on MSI has decreased.

Meanwhile, Bank Muamalat Indonesia both in 2021 and 2022 is ranked last out of the six Islamic Commercial Banks analyzed, this is influenced by the first Maqashid Sharia goal, namely educating individuals, BMI is still very low in terms of knowledge development, even though knowledge development and improvement of human resources are very important in the progress of Islamic banking institutions because superior human resources are capital to realize the vision and mission of every organization including Islamic banking. The MSI results from BMI lately are very unfortunate, considering that BMI is the main pioneer of Islamic banks in Indonesia. From 2016-2020 (Marwal, 2023) based on the results of his research shows that the MSI performance of BMI still gets a very good value. Even from the results of research (Jazil & Syahrudin, 2013) in 2007-2011 which measured the performance of Islamic banks based on MSI in Indonesia and Malaysia, the results of Bank Muamalat Indonesia obtained the highest rank.

(Rusydia & Sanrego, 2018) The results of his research revealed in 2011-2014 that Bank Muamalat Indonesia and Bank Panin Syariah had very good sharia performance and were included in the first quadrant category. Then Bank Syariah Mandiri, Maybank Syariah, Bukopin Syariah are included in good performance and fall into the second quadrant category. BRI Syariah, BCA Syariah are included in the sufficient category and are included in the third quadrant category.

(Dusuki & Abozaid, 2007) mentioned that in realizing maqasid sharia Islamic banking faces many challenges. This is due to the unavailability of a suitable methodology for implementing maqasid sharia in Islamic banking. The implementation of maqasid at the macro and micro levels has the potential to cause manipulation in rationalizing maqasid sharia-based financial contracts that are contrary to Islamic law. maqasid sharia interpretation is misused in justifying transactions so that they appear to be in accordance with sharia principles. Therefore, Islamic banking must first ensure aspects of sharia compliance both in law and transaction substance. (Al-Mubarak & Osmani, 2010) said that

Islamic banking often violates maqasid sharia in distributing products under the premise of service to satisfy customers.

Many empirical studies have been conducted involving maqasid sharia as a performance measure in Islamic banking. Indonesia is among the countries in Asia that obtained good performance of Islamic banks based on MSI measurement compared to other countries. (Antonio et al., 2012) who conducted research on the performance of Islamic banks using the MSI method in Indonesia and Jordan during the period 2008-2010. The results show that Islamic banks in Indonesia have better performance in all maqasid index objectives compared to Islamic banks in Jordan. (Jazil & Syahrudin, 2013) examined three banks in Indonesia (Bank Muamalat, Bank Syariah Mandiri, and Bank Mega Syariah) and three banks in Malaysia (RHB Bank Islam, CIMB Bank Islam, and Bank Islam) in the period 2007-2011. Measurement of Islamic banking performance using Maqasid Syariah Index. The empirical results show that Bank Muamalat Indonesia has the highest maqasid index, while the lowest is obtained by CIMB Bank Islam Malaysia. (Ht & Rama, 2018) based on the results of his research in Southeast Asia also stated that BRI syariah operating in Indonesia performed the highest in the maqashid syariah index, followed by Bank Panin Syariah and Bank Muamalat Indonesia.

(Mukhibad, 2019) said that corporate governance, sharia supervisory boards contribute to the achievement of maqasid sharia. (Ibrahim & Ismail, 2020) link banking regulation and maqasid sharia index with bank efficiency. This study was conducted on 16 Islamic banks in Malaysia from 2008 to 2013. The statistical results prove that the Islamic maqasid index has a positive and significant positive relationship with efficiency. Maqasid syariah will contribute highly to efficiency if Islamic banks are performing positively and in line with maqasid syariah.

## CONCLUSION

Based on the results of research and data analysis using performance analysis based on the Maqashid Syariah Index (MSI), it can be concluded that in general, the highest achievement of the first objective of Maqashid Syariah educating individuals / P1 in 2021 and 2022 is Bank Syariah Indonesia. The highest achievement of the second objective of Maqashid Syariah upholding justice / P2 in 2021 was Bank Syariah Bukopin, while in 2022 the highest achievement was Bank BCA Syariah. The highest achievement of the third objective of Maqashid Syariah maintaining benefit / P3 in 2021 was Bank Bukopin Syariah, while in 2022 the highest achievement was Bank BCA Syariah. The highest achievement

of the Maqashid Syariah Index in 2021 was Bank Syariah Indonesia, while in 2022 the highest achievement of the Maqashid Syariah Index was Bank BCA Syariah. The Maqashid Syariah Index (MSI) shows that the maqashid syariah approach can be an alternative strategic approach that can describe how well Islamic banking is performing in Indonesia so that it can be implemented in the form of a comprehensive policy strategy.

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