

# PERFORMANCE OF INDONESIAN ISLAMIC BANKS BASED ON MAQASID SHARIAH INDEX: STAKEHOLDER THEORY PERSPECTIVE

*by* Taufiq Marwa

---

**Submission date:** 27-Dec-2020 10:35AM (UTC+0700)

**Submission ID:** 1481412461

**File name:** article\_02.pdf (514.41K)

**Word count:** 5826

**Character count:** 29617

UDC 336

## PERFORMANCE OF INDONESIAN ISLAMIC BANKS BASED ON MAQASID SHARIAH INDEX: STAKEHOLDER THEORY PERSPECTIVE

Silvia Mega\*, Andriana Isni, Marwa Taufiq

Faculty of Economics, Sriwijaya University, Palembang, Indonesia

\*E-mail: [megasilviaa19@gmail.com](mailto:megasilviaa19@gmail.com)

### ABSTRACT

The increase in financial performance on Islamic banks is expected to be directly proportional to the performance based on the Islamic concept. Through adequate sharia-based performance, Islamic banks can prove to stakeholders that the business system implemented is relevant to Islamic concepts, values and ethics. This study is intended to evaluate the success of Indonesian Islamic banks in achieving performance based on *maqasid shariah* index. The observation period in this study is 5 years, from 2013 to 2017. The data used is secondary data obtained through financial statements. Data analysis was performed using the simple additive weight (SAW) method. The results showed that the performance based on *maqasid shariah* index on Indonesian Islamic banks from 2013 to 2017 was below 30%. This result is classified as inadequate and unexpected. However, during the year of observation there was an increase. This indicates that it is not impossible in the future that Indonesian Islamic banks can achieve sharia objectives adequately. Through the achievement of adequate *sharia* objectives, Indonesian Islamic banks can fulfill stakeholder expectations and gain legitimacy as an entity based on *sharia* values and principles.

### KEY WORDS

*Maqasid Shariah* Index, Islamic bank performance, stakeholder theory perspective.

Islamic banking is a financial institution that arises because of the wishes of Muslim communities. Muslim communities need financial institutions that are guided by Islamic teachings (Napier, 2009). The emergence of Islamic banking is also expected that the community can provide justice and help the country's economy (Sehrish et al., 2012). Values, ethics, and Islamic principles that exist in Islamic banking are able to add to their uniqueness and superiority. Sunarsih & Firmansyah (2018) explained that Islamic banking is not only profit oriented, but also on social aspects which include the management of *zakat* funds, *infaq*, *sodaqoh*, grants and benevolent funds, and the prohibition of activities related to *riba*, *gharar*, *maysir* and others.

The uniqueness and excellence is one way for Islamic banking to continue to grow. Up to 2017 global Islamic banking assets reached USD 1,557.5 billion or 76% of the total Islamic financial assets of USD 2,050.2 billion (Islamic Financial Services Board, 2018). The achievement of Islamic banking is closely related to the contribution of assets from several countries and including Indonesia. Indonesia has 13 Islamic commercial banks and 21 Islamic business units with an average total assets of Rp.132,528 billion and profits reaching Rp.3,997 billion in 2018 (Otoritas Jasa Keuangan, 2018). Indonesian Islamic banks also occupy the top 10 positions in Islamic bank assets globally with asset contributions of 1.8% (Islamic Financial Services Board, 2018).

Indonesia as a country with the largest muslim population in the world is expected to contribute more to Islamic bank assets globally. In fact, other countries such as Malaysia, Saudi Arabia, United Arab Emirates, Iran, Qatar, Turkey, Kuwait, and Bangladesh are able to surpass Indonesia in contributing to Islamic bank assets globally. The low contribution of assets of Indonesian Islamic banks globally compared to other countries, because of the low level of public confidence in compliance with Islamic banks in carrying out their operational activities and low public awareness to avoid usury (Amaroh & Masturin, 2018). It is important

for Indonesian Islamic banks to foster confidence and attract stakeholder sympathy through achieving adequate performance.

Performance is the highest achievement originating from all activities and transactions carried out by the entity (Selvam et al., 2016). Performance in the Islamic banking sector is not limited to achieving profitability, but is also related to achieving sharia objectives (Mohammed, Tarique & Islam, 2015) (Rahman et al., 2017). There are several measuring instruments that are appropriate for assessing performance achievement in Islamic banks, one of which uses the *maqasid shariah* index method. *Maqasid shariah* is a performance concept of sharia entities based on sharia characteristics and objectives, making it more complex and different from conventional entities (Mohamad, Ali & Sharif, 2016). Alam, Hassan & Said (2015) explained that *maqasid shariah* is synonymous with achieving objectives in economic and social aspects that lead to benefits, elimination of suffering and increased welfare values. Through the measurement of *maqasid shariah* performance can be seen the highest achievement of management in running its business based on the characteristics and objectives of sharia.

Mohammed, Razak & Taib (2008) explain that *maqasid shariah* is classified into 3 objectives of *shariah*, namely educating individuals (*tahdhib al-fard*), upholding justice (*iqamah al-adl*), and improving welfare (*jaib al-maslahah*). An adequate *maqasid shariah* index is proof of Islamic banks being able to apply the sharia concept and fulfill stakeholder expectations. The performance evaluation of Islamic banks through the *maqasid shariah* index approach can help communities and other stakeholders to control the activities of Islamic banks, make investment decisions and make decisions on using Islamic banking services. However, studies that analyze the performance of Islamic banks with the *maqasid shariah* index approach especially in Indonesian Islamic banks are still relatively small. The latest research by Hartono & Sobari in 2017 was carried out on a small sample with data in 2015 alone, so that we cannot know the extent to which the increase or decrease that occurred in the achievement of *maqasid shariah* performance each year. Based on this, this study will analyze the performance of Indonesian Islamic banks with the *maqasid shariah* index approach for 5 years to get results regarding the increase or decrease that occurred in 2013 to 2017.

## LITERATURE REVIEW

### Stakeholder Theory

Donaldson & Preston (1995) explain the normative aspects, stakeholder theory that is used to regulate entity functions based on moral guidelines, how managers must perform and see the objectives of the entity based on ethical principles that underlie the formation of these entities. As an entity that is not only for personal gain, it is important for Islamic banks in Indonesia to achieve the objectives of *sharia* (*maqasid shariah*). Through the *maqasid shariah* performance award, Indonesian Islamic banks can fulfill the expectations of their stakeholders to become entities that benefit all parties and contribute to the progress of the nation. Referring to the stakeholder theory, it indicates that Islamic banks in Indonesia as entities based on sharia values and in a community that is predominantly muslim will try to achieve objectives that are relevant to the characteristics of sharia. Thus, the hypothesis in this study is the performance of Islamic banks in Indonesia based on *maqasid shariah* index has been adequate and relevant to the objectives of *sharia*.

### Performance of *Maqasid Shariah*

Mohammed, Razak & Taib (2008) explained that Abu Zaharah classified *maqasid shariah* into several sharia objectives, namely the objective of *tahdhib al-fard* (educating individuals), *iqamah al-adl* (upholding justice), and *jaib al-maslahah* (increasing welfare). All of these objectives are developed using the SAW (simple additive weighting) method, so that it becomes the *maqasid shariah* index, where each objective has the following dimensions and elements:

1. Objectives of *Tahdhib Al-fard* (Educating Individuals)

This objective relates to how Islamic banks should be able to develop knowledge, abilities and instill spiritual values in each individual. In this case Islamic banks can contribute in the fields of knowledge, skills and moral values through the design of training and education programs for all human resources so that they can achieve good work productivity and be able to disclose various information about their products to their stakeholders. In addition, Islamic banks can also provide education and training assistance to people in need.

2. Objectives of *Iqamah Al-adl* (Upholding Justice)

This objective concerns the policies of *sharia* entities in utilizing profits and managing business in a direction that is able to minimize the gap in wealth and income. Islamic banks must be able to convince stakeholders that all activities and transactions involving products, provisions, prices, and cooperation agreements have been carried out fairly. *Sharia* entities must convince stakeholders that business activities that take place are free from injustices and negative elements in the form of usury, corruption and fraud that can harm all parties. In addition, Islamic banks can also realize economic and social justice through profit-sharing activities.

3. Objectives of *Jaib Al-maslahah* (Increasing Welfare)

This objective relates to the priority of Islamic banks to provide benefits to the community in every business and non-business activity carried out. Islamic banks are expected to be able to carry out activities that can meet the basic needs of all people through housing project financing, investments in the real sector, *zakat* payments and others.

## METHODS OF RESEARCH

### Scope of Research

The focus of this study is to evaluate the performance based on the *maqasid shariah* index of Islamic banks in Indonesia through financial statements for 5 years of observation to ensure an increase or decrease that occurs in the *maqasid shariah* Index.

### Types and Data Sources

The data used in this study is secondary data taken through financial statements for the period 2013-2017 at Islamic commercial banks in Indonesia which are listed on the official website of Bank Indonesia.

### Population and Samples

The population of this study is all Islamic commercial banks in Indonesia, which number 13 banks. The research sample was determined using purposive sampling technique, so the samples in this study were as follows:

Table 1 - Research sample

No	Banks
1	PT. Bank Muamalat Indonesia (BMI)
2	PT. Maybank Syariah Indonesia (MSI)
3	PT. Bank Central Asia Syariah (BCAS)
4	PT. Bank Mega Syariah (BMS)
5	PT. Bank Rakyat Indonesia Syariah (BRIS)
6	PT. Bank Panin Syariah (BPS)
7	PT. Bank Syariah Bukopin (BSB)
8	PT. Bank Negara Indonesia Syariah (BNIS)
9	PT. Bank Syariah Mandiri (BSM)
10	PT. Bank Victoria Syariah (BVS)

Source: Bank Indonesia (2019)

### Data Analysis Techniques

This type of research is quantitative, and data analysis techniques use the SAW (Simple Additive Weighting) method. The method is intended to determine the performance achievement of *maqasid shariah* by summing each ratio with the weight of the value

determined by the world shariah expert. *Maqasid shariah* index consists of several objectives, dimensions, elements and ratios as follows:

Table 2 - *Maqasid Shariah* Index

No	Objectives	Dimension	Element	Ratio
1	Educate individuals ( <i>tahdhib al-fard</i> )	D1. Progress of knowledge	E1. Education grant	R1. Education grants / total costs
			E2. Research	R2. Research costs / total costs
		D2. Increased expertise	E3. Training	R3. Training costs / total costs
			D3. Increased awareness of Islamic banks	E4. Publication or promotion
2	Uphold justice ( <i>iqamah al-adl</i> )	D4. Fair return	E5. Fair return	R5. Net income / total income
		D5. Affordable services & products	E6. Distribution function	R6. <i>Mudharabah</i> & <i>musyarakah</i> / total financing
		D6. Removal of negative elements (injustice)	E7. Products without interest	R7. Interest-free income / total income
		D7. Bank profitability	E8. Profit ratio	R8. Net income / total assets
3	Increasing Welfare ( <i>jaib al-maslahah</i> )	D8. Distribution of income and welfare	E9. Income transfer	R9. <i>Zakat</i> paid / net income
		D9. Investment in the real sector	E10. Real sector investment ratio	R10. Total real sector / total financing

Source: Mohammed, Razak & Taib (2008)

To obtain the best results from the measurement of all these ratios, the model will be verified and weighted for each objective and element. The following are the average weights to be given:

Table 3 - Average Weight of *Maqasid Shariah*

No	Objectives	Variable Weight	Element	Element Weight
1	Educate individuals ( <i>tahdhib al-fard</i> )	0.30	E1. Education grant	0.24
			E2. Research	0.27
			E3. Training	0.26
			E4. Publication	0.23
			Total	1
2	Uphold justice ( <i>iqamah al-adl</i> )	0.41	E1. <i>Fair return</i>	0.30
			E2. Distribution function	0.32
			E3. Products without interest	0.38
			Total	1
3	Increasing Welfare ( <i>jaib al-maslahah</i> )	0.29	E1. Profit ratio	0.33
			E2. Income transfer	0.30
			E3. Real sector investment ratio	0.37
			Total	1

Source: Mohammed, Razak & Taib (2008)

Following are the steps to find out the performance achievement of *maqasid shariah*:

1. Calculate each element using the ratio of ratios in table 2
2. Calculate the performance value for each sharia objectives using the SAW (simple additive weighting) method. The SAW method is to multiply the calculation of the ratio of the elements to the weights in table 3. Here are the formulas:

$$T.1 = (W_1^1 \times E_1^1 \times R_1^1) + (W_1^1 \times E_2^1 \times R_2^1) + (W_1^1 \times E_3^1 \times R_3^1) + (W_1^1 \times E_4^1 \times R_4^1)$$

$$T.2 = (W_2^2 \times E_1^2 \times R_1^2) + (W_2^2 \times E_2^2 \times R_2^2) + (W_2^2 \times E_3^2 \times R_3^2)$$

$$T.3 = (W_3^3 \times E_1^3 \times R_1^3) + (W_3^3 \times E_2^3 \times R_2^3) + (W_3^3 \times E_3^3 \times R_3^3)$$

- T.1 is performance index for the first objectives.  
 T.2 is performance index for the second objectives.  
 T.3 is performance index for the third objectives.  
 $W_1^1 - W_3^3$  is weight for the first objectives to the third objectives.  
 $E_1^1 - E_1^4$  is weight of the first element to the fourth element for the first objectives.  
 $R_1^1 - R_1^4$  is rating the ratio of the first element to the fourth element for the first objectives.  
 $E_2^1 - E_2^3$  is the weight of the first element to the third element for the second objectives.  
 $R_2^1 - R_2^3$  is valuation of the ratio of the first element to the third element for the second objectives.  
 $E_3^1 - E_3^3$  is weight of the first element to the third element for the third objectives.  
 $R_3^1 - R_3^3$  is valuation of the ratio of the first element to the third element for the third objectives.
3. Add all the indices for the 1st, 2nd and 3rd objectives to get the combined value of the *maqasid syariah* index.  
 MSI (*Maqasid Syariah* Index) = T.1 + T.2 + T.3.

## RESULTS AND DISCUSSION

### The Achievement of *Tahdhib Al-Fard*

The achievement of the *tahdhib al-fard* in Indonesian Islamic banks which is the sample of the study is still very low and out of expectation. This is due to the small ratio of costs allocated to the interests of education, training, research and development. The allocation of costs incurred is not up to 1% of the total cost, only BPS in 2013 and 2017 allocates costs above 1% for the benefit of the *tahdhib al-fard*. Overall, the average annual rate of Islamic banks in Indonesia is still below 1%. This situation indicates that the contribution in empowering and improving the quality of human resources is very low. BPS and BNIS are Islamic banks with the best achievement of *tahdhib al-fard* compared to other Islamic banks because BPS and BNIS always take first and second positions alternately, then BMS always occupies the lowest position from 2013 to 2017.

Table 4 -The Achievement of *Tahdhib Al-Fard*

Bank	2013		2014		2015		2016		2017	
	T.1	R	T.1	R	T.1	R	T.1	R	T.1	R
BMI	0.0043	3	0.0030	7	0.0043	3	0.0018	6	0.0011	9
MSI	0.0038	5	0.0041	3	0.0005	9	0.0011	9	0.0015	7
BCAS	0.0030	7	0.0034	6	0.0033	4	0.0026	4	0.0031	5
BMS	0.0004	10	0.0006	10	0.0004	10	0.0006	10	0.0009	10
BRIS	0.0035	6	0.0029	8	0.0024	7	0.0014	7	0.0012	8
BPS	0.0141	1	0.0083	1	0.0066	1	0.0058	2	0.0138	1
BSB	0.0012	9	0.0039	4	0.0032	5	0.0036	3	0.0038	4
BNIS	0.0064	2	0.0060	2	0.0063	2	0.0059	1	0.0063	2
BSM	0.0023	8	0.0015	9	0.0018	8	0.0012	8	0.0016	6
BVS	0.0042	4	0.0038	5	0.0030	6	0.0025	5	0.0041	3
Total	0.0432		0.0375		0.0318		0.0265		0.0374	
Average	0.0043		0.0037		0.0031		0.0026		0.0037	

Source: Analyzed Data (2019)

Success as a *sharia* financial institution can be realized through management, decision making and achieving objectives that can provide justice and benefits for all parties. The ability of Indonesian Islamic banks to achieve maximum performance is not only seen from financial ratios, but also from the spiritual, social and economic aspects adequately. Indonesian Islamic bank can commit to becoming a *sharia* financial institution that is able to create prosperity and prosperity for the Indonesian people through the achievement of *sharia* objectives. Contributions in the field of knowledge and skills can have a positive impact on the advancement of Indonesian Islamic bank human resources and society at large. Maximum achievement of *tahdhib al-fard* can be one measure of the success of Indonesian

Islamic banks in implementing responsibility as a *sharia* entity. In fact, all Indonesian Islamic banks that were sampled in this study have not yet succeeded in achieving the objectives of *tahdhib al-fard* adequately. This situation needs special attention for Indonesian Islamic banks. This is because as an entity that not only operates for personal gain, Indonesian Islamic banks are expected to contribute more in the development of science, skills and moral education for every employee and society to improve the quality and productivity of each individual.

#### The Achievement of *Iqamah Al-Adl*

Islamic banks with high objective values of *iqamah al-adl* indicate that Islamic banks can contribute maximally to uphold justice and avoid negative effects in all activities carried out. However, the analysis shows that the achievement of the *iqamah al-adl* Islamic banks in Indonesia is relatively low. This is due to the small ratio of *mudharabah*, *musyarakah* financing and fair return of Islamic banks in Indonesia. This situation indicates that *mudharabah*, *musyarakah*, and profit sharing systems have not dominated business activities that have taken place, so that the function of *sharia* financial institutions that are identical to the profit sharing system has not been maximized by Islamic banks in Indonesia. The average achievement of the *iqamah al-adl* in Indonesian Islamic bank for 2013-2017 is still below 25%, the highest achievement in 2017 is 22.21% and the lowest in 2013 is 18.76%. Only BRIS in 2016 and 2017, BPS in 2016 and 2017, and BVS in 2015, 2016, and 2017 which achieved *iqamah al-adl* values above 25%. Although the value of *iqamah al-adl* in Indonesian Islamic banks is categorized as low, it has increased from 2013 to 2017.

Table 5 - The Achievement of *Iqamah Al-Adl*

Bank	2013		2014		2015		2016		2017	
	T.2	R	T.2	R	T.2	R	T.2	R	T.2	R
BMI	0.1120	10	0.0972	10	0.0859	10	0.1238	10	0.1320	10
MSI	0.2083	3	0.2058	5	0.1951	6	0.2269	6	0.2259	6
BCAS	0.2323	1	0.2235	2	0.2221	4	0.2276	5	0.2312	5
BMS	0.1674	8	0.1582	9	0.1586	9	0.1768	9	0.1848	9
BRIS	0.2009	5	0.1969	6	0.2094	5	0.2945	1	0.2881	1
BPS	0.2121	2	0.2174	3	0.2245	2	0.2689	3	0.2707	2
BSB	0.2045	4	0.2084	4	0.2238	3	0.2293	4	0.2332	4
BNIS	0.1861	7	0.1863	7	0.1915	8	0.1937	8	0.1966	8
BSM	0.1951	6	0.1840	8	0.1929	7	0.1983	7	0.2049	7
BVS	0.1575	9	0.2422	1	0.2619	1	0.2727	2	0.2545	3
Total	1.8762		1.9199		1.9657		2.2125		2.2219	
Average	0.1876		0.1919		0.1965		0.2212		0.2221	

Source: Analyzed Data (2019)

Islamic banks in Indonesia are expected to realize justice and avoid negative elements in all their activities, such as usury avoidance, fraud and corruption. Enforcement of justice can be applied through work agreements, prices, products and services that are carried out fairly and do not harm other parties. Through the achievement of adequate *iqamah al-adl*, Islamic banks have succeeded in meeting the expectations of stakeholders who want the enforcement of justice in *sharia* entities. To implement justice in social and economic aspects, Islamic banks can do so through profit-sharing activities that are in the *mudharabah* and *musyarakah* financing. The profit sharing system strongly reflects the characteristics of Islamic banks as Islamic financial institutions. Through the achievement of the objectives of *iqamah al-Adl* adequately, Indonesian Islamic banks can prove to stakeholders that Indonesian Islamic banks have succeeded in running business activities that are integrated with *sharia* objectives. Required maximization of business transactions in *mudharabah* and *musyarakah* aspects. This is due to the small percentage of *mudharabah* and *musyarakah* financing from the total financing of Islamic banks in Indonesia.

### The Achievement of *Jaib Al-maslahah*

The results of the analysis show that the contribution in the aspects of *maslahah* Islamic banks in Indonesia is quite low. This is due to the small ratio of real sector financing and payment of *zakat*. The allocation of real sector and *zakat* financing to Indonesian Islamic banks is less than 10%, only BRIS in 2014, 2016 and 2017 allocates above 10%. The average achievement of *jaib al-maslahah* is still below 10% in Indonesian Islamic banks for 2013-2017. These results indicate that the functions of Indonesian Islamic banks in the social and economic aspects have not been maximized. BRIS, BPS and BVS are the best banks with the value of *jaib al-maslahah* for the past 2 years, because they managed to maintain the top three positions. BMS consistently held the lowest position for 4 years, but in 2017 it was ninth. The achievement of the value of *jaib al-maslahah* is fluctuating every year, there is a significant increase and decrease.

Table 6 - The Achievement of *Jaib Al-maslahah*

Bank	2013		2014		2015		2016		2017	
	T.3	R	T.3	R	T.3	R	T.3	R	T.3	R
BMI	0.0616	1	0.0607	3	0.0630	3	0.0599	4	0.0598	5
MSI	0.0217	8	0.0196	9	0.0218	9	0.0299	8	0.0128	10
BCAS	0.0565	2	0.0511	5	0.0491	5	0.0517	6	0.0535	6
BMS	0.0051	10	0.0040	10	0.0047	10	0.0125	10	0.0192	9
BRIS	0.0350	5	0.1257	1	0.0430	6	0.1080	1	0.1005	1
BPS	0.0376	3	0.0982	2	0.1026	1	0.0945	2	0.0921	2
BSB	0.0361	4	0.0424	6	0.0520	4	0.0568	5	0.0651	4
BNIS	0.0211	9	0.0206	8	0.0233	8	0.0248	9	0.0280	8
BSM	0.0273	7	0.0262	7	0.0292	7	0.0318	7	0.0380	7
BVS	0.0346	6	0.0596	4	0.0723	2	0.0832	3	0.0783	3
Total	0.3366		0.5081		0.4610		0.5531		0.5473	
Average	0.0336		0.0508		0.0461		0.0553		0.0547	

Source: Analyzed Data (2019)

As an Islamic financial institution, Indonesian Islamic banks are not only focused on achieving profits to guarantee the continuity of their business in the long term. Islamic banks also play a role in the progress in the economic, social and welfare sectors of society equally. The concept of *maslahah* in a *sharia* entity requires Indonesian Islamic banks to be able to provide benefits to all levels of society. The concept of *maslahah* in Islam requires Islamic banks in Indonesia to implement it in all business activities and non-business activities. Through maximum payment of *zakat* funds and real sector financing, Indonesian Islamic banks can provide benefits to the entire community and improve the quality of life of the nation on an ongoing basis. Achieving adequate objectives of *jaib al-maslahah* can be one measure of the success of Indonesian Islamic banks implementing the concept of *maslahah* in all activities carried out. The small allocation of financing in the real sector and *zakat* indicates that the concept of *maslahah* in Indonesian Islamic banks has not been able to be implemented adequately.

### The Achievement of *Maqasid Shariah* Index in Indonesian Islamic Banks for 2013-2017

The performance based on *maqasid shariah* index in Indonesian Islamic banks which is the research sample shows inadequate results. Overall, Islamic banks in Indonesia are able to achieve an average value of 25.54% for 5 years of observation. Although the performance based on the *maqasid shariah* index in Indonesian Islamic banks is still far from expectations with a percentage below 30%, but in general there is a significant increase from 2013-2017. This increase indicates the hope that Islamic banks in Indonesia can continue to improve and achieve the maximum performance of *maqasid shariah*. Indonesian Islamic bank is expected to be able to focus on achieving *sharia* objectives adequately to prove to stakeholders that all business and non-business activities that take place in line with the objectives and principles of *sharia*.

Table 7 - The Achievement of *Maqasid Shariah* Index in Indonesian Islamic Banks for 2013-2017

Bank	MSI 2013	MSI 2014	MSI 2015	MSI 2016	MSI 2017	MSI TOTAL	Rank
BMI	0.1779	0.1610	0.1533	0.1856	0.1931	0.1741	10
MSI	0.2339	0.2295	0.2176	0.2580	0.2404	0.2358	6
BCAS	0.2918	0.2780	0.2745	0.2819	0.2878	0.2828	4
BMS	0.1730	0.1629	0.1637	0.1900	0.2050	0.1789	9
BRIS	0.2395	0.3256	0.2549	0.4040	0.3879	0.3223	2
BPS	0.2639	0.3240	0.3319	0.3673	0.3767	0.3327	1
BSB	0.2419	0.2548	0.2791	0.2898	0.3022	0.2735	5
BNIS	0.2137	0.2129	0.2212	0.2245	0.2311	0.2206	8
BSM	0.2238	0.2118	0.2240	0.2314	0.2447	0.2271	7
BVS	0.1965	0.3036	0.3373	0.3586	0.3369	0.3065	3
Total	2.2559	2.4641	2.4575	2.7911	2.8058	2.5543	
Average	0.2255	0.2464	0.2457	0.2791	0.2805	0.2554	

Source: Analyzed Data (2019)

Referring to stakeholder theory indicates that an entity will try to fulfill stakeholder expectations through actions and achievement of objectives relevant to the values and ethical principles that underlie the formation of the entity. One of the objectives relevant to the values and principles of Indonesian Islamic banks is their success in achieving performance based on *maqasid shariah* index. *Maqasid shariah* index is a measure of performance that refers to the characteristics of sharia. *Maqasid shariah* performance is not only oriented towards achieving profit like conventional institutions, but is identical to the success of sharia entities in achieving 3 objectives which include the objectives of *tahdhib al-fard*, *iqamah al-adl*, and *jaib al-maslahah*. Indonesian Islamic bank as an Islamic-based financial institution is expected to be able to carry out business and non-business activities that are relevant to the ethics and objectives of sharia. *Maqasid shariah* index is one of the right measures to assess the success of Indonesian Islamic banks in implementing the principles and characteristics of sharia adequately. As an entity that does not only operate for personal gain, it is important for Islamic banks in Indonesia to achieve the *maqasid shariah*. Through the achievement of *maqasid shariah* performance, Indonesian Islamic banks can fulfill the expectations of their stakeholders to become entities that benefit all parties and are able to contribute to the progress of the nation.

Islamic banks in Indonesia as an entity based on sharia principles, are in a community that is predominantly muslim, and the regulation for Islamic banking will try to implement actions and achieve relevant objectives with sharia values in an adequate and responsibly. The results of this study contradict the stakeholder theory, because Islamic banks in Indonesia have not succeeded in achieving the maximum performance of the *maqasid shariah*. The findings in this study are also relevant to several previous studies. Mohammed, Razak & Taib (2008) found a performance based on *maqasid shariah* index on Islamic International Arabic Banks, Mandiri Islamic Banks, Bahrain Islamic Banks, Islamic Bank of Bangladesh, Bank Muamalat Malaysia, and Sudanese Islamic Banks classified as low and out of expectations. Shaukat & Khan (2008) stated that meezan banks, emirates bank, and Malaysia Islamic bank experienced rapid growth in terms of finance, but the achievement of *maqasid shariah* performance was low. Antonio, Sanrego & Taufiq (2012) explained that the performance of *maqasid shariah* at Bank Muamalat Indonesia, Bank mandiri syariah, Islamic Arabic International Bank Jordan and Jordan Islamic Bank was far from expectations, but *maqasid shariah* index in Islamic banks in Indonesia was better than Jordan. Rusydiana & Al Parisi (2016) found that achieving profitability ratios was better than achieving the *maqasid shariah* index in Indonesian Islamic banks for the 2011-2014 period. Hartono & Sobari (2017) stated that the performance of *maqasid shariah* in the bank of sharia people's crediting was better than that of Indonesian Islamic commercial banks, but the achievement of *maqasid shariah* performance was both still relatively low in 2015.

## CONCLUSION

From normative aspects in stakeholder theory indicates that Islamic banks in Indonesia with a majority of Muslim population, the existence of regulations and standards regarding Islamic banking will carry out business activities, non-business and achieve *sharia* objectives adequately to meet stakeholder expectations and prove themselves as different institutions than conventional financial institutions. The results of the study show a different matter, because Indonesian Islamic banks have not succeeded in achieving performance based on the *maqasid shariah* index adequately for 2013-2017. Observations over the past 5 years that the authors have done show an increase in the achievement of the *maqasid shariah* index from 2013-2017. Thus, there is hope that Indonesian Islamic banks will be able to reach *maqasid shariah* index to the maximum in the following years. Efforts are needed to increase the success of Islamic banks in Indonesia in achieving objectives that are relevant to *sharia* principles. As an institution formed based on the characteristics of *sharia*, Indonesian Islamic banks are expected to be able to carry out all activities that are able to provide benefits to all parties and contribute to improving the quality of life together. To gain stakeholder trust, Islamic banks can prove it through maximum achievement of *sharia* objectives. If stakeholder trust can be achieved, it is not impossible for Islamic banks in Indonesia to be ranked top in the contribution of Islamic bank assets globally. This study only uses the *maqasid shariah* index approach as a measure of the performance of Indonesian Islamic banks. Future studies can use other approaches that are also relevant to assessing the performance of Islamic banks, such as the SCNP (Sharia Conformity and Profitability) and IPI (Islamicity Performance Index) approaches. Then, a comparative analysis can also be carried out in assessing the performance of Islamic banks using some of these approaches. Further research can also conduct performance assessments based on the *maqasid shariah* index approach on other *sharia* entities, such as *sharia* insurance.

## REFERENCES

1. Alam, M. M., Hassan, S., & Said, J. (2015). Performance of Islamic microcredit in perspective of Maqasid Al-Shariah: A Case Study on Amanah Ikhtiar Malaysia. *Humanomics*, 31(4), 374–384. <https://doi.org/10.1108/H-12-2014-0072>
2. Amaroh, S., & Masturin, M. (2018). The Determinants of Maqasid Shariah Based Performance of Islamic Banks in Indonesia. *Iqtishadia*, 11(2), 354. <https://doi.org/10.21043/iqtishadia.v11i2.3961>
3. Antonio, M. S., Sanrego, Y. D., & Taufiq, M. (2012). An Analysis of Islamic Banking Performance: Maqashid Index Implementation in Indonesia and Jordania. *Journal of Islamic Finance*, 1(1), 012–029. <https://doi.org/10.15604/ejef.2017.05.01.008>
4. Donaldson, T., & Preston, L. E. (1995). The Stakeholder Theory of The Corporation: Concepts, Evidence, and Implications. *Academy of Management Review*, 20(1), 65–91. Retrieved from <http://www.jstor.org/stable/258887>
5. Hartono, S., & Sobari, A. (2017). Sharia Maqashid Index As a Measuring Performance of Islamic Banking: a More Holistic Approach. *Corporate Ownership and Control*, 14(2), 193–201. <https://doi.org/10.22495/cocv14i2c1p5>
6. Islamic Financial Services Board. (2018). *Islamic Financial Services Industry Stability Report*.
7. Mohamad, M. H. S., Ali, M. A., & Sharif, R. A. M. (2016). Determinants of Maqasid Al-Shari'ah -Based Performance Measurement Practices: The Case of Malaysian Islamic Banks. *IJUM International Journal of Economics, Management and Accounting*, 24(1), 49–81. [https://doi.org/10.1016/S0960-894X\(12\)00058-3](https://doi.org/10.1016/S0960-894X(12)00058-3)
8. Mohammed, M. O., Razak, D. A., & Taib, F. M. (2008). The Performance Measures of Islamic Banking Based on The Maqasid Framework. *IJUM International Accounting Conference (INTAC IV)*, 1967(June), 1–17.
9. Mohammed, M. O., Tarique, K. M., & Islam, R. (2015). Measuring The Performance of Islamic Banks Using Maqāsīd Based Model. *Intellectual Discourse*, 23(2015), 401–424.

10. Napier, C. (2009). Defining Islamic accounting: Current issues, past roots. *Accounting History*, 14(1–2), 121–144. <https://doi.org/10.1177/1032373208098555>
11. Otoritas Jasa Keuangan. (2018). Statistik Perbankan Syariah (Shariah Banking Statistics). <https://doi.org/10.1360/zd-2013-43-6-1064>
12. Rahman, F. K., Tareq, M. A., Yunanda, R. A., & Mahdzir, A. (2017). Maqashid Al-Shari'ah-based performance measurement for the halal industry. *Humanomics*, 33(3), 357–370. <https://doi.org/10.1108/H-03-2017-0054>
13. Rusydiana, A. S., & Al Parisi, S. (2016). The Measurement of Islamic Bank Performance: A Study Using Maqasid Index and Profitability. *Global Review of Islamic Economics and Business*, 4(1), 001–014. <https://doi.org/10.14421/GRIEB.2016.041-01>
14. Sehrish, S., Saleem, F., Yasir, M., Shehzad, F., & Ahmed, K. (2012). Financial Performance Analysis of Islamic Banks and Conventional Banks in Pakistan: A comparative Study. *Institute of Interdisciplinary Business Research*, 4(5), 186–200.
15. Selvam, M., Gayathri, J., Vasanth, V., Lingaraja, K., & Marxiaoli, S. (2016). Determinants of Firm Performance: A Subjective Model. *International Journal of Social Science Studies*, 4(7), 90–100. [https://doi.org/10.1007/978-3-319-38810-6\\_39](https://doi.org/10.1007/978-3-319-38810-6_39)
16. Shaukat, M., & Khan, H. C. F. (2018). Measuring The Financial Growth of Islamic Banks and The Compliance to Maqasid Al-Shariah: An Industry Wide Assessment. Working Paper for College of Banking & Financial Studies, 104(16), 1–16.
17. Sunarsih, U., & Firmansyah, D. (2018). Directives For Sharia Banking Financial Performance In Indonesia. *Akrual: Jurnal Akuntansi*, 9(2), 111–128.

# PERFORMANCE OF INDONESIAN ISLAMIC BANKS BASED ON MAQASID SHARIAH INDEX: STAKEHOLDER THEORY PERSPECTIVE

---

## ORIGINALITY REPORT

---

5%

SIMILARITY INDEX

5%

INTERNET SOURCES

4%

PUBLICATIONS

3%

STUDENT PAPERS

---

## MATCH ALL SOURCES (ONLY SELECTED SOURCE PRINTED)

---

3%

★ Submitted to Universitas Diponegoro

Student Paper

---

Exclude quotes  On

Exclude bibliography  On

Exclude matches  < 1%