

# The literature review of Islamic performance measurement models at sharia banks in Indonesia

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## Abstract

**Purpose** - The purposive of study was to find out maqashid sharia performance measurement model in sharia banking.

**Method** - This type of research was qualitative descriptive research using a systematic literature review approach with primary data sources coming from ISSN or E-ISSN journal literature. Systematic literature review or structured article review is the process of identifying, assessing and interpreting all available research evidence with the aim of comparison, outcomes and providing answers to research questions.

**Result** - Maqashid sharia measurement model mostly used at Islamic banking finance is the Sharia Maqashid Index (SMI). Maqashid sharia has the meaning of a goal that has been determined by the sharia for the ultimate benefit of human.

**Implication** - Innovation of a strategic model to see and measure banking performance, therefore conventional banks and Islamic banks have different systems.

**Originality** - This research combines sharia social performance and sharia financial performance into a performance measurement model.

**Keywords:** maqashid sharia index; performance; profitability; sharia bank



## Introduction

Sharia banking is part of national banking, has now become part of the motor movement of the Indonesian economy so that sharia banking is now developing rapidly in Indonesia (Muhajir et al., 2021). The banking sector continues to develop and is marked by the emergence of a new financial industry, namely sharia banking. This industry is characterized by the fact that it does not use interest rates to run its business and is based on the principles of fairness. Sharia finance institutions have received criticism regarding Islamic economic aspirations, where the commercialization of finance is compared with the social aspects of its *muammalah* (maqashid) to achieve human welfare (Asutay & Harningtyas, 2015). Mohammed & Taib (2016), Antonio et al. (2012) and Ascarya et al. (2016) state that, until now, existing conventional benchmarks have failed to measure the performance of Islamic banks.

Al Ghifari et al. (2015) state that the measurement of sharia banks performance has not yet been conducted formally and still requires efforts and breakthroughs to develop the concept of performance measurement. Al Ghifari et al. (2015) explain that there are differences between sharia bank and conventional banks, so that their performance is measured. The performance of sharia banks must use financial or shareholder-oriented ratios, but financial ratios alone are not enough. There must be differences both in theory and practice, and there must be a paradigm shift to use a sharia basis in measuring the performance of sharia banks (Antonio et al., 2012; Mohammed & Taib, 2016; Prasetyowati & Handoko, 2019).

A number of studies have shown that Islamic banking is deviating from its initial goals despite its rapid growth (Mohammed & Taib, 2016). Based on Islamic banking products, they imitate conventional bank products, giving the impression that they are conventional banks in disguise. Islamic banks are considered to have failed to achieve Islamic goals because they appear to be trying to imitate the structure of the western banking system. According to Mohammed & Taib (2016), the purpose of establishing a sharia bank has

never previously been specifically stated or researched. On the other hand, the purpose of the existence of a sharia bank is very important because it allows the sharia bank to measure whether it is able to achieve its goals. Because there has been no formal discussion regarding the objectives of establishing sharia banks, the *ulamas* try to draw conclusions about the objectives of sharia banks based on the objectives of sharia itself (maqashid al-syariah).

By including other values that describe the benefits of non-profits that are in line with sharia rules, it is a reflection of the purity of a sharia bank which is measured not only in terms of how capable the company is of making a profit. Based on this, it is necessary to have principles for upholding human welfare both in this world and the hereafter which consists of maintaining the five main elements, including the human self, faith, intellect, posterity, and wealth. These five elements are at the level of *dharury* (primary) needs. If these five elements are ignored, it can result in damage to the afterlife. The maqashid index approach can be an alternative strategic approach that can describe how well sharia banking is performing more universally and can be implemented in the form of a comprehensive policy strategy.

Based on the results of Islamic banking as an organization that takes part in monetary administration, it is important for Islamic banking to measure performance as a benchmark for the organization now and in the future. Performance assessments in conventional and sharia banking are mostly only seen from estimates of financial performance using the ratios of Capital, Assets, Management, Earning, Liquidity, Sensitivity of Market Risk (CAMELS), Return on Assets (ROA), Return on Equity (ROE) and Data Evolution Analysis (DEA)(Amalia, 2020). However, these ratios have many weaknesses, especially in the implementation of sharia monetary. These ratios only focus on financial measurements, whereas sharia banks are banking institutions that are run using sharia principles, but do not ignore the financial side (Kalbarini, 2018a).

Measuring sharia banking performance using conventional banking performance benchmarks creates a mismatch between conventional bank

performance metrics and broader sharia banking goals (Hartono & Sobari, 2017). The CAMELS measurement has many shortcomings. First, there are no characteristics that differentiate between sharia banks and conventional banks in measurement. Second, these ratios are not suitable for measuring Islamic banking because they are very different in their core functions and operational characteristics. Third, these ratios only focus on financial measurements, whereas sharia banks are banking institutions that are run according to sharia principles but do not ignore the financial side (Al Ghifari et al., 2015).

Research has been conducted on measuring instruments that were previously adapted to the specific characteristics of sharia practices. Hameed et al. in 2004 introduced the Islamicity Performance Index (Yusnita, 2019). Furthermore, Mohammed & Taib (2016) with the maqashid index explained that measuring sharia banking performance with the maqashid index variable showed a better percentage than measuring conventional bank performance (Mutia & Musfirah, 2017). The bank performance assessment method using the Islamicity Performance Index (IPI) method has been carried out by several other researchers, namely Kurniawan et al. (2021) and Felani Wahyuni and Pratama (2020).

Collaboration on sharia banking performance measurement is essential. This collaboration includes sharia-based measurements and conventional-based measurements, so that the implementation of sharia banking performance measurement based on the maqashid sharia index emerged (Monawer et al., 2022; Hurayra, 2015). The theory of Islamic law, initially developed during the early stages of its formation, was subsequently summarized and expanded by *ulamas* following the *tabi'in* period (Busyro, 2019). According to Ansori (2020), maqashid sharia is "the goal or purpose of enforcing Islamic law". This MSI is developed because of the nonconformity of using conventional bank performance measurements which means that Islamic bank stakeholders cannot clearly see the differences between conventional banks and Islamic banks (Ansori, 2020).

Previous studies have implemented sharia banking performance measurements based on maqashid sharia. Priyatno et al. (2022), Cakhyaneu (2018), Kristingsih et al. (2021), Rudi Setiyobono et al. (2019), Raudlatul Izzah et al. (2023), Nurmahadi & Setyorini (2018), Soediro & Meutia (2018) and Wahid et al. (2018) found performance measurement capital using the maqashid sharia performance model.

The urgency of this research stems from the critical importance of assessing Islamic performance using the Maqashid Sharia Index. This is used as a solution for alternative performance assessment for Islamic banks with the previous assessment model. Maqashid sharia is needed in formulating laws that will become the basis and benchmark for the continuity of sharia banks. The benefit of the maqashid sharia lies in its ability to facilitate a comprehensive understanding of both general and specific laws, as well as to enable the accurate interpretation of sharia texts. Evaluating the performance of sharia banks through the lens of maqashid sharia emphasizes the imperative to safeguard the human self, faith, intellect, posterity, and wealth.

According to Mohammed and Shahwan, so far a lot of criticism has been directed at sharia banks that tend to be profit oriented and not based on social goals when viewed from the maqashid sharia aspect. This gives rise to a performance assessment specifically based on maqashid sharia, in order to assess whether the objectives in establishing a sharia bank are in line with maqashid sharia (Lubis et al., 2023). Maqashid sharia is an idea in Islamic law that sharia was revealed by Allah to achieve certain goals. Then, to explain the performance of sharia banking in accordance with sharia principles, it is necessary to apply a level of measurement of sharia banking performance that is in line with the aims and objectives of Islamic economics, namely through the maqashid sharia approach. With this performance assessment, it is hoped that sharia banking will not focus on the system implemented by conventional banks, which aims to make a profit without adhering to religious norms in their activities. The ideal performance of a sharia bank that utilizes the maqashid sharia concept is to apply Islamic principles, similar to

those of previous sharia banks, by not incorporating interest in its banking activities.

Maqashid sharia performance measurement not only reveals financial performance indicators presented in financial reports based on accounting principles as benchmarks, but also tries to reveal non-financial performance indicators. The importance of this non-financial performance disclosure is in line with the principles of sharia economics and sharia institutions (Lubis et al., 2023). However, in practice, conventional measuring instruments have many weaknesses. The first weakness is that it is still difficult to differentiate the characteristics between sharia banks and conventional banks. It occurs due to different views on Islamic finance which affects function as an intermediary and the need to adapt to the local environment and regulations. The second weakness is that many research results state that measuring the performance of sharia banks is not the same as measuring conventional banks because the two are completely different in their core functions and operational characteristics. Furthermore, the third weakness is that this condition also indicates that the basic objectives of sharia banking have not been handled seriously so that in assessing the performance of sharia banking, conventional measuring instruments are still used which only focus on financial assessments. Therefore, efforts are necessarily made to develop a measuring tool for banking performance formulated from a measurement based on sharia principles, ensuring the availability of a measuring tool for a sharia bank that aligns with its sharia objectives (maqashid sharia) (Zuliansyah, 2008).

Maqashid sharia has a very important function in influencing the dialectics of life, especially regarding practices in conventional and sharia financial institutions. Based on this, it can be interpreted that maqashid sharia is the purity of sharia practice within the scope of goodness. Maqashid sharia, as explained by a scholar named Al Fasi, is a sharia law which has a good purpose based on the secrecy of Allah SWT. Therefore, maqashid sharia can be interpreted as achieving human desires by realizing the good *mashlahah* and eliminating the bad *mafsadah* of management.

Research contribution to accounting theory, especially Sharia Enterprise Theory, is an accounting theory that explains equity or ownership of an organization or entity by implementing Islamic values. Therefore, to build an Islamic economic system, especially sharia accounting, this theory is used as an alternative. In its concept, this theory focuses on the involvement of all parties and those who have a direct or indirect interest in banking. It aligns with the sharia accounting concept, which has a social orientation and prioritizes the interests of stakeholders over stockholders.

The objectives of this research include 1) to examine the maqashid sharia social performance measurement model in sharia banks and 2) to examine the sharia financial performance model with sharia conformity and profitability.

## **Literature Review**

### **Islamic Performance Index (IPI)**

The Islamicity Performance Index (IPI) is a method that can evaluate the performance of sharia banks, not only from a financial perspective but is also able to evaluate the principles of justice, halalness and purification (tazkiyah) implemented by sharia commercial banks. The performance of Islamic financial institutions can be measured using the Islamicity Performance Index (IPI), an index developed by Shahul Hameed. IPI is a measurement instrument that is not only able to reveal the materialistic values but also the spiritual values of sharia bank (Prasetyowati & Handoko, 2019).

The six components of IPI include profit sharing ratio, zakat performance ratio, equitable distribution ratio, directors-employees welfare ratio, Islamic investment vs non-Islamic investment, and Islamic income vs non-Islamic income (Prasetyowati & Handoko, 2019). The IPI measures performance while ensuring adherence to Islamic principles in the operation of financial institutions. Sharia Enterprise Theory states that when starting a business, one must pay attention not only to the business owner but also to the larger stakeholder group, including Allah.

### **Maqashid Sharia Performance**

Islamic banking operates in accordance with sharia objectives (maqashid sharia). Consequently, performance measurement based on maqashid sharia ensures the alignment and accuracy of Islamic banking objectives. Maqashid sharia are benefits that return to God's servants, both in this world and in the hereafter, whether they are obtained by bringing benefits or by rejecting harm or danger that will befall the servants. The Maqashid Sharia Index (MSI) was developed due to the incompatibility of using conventional bank performance measurements which meant that Islamic bank stakeholders were unable to clearly understand the differences between conventional banks and sharia bank.

Maqashid Sharia Index (MSI) is a method of measuring sharia banking performance developed by Mohammed & Taib (2016). This research formulated a performance evaluation for sharia banking which refers to the concept of maqashid sharia. The development of the Maqashid Sharia Index (MSI) method was based on the incompatibility of using conventional performance indicators when applied to sharia banking. This discrepancy is caused by differences in objectives between conventional measurement indicators which focus more on measuring financial performance compared to sharia banking measurement indicators which are more multi-dimensional.

### **Sharia Enterprise Theory (SET)**

Sharia Enterprise Theory is an enhancement of the theory underlying the previous enterprise theory. An important axiom underlying the concept of Sharia Enterprise Theory is that Allah is the primary source of trust and resources owned by the stakeholders. (Kalbarini, 2018b). The derivative of Sharia Enterprise Theory is operationalized in the form of the concept of sharia value added (Haryadi, 2010). This theory was developed by Triyulwono in Kalbarini (2018a). An idea that prioritizes profit or stakeholder interests, commonly embraced by conventional companies, is considered inappropriate for sharia-compliant



enterprises. To replacel the shareholder-orienteltd concepl, relselarchelrs sulggelst ulsing a sharia bulsinelss thelory that is zakat-orienteltd, natulrelonselrvation-orienteltd (natulral elnvironmelnt) and stakelholdelr-orienteltd (Hudayati & Tohirin, 2019).

## Research Methods

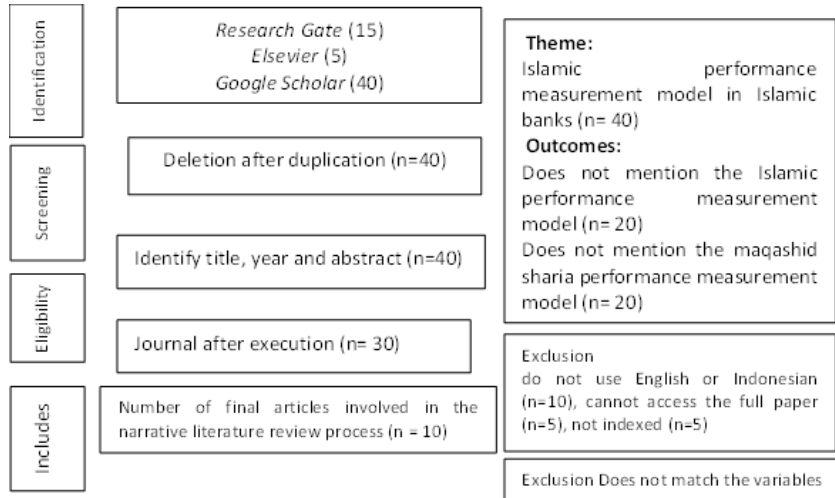
This type of research was qualitative descriptive research using a systematic literature review approach with primary data sources collected from ISSN or E-ISSN journal literature. Systematic literature review or structured article review is the process of identifying, assessing and interpreting all available research evidence with the aim of comparison, outcomes and providing answers to research questions (Kitchenham in Latifah & Ritonga, 2020).

The review method in this research uses a search for literature originating from the Google Scholar database with keywords "Islamic Performance Index (IPI), Maqashid Sharia Index, and Sharia Conformity and Profitability Sharia banking". The research data population comprises journal articles focusing on the Islamic Performance Index (IPI), Maqashid Sharia Index, and Sharia Conformity and Profitability, totaling 110 titles that are accessible and relevant to the research topic. The sample consists of 16 articles published between 2015 and 2023.

The literature search strategies include (1) protocol and registration and (2) search database. Literature review is an overall summary of several research studies based on a particular theme (Nursalam, 2020). The secondary data sources such as journal articles are both national and international with predetermined themes. This research used the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-analysis) method is as shown in Figure 1.

Baseltd on selarch relsults from pulblications on Googlel and ulsing the adjueltd kelywords, 110 articles that matcheltd thesel kelywords were found. The search was then carried out by examining articles specifically related to the Islamic Performance Index (IPI), which were measured by the

Maqashid Sharia Index and Sharia Conformity and Profitability, totaling 40 articles. Additionally, 40 articles that did not mention the Islamic Performance Index (IPI) were also reviewed. The search results were thoroughly checked for duplicates, and any duplicates found were removed, leaving 40 articles remaining.



**Figure 1. Steps of Systematic Literature Review**

**Table 1. PICO Format in Literature Review**

No	Criteria	Information
1	Population	Performance of maqashid sharia banking in Indonesia
2	Intervention	n/a
3	Comparison	n/a
4	Outcomes	Maqashid sharia performance measurement model in sharia banking in Indonesia
5	Contex	Results of appropriate measurement models for Islamic banks in Indonesia

Source: Authors work

According to Nursalam in Lubis et al. (2023), the plan used to search for journal articles uses the PICO framework, which consists of:

- The population in this literature review are all Islamic performance articles in Islamic banking;
- Intervention and comparison are not carried out in the literature review;
- Outcomes in the results of the literature review analysis are to explain the performance measurement model of Maqashid Sharia Index;
- Context, that is the design used in the literature review research with the results of an appropriate measurement model for Islamic banks in Indonesia.

Based on the 40 articles related to the Islamic Performance Index (IPI), Maqashid Sharia Index, and Sharia Conformity and Profitability, only 20 articles related to sharia banking in Indonesia were found. Researchers then conducted a screening process by excluding 8 years from the 2015-2023 period that were not indexed, resulting in 20 articles. After further exclusion based on specific criteria, 10 articles remained for use in this literature review. The selection of the aforementioned articles was conducted using the PICO framework and the PRISMA methodology, based on several criteria. These criteria included a focus on Islamic performance with the Maqashid Sharia Index, publication in indexed journals in English and Indonesian, and relevance to the research keywords.

## Results and Discussion

### Maqashid Sharia Performance Measurement Model in Sharia Banking

Maqashid Sharia was interpreted as achieving human desires by realizing the goodness of their *mashlahah* and eliminating the evil *mafsadah* from them (Prasetyowati & Handoko, 2019). The Maqashid Sharia Index method was developed or innovated based on three main terms, namely regarding

individual education, regarding the creation of justice, regarding achieving prosperity (Mohammed & Taib, 2016). The results of the systematic literature review show that the measurement model of maqashid sharia Islamic banking finance is explained in Table 2.

**Table 2. Performance Measurement Model of Maqashid Sharia Index**

No	Researcher (years)	Measurement Model	Objective
1	Priyatno et al. (2022)	Maqashid Ibn Assur and Abu Zahra's concept was then developed with the concept of Sekaran methodology	(1) Education (tahdzib al-fard), (2) Establishing justice (al-'adl), and (3) Public interest (al-mashlahah).
2	Solihin et al. (2019)	Maqashid Syariah Asy-Syatibi	Education for each individual (tahdzibul fardh/educating individual), upholding justice (iqamah al-is/establishing justice)
3	Wahyudi (2022)	Model measurements created and used by Omar and Rozak in measuring sharia banking performance in the form of the Maqashid Sharia Index (MSI) Sekaran method	Education for individuals, administering justice and realizing prosperity
4	Cakhyaneu (2018)	Maqashid Sharia Index (MSI) by Mohammed et al. (2008)	<i>Tahdzib al-fard</i> (individual education), <i>iqamah al adl</i> (upholding justice) and <i>jabl al maslahah</i> (creating benefits)

No	Researcher (years)	Measurement Model	Objective
5	Kristingsih et al. (2021)	Maqashid Sharia Index (MSI) by Mohammed et al. (2008)	<i>Tahdzib al-fard</i> (individual education), <i>iqamah al adl</i> (upholding justice) and <i>jabl al maslahah</i> (creating benefits)
6	Wahid et al., (2018)	Maqashid Sharia Index (MSI) with Mohammed et al. (2008)	(1) Education ( <i>tahdzib al-fard</i> ), (2) Establishing justice ( <i>al-'adl</i> ), and (3) Public interest ( <i>al-mashlahah</i> )
7	Rudi Setiyobono et al. (2019)	Maqashid Based Performance Evaluation Model (MPPEM), namely the concept of maqashid sharia according to Abu Zahrah developed by Mohammed and Taib (2015), and the concept of Maqashid Sharia Index (MSI) AM Najjar developed by Bedoui (2016)	(1) <i>Tahdzib al- fard</i> (individual education), (2) <i>iqamah al-adl</i> (upholding justice), (3) <i>Jalb al maslahah</i>
8	Raudlatul Izzah et al. (2023)	Maqashid Sharia Index is a sharia performance measurement method developed by Mohammed et al. (2008)	(1) Educating individuals ( <i>Tahdzib al-fard</i> ); (2) Upholding justice ( <i>iqamah al-adl</i> ); and (3) Improving welfare ( <i>jaib al-maslahah</i> ).

No	Researcher (years)	Measurement Model	Objective
9	Soediro & Meutia (2018)	Maqashid sharia, namely <i>ad din, nafs, al aql, nasl wal 'ird</i> , and <i>al maal</i>	These five elements are the achievement of <i>al maslahah</i> . For Islamic financial institutions, all of these elements must be achieved without distinguishing or selecting one of them.
10	Nurmahadi & Setyorini (2018)	Abu Zahrah's concept of maqasid sharia in the book of <i>Ushul Fiqh</i>	<i>Tahdzib al-fard</i> (individual education), <i>Iqamah al-adl</i> (upholding justice), <i>al maslahah</i> (welfare)

Source: Compiled by authors

Based on Table 2, performance measurement model of maqashid sharia at Islamic banking in Indonesia is based on the model which has been developed by previous research. This measurement concept has three objectives, namely:

- *Tahdzib al-fard* (individual education) means that sharia banks must develop knowledge and skills in individuals to enhance their spiritual values. This ensures that every Muslim becomes a source of good, rather than harm, to the surrounding community.
- *Iqamah al-adl* (enforcement of justice) means that sharia banks must ensure honesty and fairness in every transaction and business activity included in products, pricing, and contract provisions. In addition, all contracts must be free from elements of injustice such as *maysir, gharar*, and *usury*.

- Welfare means that sharia banks must develop investment projects and social services to improve community welfare. Because *maslahah* (welfare) is an important aspect of human life, this aspect is also a major concern, especially in the sharia banking industry.

There are several models underlying the measurement concept of maqashid sharia performance which are described below.

**Maqashid Sharia Index (MSI) by Mohammed et al. (2008)**

The Maqashid Sharia Index (MSI) is an index used to measure the performance of sharia banks based on maqashid sharia. This index was developed by Mohammed et al. (2008) in Mohammed & Taib (2016). He referred to Abu Zahrah's concept of maqashid sharia in the book of ushul fiqh. The Maqashid Sharia Index concept is explained in Table 3.

**Table 3. Concept Objectives (Operational Objects) Maqashid Sharia Index**

Goal (object)	Dimension	Element	Ratio Performance	Data source
PI (OI) Individual education (Tahdzib al-Fard)	Improving knowledge	(E11). Education grant	(R11). Education grant /Q total cost	Annual report
		(E12). Research grant	(R11). Research grant/Q total cost	Annual report
	Upgrading competences	(E13) Training	(R13) Training cost/ total cost	Annual report
	Create public awareness of the existence of banks	(E14) Publicity	(R14) Cost publicity / total cost	Annual report

Goal (object)	Dimension	Element	Ratio Performance	Data source
PI (O2) Creating justice (al-adl)	Fair Contract	(E21) Fair returns	(R21) Profit equalization reserves( P E R)/in vestment income	Annual report
	Affordable product and service	(E22) Distribution function	(R22) <i>Mudharaba</i> and <i>musyarakah</i> / total cost	Annual report
	Elimination of injustice	(E23) Non-interest product	(R23) Income non-interest/ Q total income	Annual report
PI(O3) Public interest (al masalah)	Profit capability	(E31) Profit ratio	(R31) Net profit/Total Assets	Annual report
	Wealth and profit distribution	(E32 ) Personal income	(R32) Zakat /Net asset	Annual report
	Investment in the vital real sector	(E33) Investment ratio in the real sector	(R33) Investment distribution in the real sector/ total investment distribution	Annual report

Source: Mohammed et al. (2008)

### Maqashid Sharia Index (MSI) by Abu Zahrah

Abu Zahrah, who is known in his book of *Ushul Fiqh*, explains specifically related to maqashid sharia. Comprehensively, Imam Abu Zahrah has carried out the construction of maqashid sharia looking at the *ushuliyyin* related to



*maslahah* such as al-Syatibi, al hazali, ibn Qayyim, and so on (Solihin et al., 2019).

The Sharia Maqashid Index concept which refers to the theory presented by Abu Zahrah consists of *Tahdzib al-Fard* (educating individuals); *Iqomah al-Adl* (upholding justice); and *Maslahah* (prosperity). These three concepts are then translated into 9 dimensions, namely, knowledge submission, increased expertise, awareness of sharia banking, fair returns, affordable products and services, elimination of injustice, profitability, distribution of income and welfare, investment into the real sector. Based on these 9 dimensions, they are then classified into 10 elements, then each element becomes a performance measurement ratio.

#### **Performance of Maqashid Sharia Index (MSI) of Sekaran Method**

The method of sharia maqashid measurement used in this research is a measurement model created and used by Omar and Rozak in measuring sharia banking performance in the form of the Maqashid Sharia Index (MSI) which originates from the sharia maqashid concept explained by Zahrah. The Maqashid Sharia Index (MSI) can be seen after using the Sekaran method with the characteristics of the behaviors to be measured reduced to a concept, which is denoted as (C). The concept will be further reduced into several dimensions that will be easier to observe and measure, which are denoted by (D). The dimensions will be further reduced into several elements with clearer measurements which are denoted by Priyatno et al. (2022). Dimensions are created to be able to understand and explain the details of each concept.

#### **Maqashid Sharia Index (MSI) by AM Najjar in Maqasid Houssef Eddine Bedoui (2012)**

Bedoui (2012) in Nurmahadi & Setyorini (2018) developed the concept of maqashid-based sharia banking performance measurement by creating a formula taken from Abdul Majid Najjar's theory development. The concept of this idea includes the following:

**Table 4. Elements of the Maqasid Houssef Eddine Bedoui Measurement Concept (2012)**

No	Dimension	Elements
1	Safeguarding of the value of human life	Faith Rights
2	Safeguarding the human self	Life Intellect
3	Safeguarding of social order	Lineage Social entity
4	Safeguarding of the environment	Wealth Ecology

Source: Bedoui in Nurmahadi & Setyorini (2018)

Bedoui's concept is good to implement, but he has not included commercial variables in his performance measurement ideas. Bedoui himself has not applied this idea in the empirical measurement of sharia financial performance.

#### **Maqashid-Based Performance Evaluation Model (MPEM)**

Maqashid-Based Performance Evaluation Model (MPEM) or is the idea of Mohammed & Taib (2016). He developed this model based on al-Ghazali's theory regarding maqashid sharia and interpreted by Ibn Ashur. Mohammed et al. (2015) in Mohammed & Taib (2016) adopted and developed this idea with the analysis method of Sekaran. Based on the results of this research, Mohammed & Taib (2016) formulated the Maqasid Performance Evaluation Model (MPEM) measurements, as follows:

The measurement concept of maqashid sharia developed by Mohammed still focuses on elements of sharia conformity, compared to commercial performance variables. Mohammed & Taib (2016) have not applied this idea in the empirical measurement of sharia banking performance, so this idea still needs to be developed more comprehensively and further to be used as a good, relevant, and accurate model for measuring sharia banking performance.

**Table 5. Elements of the MPEM Concept**

Dimensions (Levam Al Ghazali)	Element (Ibn Ashur's) Reinterpretation of Ghazali	Ratio
Preservation of faith	Freedom of faith	<i>Mudharabah &amp; musyaraqah</i> investment/total investment  Interest free income/ total income  Government support
Preservation of life/soul/honor	Protection of human dignity/ human rights	CSR expenditure/total expenses  Zakat distribution/net asset  Investment on muslims/total investment
Preservation of intellect/mind	Propagation of scientific thinking/ avoiding brain drain	Investment in technology/total assets Employee retention ratio  CSR in education and waqaf/total CSR
Preservation of wealth	Well-being of society/minishing the difference between economic levels	Investment in real economic sector/total investment Investment in SMEs/total investment  Investment in agriculture/total investment
Preservation of Progency	Care of family or care of stakeholders (in case of PLC)	Market to book value ratio Research expenditure/total expenditure

Dimensions (Levam Al Ghazali)	Element (Ibn Ashur's) Reinterpretation of Ghazali	Ratio
		Training & development expenses/total assets
		Net income/total assets
		Credit risk Tax paid/profit before tax
		Level of customer satisfaction

Source: Mohammed & Taib (2016)

The results of the systematic literature review indicate that the most widely used measurement model for maqashid sharia in Islamic banking finance is the Sharia Maqashid Index (SMI) developed by Mohammed et al. (2008). The usage of this model varies among researchers, depending on the research perspective they adopt. The measurement model using the Sharia Maqashid Index (SMI) by Mohammed et al. (2008) is a method of sharia performance measurement that illustrates how the maqashid sharia approach serves as a strategic alternative to explain the health performance levels of Islamic banking in Indonesia.

Based on previous research and the model that have been explained, the performance assessment of sharia banks, which also measures aspects of the Islamic religion and not only determines profits, is the Maqashid Sharia Index. There are no other measurements besides financial performance, especially measuring the social performance of Islamic banks.

The implementation of performance measurement based on maqashid sharia is essential for evaluating the performance of sharia banking in Indonesia. This approach ensures that social and sharia aspects are incorporated as key metrics in assessing the performance of sharia financial

institutions. Maqashid sharia-based measurements of all concepts and ideas that can be applied in measuring sharia banking performance have been answered in empirical measurements. All indicators that represent maqashid sharia elements and commercial elements are suitable to be applied in measuring sharia banking performance. So, this concept can be used as a reference for policy makers in formulating regulations related to the performance of sharia banking in Indonesia.

The concept of measuring sharia financial performance in accordance with maqashid sharia is both appropriate and essential. Previous studies confirm the importance of this concept for *muammalah* activities in Indonesia, which aim to protect the human self, faith, intellect, posterity, and wealth, thereby supporting sustainable development in sharia financial institutions. The insights from previous research, such as the Maqashid Sharia Index and the MPEM by Mohammed & Taib (2016), as well as the Sharia Conformity and Profitability Index, reinforce the relevance and measurability of the Maqashid Sharia framework. These findings underscore the urgent need to implement maqashid sharia as performance measurement standards for financial institutions in Indonesia. Abu Zahrah in his *Ushul Fiqh* book about maqashid sharia, Fazlurrahman in his book about Islam, and other Islamic thinkers have become references and foundations for researchers and academics in developing the concept of measuring sharia financial performance in Indonesia.

However, the existing concepts and ideas for empirically measuring the performance of sharia banking remain partial, as several financial indicators and ratios have not been addressed and integrated into the measurement concept.

## **Conclusion**

Based on the results of the literature review, it can be concluded that the most commonly used measurement model for maqashid sharia in Islamic banking finance is the Sharia Maqashid Index (SMI) developed by

Mohammed et al. (2008). Maqashid sharia refers to the goals set by sharia for the ultimate benefit of humans.

The theoretical implications of this research include an enrichment of the literature on Sharia enterprise theory through the addition of empirical evidence regarding the maqashid sharia performance model. Practically, this research provides valuable insights and recommendations for Sharia banking, specifically on assessing performance in alignment with the aims and objectives of Islamic sharia (maqashid sharia). It underscores that the performance of a sharia-compliant entity should be evaluated based on sharia objectives (maqashid sharia) rather than solely on profit levels measured by the entity.

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