



**THE FORMULATION OF ISLAMIC BANK PERFORMANCE  
BASED ON CONTEMPORARY MAQASID AL-SHARIA**

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**Abstract:** The current measurement of the performance of Islamic banks is more on financial performance. Islamic banks have two significant roles different from conventional banks, namely business and social roles. Financial performance evaluates more the business role of Islamic banks. Meanwhile, the social role of Islamic banks has not yet received an equal portion of the measurement. This article aims to formulate an Islamic bank performance measurement system based on sharia economic goals. This formulation is necessary to adjust the performance assessment of Islamic banks based on the Islamic economic goals. By using content analysis, this research used the contemporary *maqasid al-sharia* approach. To formulate a measurement of the Islamic bank performance based on the roles and objectives of Islamic economics, contemporary *maqasid al-sharia* was employed as the construction basis. Based on the contemporary *maqasid al-sharia*, the Islamic bank's performance formulation can be broken down. Then, factors in the assessment of Islamic bank performance can be determined on financial and social aspects. Thus, Islamic banks are in line with the goals of Islamic economics fighting for justice and the welfare of the community (*falāḥ*), the objectives of sharia (*maqasid al-sharia*), and the primary goal of Islamic law (*maṣāliḥ al-'ibād*).

Penilaian kinerja bank syariah saat ini lebih bersifat penilaian terhadap kinerja finansial. Padahal, bank syariah memiliki dua peran penting yang berbeda dibandingkan bank konvensional. Dua peran tersebut adalah peran bisnis dan peran sosial. Kinerja finansial lebih menilai peran bisnis bank syariah. Sementara, peran sosial bank syariah belum mendapatkan porsi penilaian yang proporsional. Artikel ini bertujuan untuk menawarkan formulasi sistem penilaian kinerja bank syariah yang sesuai dengan tujuan ekonomi syariah. Formulasi ini penting untuk dilakukan agar penilaian kinerja bank Syariah sesuai dengan tujuan ekonomi Syariah. Dengan menggunakan *content analysis*, penelitian ini menggunakan pendekatan *maqasid al-sharia* kontemporer. Untuk membuat formulasi penilaian kinerja bank syariah yang sesuai dengan peran dan tujuan ekonomi Islam, *maqasid al-sharia* kontemporer bisa digunakan sebagai dasar konstruksinya. Dengan berdasarkan pada *maqasid al-sharia* kontemporer, formulasi kinerja bank Syariah *break down* dari *maqasid al-sharia* kontemporer menjadi dimensi penilaian kinerja bank Syariah

pada aspek finansial dan sosial. Selanjutnya, penilaian kinerja bank Syariah dapat ditentukan berdasarkan aspek finansial dan sosial tersebut. Dengan demikian, kinerja bank syariah selaras dengan tujuan ekonomi Islam yang memperjuangkan keadilan dan kesejahteraan masyarakat serta sesuai dengan tujuan diturunkannya syariah (*maqasid al-sharia*) dan kemaslahatan umat.

**Keywords:** *Financial Performance; Social Performance; Contemporary Maqasid Al-Sharia.*

## INTRODUCTION

Islamic banks have characteristics and functions that are unique and different from conventional banks.<sup>1</sup> In addition to having a business function, Islamic banks also have a social function that must be carried out. Therefore, the evaluation and measurement of the soundness of Islamic banks must also be carried out comprehensively by its role, especially the achievement of financial and social performances. Unfortunately, the measurement of the social soundness of Islamic banks has not received adequate attention. So far, the measurement of the soundness of Islamic banks tends to evaluate business performance. Business and social performances are integral parts going hand in hand since Islamic banks were established and developed to fulfill these two functions. The fulfillment of these two functions is also a unique characteristic of Islamic banks, compared to conventional banks.

Many researchers have studied the measurement of the soundness of Islamic banks. However, most of these studies used financial soundness measurement standards adapted and duplicated from conventional banks, such as CAMELS (Capital, Asset, Management, Earning, Liquidity, Sensitivity to Market Risk), RGEC (Risk Profile, Good Corporate Governance, Earnings, Capital), and EVA (Economic Value Added).<sup>2</sup> Consequently, the soundness measurement relied

<sup>1</sup> Sulaiman Abdullah Saif Al-Nasser Mohammed and Datin Jorah Muhammed, "Financial Crisis, Legal Origin, Economic Status and Multi-Bank Performance Indicators: Evidence from Islamic Banks in Developing Countries," *Journal of Applied Accounting Research* 18, no. 2 (2017): 208-22, <https://doi.org/10.1108/JAAR-07-2014-0065>.

<sup>2</sup> Salina Rasli et al., "CAMEL Characteristics, Financial Performance and Stability of Selected Islamic Banking in Malaysia," *Selangor Science & Technology Review (SeSTeR)* 4, no. 3 (2020): 50-64; Mohammed Ayoub Ledhem and Mohammed Mekidiche, "Economic Growth and Financial Performance of Islamic Banks: A CAMELS Approach," *Islamic Economic Studies*, 2020; Aslam Mahmud and Md Habibur Rahman, "Evaluation and Comparison of Financial Soundness of Islamic and Conventional Private Commercial Banks in Bangladesh: A CAMEL Approach," *Can. J. Bus. Inf. Stud* 2, no. 6 (2020): 129-40; Rahim Dabbagh, Hasan Golmoradi, and Arash Bagri, "Financial Performance Comparison of Islamic and Conventional Banking in Selected Countries Using the CAMEL Model," *Quarterly Journal of Islamic Finance and Banking Studies* 4, no. Autumn (2019): 85-114; Mohamed Rochdi Keffala, "How Using Derivative Instruments and Purposes Affects Performance of Islamic Banks? Evidence from CAMELS Approach," *Global Finance Journal*, 2020, 100520; Agung Abdullah, "Measuring Islamic Bank's Performance Using CAMELS And RGEC Method Based On Indonesian Financial Services Authority Circular," *Journal of Business and Management Review* 1, no. 4 (2020): 248-58; Aliman Syahuri Zein, "THE COMPARATIVE ANALYSIS OF ISLAM BANKING PERFORMANCE IN TERMS OF CAMEL AND RGEC IMPLEMENTATION," *At-Tijarah: Jurnal Ilmu Manajemen Dan Bisnis Islam* 7, no. 1 (2021): 126-40; Greget Kalla Buana, Fahmi Ali Hudaefi, and Rezzy Eko Caraka, "Islamic Banking Performance: A Bibliometric Review," 2020; Elyanti

on conventional bank benchmarks and did not show the actual performance of Islamic banks as a subsystem of the Islamic economy.

Islamic banks do have different role characteristics than conventional banks. Islamic bank is a profit-oriented business organization and has a socio-economic role in creating and improving the welfare of the stakeholders.<sup>3</sup> Islamic economic figures, such as Sadr, Naqvi, and Mannan, also affirmed the same thing. Islamic banks do not only aim to generate profits but also to have a responsibility to create and improve social welfare.<sup>4</sup> The measurement of the soundness of Islamic banks, oriented to the financial and profit aspects for the benefit of shareholders, is not wrong. Of course, this is in the context of the fundamental values embodied in the modern economic system. However, according to Triyuwono, based on the perspective of sharia ethics, the measurement of the soundness of Islamic banks only oriented to the financial and profit aspects will be very partial and temporary. In the context of sharia ethics, social reality (including the reality of the banking business) is an inseparable part of the entire social and religious systems.<sup>5</sup> In addition to the measurement of financial performance, a measurement of the social performance of Islamic banks as a reflection of social roles must also be carried out.

The relationship between Islamic banks and religion is in line with the theory of social construction in the sociology of religion. According to Berger, religion is a social reality. Religion has a strategic role in building a social reality.<sup>6</sup> Islamic banking is a social reality inseparable from religion. The emergence of Islamic banks is indeed based on the Islamic paradigm. Therefore, the soundness of Islamic banks as a social reality should be measured through a religious approach, with *maqasid al-sharia* as the primary key.

This article aims to formulate a performance measurement system for Islamic banks based on Islamic economic goals. Many researchers have

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Rosmanidar, Abu Azam Al Hadi, and Muhamad Ahsan, "ISLAMIC BANKING PERFORMANCE MEASUREMENT: A CONCEPTUAL REVIEW OF TWO DECADES," *International Journal of Islamic Banking and Finance Research* 5, no. 1 (2021): 16-33.

<sup>3</sup> M. Umer Chapra, *Islam and Economic Development*, *The Routledge Handbook on the Middle East Economy* (Islamabad: the International Institute of Islamic Thought and Islamic Research Institute, 1993), 3-6, <https://doi.org/10.4324/9781315103969-21>; Dusuki Asyraf Wajdi, "Understanding the Objectives of Islamic Banking: A Survey of Stakeholders' Perspectives," *International Journal of Islamic and Middle Eastern Finance and Management* 1, no. 2 (2008): 133; Zamir Iqbal and Abbas Mirakhor, *Pengantar Keuangan Islam : Teori Dan Praktik (Alih Bahasa A. K. Anwar)* (Jakarta: Kencana, 2008), 8-15; Feisal Khan, "How 'Islamic' Is Islamic Banking?," *Journal of Economic Behavior and Organization* 76, no. 3 (2010): 805-20, <https://doi.org/10.1016/j.jebo.2010.09.015>.

<sup>4</sup> Sayyed Muhammad Baqr Sadr, *An Introduction to Principles of Islamic Banking, Bonyad Be'that, Tehran, Iran* (Tehran: Bunyad Be'thet, 1982); Syed Nawab Haider Naqvi, *Perspective on Morality and Human Well-Being: A Contribution to Islamic Economics*. (Leicester: The Islamic Foundation, 2003); M.A. Mannan, *Teori Dan Praktek Ekonomi Islam* (Yogyakarta: Dana Bhakti Prima Yasa, 1997), 20-23.

<sup>5</sup> Iwan Triyuwono, "ANGELS: Sistem Penilaian Tingkat Kesehatan (TKS) Bank Syari'ah," *Jurnal Akuntansi Multiparadigma* 2, no. 1 (2011): 4-5, <https://doi.org/10.18202/jamal.2011.04.7107>.

<sup>6</sup> Peter L. Berger, *Langit Suci Agama Sebagai Realitas Sosial* (Jakarta: LP3ES, 1991), 35; Moh. Soehadha, *Metodologi Penelitian Sosiologi Agama* (Yogyakarta: Bidang Akademik UIN Sunan Kalijaga, 2008), 20-21.

studied the measurement of the soundness of Islamic banks. However, most of these studies used financial soundness measurement standards adapted and duplicated from conventional banks. By using content analysis, this study used the contemporary *maqasid al-sharia* approach. The analysis in this research was carried out by combining the theory of Islamic bank performance measurement with the contemporary *maqasid* approach. Performance measurement theory was employed integratively with the *maqasid* approach to construct a *maqasid*-based Islamic bank performance measurement formulation.

## MAQASID AL-SHARIA

Before being confirmed as an independent scientific discipline in the hands of Ibn 'Ashūr, *maqasid al-sharia* underwent a long evolution in the history of its development. Even the development of *maqasid al-sharia* ad experienced a long period of static after Al-Shāṭibī. Then *maqasid al-sharia* found its resurrection in the hands of Ibn 'Ashur and continues to this day.

In the view of Al-Shāṭibī, basically sharia is set to realize the benefit of servants (*maṣāliḥ al-'ibād*), both in this world and in the hereafter. This benefit then becomes *maqasid al-sharia*.<sup>7</sup> In other words, the determination of sharia, both as a whole (*jumlatan*) and in detail (*tafṣīlan*), is based on an 'illat (motive of law determination), namely realizing human benefit.

To realize this benefit, Al-Ghazālī divides *maqasid* into three levels: *dharuriyyat*, *hajiyyat*, and *tahsiniyyat*.<sup>8</sup> *Dharuriyyat* is beneficial at the highest and main level because the sustainability of human life depends on it. *Hajiyyat* is a secondary benefit that, if not fulfilled, does not pose a danger to the sustainability of human life. However, benefit at this level is needed in human life. *Tahsiniyyat* is a tertiary benefit and is a complement to human benefit. Nonetheless, it does not mean that the benefit of this third level is not essential.<sup>9</sup> Furthermore, the types of preservation that are the main elements in *maqasid* are divided into (1) preservation of religion (*hifz al-din*); (2) preservation of life (*hifz al-nafs*); (3) preservation of intellect (*hifz al-'aql*); (4) preservation of progeny (*hifz al-nasl*); (5) preservation of wealth (*hifz al-mal*).<sup>10</sup> Some scholars of ushul fiqh add the protection of honor (*hifz al-'ird*) in addition to the five general divisions above.<sup>11</sup>

<sup>7</sup> Al-Shāṭibī, *Al-Muwāfaqāt Vol.2* (al-Khubar: Dār Ibn 'Affān, 1997), 9.

<sup>8</sup> Abū Hāmid Al-Ghazālī, *Al-Mustasfā Min 'Ilm al-Uṣūl* (Beirut: Dār al-Kutub al-'Ilmiyah, 1994), 174–75.

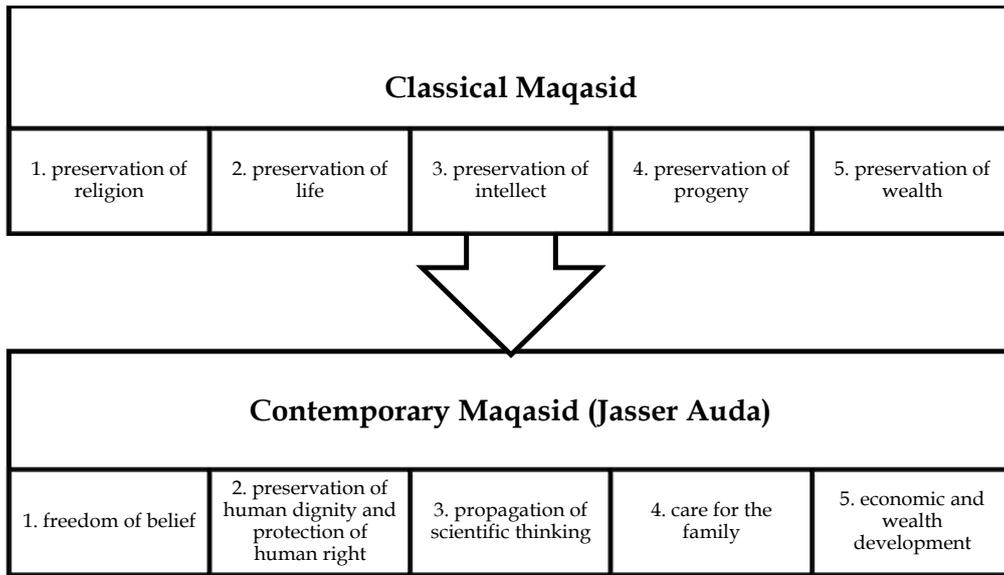
<sup>9</sup> Syaiful Bahri, "The Construction of Indonesian Political Fiqh: Maqasid al-sharia Perspective and Ahmad Ar-Raisuni's Thoughts," *Justicia Islamica* 17, no. 1 (2020): 38, <https://doi.org/10.21154/justicia.v16i1.1671>.

<sup>10</sup> Al-Ghazālī, *Al-Mustasfā Min 'Ilm al-Uṣūl*, 174.

<sup>11</sup> Some scholars include *hifz al-'ird* as the sixth rank. However, this opinion was refuted by other scholars with the argument that *hifz al-'ird* is included in the category of *hifz al-nasl*. See Abd al-Raḥmān Ibrāhīm Al-Kilāni, *Qawā'id al-Maqāṣid 'inda al-Imām al-Shāṭibī: 'Arḍan Wa Dirāsatan Wa Taḥlīlan* (Damaskus: Dār al-Fikr, 2000), 168; Jasser Auda, *Maqasid al-sharia as Philosophy of Islamic Law A Systems Approach, Systems as Philosophy and Methodology for Analysis* (London: The International Institute of Islamic Thought, 2008), 3.

*Maqasid* conceptions continue to develop until now. In the modern era, Jasser Auda, a prominent Muslim scholar, emerged who tried to re-understand the classical *maqasid* concept and offer a new concept of *maqasid*. The reorientation of classical *maqasid al-shari'ah* towards the contemporary concept of *maqasid al-shari'ah*, according to Jasser Auda, is a change from “protection” and “preservation” towards “development” and “freedom.”<sup>12</sup>

Figure 1: Contemporary Conceptions of *Maqasid al-Shari'ah*



Source: Jasser Auda Conceptions

The picture above shows that Jasser Auda developed classical *maqasid* towards contemporary *maqasid*. The development of the *maqasid* by Auda can not be separated from the background of his thought which considers that the human condition of Muslims today is very alarming so that it requires human development as the primary goal of the *maqasid* itself.

Suppose the classical *maqasid* is more oriented towards preservation efforts. In that case, the contemporary *maqasid* of Jasser Auda is more directed at developing and providing protection for human rights, which is by the needs and problems experienced by Muslims today. Then if the classical *maqasid* is more individual, the contemporary *maqasid* prioritizes social aspects. Jasser Auda did not reject or ignore the classical *maqasid*, but he has criticized and then developed it into a contemporary *maqasid* that is more universal, holistic, humanist, and systematic. The contemporary *maqasid* of Jasser Auda contains classical *maqasid*, but he has prioritized contemporary aspects to be in harmony with the development of human life.

<sup>12</sup> Auda, *Maqasid al-sharia as Philosophy of Islamic Law A Systems Approach*, 248–49.

## MAQASHID AL-SHARIA AND BASIC PRINCIPLES OF SHARIA BANK

Islamic banking has become the main driving force for Islamic economics. Recognition of Islamic banking in the global financial system has ignited positive energy for Islamic economists. Several decades ago, Islamic banks were still thriving as a financial institutions and were relatively unknown. However, currently, the Islamic banking and finance system has been accepted and developed in various countries. According to Zamir Iqbal,<sup>13</sup> the underlying background is the emergence of the awareness of many people that conventional financial institutions are capitalist banking and financial system based on interest and only focus on economic and financial transaction activities. The system has been established and applied in various Muslim countries for centuries and negatively impacts community development through colonialism.

In addition, in Abdullah Saeed's view,<sup>14</sup> the development of Islamic banking is also an implication of the emergence of the Islamic revivalism movement, especially from the neo-revival movement group led by the leaders of the Muslim Brotherhood (Egypt) and Jamaat-e-Islami (Pakistan). According to him, the figures from these two groups have a firm opinion that bank interest is included in usury and must be eliminated. This opinion then influenced favorable legal rules in several Muslim countries, which categorize interest as usury. Therefore, in the 1970s, several government leaders decided to abolish interests, such as Pakistan, Iran, and Sudan. This policy was further supported by the abundance of oil wealth in the Gulf states, which prompted them to invest millions of dollars in establishing Islamic banks in the Middle East.<sup>15</sup>

Islamic banking exists as an Islamic financial system and becomes a subsystem of Islamic economics by these two principles. As an Islamic economic subsystem, the objectives of Islamic banking cannot be separated from the goals of Islamic economics. The ultimate goal of Islamic economics is as the goal of Islamic law (*maqasid al-sharia*), which is the achievement of happiness in the world and hereafter horizons (*falāḥ*) through a good life order (*ḥayāh ṭayyibah*). This is the true happiness that every human being hopes for. It is not pseudo happiness that often gives birth to suffering and misery for the other party.

Starting from the goal of Islamic economics, in the context of economic activity, the purpose of *falāḥ* is then translated into several intermediate goals: (1) realizing the benefit of the people; (2) realizing justice and income distribution; (3) building civilization; and (4) creating balance and harmony in

<sup>13</sup> Zamir Iqbal, "Islamic Financial Systems," *Finance & Development* 34, no. 2 (1997): 42.

<sup>14</sup> Abdullah Saeed, *Bank Islam Dan Bunga: Studi Kritis Larangan Riba Dan Interpretasi Kontemporer* (Yogyakarta: Pustaka Pelajar, 2003), 25–26.

<sup>15</sup> Adiwarman A. Karim, *Bank Islam Analisis Fiqih Dan Keuangan* (Jakarta: PT RajaGrafindo Persada, 2006), 24.

life.<sup>16</sup> Meanwhile, according to Chapra, Islam is a religion that is universal, simple, easy to understand, and easy to reason. Islamic economics has basic principles that become the pillars and foundations in all its activities based on an Islamic worldview. These basic principles consist of (1) the principle of monotheism, (2) the principle of the caliphate, and (3) the principle of justice.<sup>17</sup> These principles not only shape the Islamic worldview but also spearhead the implementation of *maqasid*.

*Maqāṣid al-sharīah* has a very vital position in Islamic economic development. In the study of Islamic economics, the purpose of *maqāṣid al-sharīah* is to maintain human benefit. Islamic banking as an Islamic economic subsystem is encouraged to operate on all activities with *maslahah* considerations. In the economic system, the concept of *maslahah* is more objective than utility to analyze economic actors' behavior.<sup>18</sup> Through the concept of *maslahah*, individual and social interests can be harmonized to create justice and *falah* for the human being. Thus, through the principle of *maslahah*, Islamic banking can realize the achievement of happiness in the world and hereafter horizons (*falāh*) through a good life order (*ḥayāh ṭayyibah*).

## **A CRITICAL REVIEW ON ASSESSMENT OF ISLAMIC BANKING PERFORMANCE**

Among the comprehensive measurements of the financial performance of Islamic banks that are widely used are the measurement systems using CAMELS and RGEC. The two measurement systems have been used in the regulations in force in Indonesia. The RGEC is still used in the regulation of the soundness measurement of Islamic banks in Indonesia. CAMELS has been used since 2007 and replaced by RGEC since 2014, which has been used until now.

Iwan Triyuwono, as an academic and expert on Islamic accounting, offers another system for evaluating the soundness of Islamic banks using the ANGELS method.<sup>19</sup> Although he agrees with the measurement factors, Triyuwono is not entirely in line with the orientation and indicators used in the Conventional CAMELS Method. Triyuwono offers the same factors but with different measurement indicators. One of Triyuwono's criticisms is related to

<sup>16</sup> Pusat Pengkajian dan Pengembangan Ekonomi Islam UII, *Ekonomi Islam* (Jakarta: Rajawali, 2009), 90; Darsono et al., *Masa Depan Keuangan Syariah Indonesia*, ed. Muhammad Syafii Antonio, Sofyan RH Zaid, and Faris Sabilar R (Jakarta: Tazkia Publishing, 2017), 25–26.

<sup>17</sup> M. Umer Chapra, *Islam Dan Tantangan Ekonomi* (Jakarta: Gema Insani Press, 2000), 2014.

<sup>18</sup> Abdurrohman Kasdi, "Actualizations of Maqāṣid Al-Shariah In Modern Life; Maqāṣid Al-Shariah Theory As a Method of The Development of Islamic Laws and Shariah Economics," *Justicia Islamica* 16, no. 2 (2019): 247–68.

<sup>19</sup> Some studies have used the Angels method to assess Islamic banks performance. Among these studies are Hendrik Tri Oktaviansyah, Ahmad Roziq, and Agung Budi Sulistiyono, "ANGELS Rating System for Islamic Banking Industry in Indonesia," *Jurnal Keuangan Dan Perbankan* 22, no. 1 (2018); Maya Indriastuti and Luluk M. Ifada, "Analisis Sistem Pengukuran Kinerja Perbankan Syariah," in *Conference In Business, Accounting, And Management (CBAM)*, vol. 2, 2015, 309–19.

the Earning factor. Triyuwono disagrees with the orientation of Earning in the CAMELS Method, which is more inclined to the notion of profit. In the ANGELS concept, Earning is defined as value-added distributed for the welfare of wider stakeholders. This is certainly different from the profit in the Conventional CAMELS method, which has a more connotation of welfare for shareholders.<sup>20</sup>

In general, the factors in CAMELS and RGEC emphasize more on the financial aspect. Non-financial aspects have a tiny portion, such as management or governance (GCG) factors. The financial aspect is nothing but boiled down to the aspect of profit. According to Triyuwono, the aspect of evaluating the soundness of Islamic banks is determined so that the financial aspect is maintained. Even with the existing provisions, it is hoped that it will continue to increase from time to time.<sup>21</sup> Indeed, the factors in the regulation of soundness ratings of Islamic banks are the basis for ensuring the existence and sustainability of a bank. The existence and sustainability can be guaranteed if the bank in its operations earns a profit, and in simple terms, the profit is intended for shareholders.

Measurement of soundness-oriented Islamic banks and financial aspects of the profit for the benefit of shareholders is not wrong at all. Of course, this is in the context of the fundamental values contained in the modern economic system. However, according to Triyuwono, from ethical standpoint sharia, the Islamic bank soundness measurement only focuses on financial aspects, and the profit will look very partial and temporary. Whereas, in the context of sharia, ethical, social reality (including the reality of the banking business) is an integral part of the whole social and religious systems.<sup>22</sup> In addition to the measurement of financial soundness, the social performance of Islamic banks as a reflection of social roles must also be carried out.

Several researchers have developed a Corporate Social Performance (CSP) measurement system. However, the concept of CSR, which is quite varied, results in a variety of social performance measurement systems (CSP). Regarding Islamic banks, until now, there has been no researcher who specifically developed a measurement of the social performance of Islamic banks. Several studies have been conducted to adapt the concept of CSP, which was developed for general company valuation. Among the adapted CSP concepts is the performance measurement of Islamic banks using the Islamic Social Reporting (ISR) Index. In addition, there is also a social performance measurement system for Islamic banks that is integrated with the financial performance measurement of Islamic banks, such as the ANGELS model developed by Triyuwono and several other researchers.

<sup>20</sup> Triyuwono, "ANGELS: Sistem Penilaian Tingkat Kesehatan (TKS) Bank Syari'ah," 14.

<sup>21</sup> Triyuwono, 3.

<sup>22</sup> Triyuwono, 4-5.

Roszaini Haniffa initiated Islamic Social Reporting (ISR) in companies in 2002<sup>23</sup> and was subsequently developed by Rohana Othman et al. in 2009 and 2010.<sup>24</sup> The concept of ISR emerged as a form of corporate accountability to God and society. In addition, ISR also reflects the transparency of the company's business activities by presenting relevant information by corporate social responsibility. ISR is a standard for reporting the social performance of companies with a sharia approach. This index was developed in an integrative manner based on the reporting standards set by AAOIFI and sharia principles. Several researchers have researched using this method.<sup>25</sup>

Meanwhile, Triyuwono offers the ANGELS concept to evaluate the performance of Islamic banks. Triyuwono formulated the concept from philosophical thinking to more concrete thoughts. However, the concept has not yet reached the technical level. Those who want to evaluate the performance of Islamic banks using the ANGELS concept, of course, must develop measurement indicators first to the technical level. The ANGELS system stands for Amanah Management, Non-economic Wealth, Give Out, Earnings, Capital and Assets, Liquidity and Sensitivity to Market, and Socio-Economic Wealth. Each factor from ANGELS is part of the "process," "outcome," and "stakeholders."<sup>26</sup>

There are several points of similarity between Islamic banks' two social performance measurement systems, ISR and ANGELS, though each expresses it in different terms. The similarity point is the importance of evaluating the social performance of Islamic banks based on the three relationships of Islamic banks: the relation of Islamic banks with God, the relation of Islamic banks with stakeholders, and the relation of Islamic banks with nature. These three relations become important points of Islamic bank social accountability that must be evaluated.

<sup>23</sup> Ros Haniffa, "Social Reporting Disclosure: An Islamic Perspective," *Indonesian Management & Accounting Research* 1, no. 2 (2002): 128-46.

<sup>24</sup> Rohana Othman, Azlan Md Thani, and Erlane K Ghani, "Determinants Of Islamic Social Reporting Among Top Shariah -Approved Companies In Bursa Malaysia," *Research Journal of International Studies*, no. 12 (2009): 4-20; Rohana Othman and Azlan Md Thani, "Islamic Social Reporting Of Listed Companies In Malaysia," *International Business & Economics Research Journal (IBER)* 9, no. 4 (2010), <https://doi.org/10.19030/iber.v9i4.561>.

<sup>25</sup> Inten Meutia and Devi Febrianti, "Islamic Social Reporting in Islamic Banking: Stakeholders Theory Perspective," in *SHS Web of Conferences*, vol. 34 (EDP Sciences, 2017); Marita Kusuma Wardani and Dea Devita Sari, "Disclosure of Islamic Social Reporting in Sharia Banks: Case of Indonesia and Malaysia," *Journal of Finance and Islamic Banking* 1, no. 2 (2019): 105-20; Erik Nugraha, Tri Anita Noviantini, and Audita Setiawan, "Disclosure of Islamic Social Reporting a Comparative Study of Indonesia and Malaysia," *The International Journal of Business Review (The Jobs Review)* 2, no. 1 (2019): 39-46; Hasan Mukhibad and Anisa Fitri, "Determinant of Islamic Social Reporting (ISR) Disclosure," *KnE Social Sciences*, 2020, 478-89; Arif Hussain et al., "Determinants of Islamic Social Reporting in Islamic Banks of Pakistan," *International Journal of Law and Management*, 2020; Rafrini Amyulianthy, Widyaningsih Azizah, and Indra Satria, "Islamic Social Reporting in Shariah Banks in Indonesia," *Review of Integrative Business and Economics Research* 9 (2020): 171-82; Rahmawati Khoiriyah, "The Effect of Islamic Social Reporting on Firm Value (Case Study on Islamic Banks in Indonesia)," *Journal of Research in Business, Economics, and Education* 2, no. 4 (2020): 821-30.

<sup>26</sup> Triyuwono, "ANGELS: Sistem Penilaian Tingkat Kesehatan (TKS) Bank Syari'ah."

Amongst the point of relationship with God, the point of contact is also in line with the concept of CSR, which aims to make the company not only run the interests of the shareholders but also pay attention to the interests of stakeholders, such as employees, community, government, consumers and the environment.<sup>27</sup> CSR is a corporate concern based on three fundamental principles known as the Triple Bottom Lines (3P): Profit, People, and Planet. With this 3P principle, the purpose of business is no longer merely seeking profit (profit) but also must provide welfare for humans (people) and ensure the sustainability of life in this world (planet).<sup>28</sup>

In the *maqasid* perspective, the social performance of Islamic banks is closely related to the protection of all *maqasid* elements. The benefit of stakeholders, especially external parties of Islamic banks, is a crucial point to realize justice and the welfare of humanity. This is also in line with the purpose of the revelation of sharia (*maqasid al-sharia*) to realize happiness in the world and the hereafter (*falāḥ*) through a good life order (*ḥayāh ṭayyibah*) and in line with the goals of Islamic economics that fight for justice and the welfare of society.

## THE CONSTRUCTION OF ISLAMIC BANK PERFORMANCE BASED ON MAQASID AL-SHARIA

The Islamic bank soundness measurement system is still not well established and is still looking for an ideal form. The CAMELS and RGEC methods used as standards in measuring Islamic banks in Indonesia are also still receiving criticism. The two methods of soundness measurement are still considered financially oriented and do not reflect the other roles of Islamic banks that are social. Based on the objectives and philosophical basis of the existence of Islamic banks, the social role is inherent in Islamic banking institutions.

The measurement of the soundness of Islamic banks, which is oriented to the financial and profit aspects for the benefit of shareholders, is not wrong at all. Of course, this is in the context of the fundamental values embodied in the modern economic system. However, according to Triyuwono, from the perspective of sharia ethics, the measurement of the soundness of Islamic banks, which is only oriented to the financial and profit aspects, will look very partial and temporary. In fact, in the context of sharia ethics, social reality (including the reality of the banking business) is an inseparable part of the entire social and religious system.<sup>29</sup> In addition to the measurement of financial performance, a measurement of the social performance of Islamic banks as a reflection of social roles must also be carried out.

<sup>27</sup> A.B. Susanto, *Reputation-Driven Corporate Social Responsibility: Pendekatan Strategic Management Dalam CSR* (Jakarta: Esensi Group Erlangga, 2009), 109–18.

<sup>28</sup> Buchari Alma and Donni Juni Priansa, *Manajemen Bisnis Syariah* (Bandung: Alfabeta, 2009), 191.

<sup>29</sup> Triyuwono, "ANGELS: Sistem Penilaian Tingkat Kesehatan (TKS) Bank Syari'ah," 4–5.

In terms of the philosophical basis of Islamic banks, the roles and activities of Islamic banks cannot be separated from the basic principles of sharia that underlie and construct their existence. Islamic banks have a business and social role in carrying out their activities based on these basic principles. These two roles must be carried out in tandem to realize the community's social welfare and achieve *falāh* as the goal of Islamic economics.

The emergence and existence of Islamic banks is an extension of Islamic economics with Islamic sharia as the basis. In the perspective of social theory, this reality is in line with the theory of social construction in the sociology of religion. According to Berger,<sup>30</sup> religion is a social reality. Religion has a substantial and influential role in the order of social reality. Religion is not only a keeper of the world (world maintenance) through the norms and rules created from it, but religion also plays a role as a world builder (social construction). Religion plays a vital role in shaping and building human civilization. Therefore, religion plays a role in human efforts to build this world. This happens because religion represents the human project at the center of the world and gives human meaning to the cosmos and its culture.

In Berger's conception, religion results from human construction because religion is part of a cultural system resulting from human construction. Religion undergoes a process of externalization. In this process, religion is positioned as a norm or value system that controls people's actions.<sup>31</sup> In Islamic banking, Islamic banking is a social reality whose presence cannot be separated from religion as its builder and developer. Islamic banks are presently based on a religious paradigm, namely Islam. All activities of Islamic banks and the roles they carry out must be by the basic principles of sharia that underlie them. So how do you see that all Islamic bank activities are in line with sharia principles? To answer this question, a measurement of the performance of Islamic banks as a social reality through a religious approach as a norm that builds its existence is appropriate. This religious approach can be done by measuring the alignment of Islamic banking practices with sharia objectives (*maqasid al-sharia*).

In the modern era, Jasser Auda has tried to re-understand the classical *maqasid* concept and offered a new concept of maqasid. The re-understanding of classical *maqasid al-shari'ah* towards the contemporary concept of *maqasid al-shari'ah*, according to Jasser Auda, is a change from "protection" and "preservation" towards "development" and "freedom." Internalization of *maqasid al-sharia* based on Jasser Auda's concept in assessing the soundness of Islamic banks is a step so

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<sup>30</sup> Berger, *Langit Suci Agama Sebagai Realitas Sosial*, 3-35; Soehadha, *Metodologi Penelitian Sosiologi Agama*, 20-21.

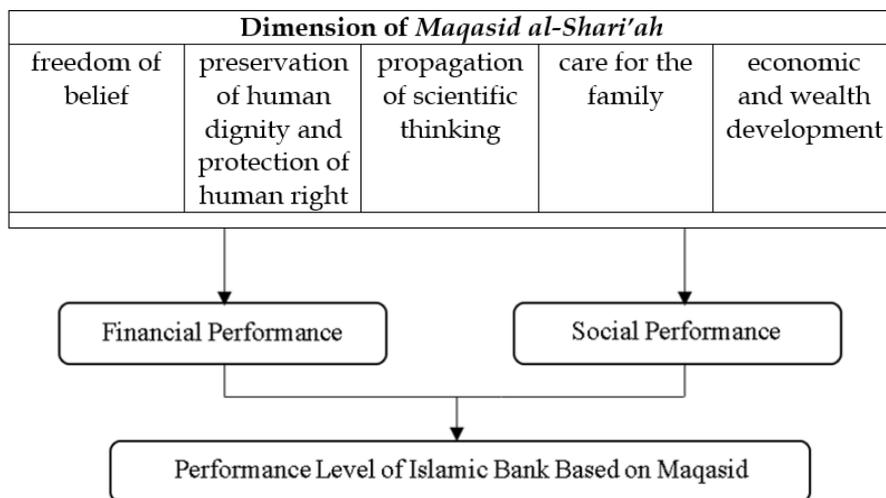
<sup>31</sup> Nur Syam, *Islam Pesisir* (Yogyakarta: LKiS, 2005), 2.

that the management of Islamic banks in their operational activities has a sense of responsibility to carry out two of Islamic banks, namely business functions and social functions. Thus, Islamic banks are profit-oriented business organizations and have a socio-economic role in creating and improving the welfare of stakeholders. Islamic banks aim to generate profits and have a responsibility to create and improve social welfare.

Based on Jasser Auda's concept of *maqasid*, the performance measurement of Islamic banks does contain not only aspects of financial performance but also aspects of social performance. The financial performance of Islamic banks has been evaluated on the factors of capital, assets, earnings, liquidity, and the financial risks faced. Many parties have criticized and evaluated that the measurement of the financial performance of Islamic banks so far has more than duplicated the performance measurement of conventional banks. Islamic banks have different characteristics than conventional banks. The negative measurement must be responded to positively by improving the performance measurement system of Islamic banks. One of the efforts that can be done against this criticism is to formulate a *maqasid*-based formulation of the financial performance measurement of Islamic banks.

Meanwhile, the social aspect is an integral part of Islamic banking activities. Many Islamic banks have carried out this aspect, such as providing educational scholarships, CSR, ZIS, benevolence funds, and CSR related to environmental protection. But unfortunately, the regulations regarding the performance measurement of Islamic banks in Indonesia have not touched the social aspect. Existing regulations are still limited to regulating the measurement of the financial performance of Islamic banks and have not yet penetrated aspects of social performance.

Figure 2: The Formulation of Islamic Bank Performance Based on Contemporary *Maqasid al-sharia*



Source: author's formulation

By using a *maqasid*-based Islamic bank performance measurement, several positive implications can be obtained, both in the form of theoretical and practical implications. Some of these implications include, first, the performance of Islamic banks is more in line with the objectives of Islamic economics, namely the realization of social welfare and justice. This welfare is enjoyed by Islamic bank managers and can be beneficial for the welfare of stakeholders and society at large. Second, people believe that Islamic banks are different from conventional banks. People have become more confident that Islamic banks are not just imitating and duplicating conventional banks by using different valuation standards. The fulfillment of *maqasid* aspects in the performance measurement system of Islamic banks will undoubtedly increase the positive image of Islamic banks, and Islamic banks will be accepted more widely by the public.

## CONCLUSION

Islamic banks have different characteristics from conventional banks. Therefore, it becomes necessary to create a formulation of the performance measurement of Islamic banks by the objectives and characteristics of the Islamic economy. By using contemporary *maqasid al-sharia* as the basis for development, the formulation of a sharia bank performance measurement system can be in line with sharia economic goals. The measurement does not only cover aspects of financial performance but also aspects of social performance. The formulation that covers these two aspects is still rarely developed by Islamic economists and Islamic banking practitioners. The results of this study can also be considered for Islamic banking regulators, especially in Indonesia, to develop a performance measurement system for Islamic banks that is in line with the objectives and characteristics of the Islamic economy.

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