

**ANALYSIS OF ISLAMIC BANKING PERFORMANCE IN INDONESIA AND
MALAYSIA WITH MAQASHID SHARIAH INDEX**

JOURNAL



By:

PUTRI AYU WULANDARI

Student Number : 14311110

DEPARTMENT OF MANAGEMENT
INTERNATIONAL PROGRAM
FACULTY OF ECONOMICS
UNIVERSITAS ISLAM INDONESIA

2018

ABSTRACT

Nowadays, the banking industry in the world is being transformed. The performance of bank not only rated by financial orientation but also by other factors such as stakeholders welfare, corporate social responsibility and justice for all parties. It is in line with Islamic banking principles that different from conventional banking both in theory and practices. This study would like to apply maqashid shariah index for measuring Islamic banking performance, especially in Malaysia and Indonesia as the countries with high muslim population. In this paper, the researcher used period from 2012 until 2016. However, this index affected by several internal factors, such as size, capital adequacy and bank age. The previous study shows that those factors give positive influence toward conventional banks performance while Islamic bank performance has different characteristics. Hence, those factors should be considered with management systems. The researcher used SPSS and Excel for measurement.

Keywords: Shariah Banking, Maqashid Index, Bank Age, Bank Size, Capital Adequacy.

ABSTRAK

Saat ini, industri perbankan di dunia sudah bertransformasi. Performa suatu bank tidak hanya dinilai oleh orientasi keuangan tetapi juga oleh faktor lain seperti kesejahteraan *stakeholder*, tanggung jawab sosial perusahaan dan keadilan bagi semua pihak. Hal ini sejalan dengan prinsip perbankan syariah yang berbeda dengan perbankan konvensional baik secara teori maupun praktik. Penelitian ini ingin menerapkan indeks syariah maqashid untuk mengukur kinerja perbankan syariah, terutama di Malaysia dan Indonesia sebagai negara dengan populasi muslim tinggi. Dalam penelitian ini, Peneliti menggunakan periode dari tahun 2012 hingga tahun 2016. Namun, indeks dipengaruhi oleh beberapa faktor internal, seperti ukuran bank, kecukupan modal dan umur bank. Penelitian sebelumnya menunjukkan bahwa faktor tersebut berpengaruh terhadap kinerja bank konvensional sedangkan kinerja bank syariah memiliki karakteristik yang berbeda. Oleh karena itu, faktor – faktor tersebut harus diperhatikan dengan sistem manajemen. Peneliti menggunakan SPSS dan Excel dalam perhitungan.

Kata Kunci : Bank Syariah, Maqashid Index, Usia Bank, Ukuran Bank, Kecukupan Modal

INTRODUCTION

Banking industry refers to the institution which raises funds by saving system and distributes the funds to the people by banking services. It is not only rated by financial orientation but also by other factors such as stakeholders welfare, corporate social responsibility and justice for all parties.

In order to make it more focus, we would like to analyze the performance of several Islamic banks in Indonesia and Malaysia. Indonesia and Malaysia have the world's largest moslem population and establish dynamic economic condition each period. These countries have similar multicultural and geographic position. They also achieved the top ten highest Islamic banking growth country according to world Islamic competitiveness report 2016.

This paper is aimed at providing calculation and analysis toward Islamic bank performance with proper indicator called maqashid syariah index. According to Ashur (2006), maqashid syariah index in general aspect is the purpose and wisdom behind the enactment of all or most of the shari'ah ruling.

In the other view, there are several factors to be expected to influence measurement of maqashid syariah index. These are size, capital adequacy and age. Hence, the factors should be considered to comply with bank management system. This study should prove whether the three factors give positive impact or not.

LITERATURE REVIEW

The nature of Islamic Banking is different from traditional (conventional) banking, Islamic banks have moderate impacts on Business sector because they follow the systems that resemble the traditional system and governed by State Bank (Stefflar & Cornilisse, 1995). The performance of Islamic banks vary compared with conventional banks according to financial indicators employed and across the studies. Islamic banks have higher growth in equity, deposits, investment and total assets, better asset quality and capital adequacy, better credit performance, less risk due to excess liquidity and greater investment in government securities (Abdul-Majida et al., 2011).

In 2016, according to the report of World Islamic Banking Competitiveness 2016, Indonesia is included on the top ten of highest Islamic banking growth. Indonesia is the fifth most populous country in the world with a population of around 237 million of which about 204 million (ca. 86 percent) are Muslims (BPS, 2015). Nowadays, Islamic Banking industry in Indonesia has been growing rapidly.

In the other hand, Malaysia has emerged as the first country to implement a dual banking system in which Islamic banking system operates side by side with conventional banking systems (Mukhtar, 2006). This success story come along with establishment of Lembaga Urusan Tabung Haji (LUTH) in 1969 as a trigger of Islamic economic implementation in Malaysia. The government gave support for the development of Islamic banking by allowing it grow up align with conventional systems in 1993. Nowadays, Malaysia Islamic Banking has been regulated and developed under Bank Negara Malaysia authorities. According to the report of World Islamic Banking Competitiveness 2016, Malaysia has a good grip of 15.5% global islamic banking industry participation.

THEORITICAL FOUNDATION

The Theories of Maqashid Shariah Index

The understanding of Maqashid Shariah Index can be taken from the statement of Al Ghazali (1991). Maqashid Shariah consists of 5 things: guarding, religion, soul, mind, family and wealth. So things that guarantee the preservation of those five essentials are called *maslahah* and every matter that escape from it called *mafsadah* (damage). Furthermore, According to the research of Muhammed and Taeb (2009), they revealed the framework of Maqashid Shariah Index as can be seen on table 2.1.

Table 1: Maqashid Shariah Index Framework

Objectives	Dimensions	Elements	Ratios
Educating	D1. Advancement of Knowledge	E1. Education	R1. Education Grant or Scholarship/ Total Exp.
		E2. Research	R2. Research Exp./ Total Expenses
	D2. Instilling new skills and improvement	E3. Training	R3. Training Exp./ Total Expenses
	D3. Creating Awareness of Islamic Banking	E4. Publicity	R4. Publicity Exp./ Total Expenses
Establishing Justice	D4. Fair Returns	E5. Fair Return	R5. Profit Equalization Reserves (PER)/ NET or Investment Income
	D5. Cheap Product and Services	E6. Fuctional Distribution	R6. Mudarabah and Musyarakah Modes/ Total Investment
	D6. Elimination of Negative Elements that breed ijustices	E7. Interest Free Product	R7. Interest Free Income/ Total Income
Promoting Public Interest	D7. Profitability of Bank	E8. Profit Ratios	R8. Net Income/ Total Assets
	D8. Redistribution of Income and Wealth	E9. Personal Income	R9. Zakah/ Net Assets
	D9. Investment in Vital Real Sector	E10. Investment Ratios in Real Sector	R10. Investment in Real Economic Sector/ Total Investment

Factors that Influence Maqashid Shariah Index

This study aims to analyze the impact of bank characteristics toward maqashid shariah index. Based on the research of (Al-Qudah & Jaradat, 2013), the performance of bank can be influences by bank characteristics (internal variables). There are capital adequacy, bank size, liquidity and leverage.

a. Age of The Bank

According to Coad et al. (2010), the impact of the age on firm's performance in Spanish gives enhancement toward productivity, higher profit and higher equity ratios. However, according to Majumdar (1997), the age of the firm has a negative impact on profitability which means it does not affect the performance. Therefore, this research is aimed to prove whether age influences bank performance in maqashid shariah index.

b. Capital Adequacy

Capital adequacy (CAP) refers to the ratio of total equity to total assets (Gul et al., 2011). In this paper, the researcher expects that CAP can influence performance of bank. While the bank has more excess capital, it means the bank can allocate it as loans. It also can describe bank's ability.

c. Bank Size

According to Coad et al (2010), firms may get benefits from their greater business experience, good relation with customers and easier access to resources. Here, the bank might have higher performance with larger size because they have access for more resources and market share.

RESEARCH METHODOLOGY

Population and Sample

The population used in this research is 16 Islamic banks from Malaysia and 12 Islamic banks. These are some criteria for sample:

1. Those Islamic banks were already established since minimum 5 years until 2017
2. Those Islamic banks show accurate, clear and complete data in accordance with the information that researcher intend to achieve for the period 2012-2016

The following are the sample of Islamic banks that will be used in this paper:

Table 2: Research Sample

No.	Indonesia Islamic Banking	Malaysia Islamic Banking
1	Bank Syariah Mandiri	Affin Islamic Bank Berhad
2	Bank Muamalat Indonesia	AmIslamic Bank Berhad
3	Bank BNI Syariah	CIMB Islamic Bank Berhad
4	Bank Syariah Bukopin	Bank Islam Malaysia Berhad
5	Bank Panin Dubai Syariah	Bank Rakyat Malaysia

Type and Source of Data

The data will be processed by Excel 2013 and Word 2013. The regression test for hypothesis testing will be processed by SPSS. Additionally, the data of Indonesia and Malaysia shariah banking come from each annual report.

Percentage of Operational Variable

According to Mohammed and Taib (2009), established average weights of three objectives of maqashid shariah index. Three objectives consist of ten elements with different percentage.

Table 3 : Percentage of Operational Variable

Concept (Objective)	Percentage	Element	Percentage
01. Education	30	E1. Education Grant	24
		E2. Research	27
		E3. Training	26
		E4. Publicity	23
		Total of Percentage	100
02. Justice	41	E5. Fair Returns	30
		E6. Fair Price	32
		E7. Interest Free Product	38
		Total of Percentage	100
03. Welfare	29	E8. Bank's Profit Ratios	33
		E9. Personal Income Transfers	30
		E10. Investment in Real Sector	37
Total of Percentage	100	Total of Percentage	100

b. Factor that Influence Maqashid Shariah Index Variables

Table 4 Operational Variables of Factor that Influence MSI

Variables	Measurement	Independent/Dependent
MSI	The Value of MSI Each Bank	Dependent
Age	Number of Establishment Years	Independent
Size	Total Equity to Total Assets	Independent
Capital Adequacy	Logarithm of Total Assets	Independent

From the table above, the researcher used four variables. The independent variable (Y) is the average of maqashid shariah index value of each bank from 2012 until 2016. The second is bank age as the first dependent variable (X_1). The bank age refers to the year which the bank was established until december 31th 2016. Additionally, the other dependent variable is bank size (X_2). It refers to logarithm of total assets. The last dependent variable is capital adequacy (X_3). It was collected from the percentage of capital adequacy from each bank's annual report.

Data Analysis

a. The Measurement of Maqashid Shariah Index

To measure maqashid shariah index, the researcher uses model of Mohammed and Taib (2009) which includes performance indicator (PI) and performance ratios (R). These steps take multiplication between the percentage of operational variables (can be seen on table 3.3) with their own weights. The formula is explained below:

1. Educating Individual

$$PI(O1) = W_1^1 \times E_1^1 \times R_1^1 + W_1^1 \times E_1^2 \times R_1^2 + W_1^1 \times E_1^3 \times R_1^3 + W_1^1 \times E_1^4 \times R_1^4 \dots\dots\dots(1)$$

where,

- (O1) means the first objective from maqashid shariah index that is educating individual (see table 3.2)
- W_1^1 is the weight of O1 (see table 3.3)
- E_1^1 is the weight of first element of O1
- E_1^2 is the weight of second element of O1
- E_1^3 is the weight of third element of O1
- E_1^4 is the weight of fourth element of O1
- R_1^1 is the ratio corresponding to the first element of O1
- R_1^2 is the ratio corresponding to the second element of O1
- R_1^3 is the ratio corresponding to the third element of O1
- R_1^4 is the ratio corresponding to the fourth element of O1

The model above can also be written into

$$PI(O1) = PI11 + PI21 + PI31 + PI41$$

where,

$$\begin{aligned} PI11 &= W_1^1 \times E_1^1 \times R_1^1 \\ PI21 &= W_1^1 \times E_1^2 \times R_1^2 \\ PI31 &= W_1^1 \times E_1^3 \times R_1^3 \\ PI41 &= W_1^1 \times E_1^4 \times R_1^4 \end{aligned}$$

2. Justice

$$PI(O2) = W_2^1 \times E_2^1 \times R_2^1 + W_2^1 \times E_2^2 \times R_2^2 + W_2^1 \times E_2^3 \times R_2^3 \dots\dots\dots(2)$$

where,

- (O2) means the second objective from maqashid shariah index that is justice (see table 3.2)
- W_2^1 is the weight of O2 (see table 3.3)
- E_2^1 is the weight of first element of O2
- E_2^2 is the weight of second element of O2
- E_2^3 is the weight of third element of O2
- R_2^1 is the ratios corresponding to the first element of O2
- R_2^2 is the ratios corresponding to the second element of O2
- R_2^3 is the ratios corresponding to the third element of O2

3. Maslahah

$$PI(O3) = W_3^1 \times E_3^1 \times R_3^1 + W_3^1 \times E_3^2 \times R_3^2 + W_3^1 \times E_3^3 \times R_3^3 \dots\dots\dots(3)$$

where,

- (O3) means the second objective from maqashid syariah index that is welfare (see table 3.2)
- W_3^1 is the weight of O3 (see table 3.3)
- E_3^1 is the weight of first element of O3
- E_3^2 is the weight of second element of O3
- E_3^3 is the weight of third element of O3
- R_3^1 is the ratios corresponding to the first element of O3
- R_3^2 is the ratios corresponding to the second element of O3
- R_3^3 is the ratios corresponding to the third element of O3

After those steps, the multiplication between the percentage of operational variables and their own weight are summed so it can be selected which have the highest value. The formula of this step can be written below:

$$MI = PI(O1) + PI(O2) + PI(O3) \dots\dots\dots(4)$$

b. The Measurement of Factor that Influence Maqashid Syariah Index

In order to analyze the expected sight of age, size and capital adequacy toward maqashid syariah index, this study used SPSS. The testing used SPSS in linear regression. Maqashid syariah index value serves as independent variable, while age, size, capital adequacy serve as independent variables. The result of this test will investigate significant value, R and R² value which describe whether those three factors give influence or not.

Hyphothesis Testing

Hypotheses testing focus on defining the influence of variables used in this research by examining the hypotheses themselves. In this paper, the researcher used simultaneous regression test (T-test). This test is a significant test of independent variables (X_1, X_2 and X_3) and dependent variable (Y). The hypotheses are divided into H_0 and H_1 .

Arrange the nul hyphothesis as follows

H_0 : There is no influence of bank characteristics toward maqashid index calculation

H_1 : There is influence of bank characteristics toward maqashid index calculation

The following are several sub hypotheses

H_{1a} : There is positive impact of size of the bank toward maqashid syariah index

H_{1b} : There is positive impact of capital adequacy of the bank toward maqashid syariah index

H_{1c} : There is positive impact of age of the bank toward maqashid syariah index

Define significant level (α) = 10%

Define criteria for decision making :

If $P > \alpha = H_0$ accepted

If $P \leq \alpha = H_0$ rejected

The coefficient of determination (R^2) is used to describe the percentage of the change of dependent variable (Y) caused by independent variables (X_1 , X_2 and X_3). The higher the R^2 means the higher the changing of dependent variable caused by independent variables.

DATA ANALYSIS AND DISCUSSION

Analysis Maqashid Shariah Index of Islamic Banking in Indonesia

According to previous section, five Islamic banks in Indonesia have already implemented maqashid shariah index; Bank Syariah Mandiri, Bank Muamalat Indonesia, Bank BNI Syariah, Bank Syariah Bukopin and Bank Panin Dubai Syariah. However, most of them did not implement several elements from maqashid shariah index. It can be known from the data that are absent in their annual report. Additionally, the calculation of maqashid shariah index can describe that Islamic banking in Indonesia has been growing continuously year by year.

a. Index I: Educating Individual

Education grant rate in this term explains that a bank is not only concerned with employee's acknowledgement but also their product knowledge enhancement. The higher this elements, the better the attention the bank pays to its employee welfare. In the other hand, research cost can describe the extent to which a bank's contribution to its own products and services development. If a bank does not know about its strengths and weaknesses, certainly they does not care about development. The third element is training which is really important for employees. If a bank does not do anything for enhancing employee's skill, the bank will find it hard to achieve goals and compete with conventional banks. The last element in this objective is publicity. This term describes the extent to which a bank introduces its existence. In this respect, a bank not only has to improve employees skill but also improve awareness toward the bank's existence and performance. In addition, another obligation is to socialize Islamic financing and the way to prevent *riba* in banking activities.

The larger the bank's contribution for education grant, research, training and publicity, the larger the effort to fulfill maqashid shariah index objectives. Table 4.1 shows us the percentage of maqashid shariah index performance, that is educating individual for Islamic banking in Indonesia. The data was collected from annual report from 2012 until 2016.

Table 5: Indonesia Islamic Banking Maqashid Shariah Index 1st objective

Shariah Bank	1st Objective (Education)					
	2012	2013	2014	2015	2016	Average
Bank Syariah Mandiri	0.0035	0.00299	0.00155	0.00192	0.00126	0.00193
Bank Muamalat Indonesia	0.00282	0.00238	0.02634	0.00392	0.00062	0.00722
Bank BNI Syariah	0.00516	0.00366	0.00365	0.00361	0.00324	0.00386
Bank Syariah Bukopin	0.00363	0.00391	0.00313	0.00254	0.00310	0.00326

Bank Panin Dubai Syariah	0.00149	0.00194	0.00414	0.00203	0.00179	0.00228
--------------------------------	---------	---------	---------	---------	---------	---------

The table displays us that all those banks have carried out the first objectives of maqashid shariah index. However, there are several banks which do not apply the 2 elements of first objective. There are education grant and research development. Here, the result of calculation shows us that Bank Muamalat Indonesia has the highest average for educating individual objective, but it has declining value from 2012 until 2016. Unfortunately, Bank Syariah Mandiri got the lowest score, namely 0.00193. Their score was declining from 2013 to 2014. Additionally, the average value of these 5 banks is 0.003771.

b. Index II: Establishing Justice

According to maqashid shariah index theory, the second objective consists of fair returns, fair price, and interest free product. This objective emphasizes that the bank has the responsibility to maintain stability of fair and equal treatment toward stakeholders. The first element of this objective is fair return. Fair return can be collected by profit equalization (PER) divided with net income. In the paper, the researcher did it with profit and total net income. For the second element, the researcher collected functional distribution by mudharabah and musharakah modes divided with total investment modes. The last element is interest free product which used interest free income divided by total income. All the data was collected from annual report from each bank. Table 4.2 displays the percentage table of second objective of maqashid shariah index that consists of three elements. This table is only for islamic banking in Indonesia.

Table 6: Indonesia Islamic Banking Maqashid Shariah Index 2nd objective

Shariah Bank	2nd Objective (Justice)					
	2012	2013	2014	2015	2016	Average
Bank Syariah Mandiri	0.21274	0.20227	0.18342	0.20422	0.21874	0.20428
Bank Muamalat Indonesia	0.25408	0.23369	0.25693	0.1644	0.1644	0.2147
Bank BNI Syariah	0.19445	0.19876	0.2018	0.20009	0.20812	0.20064
Bank Syariah Bukopin	0.16655	0.16665	0.16023	0.167	0.16779	0.16564
Bank Panin Dubai Syariah	0.18443	0.16755	0.17774	0.16933	0.16074	0.17196

As we can see on table 4.2, Bank Muamalat Indonesia, has the highest score in 0.21470. In the other hand, the lowest score come from Bank Syariah Bukopin in 0.16564. However, the growth of Bank Syariah Bukopin for establishing justice has increase from 2014 until 2016. Additionally, the differences of each bank in this objective not really significant.

c. Index III: Public Interest

The third objective of maqashid shariah index is public interest. This objective consist of 3 elements, profit ratios, personal income and investment ratios in real sector. The performance

of the bank is rated good, if the value of these three elements bigger. If the bank has succeeded in maintaining stability of these elements, it means the bank has succeeded in achieving the people's welfare.

In order to achieve welfare for human being, the first element was collected by dividing net income with total assets. If banks have high score in this element, it means that they can produce maximum profit which in turn achieve high redistribution to their stakeholders. The second element is personal income. The researcher collected the data by dividing zakah with net assets. This element describes CSR activities that the bank did as a company donation. The last element is investment ratios in real sector which collected by dividing investment in real economic sector with total investments. The result of third objective calculation for Indonesia Islamic banking and the average of it result from 2012 until 2016 is proposed as follows.

Table 7: Indonesia Islamic Banking Maqashid Shariah Index 3rd objective

Shariah Bank	3rd Objective (Welfare)					
	2012	2013	2014	2015	2016	Average
Bank Syariah Mandiri	0.11379	0.10893	0.11081	0.11897	0.12868	0.11624
Bank Mualamat Indonesia	0.11026	0.11096	0.11124	0.11358	0.10895	0.1110
Bank BNI Syariah	0.11209	0.11377	0.11391	0.11259	0.11327	0.11313
Bank Syariah Bukopin	0.10776	0.10773	0.10746	0.10776	0.10775	0.10769
Bank Panin Dubai Syariah	0.10887	0.1078	0.1114	0.11116	0.11068	0.10998

According to the result of calculation on table 4.3. Bank Syariah Mandiri has the highest score with 0.11624 for the third element. It means Bank Syariah Mandiri has the commitment to achieve one objective of maqashid shariah index. In the other hand, Bank Syariah Bukopin has the lowest achievement for public interest. The average value for third objective of maqashid shariah index is 0.112551.

Analysis Maqashid Shariah Index of Islamic Banking in Malaysia

In this section, the researcher focuses on analyzing the result of calculation maqashid shariah index for Islamic banking in Malaysia. There are Affin Islamic Bank Berhad, AmIslamic Bank Berhad, Bank Islam Malaysia Berhad, CIMB Islamic Bank Berhad and Bank Rakyat Malaysia. According to literature review, in financial perspective Islamic banking in Malaysia has the highest performance in the world. However, the calculation in this study which used maqashid shariah index, Islamic banking in Malaysia has lower score than Islamic banking in Indonesia in several elements. The result of three objectives of maqashid shariah index for Islamic banking in Malaysia was delivered as follows.

a. Index I: Educating Individual

Similar with islamic banking from Indonesia, in this section the researcher would like to investigate the result of first objective islamic banking from Malaysia. Based on literature review, this objective is described, as the bank's efforts to enhance their employees skill by training and improving customer's awareness toward their product and performance. The result of calculation from each element in the first objective can be seen as follows.

Table 8: Malaysia Islamic Banking Maqashid Shariah Index 1st objective

Shariah Bank	1st Objective (Education)					
	2012	2013	2014	2015	2016	Average
Affin Islamic Bank Berhad	0.00031	0.00082	0.00059	0.00047	0.00041	0.00052
AmIslamic Bank Berhad	0.00079	0.00587	0.00075	0.00049	0.00079	0.00173
Bank Islam Malaysia Berhad	0.00108	0.00086	0.00058	0.00054	0.0006	0.00073
CIMB Islamic Bank Berhad	0.00092	0.00103	0.00065	0.00065	0.00073	0.00079
Bank Rakyat Malaysia	0.00346	0.00359	0.00277	0.00447	0.00407	0.00367

Based on the table 4.4, Bank Rakyat Malaysia has the highest score for the first objective. However, that score gives big differences with other banks. The second position is AmIslamic Bank Berhad in 0.00173 and the lowest score comes from Affin Islamic Bank in 0.00052. Unfortunately, according to each annual report, almost all banks did not carried out the three elements of the first objective; education grant, research and training. Hence, it will influence their score for maqashid shariah index calculation.

b. Index II: Establishing Justice

In this section, the reseacher would like to deliver the result of the second objective, welfare establishment. In islamic banking from Malaysia, there are several banks which did not apply musharakah and mudharabah cost in their annual report. So, it can be concluded that the variable is not available and will influence their score. In the other hand, the absent of one element in this objective did not give big influence. It can be seen from the differences of banks between the banks that apply musharakah and mudharabah cost and those which do not. Eventually, the existence of each element in bank annual report will show us whether the bank has made a hard effort in welfare improvement. The result of the second objective from islamic banking from Indonesia was proposed in table 4.5 below.

Table 9: Malaysia Islamic Banking Maqashid Shariah Index 2nd objective

Shariah Bank	2nd Objective (Justice)					
	2012	2013	2014	2015	2016	Average
Affin Islamic Bank Berhad	0.24251	0.24011	0.23949	0.2686	0.27211	0.25256

AmIslamic Bank Berhad	0.21873	0.2184	0.21208	0.17159	0.21592	0.20734
Bank Islam Malaysia Berhad	0.21322	0.21375	0.21315	0.21149	0.20985	0.21229
CIMB Islamic Bank Berhad	0.22317	0.2167	0.21999	0.21916	0.22957	0.22172
Bank Rakyat Malaysia	0.24523	0.24393	0.24573	0.1645	0.23005	0.22588

Based on table 4.5, the average of five banks is 0.223958. It means that score differences of each bank was not to far. Additionally, the highest score came from Affin Islamic Bank berhad in 0.25256. Then, the lowest score came from AmIslamic Bank Berhad in 0.20734. All the data inform that islamic banking from Malaysia has already implemented the second objective of maqashid syariah index.

c. Index III: Public Interest

Islamic banking in Malaysia has implemented the three elements of third objective; profit ratios, personal indome and investment in rill sector. The third objective will deliver whether the bank has the commitment to establish welfare for all stakeholders or not. Here are the result of calculation for islamic banking from Malaysia in the third objective.

Table 10: Indonesia Islamic Banking Maqashid Shariah Index 3rd objective

Shariah Bank	3rd Objective (Welfare)					
	2012	2013	2014	2015	2016	Average
Affin Islamic Bank Berhad	0.11503	0.12038	0.11403	0.11724	0.11023	0.11538
AmIslamic Bank Berhad	0.10829	0.10829	0.10835	0.10822	0.1084	0.10831
Bank Islam Malaysia Berhad	0.11027	0.11062	0.11055	0.10977	0.11032	0.1103
CIMB Islamic Bank Berhad	0.11019	0.11168	0.11466	0.13761	0.13731	0.12229
Bank Rakyat Malaysia	0.11188	0.11105	0.11113	0.11097	0.1109	0.11119

According to the table above, the highest score for this objective came from CIMB Islamic Bank Berhad. It means that CIMB Islamic Bank Berhad has the commitment to establish justice. Then the lowest score came from AmIslamic Bank Berhad. So, the bank has to improve consistency in achieving welfare for human beings by zakah and rill sector investment.

Comparison of Maqashid Shariah Index Indonesia - Malaysia

After several steps according to formula of maqashid shariah index. There is a total score of educating individual, establishing justice and public interest. This study has 3 steps of calculation. Starting from arrangement of performance ratios, calculating the score according to ratios of maqashid shariah index in each objective by multiplication of the weight of variable with weight of performance from each element, than adding each performance ratios in 3 objectives of maqashid shariah index. After that, the reseacher can arrange the rank of banks from the highest score to the lowest. In order to answer research question of comparison islamic banking with maqashid shariah index Indonesia and Malaysia, the table below shows us the average of each country from 2012 until 2016.

Table 11: Average of Maqashid Shariah Index in Indonesia and Malaysia

Year	Average of MSI in Indonesia	Average of MSI in Malaysia
2012	0.31633	0.34101
2013	0.3066	0.341418
2014	0.31475	0.338898
2015	0.29662	0.325148
2016	0.29921	0.348252
Mean	0.30670	0.33895
T-test	-3.660	
Sig.	0.001	

The table displays that the average of maqashid shariah index of islamic banking in Malaysia is highest than islamic banking in Indonesia. Malaysia has score 0,33895 and Indonesia has 0,30670. This number got from each bank's annual report and processed by SPSS. The significant differences between two countries got score 0,001 means that Malaysia has deep experiences toward islamic bank industry. Therefore, Indonesia banks have to analysis their weakness and learned from Malaysia banks strenghtness. In the other hand, not all islamic banking of Indonesia has lower score than the Malaysia islamic banking. The data below shown us the ranking of shariah banking from Indonesia and Malaysia in period 2012 until 2016. As it proposed in table 4.8 below.

Table 12: Shariah Bank Ranking

Shariah Bank	MSI	Ranking
Affin Islamic Bank Berhad	0.36846	1
CIMB Islamic Bank Berhad	0.34480	2
Bank Rakyat Malaysia	0.34074	3

Bank Muamalat Indonesia	0.33231	4
Bank Islam Malaysia Berhad	0.32333	5
Bank Syariah Mandiri	0.32277	6
Bank BNI Syariah	0.31763	7
AmIslamic Bank Berhad	0.31739	8
Bank Panin Dubai Syariah	0.28422	9
Bank Syariah Bukopin	0.27659	10

The table 4.8 demonstrates us that the first position is Affin Islamic Bank Berhad with the score 0.36846. It means that Affin Islamic Bank Berhad from Malaysia has the best performance according to maqashid syariah index. It indicates its effort to achieve the objectives of educating individual, establishing justice and public interest. The other banks that occupy the second until the tenth position; CIMB Islamic Bank Berhad, Bank Rakyat Malaysia, Bank Muamalat Indonesia, Bank Islam Malaysia Berhad, Bank Syariah Mandiri, Bank BNI Syariah, AmIslamic Bank Berhad, Bank Panin Dubai Syariah and the last is Bank Syariah Bukopin. Both Malaysia and Indonesia banking have good performance. It can be seen from the differences which not too far between those two countries.

The Influence of Size, Capital Adequacy and Age of Toward Maqashid Shariah Index Regression Test

In order to know the result of analysis on whether age, size and capital adequacy of banks give influence or not toward maqashid syariah index, the researcher used SPSS statistical tools. The result is proposed as follows in coefficient result.

Table 13: T-test Result

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.408	.067		6.127	.001
Size	(.002)	.002	(.449)	-1.129	.302
Capital Adequacy	(.005)	.216	.009	.025	.981
Age	.000	.000	.350	.875	.415
A. Dependent Variable: MSI					

The column "sig" is representing significant levels for each variable. The table shows us that all variables are not significant because p-value is larger than 0.10. Conversely, a bigger (insignificant) p-value describes that size, age and capital adequacy are not influencing maqashid syariah index. Therefore, H_1 should be rejected. In the other hand, those three factors give influences toward maqashid syariah index. The data will be showed as follow.

Table 14: R² Test Result

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.449 ^a	.202	-.197	.01899642
a. Predictors: (Constant), Age, Capital_Adequacy, Size				

Table 4.14 provides the R and R² value. According to the result, R value describes the simple correlation between age, size and capital adequacy of Banks toward their maqashid shariah index. Here, R value is 0.449 which represents high degree of correlation. In the other hand, R² value indicates how much the total variation of dependent variable (MSI) can be explained by independent variables (age, size and capital adequacy). Here, the researcher got 0.202 which is in the low value between 0 and 1.

Discussion of Research Result

Comparison of Maqashid Shariah Index Indonesia – Malaysia

Through the calculation make above, there are some points that can be discuss in this session. The result of MSI measurement showed that Malaysia Islamic banking has higher performance in Islamic value than Indonesia Islamic banking. It is consistent with the research of Bank Negara Malaysia (2008) that Malaysia is the central of Islamic banking systems. Malaysia already has more experiences than Indonesia. Hence, Indonesia needs some adaptations in systems of implementation. In order to make it more specific, the reseacher will recited the score of the highest performance Islamic bank from Malaysia and the highest score of Islmic bank from Indonesia. There are Affin Islamic Bank Berhad at 0,36846 and Bank Muamalat Indonesia at 0,33231.

Additionally, this differences because the low value of maqashid index of Islamic bank from Indonesia such as Bank Muamalat Indonesia, Bank BNI Syariah and Bank Bank Syariah Bukopin which not recited the first objective of maqashid shairah index in their annual report. Whereas this value gives 30% of total value of maqashid shariah index. Moreover, Indonesia Islamic banks have to analysis their mistaken and learned from Malaysia banks strengthness.

The Influence of Size toward Maqashid Shariah Index

According to the calculation from statistical tool, the data shows as several explanations that size factor did not gave significant influence. This result is consistent with the research did by Cekrezi (2015) that bank size has negative but statictically insignificant effect on the banks. The effect of bank's size cannot certainly positive. This factor cannot be standard of maqashid shariah index enhancement. Although the previous research refers to conventional banks but this study has proven that size bank is insignificant influence toward bank performance. In the other hand, this result contrasts with the research by Al-Qudah (2013) that stated bank size has a positive and significant impact on the total return of bank. Total return refers to the total profit

and can be define as the part of bank performance. Additionnaly, Gut et al. (2011) said that the bigger the banks means the higher level of the banks to enjoy profits, so the researcher expected the same result in this paper. However, the fact from regression test told contrast result.

The Influence of Capital Adequacy toward Maqashid Shariah Index

Based on the result of regression analysis, capital adequacy does not give impact toward maqashid shariah index. This result is contradictory with the research by Al-Qudah (2013) stating that capital adequacy has positive impact toward the return of the banks. Meanwhile, this result is consistent with the reseacrh by Cekrezi (2015) revealing that capital adequacy has negative impact on performance of commercial banks in Albania. In this study, the reseacher used maqashid shariah index for islamic banking. It can be the reason that capital adequacy refers to excess capital which can be allocated as loans while islamic banking avoid using loans and prefer profit sharing.

The Influence of Age toward Maqashid Shariah Index

This result costrasts with previous research by Coad et al. (2010), the impact of age gives enhancement toward productivity, higher profit and higher equity ratios. However, it is the same as that by Cekrezi (2015) that age is not significant to take part into bank performance analysis. Meaning that older banks do not always indicates that the banks have higher performance. However, table 4.14 on regression test shows that independent variables give 74.1% impact toward maqashid shariah index.

CONCLUSION AND RECOMMENDATIONS

Islamic banking in Indonesia has already conducted three objectives of maqashid shariah index. However, most of them did not implement several elements from maqashid shariah index such as training and education grant. It can be known from the data that are absent in their annual report. Additionally, Bank Muamalat Indonesia has the highest score among other Islamic banks from Indonesia for the period 2012-2016 and followed by Bank Shariah Mandiri, Bank BNI Syariah, Bank Panin Dubai Syariah and Bank Syariah Bukopin. The average maqashid shariah index in Indonesia from 2012 until 2016 is tend to decreasing year by year. It can be shown from 2012, the score of average MSI 5 Islamic banks from Indonesia is 0.31633 and decreasing in 2016 at 0,30670.

Based on the result of calculation, 5 banks from Malaysia have already implemented shariah rule in their activities. This has been proven by fulfillment several variables. However, not all variables can be fulfilled because several banks did not attach them in annual reports. It can be concluded that Affin Islamic Bank Berhad is the best Islamic bank based on maqashid shariah index, followed by CIMB Islamic Bank Berhad, Bank Rakyat Malaysia, Bank Islam Malaysia Berhad, AmIslamic Bank Berhad. In the other hand, the average of maqashid shariah index in Malaysia is fluactuative. It can be shown from the index on 2012 is 0,34101 and decreasing on 2015 at 0.325148. However, the average of MSI 5 Islamic banks in Malaysia was increased at 0.33895 in 2016.

This index used several steps to investigate the rank of bank. Starting from arrangement of performance ratios, calculating the score according to ratios of maqashid shariah index in each performance by multiplication of the weight of variable with weight of performance from each element, then adding each performance ratios in 3 objectives of maqashid shariah index. After that, the reseacher can arrange the rank of banks from the highest score to the lowest. The reveal that the average index of Islamic bank in Malaysia has the highest mean score in 0,33895 ompared with Islamic banks in Indonesia with mean score 0.30670.

According to the correlation test using SPSS statistical tool. Size, age, and capital adequacy give influence as big as 74% toward maqashid shariah index. However, this test shows insignificance of 0.095 for bank size, 0.075 for bank age and 0.783 for capital adequacy. It is insignificant because the p value is larger than 0.05.

There are several recommendations based on the analysis from previous sections. It can be recommendation for customers in choosing Islamic banking according to their needs based on maqashid shariah index. Additionally, It might be better if banks managerial can complete their annual reports according to maqashid shariah index elements to make the calculation more valid The las recommendation is for future researchers conduct direct observation in order to collect the data as complete as they can according to maqashid shariah index elements.

REFERENCES

- Abu Zahrah, Muhammad. (1958). *Ushul al-Fiqh*, Kairo: Dâr al-Fikr al-Arabi
- Abdul-Majida, M. and Saalb, D. S. and Battisti, G. (2011) “The impact of Islamic banking on the cost efficiency and productivity change of Malaysian commercial banks”, *Applied Economics*, 43(16), p.2033–2054.
- Ahsan, M. K. (2016). Measuring Financial Performance Based on CAMEL : A Study on Selected Islamic Banks in Bangladesh. *Asian Business Review*, 6(1), 47–56.
<https://doi.org/10.18034>
- Al-Amine M. Al-Bashir. (2008). Sukuk Market: Innovation and Challenges. *Islamic Economics Studies*. Accessed 02, 2017. <http://www.irti.org>.
- Al-Ghazali, Abu Hamid. (1991). *Al-Mushtasyfa Min IlmilUshul* (Cet.1). Tahqiq: Muhammad Abdus Salam. Beirut: DarulKutub al-Ilmiyyah.
- Al-Qudah, A. M., & Jaradat, M. A. (2013). The Impact of Macroeconomic Variables and Banks Characteristics on Jordanian Islamic Banks Profitability: Empirical Evidence. *International Business Research*, 6(10).
<https://doi.org/10.5539/ibr.v6n10p153>
- Antonio, Syafii. (2012). *An Analysis of Islamic Banking Performance: Maqashid Index Implementation in Indonesia and Jordania*. Bogor : IIUM Institute of Islamic Banking and Finance.
- Ascarya. (2016). Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari ' Ah. *Proceeding 11th International Conference on Islamic Economics and Finance*, (October), 1–38.

- Ashur, M. al-Tahir ibn. (2006). Treatise on Maqasid al shariah. *Book, I*, 1–517.
<https://doi.org/10.1017/CBO9781107415324.004>
- Chapra, M. Umar.(2008). *The Islamic Vision of Development in The Light of Maqasid al-Shariah*. London: The International Institute of Islamic Thought.
- Coad A.; Segarra, A.; Mercedes T.(2010).Like milk or wine: Does firm performance improve with age?. *Papers on Economics and evaluation*, 1006
- Endri. (2008). “Analisis Kinerja Keuangan Dengan Menggunakan Rasio-rasio Keuangan dan Economic Value Value Added (Studi Kasus: PT Bank Syariah Mandiri)”. *STEI Perbanas* 13(1).
- El-Gamal, M. A. (2000). A basic guide to contemporary Islamic banking and finance. *Finance*, 32227(June), 1-49. Houston: Rice University.
- Ernst and Young. (2016). *World Islamic Banking Competitiveness Report 2016*. *Ernst and Young* (p. 68). Retrieved from [http://www.ey.com/Publication/vwLUAssets/EY-world-islamic-banking-competitiveness-report-2014-15/\\$FILE/EY-world-islamic-banking-competitiveness-report-2014-15.pdf](http://www.ey.com/Publication/vwLUAssets/EY-world-islamic-banking-competitiveness-report-2014-15/$FILE/EY-world-islamic-banking-competitiveness-report-2014-15.pdf)
- Garas, N.S., (2007). Internationalization of Islamic financial institution. Challenges and paths to solution. *Thunderbird International Business Review*, 49(2) 225–249
- Gitman, L. J. (2009). *Principles of Managerial Finance*.12th edition. Addison Wesley, Prentice Hall
- Gul, S., Irshad, F. & Zaman, K. (2011). Factors affecting bank profitability in Pakistan. *The Romanian Economic Journal*, XIV (39), 61-87.
- Hazzi, O.A. & Kilani, M.I.A. (2013). The Financial Performance Analysis of Islamic and Traditional Banks: Evidence from Malaysia. *European Journal of Economics, Finance and Administrative Sciences*, Issue:57, February 2013, ISSN: 1450-2275
- Jauziyah, Ibnu Qayyim. (1973). *I'lamul Muwaqqi'in 'an Rabbil Alamin*. Editor: Thaha Abdur Rauf Sa'd. Beirut:Darul Jail
- Khan, M., & Jain, P. (2007). *Financial management: text, problems and cases* (5th ed.). Tata McGraw-Hill.
- Majumdar, S. K. (1997). The Impact of Size and Age on Firm-Level Performance: Some Evidence from India. *Review of Industrial Organization*, 12(2), 231–241.
<https://doi.org/10.1023/A:1007766324749>
- Mulyadi, dan JohnnySetiawan, 1999. *Corporate Culture And Performance, Dampak Budaya Perusahaan terhadap Kinerja*. Jakarta: Prenhallindo

- Mukhtar, H.S.A., N. Abdullah, and S.M. Al-Habshi. (2006). Efficiency of Islamic banking in Malaysia: Stochastic frontier approach. *Journal of Economic Cooperation and Development* 27 (2): 37–70.
- Mohammed, M.O. and Taib, F.M. (2009). *Testing The Performance Measured Based on Maqashid al-Shariah (PMMS) Model on 24 Selected Islamic and Conventional Banks*. Malaysia: IIUM.
- Notoatmodjo, Soekidjo. (2005). *Metodologi Penelitian Kesehatan (Edisi Revisi)*. Jakarta : PT. Rineka Cipta.
- Nzioki, S. (2011). *The Impact of Capital Adequacy On The Financial Performance Of Commercial Banks Quoted At The Nairobi Stock Exchange*. University of Nairobi.
- Piyu, Y. (1992). *Data Envelopment Analysis & Commercial Bank Performance: A Primer with Application to Missouri Banks*. Austin: IC2 Institute, University of Texas.
- Samad, Abdul. (1999). Comparative Efficiency of the Islamic Banks vis-a-vis Conventional Banks in Malaysia. *IIUM Journal of Economics and Management*.
- Sekaran, Uma. (2000). *Research Methods for Business: A Skill Building Approach*. New York: John Wiley & Sons.
- Siems, T. F. & Barr, R. S. (1998). *Benchmarking the Productive Efficiency of U.S. Banks: Financial Industry Studies*. Federal Reserve Bank of Dallas.
- Stern, Joel M. et. al. (2001). *The EVA Challenge Implementing Value-Added Change in an Organization*. New York: John Wiley & Sons, Inc.
- Stefflar, W., Cornilisse, P. (1995). Islamic banking in practice: The case of Pakistan. *Development and Change*, 26, 687-699.
- Usman, Husaini. (2006). *Manajemen-teori, praktik dan riset dan pendidikan*. Jakarta : Bumi aksara
- Wienclaw, Ruth A. (2008). *Business Strategy & Policy*. *Research Starters Business*, pp 1-1. Accessed 03,2017. <http://web.ebscohost.com>.
- Yuwono, Sony, et al. (2004). *Petunjuk Praktis Penyusunan Balance Scorecard Menuju Organisasi yang Berfokus pada Strategi*. Jakarta: PT Gramedia Pustaka Utama.