

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

A THESIS

Presented as Partial Fulfillment of the Requirements
to Obtain the Bachelor Degree in Management Department



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UNIVERSITAS ISLAM INDONESIA

2018

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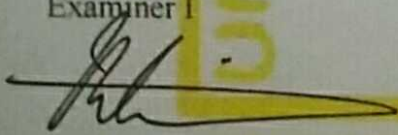
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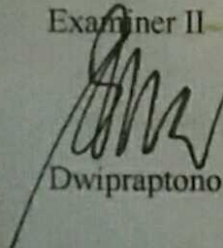
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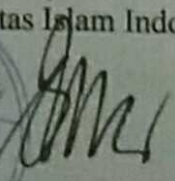
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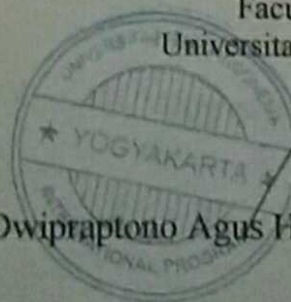
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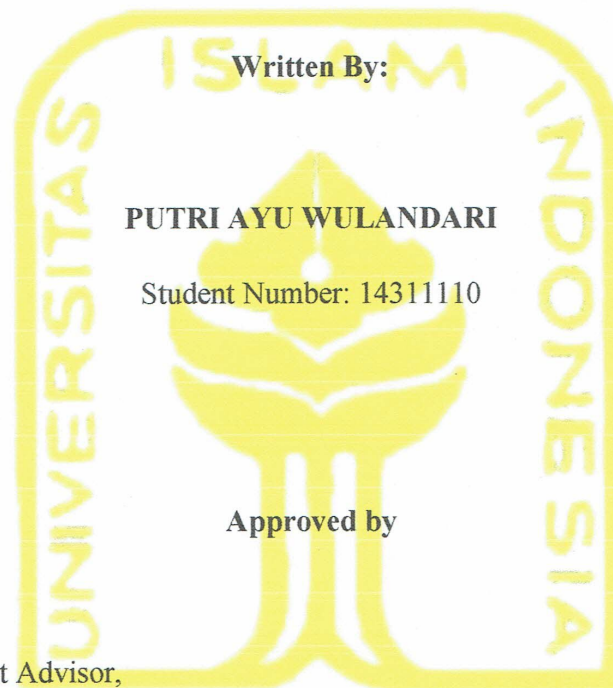
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DECLARATION OF AUTHENTICITY

Heroby I declare the originality of the thesis; I have not presented someone else's work to obtain my university degree, nor I have presented someone else's words, ideas or expressions without any of the acknowledgements. All quotations are cited and listed in the bibliography of the thesis. If in the future this statement is proven to be false, I am willing to accept any sanction complying with the determined regulation or its consequence.

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Assalamu 'alaikum warrahmatullahi wabarakatuh,

Alhamdulillah rabbil 'aalamin. All praises be to Allah swt that finally i have finished my thesis entitled “ANALYSIS OF ISLAMIC BANKING PERFORMANCE IN INDONESIA AND MALAYSIA WITH MAQASHID SHARIAH INDEX” Shalawat and Salam are giving to our beloved prophet Muhammad saw, who guided ummah from the darkness to the lightness. I realize that this study would not successfully finish without any supports and love from people around me. In this section, i would like to say many thanks to:

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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 moslem population. In this paper, the researcher used period from 2012 until 2016. However, this index affected by several intenal 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 consider 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 intenal, 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, factor – 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

CHAPTER I

INTRODUCTION

1.1 The Background of Study

Banking industry refers to the institution which raises funds by saving system and distributes the funds to the people by banking services. In the other hand, banking industry is aimed to enhance economic system and welfare development. Nowadays, the banking industry in the world is being transformed. 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. Furthermore, these kinds of factors could be found and developed in Islamic banking industry.

Islamic banking is the system of banking industry that uses principles of the Islamic rules according to Quran and Sunnah. The principles of Islamic banking emphasize moral, welfare and ethical values in all dealings, not solely profit orientation. Shariah system prohibited charged of interest (riba) for debt and loan, uncertainty and ambiguity (gharar) and uncertainty in game of chance (gambling).

In the recent times, the global financial services industry is witnessing a sharp rise in the demand for Islamic financial services. According to *world islamic banking competitiveness*, more than 700 Islamic Financial Institutions are operating across the globe with around \$1.2 trillion assets under management in more than 85 countries. Financial Institutions from Middle East, US and Europe to Africa, South and Central Asian republics are offering Islamic banking services. The industry is growing at a rate

of roughly 15-20% percent per year, and could serve approximately 40% of the world's Muslim population within a decade. The facts suggest us to be more aware of the effort to develop Islamic banking, as it has a huge opportunity for growth in banking industry. 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. Moreover, (Bank Negara Malaysia (BNM) website, 2008) recited that Malaysia is the central of Islamic banking systems. Hence, Indonesia needs some adaptations in systems of implementation.

This research will take the calculation from performance of several islamic banks in Indonesia and Malaysia. In Indonesia, there are Bank Syariah Mandiri, Bank Muamalat Indonesia, Bank Syariah Bukopin, Bank BNI Syariah and Bank Panin Dubai Syariah for Islamic bank in Indonesia. Meanwhile, in Malaysia, there are Affin Islamic Bank Berhad, AmIslamic Bank Berhad, Bank Islam Malaysia Berhad, Bank Rakyat Malaysia, CIMB Islamic Malaysia Berhad for Islamic bank in Malaysia. Selection of this sample for whole of Islamic banks in both countries are due to the fact that Malaysia serves as the highest level of Islamic performance in the world . All the sample were established since minimum 10 years until 2016. However, this research is aimed to compare the Islamic banking performance from both countries. Therefore, specific index and measurement will be needed to evaluate the banks.

The main purpose of the evaluation on performance is to motivate employees to achieve organizational goals and fulfill the preset standards of conduct, in order to achieve the action and the results desired by the organization (Mulyadi and JohnnySetiawan, 1999). Nowadays, in the practices of company performance measurement including Islamic banking are using liquidity, solvency, operating efficiency and profitability. Basic indicators for company performance measurement using only financial ratio have many weaknesses, one of which is not comprehensive and inaccurate. In the practices of banking industry performance to measure and provide accreditation usually use CAMELS (Capital, Assets, Management, Earning, Liquidity and Sensivity of Market Risk). Therefore, Islamic banking that is different from conventional banking both in theory and practice, needs a shifting paradigm in terms of their performance measurement which is not only limited to the financial ratios (stakeholders oriented) (Yuwono, et al., 2004).

This paper is aimed at providing calculation and analysis toward Islamic bank performance with proper indicator called maqashid syariah index. Maqashid Syariah is one of the very important aspects in Islamic jurist prudence. 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. The second definition of maqasid syariah is very specific. It is related to specific objectives that are designed to achieve specific benefits to people in their daily activities, such as Islamic finance. The researcher is certain that this index would be proper for syariah banking industry in that it directs at objective and goals of syariah. This study will focus on how good Islamic bank performance in financial index represented by performance level measurement.

In the other view, there are several factors to be expected to influence measurement of maqashid shariah index. These are size, capital adequacy and age. Hence, the factors should be considered to comply with bank management system. Certainly, size is calculated as the natural logarithm of total assets (Gul et al., 2011). Nevertheless, it cannot be concluded that the bigger the bank means the bigger their assets. Therefore, the paper is aimed to prove whether the factor give influence or not. Two other factors are capital adequacy and age. The researcher expects that the higher the capital adequacy, it means the higher the effort of a bank in productivity and involvement toward achieve *maslahah* (welfare). Meanwhile, age of the bank is based on their foundation year. In this term, the number of bank achievements are in line with its experience. This study should prove whether the three factors give positive impact or not. Therefore, after the measurement of 5 banks from each country, the researcher will testify about the factors which influence the results of maqashid shariah index.

1.2 Problem Formulation

Based on the study background above, the problem formulation proposed in this study are as follows:

1. How is the performance of Islamic banking in Indonesia according to Maqashid Index?
2. How is the performance of Islamic banking in Malaysia according to Maqashid Index?
3. How is the comparison performance of Islamic banking between Malaysia and Indonesia according to Maqashid Index?

4. How do size, capital adequacy and age of the bank influence Maqashid Index calculation?

1.3 Problem Limitation

To avoid overly broad discussion and misunderstanding the other parties, this research has several limitations and respects for any different concept and result. Those limitations are:

1. This research only examines the Islamic banks specifically from Indonesia (Bank Mandiri Syariah; Bank Muamalat Indonesia; Bank Syariah BNI; Bank Panin Dubai Syariah; Bank Syariah Bukopin) and Malaysia (Affin Islamic Bank Berhad; AmIslamic Bank Berhad; Bank Islam Malaysia Berhad; CIMB Islamic Bank Berhad; Bank Rakyat Malaysia)
2. All the data in this research were taken from annual report of each bank's website
3. The period that was measured by this study was between 2012 - 2016

1.4 Research Objectives

1. To identify the performance of Islamic banking in Indonesia according to Maqashid Index
2. To identify the performance of Islamic banking in Malaysia according to Maqashid Index
3. To analyze comparison performance of Islamic banking between Malaysia and Indonesia according to Maqashid Index

4. To analyze the influence of size, capital adequacy and age of bank toward Maqashid Index calculation?

1.5 Contribution

This research can provide benefits theoretically and practically. Theoretically, it would make a significant contribution to the field of financial management, especially shariah banking industry. Furthermore, it can be reference for other researchers to conduct further research.

Practically, Islamic banks may take advantage of the research findings as they can provide evidence about their performance. Then, they can compare with other Islamic banks in other countries. In turn, the findings can be used to enhance their standard of success for their company.

1.6 Systematics Of Writing

This study consists of five chapters that each of them has its own purpose. These are the description of each chapter.

CHAPTER I: INTRODUCTION

This chapter contains the explanation about purpose, research problem, objectives and contribution of the study.

CHAPTER II: LITERATURE REVIEW

This chapter consists of basic theories about the topic. It also contains review and explanation from the previous studies and hypothesis formulaion.

CHAPTER III: RESEARCH METHOD

This chapter contains population and sample, type and source of data, research variable and measurement.

CHAPTER IV: DATA ANALYSIS AND DISCUSSION

This chapter shows the analysis of data using excel, including the interpretation from the result of several steps according to formula.

CHAPTER V: CONCLUSION AND RECOMMENDATIONS

This chapter is the concluding remarks of this study, as the summary and conclusion of this study, which is added by recommendations for the bank and next researchers.

CHAPTER II

LITERATURE REVIEW

2.1. Islamic Banking

The working of Islamic banking systems is according to Quran and Sunnah which avoid from exploitation and uncertainty. As high as the growth of Islamic banking for the last 5 years, it is important to define indicators of Islamic banking performance. 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). Garas (2007) explores that Islamic financial institutions face two types of challenges i.e. internal and external. The internal challenge is to involve customers who are using conventional banking products whereas external challenge is to fulfill the international transaction requirements due to lack of Islamic regulatory system. To penetrate international market and increase local potential customers, the shariah knowledge and training are required to communicate Islamic product.

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 order to expand the acknowledgment about the history, achievement, growth, role of the government in Islamic banking, the researcher would like to arrange a brief

overview. Additionally, this explanation can be considered suggestions and identification for Islamic banking industry in Indonesia.

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). However, Indonesia did not implement Islamic law and regulation. It can be seen from the phenomenon in 1992 when the Islamic banking developer faced deadlock because Indonesia government could prepare rapidly to establish Islamic economic regulation. Finally, in 2008 according to Bank Indonesia report, the Government established adequate legal base to develop Islamic Banking in Indonesia recited on Act no. 21 of 2008 issued on July 16, 2008.

Nowadays, Islamic Banking industry in Indonesia has been growing rapidly. According to data of OJK in 2008, Islamic Banking assets increased up to Rp. 274,306 billion. Additionally, more than 623 head offices of shariah commercial bank and shariah unit business network have been distributed around Indonesia. These facts describe that Islamic Banking in Indonesia has high potential to compete with other countries such as Malaysia, Jordania and Iraq.

In the other hand, The researcher enterprises Malaysia islamic banking as comparison with Indonesia islamic banking system. 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.

The success story of Malaysia proves that implementation of dual systems both conventional and Islamic banking systems can be achieved. Additionally, there are 11 local owned and 6 foreign owned Islamic banks in Malaysia. Although the amount of Islamic banking still stands behind conventional banking but the growth and customer demand toward Islamic banking has increased annually. However, Malaysia still has to pay the effort to socialize Islamic banking benefit to customers and government.

According to DBS asian insight (2017), in order to enhance Malaysia performance on the global Islamic banking industry, the government has already arranged the targets for the industry to achieve in 2020. One of the main strategies is increasing share of global Islamic banking assets from 8% in 2009 to 13% in 2020.

2.2 Performance Measurement of Islamic Banking

The existence of Islamic Banking around the world went broadly and extensively. Moslem people tend to choose Islamic banking for their platform in economic activities in sense of Islam rule. Therefore, people have to aware of the performance and services that delivered by each Islamic bank. However, in the practices, banking is only used financial ratios such as CAMELS and EVA to measure their performance. Nowadays, people should gave more attention toward Islamic bank which implemented Islam rules based on Quran and Sunnah.

2.2.1 The Theories of CAMELS

CAMELS is one of the tools to measure financial ratio for company performance. Here, the researcher explains the brief introduction of CAMELS for Islamic banking performance analysis. According to the previous research by Piyu (1992), CAMELS stands for:

C = The value of capital adequacy

A = The value of asset quality

M = The value of efficiency and quality management

E = The value of volume and level of earnings

L = The value of strength and level of liquidity

S = The value of sensitivity

Those points are scored from one to five, in that five is the weakest value. The Federal Reserve Systems in U.S describes the five composites rating levels below (Siems & Barr, 1998).

1 = The bank is basically good at every aspects

2 = The bank is fundamentally good but has modest weaknesses

3 = Financial, operational and compliance weaknesses of the bank become the main supervisory concern by division

4 = The bank has serious weaknesses which could harm the future performance

5 = The failure of the bank is extremely high in the near term because they cannot overcome weaknesses

The first component of CAMELS measurement systems is capital adequacy which uses equity to total assets ratio. Higher capital adequacy means higher activities to comply dividend and interest practices. Second point of CAMELS is assets quality. It

describes the loan's quality of bank. This term gives understanding of risk on the exposure of debtors, whether the loans will be bad and doubtful or profitable. Third point is management quality. This term includes the bank ability to face financial crisis. According to Ahsan (2016), management quality reflects the management soundness of bank. The management has the purpose operation the bank in smooth and decent manner. The next point is earning quality. Profitability and productivity of the bank can be seen from their earning. The way the company improves their earning by enhancing investment, services and funding dividends can determine level of performance. In the other hand, liquidity as the fifth step of CAMELS measurement is also important. Liquidity of bank reflects the ability to pay its current obligations. The last is sensitivity means that related in risk and covering power of organization (Hazzi & Kilani, 2013). An adequate liquidity means the bank can keep the stability of sufficient funds. However, CAMELS measurement cannot be implemented purely in Islamic banking because it solely analyzes the financial ratio. In the meantime, Islamic banking systems have to achieve *maslahah* (welfare), not only about profitability for the bank but also all parties.

2.2.2 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.

Additionally, Abu Zahrah (1958) divided maqashid shariah index into 3 parts there are *tahdzib al-fard* (education for individual), *iqamah al-adl* (justice), and *maslahah* (benefit/welfare). Nowadays, this concept is being used to evaluate Islamic banking performance which is in line with Islamic value. Currently, Islamic banking systems is different from conventional banking. Therefore, this concept becomes suitable for valuating shariah systems that are acceptable for all parties.

Table 2.1: 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

In the other view, Chapra (2008) said that shariah sytems is aimed at ensuring the wellbeing of all human being (*fallah*) and strengthening the entity inside people in the positive way (*nafs*), then other purposes are faith (*deen*), intellect (*'aql*), lineage (*nasl*) and prosperity (*mal*).

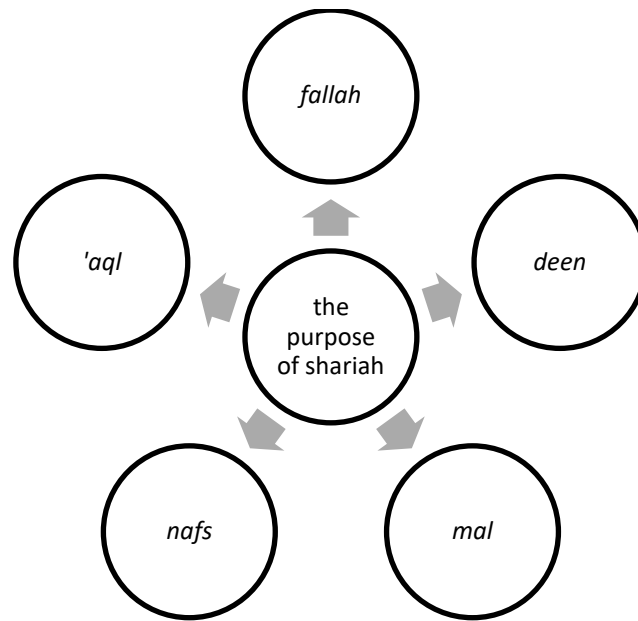


Figure 2.1: The Purpose of Shariah

2.3 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 influenced by bank characteristics (internal variables). There are capital adequacy, bank size, liquidity and leverage. According to this research, several factors such as capital adequacy and bank size were given influence toward performance of Islamic bank in Jordan. Therefore, this paper would like to investigate whether bank characteristics give impact of Malaysia and Indonesia banking systems or not. These are several factors that were used in this study, age of bank, capital adequacy and size of bank.

a. Age of The Bank

Basically, the factors that affect bank performance are divided into external and internal factors. Age is one of internal factors as the indicators of the extent to which a bank has experiences. The researcher expects that older banks have more experiences in problem solving than younger banks. 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.

d. Liquidity

Liquidity means the percentage of bank's loans funded through deposits. Additionally, it describes the ability of banks to maintain which assets can be converted to cash immediately. According to Khan & Jain (2008), liquidity is aimed to measure the ability of banks to meet its obligations and solvency.

e. Leverage

Gitman (2009) said that financial leverage refers to the magnification of risk and return introduced through the use of fixed cost financing, such as debt and preferred stock. It is described as the enlargement of either profits or losses. To put it simply,

leverage is defined as relationship between the loan amount that the bank borrows and the value of the bank.

2.4 Hypothesis Development

According to Haron (2004), bank performance is depend on two types. The first is external determinants such as competitor banks interest rates, regulation of government and inflation. The second is internal determinants such as age of the bank, leverage, liquidity, size, and capital adequacy of the bank. Those several bank characteristics give significant impact toward banking activities and performance. Therefore, this paper would like to investigate whether bank characteristics give impact of Malaysia and Indonesia banking systems or not. Based on the objectives of the research, a hypothesis is proposed as follows:

H₁: There is significant impact of bank characteristics toward maqashid shariah index

In order to investigate the impact of each factor on bank characteristics, the study proposes three sub hypotheses. Those are:

2.4.1 The Influence of Size of The Bank toward Maqashid Shariah Index

Accorrding to Gut et al (2011), size is collected from natural logarithm of total assets. From the previous research, Al Qudah (2013), size of bank given significant impact toward return on assets (ROA) and return on equity (ROE). It means that the larger the bank, the high the profit. However, the researcher would like to investigate whether the bank gives influence or not toward maqashid shariah index.

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

2.4.2 The Influence of Capital Adequacy toward Maqashid Shariah Index

According to Nzioki (2011), Capital adequacy refers to the ability of a bank in terms of managing the meeting time of liabilities and other risks such as credit risk, operational risk, etc. In this study, the researcher expects that capital adequacy has an impact toward maqashid shariah index. In this case, the bank has an ability to enhance its performance in managing capital procurement so that excess capital can be allocated as loans.

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

2.4.3 The Influence of The Bank Age toward Maqashid Shariah Index

The objective of this study is to find out the relationship between bank age toward maqashid shariah index. In this study, bank age refers to the year of establishment which is limited on december 31th 2016. It was collected from annual report of each bank. According to Coad et al. (2010), the impact of age on firm's performance in Spanish gives enhancement toward productivity, higher profit and higher equity ratios. The researcher would like to investigate the impact of age toward maqashid shariah index which is based on educating individual, welfare establishment and public interest.

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

CHAPTER III

RESEARCH METHOD

3.1 Population and Sample

The population used in this research is 16 Islamic banks from Malaysia and 12 Islamic banks from Indonesia. The limit of data retrieval is 5 years, within a period of 2012-2016.

Sample retrieval in this research uses the method of purposive sampling, it means that the sample is defined by certain characteristic and criteria. The purpose of this method is to take the results which match with the criteria that researcher has already determined. 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

According to those criteria, the sample used in this research is 10 Islamic banks, there are 5 Islamic banks in Indonesia and 5 Islamic banks in Malaysia. The following are the sample of Islamic banks that will be used in this paper:

Table 3.1: 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

3.2 Type and Source of Data

The researcher conducts this research by making use of quantitative method to explain the comparison of performance between Indonesia and Malaysia Islamic banking according to maqashid syariah index. 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 syariah banking comprises annual report Bank Indonesia and Indonesia Financial Service Authority (OJK) and banking annual report from Bank Negara Malaysia for Malaysia syariah banking.

3.3 Operational Definition of Research Variable

a. Maqashid Shariah Index Variables

This study employs maqashid syariah index to measure the performance of Islamic banking. Table 3.2 displays the operational variables to conduct the measurement, according to Antonio (2012) in their research “An Analysis of Islamic Banking Performance: Maqashid Index Implementation in Indonesia and Jordania”.

Table 3.2: Operational Variables of Maqashid Shariah Index

Concept (Objectives)	Dimension	Element	Performance Ratio	Sourced
1. Educating	D1.Advancement Of Knowledge	E1.Education Grant	R1. Education grant or scholarship/ Total Expenses	Annual Report
		E2.Research	R2. Research Expense/Total Expenses	Annual Report
	D2. Instilling new skills and improvement	E3.Training	R3. Training Expense/Total Expenses	Annual Report

Individual	D3. Creating Awareness of Islamic banking	E4.Publicity	R4. Publicity Expense/Total expenses	Annual Report
2.Establishing Justice	D4. Fair Returns	E5. Fair Returns	R5. Profit Equalization Reserves (PER)/Net or Investment Income	Annual Report
	D5.Cheap product and Services	E6.Functional Distribution	R6. Mudharabah and Musharakah Modes/ Total Investment Modes	Annual Report
	D6. Elimination of negative elements that breed injustices	E7. Interest free Product	R7. Interest free income /Total Income	Annual Report
3.Public Interest	D7. Profitability	E8. Profit ratios	R8. Net Income/Total assets	Annual Report
	D8. Redistribution of income & wealth	E9. Personal income	R9. Zakah/Net Asset	Annual Report
	D9. Investment in vital real sector	E10. Investment ratios in real sector	R10. Investment in Real Economic Sector/ Total Investment	Annual Report

From the table 3.2, it can be seen that the first ratios of maqashid shariah include education grant, research, training and publicity. Priority of banks can be seen from their allocation toward budgeting of those points. Higher budget means higher priority to enhance bank capability of empowering, improving and managing human resources. It also describes the effort of a bank to increase quality of products and services according to the research. Additionally, transparency of bank publicity and marketing management in order to get closer to customers. The bank has the obligation to enhance stakeholders knowledge about its programs.

In the other view of the second operational variable is establishing justice. This point includes fair return, functional distribution and interest free product. On the point of fair return, Islamic banking system use term profit equalization reserve (PER). It is a kind of mechanism to mitigate fluctuation of rates of return and keep it to be competitive and stable. PER ratio uses number 1 or less than one, more close to 1 means

more less the PER is used by bank. Additionally, it refers to bank achievement for justice and fair return. In the next point of establishing justice, there is total investment mode which described by mudharabah and musyarakah activities between investors and debtor. The higher this kind of investment is means the higher the bank contribution toward socio economic justice by implementing profit - loss sharing. The last point is interest free income. The higher this variable means the higher the bank effort to decrease inequality and unfairness.

Third variable of maqashid shariah index is public interest. It consists of three performance ratios they are net income, zakah, investment in real economic sector. If the bank has succeeded in maintaining to remain stability of those ratios in high level, it means the bank has succeeded in creating welfare for human being. It is one of the indicator whether the bank has company donation or not. It also describes company intention of redistribution their capital to be uses in rill investment. Additionally, those three objectives have average weights in order to investigate percenatage of each objective.

According to Mohammed and Taib (2009), established average weights of three objectives of maqashid shariah index. This arrangement was written by the experts in compliance of Islamic banking development, especially in Middle East and Malaysia. Those three objectives consist of ten elements with different percentage. The highest contribution of measurement come from justice which 41% of total variable. This point included fair return (30%), fair price (32%), and interest free product (38%). In the other hand, education gave 30% contribution of total measurement. This second point included education grant (24%), research (27%), training (26%) and publicity (23%). The last objective of maqashid shariah is welfare which gave contribution up to 29% of

total percentage of variable. Bank's profit (33%), personal income transfers (30%), investment in real sector (37%) were included in welfare objective. The details of those percentage can be seen on table 3.3, percentage of operational variables below.

Table 3.3 : 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 3.4 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 (X₁). The bank age refers to the year which the bank was established until december 31th 2016. Additionally, the other dependent variable is bank size (X₂). It refers to logarithm of total assets. The last dependent variable is capital adequacy (X₃). It was collected from the percentage of capital adequacy from each bank's annual report.

3.4 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,

$$PI11 = W_1^1 \times E_1^1 \times R_1^1$$

$$PI21 = W_1^1 \times E_1^2 \times R_1^2$$

$$PI31 = W_1^1 \times E_1^3 \times R_1^3$$

$$PI41 = W_1^1 \times E_1^4 \times R_1^4$$

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. Masalah

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

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 Shariah Index

In order to analyze the expected sight of age, size and capital adequacy toward maqashid shariah index, this study used SPSS. The testing used SPSS in linear regression. Maqashid shariah 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.

3.5 Hypothesis 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 hypothesis 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 shariah index

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

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

CHAPTER IV

DATA ANALYSIS AND DISCUSSION

4.1 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 Shariah 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 4.1: 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 syariah 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 syariah index that consists of three elements. This table is only for islamic banking in Indonesia.

Table 4.2: 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 Mualamat 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 Mualamat 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 4.3: 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 Muallamat 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 Shariah Mandiri has the highest score with 0.11624 for the third element. It means Bank Shariah 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.

4.2 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 4.4: 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 researcher 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 4.5: 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 shariah 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 4.6: 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.

4.3 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 researcher 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 4.7: 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 4.8: 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 Shariah Mandiri	0.32277	6
Bank BNI Syariah	0.31763	7
AmIslamic Bank Berhad	0.31739	8
Bank Panin Dubai Shariah	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 shariah 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 Shariah Mandiri, Bank BNI Syariah, AmIslamic Bank Berhad, Bank Panin Dubai Shariah 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.

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

4.4.1 Classical Assumption Test

In order to investigate regression test, the reseacher did classical assumption test before. It is aimed to avoid biased linear estimator and abnormally distributed variable.

Regression models have to pass normally distributed test and free from symptoms of normality, multicollinearity, heteroskedasticity, and autocorrelation test. The discussion of those tests is delivered as follows.

a. Multicollinearity Test

Multicollinearity test aims to examine whether a correlation occurs between independent variables in regression model. If there is a correlation, it means that there is multicollinearity problem. A good research using regression model should not have correlation between independent variables. Here the result of multicollinearity test by SPSS.

Tabel 4.9: Coefficient of Multicollinearity

Coefficients		
Model	Collinearity Statistics	
	Tolerance	VIF
Size	.840	1.190
Capital Adequacy	.984	1.016
Age	.834	1.199

From the table above, there are no variables which have tolerance value less than 0.100. It means that there is no correlation between independent variables. In the other hand, VIF value for all variables are less than 10. So, in this study, multicollinearity did not occur. Therefore, this study has fulfilled the requirement for determining that the regression model is good . In order to strengthen the analysis the coefficient-correlations is also investigated.

Table 4.10: Coefficient Correlation for Multicollinearity

Coefficient Correlations ^a						
Model		Capital Adequacy	Size	Age		
Correlations	Capital Adequacy	1.000	-.084	-.121		
	Size	-.084	1.000	.398		
	Age	-.121	.398	1.000		
Covariances	Capital Adequacy	468.815	-.373	-.106		
	Size	-.373	.042	.003		
	Age	-.106	.003	.002		
a. Dependent Variable: MSI						

According to table 4.10, there is high correlation between capital adequacy and size in 84.4%. Then, the correlation between age and size is 39.8%. Meanwhile, The value in table 4.6 are less than 95%, so it is still called non multicollinearity.

b. Autocorrelation Test

Autocorrelation refers to the relationship between the same value and the time lag. This test is assumption analysis in regression model where the dependent variable did not relate to other variables. Here is the result of autocorrelation using SPSS and Durbin Watson table.

Table 4.11: Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.449 ^a	.202	-.197	1.90029	1.908
a. Predictors: (Constant), Capital Adequacy, Size, Age					
b. Dependent Variable: MSI					

From the table above, the value of d is 1.908. Then, the value of dL and dU based on Durbin Watson table is 1.42059 and 1.67385. In order to examines negative autocorrelation detection the researcher calculated $(4-d) = 2.902$. So, the result for

positive autocorrelation is $d > dU$. It means that there is no positive autocorrelation. Additionally, the result for negative autocorrelation is $(4-d) > dU$. It means that there is no negative autocorrelation. From both detection, it concluded that autocorrelation test not fulfilled.

c. Heteroskedasticity occurred Test

Heteroskedasticity occurred refers to the test when a variant of the probability distribution of disorders is not constant for all variables. If the variances from residual value is constant, so it is called Homokedasticity occurred. Good research should passed Homokedasticity testing. The result are described in scatterplot diagram.

Figure 4.1: Scatterplot

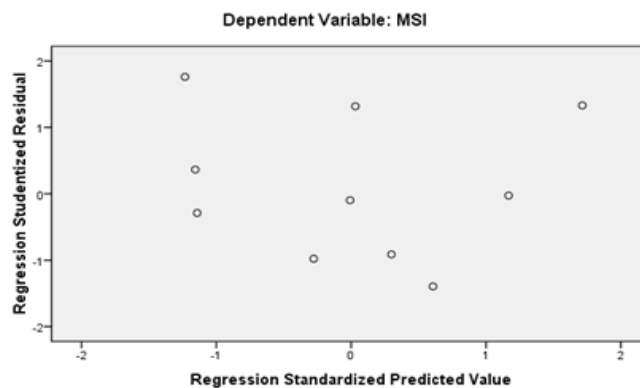


Figure 4.1 describes the dissemination pattern of the data. The data spread above and below the nul of Y axis. So, it can be concluded that the research model has fulfilled requirement for good homokedastisitas.

d. Normality Test

It is aimed to investigate whether in regression model, independent variables have normal distribution or not. Good study should have normal distribution. In this section, shapiro wilk testing is used. The result of calculation is shown below.

Table 4.12: Shapiro Wilk Test

Tests of Normality			
	Shapiro-Wilk		
	Statistic	df	Sig.
Size	.857	10	.070
Capital Adequacy	.846	10	.052
Age	.937	10	.520

From the table 4.12, all dependent variables have significant level $\alpha = 5\%$ or 0.05. It means that in normality test has normally distribution of each variable.

4.4.2 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 shariah index, the researcher used SPSS statistical tools. The result is proposed as follows in coefficient result.

Table 4.13: 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 shariah index. Therefore, H₁ should be rejected. In the other hand, those three factors give influences toward maqashid shariah index. The data will be showed as follow.

Table 4.14: 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.

4.5 Discussion of Research Result

4.5.1 Comparison of Maqashid Shariah Index Indonesia – Malaysia

The result of research findings describe that both countries, Indonesia and Malaysia already implemented three objective of maqashid shariah index. However, there are significant differences from both countries. It can be investigate from their

annual report that not all elements of maqashid shariah index such as education grant, training and research was implemented by Indonesia and Malaysia Islamic banking. These findings will caused the value of maqashid shariah index. Therefore, Islamic banks should understand this index to convince consumer used their services.

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.

4.5.2 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.

All those previous resercher mentioned about conventional banks. Therefore, contrast result might be happened. In the previous research, conventional bank was focused on profitability of the bank based on ROA value. Moreover, in this study, maqashid shariah index tend to discuss about justice, welfare and education objective. So, the result showed us that size of the bank cannot be necessary influenced the bank concern toward enhancement of educating individual for all stakeholders, establishing justice by increasing fair return and welfare contribution.

4.5.3 The Influence of Capital Adequacy toward Maqashid Shariah Index

Based on the result of regression analysis, H_{1b} is rejected in which the 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 research by Cekrezi (2015) revealing that capital adequacy has negative impact on performance of commercial banks in Albania. In this study, the researcher 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.

Capital adequacy not the right factor to determine rank of maqashid shariah index. However, this factor can be necessary indicates that more capital of the bank activities means more chances of increasing the assets. In other words, capital adequacy appropriate to determine the value of conventional bank, not the islamic one. In islamic banking, the industry not solely has focused to enhance the profit in term of big assets and high amount of profits. Islamic bank must have intention to increase justice and welfare based on shariah law from Quran and Sunnah.

4.5.4 The Influence of Age toward Maqashid Shariah Index

The result of regression test showed us that H_{1c} is rejected. This result contrasts 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.

Additionally, age cannot determine that the older the bank means the better the performance is. In islamic banking, experiences to enhance performance in service can be established by commitment toward each element in maqashid shariah index. In this index, the bank have to deal with consumers, employers and shareholders based on islamic rules. All the activities have to be clear from islamic banned such as riba and gharar. The study showed us that age of the bank not proper standard to investigate bank ability in term of doing islamic rules.

CHAPTER V

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

According to the analysis that has been interpreted in previous sections, it can be concluded that

1. 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 Syariah 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.

2. 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 fluctuating. 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.

3. 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 researcher 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 compared with Islamic banks in Indonesia with mean score 0.30670.

4. 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. These results have proven that the high value of size, age and capital adequacy cannot be necessary as the good standard for Islamic banking. This is because Islamic banking have to focus on Islamic rules in accordance with Quran and Sunnah.

5.2 Recommendation

There are several recommendations based on the analysis from previous sections.

1. For Customers

It can be recommendation for customers in choosing Islamic banking according to their needs based on maqashid shariah index. This selection can be based on the rank of maqashid shariah index among Islamic bank in each country. Additonally, customer can sorting out the Islamic banks according to their effort not only in financial activities but also social responsibility, improvement justice profit sharing and also enhance welfare for all parties.

2. For Bank Managerial

It might be better if banks managerial can complete their annual reports according to maqashid shariah index elements to make the calculation more valid. Additonally, all Islamic banks needs to maintain their performance not only accordance with financial aspects such as profit, liquidity and interest rate but also Islamic value such as justice in profit sharing, donation for Dhuafa and public interest.

3. For Future Research

It is recommended that future researchers conduct direct observation in order to collect the data as complete as they can according to maqashid shariah index elements. Furthermore, they can do approach of maqashid shariah aspects toward Islamic banking industry such as educating individual, establishment of welfare and justice.

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APPENDIX

APPENDIX 1: List of Weight Ratios

Bank Syariah Mandiri						
No.	Ratio	2012	2013	2014	2015	2016
1	Education Grant	n.a	n.a	n.a	n.a	n.a
2	Research	Rp5,785,385,761	Rp1,997,192,605	Rp2,407,737,118	Rp1,860,228,863	Rp649,446,730
3	Training	Rp49,210,515,570	Rp42,886,901,378	Rp2,776,103,604	Rp49,187,727,452	Rp25,099,974,716
4	Publicity	Rp81,184,744,703	Rp107,456,048,129	Rp55,512,477,284	Rp56,187,179,229	Rp53,708,966,499
5	Total Cost	Rp2,790,740,761,851	Rp3,652,763,520,815	Rp3,998,876,464,234	Rp4,090,735,747,851	Rp4,545,260,932,052
6	Total Investment	Rp40,380,000,000,000	Rp47,573,677,062,913	Rp53,175,487,126,196	Rp54,872,863,133,075	Rp61,206,488,174,363
7	Mudharabah Musharakah	Rp10,210,577,759,450	Rp10,752,404,923,409	Rp10,337,084,905,635	Rp13,111,451,082,514	Rp16,086,672,760,568
8	Interest Free Income	Rp5,824,000,000,000	Rp6,631,000,000,000	Rp6,549,000,000,000	Rp2,695,638,000,000	Rp1,879,255,000,000
9	Total Income	Rp5,824,000,000,000	Rp6,631,000,000,000	Rp6,549,000,000,000	Rp2,695,638,000,000	Rp1,879,255,000,000
10	Profit	Rp1,125,264,249,060	Rp906,498,894,169	Rp112,608,834,689	Rp374,126,301,850	Rp434,704,281,914
11	Net Profit	Rp805,690,561,013	Rp651,240,189,470	Rp71,778,420,782	Rp72,120,561,152	Rp45,482,539,653
12	Total Assets	Rp55,639,725,854,198	Rp65,674,500,853,562	Rp66,955,670,630,245	Rp70,369,708,944,091	Rp78,831,721,590,271

13	Zakat	Rp47,309,407,355	Rp50,794,078,580	Rp2,815,220,867	Rp9,592,982,099	Rp11,146,263,639
14	Riil Investment	Rp33,282,301,715,995	Rp38,184,545,317,087	Rp37,045,838,568,493	Rp36,181,302,964,985	Rp37,657,977,558,212
15	Total Distribution	Rp33,282,301,715,995	Rp38,184,545,317,087	Rp37,045,838,568,493	Rp36,181,302,964,985	Rp37,657,977,558,212

Bank Muamalat Indonesia						
No.	Ratio	2012	2013	2014	Rp2.015	2016
1	Education Grant	n.a	n.a	n.a	n.a	n.a
2	Research	n.a	n.a	n.a	n.a	n.a
3	Training	n.a	n.a	n.a	n.a	n.a
4	Publicity	Rp59,548,000,000	Rp75,227,000,000	Rp70,811,000,000	Rp97,064,000,000	Rp18,126,000,000
5	Total Cost	Rp1,457,940,000,000	Rp2,184,274,000,000	Rp1,855,158,000,000	Rp1,709,128,805,000	Rp2,011,430,053,000
6	Total Investment	Rp33,888,472,000,000	Rp44,550,457,000,000	Rp47,863,477,000,000	Rp45,933,088,494,000	Rp45,335,515,266,000
7	Mudharabah Musharakah	Rp19,941,626,000,000	Rp23,806,001,000,000	Rp22,066,321,000,000	Rp20,192,000,000	Rp20,125,000,000
8	Interest Free Income	Rp1,924,895,000,000	Rp2,612,380,000,000	Rp2,176,138,000,000	Rp2,165,715,941,000	Rp2,237,253,000,000
9	Total Income	Rp1,924,895,000,000	Rp2,612,380,000,000	Rp2,176,138,000,000	Rp2,165,715,941,000	Rp2,237,253,000,000
10	Profit	Rp329,748,000,000	Rp165,290,000,000	Rp719,097,000,000	Rp150,376,000,000	Rp100,154,000,000
11	Net Profit	Rp472,036,000,000	Rp637,180,000,000	Rp684,634,000,000	Rp80,511,000,000	Rp74,432,000,000
12	Total Assets	Rp44,205,554,000,000	Rp53,723,979,000,000	Rp62,413,310,000,000	Rp57,140,617,000,000	Rp55,716,358,000,000
13	Zakat	Rp10,535,000,000	Rp18,509,000,000	Rp22,723,000,000	Rp5,690,000,000	Rp1,304,000,000
14	Riil Investment	Rp32,419,235,000,000	Rp41,076,245,000,000	Rp41,837,960,000,000	Rp40,471,325,000,000	Rp39,832,108,000,000
15	Total Distribution	Rp32,419,235,000,000	Rp41,076,245,000,000	Rp41,837,960,000,000	Rp40,471,325,000,000	Rp39,832,108,000,000

Bank BNI Syariah						
No.	Ratio	2012	2013	2014	2015	2016
1	Education Grant	n.a	n.a	n.a	n.a	n.a
2	Research	n.a	n.a	n.a	n.a	n.a
3	Training	n.a	n.a	n.a	n.a	n.a
4	Publicity	Rp50,420,000,000	Rp46,928,000,000	Rp59,684,000,000	Rp76,357,000,000	Rp79,459,000,000
5	Total Cost	Rp673,953,000,000	Rp884,109,000,000	Rp1,127,685,000,000	Rp1,460,278,000,000	Rp1,690,703,000,000
6	Total Investment	Rp8,037,718,000,000	Rp11,721,447,000,000	Rp15,386,862,000,000	Rp17,974,728,000,000	Rp20,714,827,000,000
7	Mudharabah Musharakah	Rp1,253,595,000,000	Rp1,768,300,000,000	Rp2,421,699,000,000	Rp3,448,754,000,000	Rp4,211,156,000,000
8	Interest Free Income	Rp1,259,539,000,000	Rp1,612,222,000,000	Rp2,176,438,000,000	Rp2,435,360,000,000	Rp2,801,356,000,000
9	Total Income	Rp1,259,539,000,000	Rp1,612,222,000,000	Rp2,176,438,000,000	Rp2,435,360,000,000	Rp2,801,356,000,000
10	Profit	Rp186,218,000,000	Rp303,680,000,000	Rp448,500,000,000	Rp378,500,000,000	Rp584,172,000,000
11	Net Profit	Rp101,892,000,000	Rp117,462,000,000	Rp163,251,000,000	Rp265,658,000,000	Rp270,908,000,000
12	Total Assets	Rp10,645,313,000,000	Rp14,708,504,000,000	Rp19,492,112,000,000	Rp23,017,667,000,000	Rp28,314,175,000,000
13	Zakat	Rp4,538,000,000	Rp7,704,000,000	Rp10,893,000,000	Rp12,786,000,000	Rp15,741,000,000
14	Riil Investment	Rp6,259,638,000,000	Rp9,282,794,000,000	Rp12,364,939,000,000	Rp14,316,342,000,000	Rp16,282,453,000,000
15	Total Distribution	Rp6,259,638,000,000	Rp9,282,794,000,000	Rp12,364,939,000,000	Rp14,316,342,000,000	Rp16,282,453,000,000

Bank Syariah Bukopin						
No.	Ratio	2012	2013	2014	2015	2016
1	Education Grant	n.a	n.a	n.a	n.a	n.a
2	Research	n.a	n.a	n.a	n.a	n.a
3	Training	Rp2,393,335,274	Rp2,839,491,912	Rp2,503,611,472	Rp2,902,683,176	Rp3,468,050,509
4	Publicity	Rp3,169,108,727	Rp4,820,709,776	Rp4,182,842,055	Rp3,280,457,017	Rp7,074,877,079
5	Total Cost	Rp111,791,820,934	Rp141,615,995,012	Rp154,819,391,140	Rp178,099,715,906	Rp245,095,327,451
6	Total Investment	Rp2,835,450,042,869	Rp3,516,953,679,032	Rp4,220,699,445,660	Rp4,535,959,416,923	Rp5,119,911,967,575
7	Mudharabah Musharakah	Rp8,907,378,194	Rp12,244,956,189	Rp9,821,510,239	Rp11,052,463,910	Rp25,876,778,218
8	Interest Free Income	Rp311,220,062,756	Rp366,252,305,090	Rp490,596,190,519	Rp505,265,196,534	Rp575,169,399,420
9	Total Income	Rp311,220,062,756	Rp366,252,305,090	Rp490,596,190,519	Rp505,265,196,534	Rp575,169,399,420
10	Profit	Rp26,161,872,833	Rp30,947,168,939	Rp16,460,238,726	Rp44,706,532,304	Rp52,959,798,389
11	Net Profit	Rp17,297,940,859	Rp19,547,650,105	Rp8,661,952,636	Rp27,778,475,573	Rp32,709,937,326
12	Total Assets	Rp3,616,107,512,472	Rp4,343,069,056,830	Rp5,161,300,488,180	Rp5,827,153,527,325	Rp7,019,598,576,013
13	Zakat	n.a	n.a	n.a	n.a	n.a
14	Riil Investment	Rp3,218,735,629,662	Rp2,579,017,204,818	Rp2,216,195,175,367	Rp2,199,351,782,557	Rp2,224,815,791,779
15	Total Distribution	Rp3,218,735,629,662	Rp2,579,017,204,818	Rp2,216,195,175,367	Rp2,199,351,782,557	Rp2,224,815,791,779

Bank Panin Dubai Syariah						
No.	Ratio	2012	2013	2014	2015	2016
1	Education Grant	n.a	n.a	n.a	n.a	n.a
2	Research	n.a	n.a	n.a	n.a	n.a
3	Training	Rp480,999,000	Rp1,018,779,000	Rp2,462,038,000	Rp784,731,000	Rp1,122,680,000
4	Publicity	Rp330,796,000	Rp1,187,588,000	Rp4,907,513,000	Rp4,814,524,000	Rp4,751,005,000
5	Total Cost	Rp40,381,847,000	Rp83,441,296,000	Rp128,060,673,000	Rp193,672,621,000	Rp232,684,458,000
6	Total Investment	Rp1,540,482,000,000	Rp2,625,805,000,000	Rp4,815,539,000,000	Rp5,754,652,000,000	Rp6,589,847,000,000
7	Mudharabah Musharakah	Rp747,315,050	Rp1,350,047,617	Rp4,107,127,353	Rp2,475,535,819	Rp2,767,034,088
8	Interest Free Income	Rp145,728,869,000	Rp273,812,379,000	Rp526,519,793,000	Rp711,205,543,000	Rp693,132,212,000
9	Total Income	Rp145,728,869,000	Rp273,812,379,000	Rp526,519,793,000	Rp711,205,543,000	Rp693,132,212,000
10	Profit	Rp35,408,000,000	Rp25,995,000,000	Rp96,934,000,000	Rp77,926,000,000	Rp27,495,027,000
11	Net Profit	Rp35,056,812,000	Rp21,332,026,000	Rp70,938,895,000	Rp53,578,381,000	Rp19,540,914,000
12	Total Assets	Rp2,136,576,111,000	Rp4,052,700,692,000	Rp6,207,678,452,000	Rp7,134,234,975,000	Rp8,757,963.603.000
13	Zakat	n.a	n.a	Rp2,454,654,000	Rp1,932,632,000	Rp711,570,000
14	Riil Investment	Rp1,500,864,000,000	Rp2,570,899,000,000	Rp4,938,814,000,000	Rp5,856,300,000,000	Rp6,710,129,000,000
15	Total DIstribution	Rp1,500,864,000,000	Rp2,570,899,000,000	Rp4,938,814,000,000	Rp5,856,300,000,000	Rp6,710,129,000,000

Affin Islamic Bank Berhad						
No.	Ratio	2012	2013	2014	Rp2.015	2016
1	Education Grant	n.a	RM28,000	RM15,000	n.a	n.a
2	Research	n.a	n.a	n.a	n.a	n.a
3	Training	n.a	n.a	n.a	n.a	n.a
4	Publicity	RM431,000	RM1,199,000	RM1,020,000	RM769,000	RM788,000
5	Total Cost	RM97,382,000	RM103,746,000	RM120,023,000	RM114,406,000	RM132,822,000
6	Total Investment	RM7,577,999,000	RM7,777,872,000	RM9,337,350,000	RM11,459,687,000	RM14,218,141,000
7	Mudharabah Musharakah	RM1,302,706,000	RM1,662,558,000	RM2,165,536,000	RM3,337,432,000	RM5,618,190,000
8	Interest Free Income	RM204,034,000	RM191,224,000	RM211,679,000	RM231,781,000	RM279,111,000
9	Total Income	RM204,034,000	RM191,224,000	RM211,679,000	RM231,781,000	RM279,111,000
10	Profit	RM106,422,000	RM87,478,000	RM91,656,000	RM117,375,000	RM146,289,000
11	Net Profit	RM74,062,000	RM59,151,000	RM66,596,000	RM84,785,000	RM112,598,000
12	Total Assets	RM11,724,067,000	RM12,331,404,000	RM12,723,289,000	RM13,385,055,000	RM15,286,233,000
13	Zakat	RM6,064,000	RM8,583,000	RM4,772,000	RM3,779,000	RM2,887,000
14	Riil Investment	RM5,143,356,000	RM6,048,876,000	RM7,163,621,000	RM9,201,909,000	RM11,914,943,000
15	Total Distribution	RM5,143,356,000	RM6,048,876,000	RM7,163,621,000	RM9,201,909,000	RM11,914,943,000

AmIslamic Bank Berhad						
No.	Ratio	2012	2013	2014	Rp2.015	2016
1	Education Grant	n.a	n.a	n.a	n.a	n.a
2	Research	n.a	n.a	n.a	n.a	n.a
3	Training	n.a	n.a	n.a	n.a	n.a
4	Publicity	RM3,520,000	RM2,716,000	RM3,538,000	RM2,960,000	RM4,733,000
5	Total Cost	RM306,467,000	RM31,903,000	RM326,920,000	RM417,208,000	RM412,097,000
6	Total Investment	RM26,232,397,000	RM28,751,114,000	RM32,660,964,000	RM33,854,665,000	RM32,632,996,000
7	Mudharabah Musharakah	RM1,691,509,000	RM2,620,867,000	RM1,402,868,000	RM4,062,650,000	RM5,160,131,000
8	Interest Free Income	RM550,061,000	RM542,266,000	RM555,767,000	RM627,073,000	RM606,107,000
9	Total Income	RM550,061,000	RM542,266,000	RM555,767,000	RM627,073,000	RM606,107,000
10	Profit	RM243,594,000	RM223,238,000	RM228,847,000	RM209,865	RM194,010,000
11	Net Profit	RM188,911,000	RM171,661,000	RM177,519,000	RM152,185,000	RM153,506,000
12	Total Assets	RM29,591,645,000	RM33,052,258,000	RM35,268,917,000	RM39,671,611,000	RM34,858,826,000
13	Zakat	RM831,000	RM986,000	RM1,164,000	RM961,000	RM1,196,000
14	Riil Investment	RM19,910,438,000	RM23,183,876,000	RM25,289,018,000	RM27,444,626,000	RM27,391,849,000
15	Total Distribution	RM19,910,438,000	RM23,183,876,000	RM25,289,018,000	RM27,444,626,000	RM27,391,849,000

Bank Islam Malaysia Berhad						
No.	Ratio	2012	2013	2014	Rp2.015	2016
1	Education Grant	n.a	RM23,000	RM4,000	Rp121,000	RM5,000
2	Research	n.a	n.a	n.a	n.a	n.a
3	Training	n.a	n.a	n.a	n.a	n.a
4	Publicity	RM11,246,000	RM9,944,000	RM6,869,000	Rp6,547,000	RM7,812,000
5	Total Cost	RM716,815,000	RM799,376,000	RM820,637,000	RM837,811,000	RM899,903,000
6	Total Investment	RM35,440,013,000	RM38,990,008,000	RM42,328,461,000	Rp46,613,047,000	RM51,439,558,000
7	Mudharabah Musharakah	n.a	n.a	n.a	n.a	n.a
8	Interest Free Income	RM1,285,965,000	RM1,449,601,000	RM1,503,831,000	Rp1,513,060,000	RM1,639,422,000
9	Total Income	RM1,285,965,000	RM1,449,601,000	RM1,503,831,000	Rp1,513,060,000	RM1,639,422,000
10	Profit	RM600,303,000	RM683,018,000	RM701,190,000	Rp685,131,000	RM720,441,000
11	Net Profit	RM430,785,000	RM491,645,000	RM506,833,000	Rp509,031,000	RM531,007,000
12	Total Assets	RM37,450,798,000	RM42,836,531,000	RM45,829,287,000	Rp49,767,067,000	RM55,683,301,000
13	Zakat	RM9,251,000	RM12,568,000	RM12,747,000	Rp8,703,000	RM12,844,000
14	Riil Investment	RM19,508,733,000	RM23,740,948,000	RM29,524,571,000	Rp34,294,690,000	RM39,189,274,000
15	Total Distribution	RM19,508,733,000	RM23,740,948,000	RM29,524,571,000	Rp34,294,690,000	RM39,189,274,000

CIMB Islamic Bank Berhad						
No.	Ratio	2012	2013	2014	Rp2.015	2016
1	Education Grant	n.a	n.a	n.a	n.a	n.a
2	Research	n.a	n.a	n.a	n.a	n.a
3	Training	n.a	n.a	n.a	n.a	n.a
4	Publicity	RM6,338,000	RM7,542,000	RM4,613,000	RM4,785,000	RM5,140,000
5	Total Cost	RM472,596,000	RM506,311,000	RM487,400,000	RM509,651,000	RM483,450,000
6	Total Investment	RM44,661,011,000	RM42,137,136,000	RM44,526,565,000	RM48,649,739,000	RM57,357,460,000
7	Mudharabah Musharakah	RM515,622,000	RM105,341,000	RM113,507,000	n.a	n.a
8	Interest Free Income	RM1,008,088,000	RM997,522,000	RM1,013,564,000	RM1,051,115,000	RM1,207,835,000
9	Total Income	RM1,008,088,000	RM997,522,000	RM1,013,564,000	RM1,051,115,000	RM1,207,835,000
10	Profit	RM535,492,000	RM491,211,000	RM526,164,000	RM541,464,000	RM724,385,000
11	Net Profit	RM401,070,000	RM365,586,000	RM391,348,000	RM404,016,000	RM543,201,000
12	Total Assets	RM51,225,040,000	RM49,423,178,000	RM49,863,798,000	RM54,559,147,000	RM49,863,771,000
13	Zakat	RM9,870,000	RM15,437,000	RM29,721,000	RM137,448,000	RM180,884,000
14	Riil Investment	RM33,073,282,000	RM35,072,564,000	RM36,299,580,000	RM47,172,873,000	RM40,325,440,000
15	Total Distribution	RM33,073,282,000	RM35,072,564,000	RM36,299,580,000	RM47,172,873,000	RM40,325,440,000

Bank Rakyat Malaysia						
No.	Ratio	2012	2013	2014	Rp2.015	2016
1	Education Grant	n.a	n.a	n.a	n.a	n.a
2	Research	n.a	n.a	n.a	n.a	n.a
3	Training	n.a	n.a	n.a	n.a	n.a
4	Publicity	RM51,348,000	RM51,343,000	RM38,537,000	Rp67,698,000	RM72,151,000
5	Total Cost	RM1,023,673,000	RM987,544,000	RM960,592,000	Rp1,046,011,000	RM1,223,985,000
6	Total Investment	RM74,175,297,000	RM79,373,148,000	RM84,507,436,000	Rp89,036,600,000	RM95,355,722,000
7	Mudharabah Musharakah	RM6,524,867,000	RM5,958,054,000	RM5,392,893,000	n.a	n.a
8	Interest Free Income	RM3,338,411,000	RM3,339,827,000	RM3,258,122,000	Rp27,716,580,000	RM2,816,618,000
9	Total Income	RM3,338,411,000	RM3,339,827,000	RM3,258,122,000	Rp27,716,580,000	RM2,816,618,000
10	Profit	RM2,113,883,000	RM2,125,418,000	RM2,160,185,000	Rp1,959,573,000	RM1,700,330,000
11	Net Profit	RM1,739,989,000	RM1,906,444,000	RM1,957,705,000	Rp1,779,005,000	RM1,602,092,000
12	Total Assets	RM72,480,642,000	RM82,879,599,000	RM89,176,654,000	Rp92,285,928,000	RM99,011,594,000
13	Zakat	RM45,626,000	RM34,000,000	RM39,000,000	Rp37,343,000	RM37,849,000
14	Riil Investment	RM55,233,000,000	RM57,304,177,000	RM57,304,177,000	Rp63,137,184,000	RM67,806,707,000
15	Total Distribution	RM55,233,000,000	RM57,304,177,000	RM57,304,177,000	Rp63,137,184,000	RM67,806,707,000

APPENDIX 2: RESULT OF MSI 2012-2016

Bank Syariah Mandiri											
Objective	2012	2013	2014	2015	2016		2012	2013	2014	2015	2016
1st	0.01183	0.00997	0.00516	0.00641	0.00419	30%	0.00355	0.00299	0.00155	0.00192	0.00126
2nd	0.51888	0.49334	0.44737	0.49810	0.5335	41%	0.21274	0.20227	0.18342	0.20422	0.21874
3rd	0.39239	0.37561	0.38212	0.41024	0.44371	29%	0.11379	0.10893	0.11081	0.11897	0.12868
Result of MSI							0.33008	0.31419	0.29578	0.32511	0.34867

Bank Muamalat Indonesia											
Objective	2012	2013	2014	2015	2016		2012	2013	2014	2015	2016
1st	0,00939	0,00792	0,0878	0,01306	0,00207	30%	0,00282	0,00238	0,02634	0,00392	0,00062
2nd	0,6197	0,56998	0,62666	0,40097	0,39357	41%	0,25408	0,23369	0,25693	0,16440	0,16136
3rd	0,38022	0,38263	0,38358	0,39167	0,3757	29%	0,11026	0,11096	0,11124	0,11358	0,10895
Result of MSI							0,36716	0,34703	0,39451	0,2819	0,27094

Bank BNI Syariah											
Objective	2012	2013	2014	2015	2016		2012	2013	2014	2015	2016
1st	0,01721	0,01221	0,01217	0,01203	0,01081	30%	0,00516	0,00366	0,00365	0,00361	0,00324
2nd	0,47426	0,48478	0,49219	0,48802	0,50761	41%	0,19445	0,19876	0,20180	0,20009	0,20812
3rd	0,38652	0,39231	0,39278	0,38825	0,39059	29%	0,11209	0,11377	0,11391	0,11259	0,11327
Result of MSI							0,3117	0,31619	0,31936	0,31629	0,32463

Bank Syariah Bukopin											
Objective	2012	2013	2014	2015	2016		2012	2013	2014	2015	2016
1st	0,01209	0,01304	0,01042	0,00847	0,01032	30%	0,00363	0,00391	0,00313	0,00254	0,00310
2nd	0,40622	0,40646	0,39081	0,40732	0,40924	41%	0,16655	0,16665	0,16023	0,16700	0,16779
3rd	0,37158	0,37149	0,37055	0,37157	0,37154	29%	0,10776	0,10773	0,10746	0,10776	0,10775
Result of MSI							0,27794	0,27829	0,27082	0,2773	0,27863

Bank Panin Dubai Syariah											
Objective	2012	2013	2014	2015	2016		2012	2013	2014	2015	2016
1st	0,00498	0,00645	0,01381	0,00677	0,00595	30%	0,00149	0,00194	0,00414	0,00203	0,00179
2nd	0,44982	0,40865	0,4335	0,41301	0,39204	41%	0,18443	0,16755	0,17774	0,16933	0,16074
3rd	0,37542	0,37174	0,38415	0,3833	0,38166	29%	0,10887	0,10780	0,11140	0,11116	0,11068
Result of MSI							0,29479	0,27729	0,29328	0,28252	0,2732

Bank Affin Shariah											
Objective	2012	2013	2014	2015	2016		2012	2013	2014	2015	2016
1st	0,00102	0,00272	0,00198	0,00155	0,00136	30%	0,00031	0,00082	0,00059	0,00047	0,00041
2nd	0,59149	0,58564	0,58411	0,65511	0,66368	41%	0,24251	0,24011	0,23949	0,26860	0,27211
3rd	0,39665	0,41511	0,39322	0,40426	0,38012	29%	0,11503	0,12038	0,11403	0,11724	0,11023

AmIslamic Bank Berhad											
Objective	2012	2013	2014	2015	2016		2012	2013	2014	2015	2016
1st	0,00264	0,01958	0,00249	0,00163	0,00264	30%	0,00079	0,00587	0,00075	0,00049	0,00079
2nd	0,53349	0,53268	0,51728	0,4185	0,52663	41%	0,21873	0,21840	0,21208	0,17159	0,21592
3rd	0,37343	0,37343	0,37363	0,37316	0,37379	29%	0,10829	0,10829	0,10835	0,10822	0,10840
Result of MSI							0,32782	0,33257	0,32118	0,28029	0,32511

Bank Islam Malaysia											
Objective	2012	2013	2014	2015	2016		2012	2013	2014	2015	2016
1st	0,00361	0,00286	0,00193	0,0018	0,002	30%	0,00108	0,00086	0,00058	0,00054	0,00060
2nd	0,52004	0,52135	0,51988	0,51584	0,51184	41%	0,21322	0,21375	0,21315	0,21149	0,20985
3rd	0,38024	0,38146	0,38119	0,37851	0,38041	29%	0,11027	0,11062	0,11055	0,10977	0,11032
Result of MSI							0,32457	0,32523	0,32427	0,3218	0,32077

Bank CIMB Shariah Malaysia											
Objective	2012	2013	2014	2015	2016		2012	2013	2014	2015	2016
1st	0,00308	0,00343	0,00218	0,00216	0,00244	30%	0,00092	0,00103	0,00065	0,00065	0,00073
2nd	0,54432	0,52853	0,53655	0,53454	0,55992	41%	0,22317	0,21670	0,21999	0,21916	0,22957
3rd	0,37997	0,38511	0,39538	0,47451	0,47349	29%	0,11019	0,11168	0,11466	0,13761	0,13731
Result of MSI							0,33492	0,32941	0,3353	0,35742	0,36761

Bank Rakyat Malaysia											
Objective	2012	2013	2014	2015	2016		2012	2013	2014	2015	2016
1st	0,01154	0,01196	0,00923	0,01489	0,01356	30%	0,00346	0,00359	0,00277	0,00447	0,00407
2nd	0,59811	0,59494	0,59933	0,40121	0,5611	41%	0,24523	0,24393	0,24573	0,16450	0,23005
3rd	0,38579	0,38294	0,38322	0,38266	0,38243	29%	0,11188	0,11105	0,11113	0,11097	0,11090
Result of MSI							0,36057	0,35857	0,35963	0,27993	0,34502

APPENDIX 3: THE FACTORS THAT INFLUENCE MSI

Size of The Bank		
Name of The Bank	Total Assets	Logarithm of Total Assets
Bank Shariah Mandiri	Rp67,494,265,574,473	31.84306376
Bank Muamalat	Rp54,639,963,600,000	31.63178667
Bank Bukopin Shariah	Rp5,193,445,832,164	29.27841853
Bank Panin Dubai Shariah	Rp5,657,830,766,600	29.36406168
Bank BNI Shariah	Rp19,235,554,200,000	30.58778146
Bank Ambank Shariah	RM34,488,651,400	24.26389616
Bank Affin Shariah	RM13,090,009,600	23.29511515
Bank Rakyat Shariah Malaysia	RM87,166,883,400	25.19109032
Bank Islam Malaysia	RM46,313,396,800	24.5586971
Bank CIMB Shariah Malaysia	RM50,986,898,600	24.65483455

Capital Adequacy of Banks						
Name of The Bank	2012	2013	2014	2015	2016	Average
Bank Shariah Mandiri	13.82%	14.40%	15.18%	15.12%	16.44%	14.99%
Bank Muamalat	11.57%	14.05%	13.91%	12.00%	12.74%	12.85%
Bank Bukopin Shariah	12.78%	11.10%	14.80%	16.31%	17.00%	14.40%
Bank Panin Dubai Shariah	32.20%	20.83%	23.89%	20.30%	18.17%	23.08%
Bank BNI Shariah	14.10%	16.23%	18.42%	16.48%	14.92%	16.03%
Bank Ambank Shariah	15.90%	14.61%	14.37%	15.25%	15.02%	15.03%
Bank Affin Shariah	15.15%	14.28%	13.67%	14.41%	13.59%	14.22%
Bank Rakyat Shariah Malaysia	17.14%	17.13%	18.99%	20.14%	20.57%	18.79%

Bank Islam Malaysia	13.86%	14.06%	13.36%	15.32%	15.52%	14.42%
Bank CIMB Shariah Malaysia	13.27%	14.02%	15.49%	16.27%	18.03%	15.42%

Age of The Bank		
Name of The Bank	Age of Bank Based on 31/12/2016	MSI
Bank Shariah Mandiri	17	0.32277
Bank Muamalat	19	0.33231
Bank Bukopin Shariah	8	0.35894
Bank Panin Dubai Shariah	7	0.33541
Bank BNI Shariah	6	0.31763
Bank Ambank Shariah	28	0.31739
Bank Affin Shariah	10	0.36846
Bank Rakyat Shariah	62	0.34074
Bank Islam Malaysia	33	0.32333
Bank CIMB Shariah	13	0.34480