

Islamic Banks Performance: An Assessment using Sharia *Maqashid* Index, Sharia Conformity and Profitability and CAMELS

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ABSTRACT

Indonesian Islamic banking system has existed for more than 25 years. However, at this age, the bank still has not had its own instrument for measuring performance and still adopts the orthodox measuring instrument which is restricted to financial ratio measurement only. The use of this orthodox measuring instrument as the only tool to evaluate the Islamic banks performance is considered less suitable, both in terms of the features and the purposes of Islamic banking in general. Therefore, this study aims to evaluate the performance of Islamic banks using the Sharia *Maqashid* Index, Sharia Conformity and Profitability (SCnP) and CAMELS approaches. The population of this study was all Islamic Commercial Banks listed in Bank Indonesia from 2012-2016, while the data analysis technique used was the quantitative research with descriptive approach. The Sharia *Maqashid* Index approach has three variables; educating people, establishing justice, and achieving public interest. The Sharia Conformity and Profitability approach has two variables; Sharia Conformity and Profitability. Meanwhile, the CAMELS approach has five variables; Capital, Asset Quality, Management, Earning, and Liquidity. The results of the research using the Sharia *Maqashid* Index approach show that Bank Muamalat is in the first rank, followed by Bank Syariah Mandiri, BNI Syariah and Bank Mega Syariah. The result of SCnP approach shows that there are no Islamic banks in the upper right quadrant that has high Sharia suitability and high profitability. Moreover, the CAMELS approach shows that all Islamic banks are quite healthy. The application of these performance measurement approaches become a factor that plays a dual role for the achievement of financial performance and Sharia conformity.

KEYWORDS

Islamic Banking
Performance
Measurement
Finance
Sharia

INTRODUCTION

Indonesian Islamic banking has been established for more than 25 years. As a logical consequence of the Indonesian banking system that adheres to the dual banking system, the existence of Islamic banking is still limited to be just an alternative financial bank for Indonesian people (Suhartanto, Farhani, Muflih, & Setiawan, 2018). It makes an assumption that it is only functioned to avoid usury, even the concept of usury itself is limited to the bank interest (Siddiqi, 2000).

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In the age of more than a quarter of a century, Islamic banking in Indonesia still has not had its own instruments for measuring performance and still implements the orthodox measuring instruments which is only restricted to the measurement of the financial ratio. According to Mohammed (2008), the evidence in the most studies using conventional benchmarks to evaluate the Islamic banking performance shows that the Islamic banks lag behind the conventional banks.

The use of the orthodox measuring instruments as the only tool to evaluate the Islamic banks performance is considered less suitable. First, Zaman (2002) states that Islamic banks and the conventional banks are typically difficult to differentiate. Second, several studies show that the measurement of Islamic banks performance and the conventional one is different, because of the differences on their main tasks and how they work (Bedoui, 2012) Next, most of Islamic banks depend on the financial benchmark to measure their performance. Therefore, many shareholders cannot visibly see the difference between Islamic and conventional banking. Furthermore, using the conservative benchmark to measure the Islamic banking performance will not be compatible to the objectives of Islamic banking itself, which is more comprehensive than the conventional one (Mohammed, 2008).

It is confirmed by Chapra (2000) who states that the peculiarity of the characteristics between Islamic banks and conventional one is the very basic thing which differentiates their core services, and it will make the evaluation of the two types of banking be dissimilar too. Therefore, it is needed to establish an instrument to measure the performance that will equip the financial purposes of the Islamic banking (Mohammed, 2008). The establishment of this instrument is needed to answer one of the research results which states that the Islamic finance industry is growing fast and innovating but sluggish in building credibility (Ayub, 2015).

The studies about the performance assessment which is aligned with the features of Islamic banking have been conducted by many researchers. The preceding studies tried to complete the instrument for performance measurement in order to be in line with the features and the objectives of Islamic banking. The study led by Mohammed (2008) used Sharia *Maqashid* Index approach, while Kuppusamy (2010) conducted the performance research by using the Sharia Conformity and Profitability approach, and Hameed (2004) introduced the Islamic Performance Index. The results indicate that those models can be one of the choices of the assessment instruments that can describe how well the performance of the multidimensional Islamic banking business is and can be applied in the Islamic banking business (Antonio, 2012).

This recent research has a novelty compared to the previous researches; it uses several approaches in evaluating the Islamic banking performance. Given that one of the banking purposes is as a financial intermediary, the bank is obligated to always preserve its performance and 'health' level to increase trust from the shareholders (Suhartanto, 2018). On the other hand, Antonio (2012) states that because Islamic banks have different characteristics than the conventional, both in concept and practice, they must consider not only the performance on financial ratio but also on Non-financial one.

Based on the circumstantial above, it is needed to do a study to the three models of banking performance measurement; the performance measurement of Islamic banking using the Sharia *Maqashid* Index model, the Sharia Conformity and Profitability model, and the model that has been used so far as a measurement of a bank health, the CAMELS. It needs to be explored in a

scientific study that evaluates the Islamic banking financial performance using Sharia and conventional parameters in order to make a comprehensive image of its performance to the stakeholders, and also to see how well the Islamic banking is represented by that performance measurement. This kind of research is significant to help the Islamic banking industry to evaluate its business performance and then to develop a proper competitive strategy.

LITERATURE REVIEW

The measurement of performance level

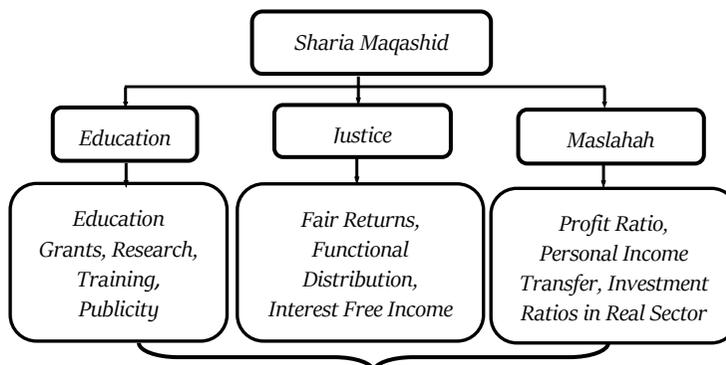
In a highly competitive business environment such as in the Islamic banking industry, having high performance is a must (Suhartanto, 2018). To evaluate the health of a company or organization, several assessments are needed that can be represented by the performance measurement. It is a part of the management control system, including the actions that imply planning decisions, jobs performance and operational assessments. The performance valuation is the management's tool to define how far the company's goals have been accomplished, to evaluate the business performance, managers, divisions and individuals in the company, and also to predict the company future expectations (Yuwono, 2002). The data used as performance parameters or indicators are divided into two groups; financial performance and non-financial information (Ulum, 2005).

Sharia *maqashid* index

The concept of *maqashid* index is absorbed from the noble values of Islam (*maqashid syariah*) which are the main objectives of the sharia concept; to advance the prosperity and the value of benefit (*Jalb al-Masalih*) and to relieve the hardship (*Dar'al-Mafasid*) (Jauziyah, 1973). More detailed description of sharia *Maqashid* is delivered by Al-Ghazali. It consists of 5 things; maintaining the religion, soul, mind, family and wealth. It means everything guarantees the preservation of the five basic concepts is called *maslahah* and the opposite one is called *mafsadah* (damage) (Al-Fasy, 1993).

In line with that, Zaharah (1997) divides sharia *maqashid* into three categories; educating people (*tahdzibul fardh*), establishing justice (*iqamah al-adalah*) and achieving public interest (*maslahah*). Then this concept is transformed into a measurement to evaluate the Islamic banking performance. The concept of sharia *maqashid* from Zaharah (1997) is later redefined by Mohammed (2008) to be one of the instruments to evaluate the Islamic banks performance. Through the behavioural approach method of Sekaran (2000) which defines the concept (C) into noticeable behaviour and is called dimension (D), it is then retranslated into several measurable behaviours which are called elements (E).

By adopting Sekaran (2000) method, the three main purposes of Islamic banks, educating people, establishing justice, and achieving public interest, can be described as follows:



Source: adapted from Mohammed (2008)

Figure 1. Sharia *Maqashid* Index

The Sharia *Maqashid* Index approach as a measurement of Islamic banking performance is intended to evaluate the performance of Islamic banks which not only emphasizes on financial ratios or profitability, but also more oriented to the stakeholders' interests and community welfare (Sukardi, 2016). This approach can be an alternative or a complement of the existing Islamic banking performance measurement instruments. It is used for measuring how far Islamic bank performance and activities are aligned with the objectives of sharia. The *Maqashid* Sharia covers all sides of life that intersect with the individuals, social, society, economics, and intellectuals (H. Bedoui, & Walid, M., 2013) .

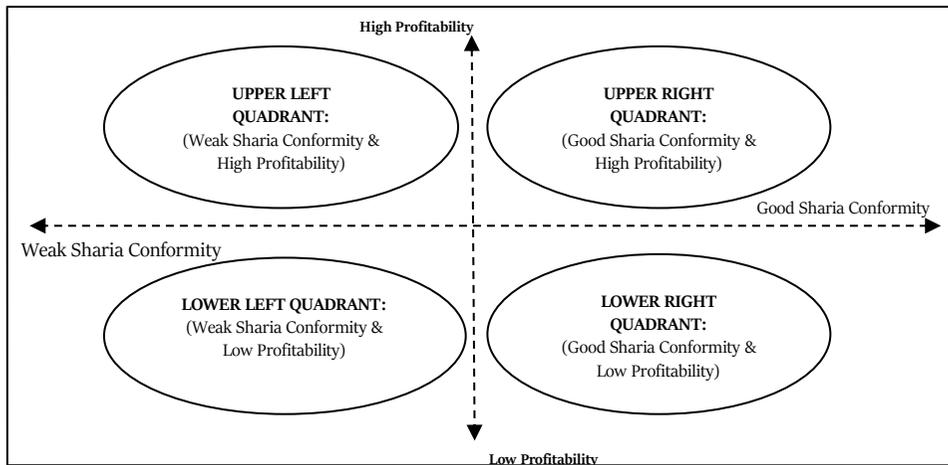
Sharia conformity and Profitability (SCnP)

The Sharia Conformity and Profitability (SCnP) approach introduced by Kuppusamy (2010) formulates a measurement model to evaluate the Islamic banks performance with two parameters; the sharia conformity and the profitability. Because Islamic banks are business organizations which also aim to obtain business profits, the performance assessment must use a measuring instrument that shows the conventional side (in this case profitability) without ignoring the welfare (sharia) side.

In the Sharia Conformity and Profitability (SCnP) model, there is a merge between the profitability indicators to measure the financial performance that adopt the conventional indicators and an alignment index of sharia values to evaluate the element of philanthropy as the requirement of an Islamic bank. The sharia conformity variable itself consists of sharia investment ratio, sharia income, and profit sharing ratio. Meanwhile, the profitability variable consists of Return on Assets (ROA), Return on Equity (ROE), and the profit margin (Kuppusamy, 2010). The average from each Sharia Conformity and Profitability ratio is made then the results of these calculations are depicted in the form of a four quadrant graph.

The Sharia Conformity and Profitability (SCnP) approach as a measuring instrument of the Islamic bank performance was born from the basic idea that the financial performance of Islamic banks can be assessed with both conventional and sharia financial parameters (Kuppusamy, 2010). Further explanation shows that the indicators used are more aimed at the shareholders' needs and the scope is more limited to the financial aspects. Viewed from the

indicators used, there are almost no other dimensions to be measured other than the financial aspects such as personal, intellectual, and social aspects.



Source: Adapted from Kuppusamy (2010)

Figure 2. Sharia Conformity and Profitability (SCnP)

Camels

One of the bank performance assessment instruments is the CAMELS method, as stated by Bank Indonesia (2007) that the health of a bank is the qualitative evaluation results of various aspects that influence the performance of a bank, which can be seen through;

- Quantitative and qualitative assessment of capital factors, asset quality, profitability, liquidity, sensitivity to market risk; and
- Qualitative assessment of management factors.

The evaluation of the bank health level includes the assessment of the following factors: capital, asset quality, management, profitability (earnings), liquidity, and sensitivity to market risk (CAMELS). The CAMELS approach as an instrument to measure of the Islamic banking performance is indeed necessary, but the usage of CAMELS as the only measuring instrument is not enough. This is because it only focuses on analyzing the financial ratios. Meanwhile the Islamic banking system must achieve the *maslahah* (welfare), not only about the profitability for the banks, but also for all parties (Wulandari, 2018).

This statement is in line with Hendri (2017) who states that CAMELS analysis can only be used to measure the health of Islamic banks in terms of the finance and the management. So the additional components are needed to measure the functions and the other performance of the Islamic banks, which is the social one. This is really necessary in order to make the assessment of the health of Islamic banks becomes more comprehensive and in accordance with the underlying principles. Therefore, the Islamic banks need other measuring instruments beside CAMELS.

RESEARCH METHODS

This research used quantitative approach. Sarwono (2006) states that the quantitative approach aims to test the theory, build the facts, show the relationships between variables, provide the statistical description, and estimate as well as predict the results. The research population was 13 (thirteen) Islamic Commercial Banks listed in Bank Indonesia from 2012 - 2016. The researcher decided to take 4 (four) National Foreign Exchange Islamic Commercial Banks as the study sample; Bank Syariah Mandiri, BNI Syariah, Bank Muamalat, and Bank Mega Syariah. The reason of choosing the four banks was because the Islamic foreign exchange banks are the face of Islamic banking in Indonesia, not only domestically, but they are also closely related to the correspondence with the international banks or overseas customers.

In the Sharia *Maqashid* Index approach, the data analysis method used was Simple Additive Weighting (SAW). The background of using the SAW method in calculating the Sharia *Maqashid* Index because the expected final result was in the form of ranking, so the largest value of each sample bank could be obtained. It is in line with Antonio (2012) who states that the SAW method is used to assess how much the acquisition of the *maqashid* index with the sum of each ratio that had made weighting determined by the sharia experts. Moreover, the method used in the Sharia Conformity and Profitability (SCnP) and the CAMELS was the descriptive. This is accordance with the previous research conducted by Ratnaputri (2013) who analysed data to evaluate the performance by using the descriptive analysis and processed the data by using the CAMELS approach and Sharia Conformity and Profitability (SCnP) graph.

RESULTS

The Islamic commercial bank performance based on sharia *maqashid* index

To find out how far the Islamic commercial banking reaches its sharia purpose (*maqashid syariah*), it can be evaluated through the performance ratio of sharia *maqashid* which is divided into three objectives; Educating People (*Tahdzib al-Fard*), Establishing Justice (*Iqamah al-Adl*), and Achieving Public Interest/ *maslahat* (*Jalb al-Maslahah*).

The followings are the research results related to the performance of Islamic commercial banks in the period of 2012-2016 which were measured by using the Sharia *Maqashid* Index approach based on each objective.

Islamic commercial bank performance based on the objectives of educating people

In the objectives of educating people, there were four elements measured; educational scholarships, research costs, training costs, and publicity costs. These elements were to find out how much attention sharia banks put in order to improve the educational sector for both internal and external parties. The results of the research related to Sharia *Maqashid* Index based on the objectives of educating people in the period 2012-2016 can be seen in the table below.

Table 1. The Islamic commercial bank performance based on the objectives of educating people

Bank	PI of 1 st Objective				Total
	R ₁ ¹	R ₁ ²	R ₁ ³	R ₁ ⁴	
Bank Syariah Mandiri	0.00009	0.00006	0.00081	0.00138	0.00235
BNI Syariah	0.00009	0.00000	0.00231	0.00423	0.00663
Bank Muamalat	0.00011	0.00000	0.00117	0.00263	0.00391
Bank Mega Syariah	0.00002	0.00000	0.00028	0.00041	0.00071

Source: Financial Report, processed

Table 1 shows that the performance indicators of BNI Syariah in educating people are in the highest score (0.00663), followed by Bank Muamalat (0.00391), Bank Syariah Mandiri (0.00235) and Bank Mega Syariah (0.00071). The results of the research also place Bank Mega Syariah at the lowest level in almost every dimension, such as in educational scholarships, training costs, and publicity ratios. It is in the fourth rank or the lowest among other Islamic commercial banks.

Viewed from each ratio, in the first ratio (R₁¹), Educational Scholarships, Bank Muamalat is in the highest rank in the ratio (0.00011), while Bank Syariah Mandiri and BNI Syariah are in the second place with the same ratio (0.00009). On the other hand, Bank Mega Syariah has the smallest ratio (0.00002). Bank Muamalat high ratio cannot be separated from its commitment to keep advancing the national education. One of the commitments can be seen from its collaboration with *Yayasan Bhakti Masyarakat Ekonomi Syariah* (MES) Foundation for providing educational scholarships namely the MES Muamalat Scholarship. Another kind of Bank Muamalat commitment is called Muamalat Achievement School. It is a program that plays an active role in improving the quality of national education. The supports provided include the scholarships for students, the facilities and infrastructure for teaching and learning activities, and social movements or participation of Bank Muamalat employees to carry out the social actions in schools/ boarding schools.

In the second ratio (R₁²), Research and Development, Bank Syariah Mandiri has come with the highest ratio (0.0006), while BNI Syariah, Bank Muamalat, and Bank Mega Syariah do not include the costs of the research and development in their annual financial statements. Its high ratio cannot be separated with the commitment of Bank Syariah Mandiri to be the leading and modern sharia bank. It is applied by creating a special portal, the Learning Management System, that can be accessed by all employees of Bank Syariah Mandiri regarding the company's internal regulations, e-Library, and training materials that will and have been done. Bank Syariah Mandiri also provides another portal called Knowledge Management Portal which is related to the general information such as Lesson Learned, Articles, Best Practice, Office Social, Forum, Learning Club, Community of Interest, Government Regulation, Study and Research, E-Module, and Accounting Policy. Every year there is a BSM Innovation Challenge program for all Bank Syariah Mandiri employees to present the best practice innovations or other scientific papers.

In the third ratio (R₁³), Training Costs, BNI Syariah has made the highest ratio (0.00231), followed by Bank Muamalat (0.00117), Bank Syariah Mandiri (0.00081), and Bank Mega Syariah (0.00028). Its high ratio is in line with one of the BNI Syariah programs to improve the service for the internal customers (employees). The bank has program to improve the skills and the

capacity of the employees to support the operations of the company. It is the manifestation and commitment of BNI Syariah to always view its human resources as a valuable asset for its progress. Based on the survey of Employee Opinion Survey (EOS) in 2016, it is shown that 99.6% of the employees feel satisfied working in BNI Syariah, one of the factors is because its employee's self-development program.

In the fourth ratio (R_1^4), Publicity, BNI Syariah has made the highest ratio (0.00423), followed by Bank Muamalat (0.00263), Bank Syariah Mandiri (0.00138) and Bank Mega Syariah (0.00041). Its high ratio is in line with BNI Syariah's commitment in socializing syariah banking. One of the ways for socializing is by having the Sharia Finance Journalist (*Jurnalists Keuangan Syariah/ JES*) program that gives the Islamic banking education through workshops and sharing sessions given by the stakeholders, such as OJK as a regulator and leader, and the customers of local BNI Syariah. JES community is expected to increase BNI Syariah's engagement with the media partners and to be a place to exchange the information on the Islamic banking issues that are now rife in the wider community.

Islamic commercial bank performance based on the objectives of establishing justice

For the objectives of Establishing Justice, there were three elements measured; Profit Equalization Reserves (PER), Financing with Mudharabah and Musyarakah schemes, and interest-free income. These elements were used to assess the commitment of Islamic banks in establishing the socio-economic justice in order to create a symbiosis of mutualism between the banks and the stakeholders. The results of the research related to Sharia *Maqashid* Index based on the objective of establishing justice in the period of 2012-2016 can be seen in the table below.

Table 2. The Islamic bank performance based on the objectives of establishing justice

Bank	PI of 2 nd Objective			Total
	R_2^1	R_2^2	R_2^3	
Bank Syariah Mandiri	0.00000	0.03046	0.15550	0.18596
BNI Syariah	0.00000	0.02016	0.15565	0.17580
Bank Muamalat	0.00000	0.06135	0.15348	0.21483
Bank Mega Syariah	0.00000	0.00096	0.15450	0.15546

Source: Financial Report, processed

Table 2 shows that Bank Muamalat gets the highest score and is positioned in the first rank (0.21483) of establishing justice, followed by Bank Syariah Mandiri (0.18596), BNI Syariah (0.17580) and Mega Syariah Bank (0.15546).

Viewed from each ratio, in the first ratio (R_2^1), it can be seen that Islamic banks in Indonesia do not report the allocation of Profit Equalization Reserves (PER) in their annual financial statements. When an Islamic bank allocates its profits to the Profit Equalization Reserves (PER), it means the bank holds the customer's funds right. Then it can be said that the Profit Equalization Reserves (PER) ratio is a form of the bank injustice to its customers. However, if the PER is close to one or even zero, the Islamic bank is considered commit to establish justice for its customers.

In the second ratio (R_2^2), Mudharabah and Musyarakah Schemes in carrying out the

distribution function, Bank Muamalat has the highest ratio (0.06135), followed by Bank Syariah Mandiri (0.03046), BNI Syariah (0.02016) and Bank Mega Syariah (0.00096). The financing distribution with sharing contract is considered to be able to establish justice because the banks do not set fixed rate profits but through the ratio/ portion of the profits sharing between the banks and the customers. Consequently, the profit sharing is dynamic and depends on the business performance runs by the customers.

In the third ratio (R_3^3), interest-free income, BNI Syariah has the highest ratio (0.15565), followed by Bank Syariah Mandiri (0.15550), Bank Mega Syariah (0.15450), and Bank Muamalat (0.15348). In this ratio, it is known that the income of Islamic Commercial Banks is generally free from Non-Halal income. It does not mean that the products offered are not in accordance with sharia principles, but it is about the incomes that are derived from fines or penalties because of the lateness in instalment payments or the other fines which are related to the transactions between the banks and the third parties, the demand deposit fund that is received by the bank from the placements of the fund in conventional banks, commissions/ fees or other forms of fund gotten from the bank partners other than the income that are entitled to be accepted based on the management provisions. The non-halal income and its used are disclosed in the annual reporting and returned to the community in the form of CSR or other benevolent funds.

Islamic commercial bank performance based on the objectives of achieving public interest

In the objectives of achieving public interest, there were three elements measured; net income, zakat funds, and the distribution of investment in the real sectors. These elements were used to find out how far the Islamic banks are committed to contribute positively and optimally in giving the benefits for achieving public interest. The results of the research related to the Sharia *Maqashid* Index based on the objectives of achieving public interest in the period of 2012-2016 can be seen in the table below.

Table 3. The Islamic bank performance based on the objectives of achieving public interest

Bank	PI of 3 rd Objective			Total
	R_3^1	R_3^2	R_3^3	
Bank Syariah Mandiri	0.00062	0.00360	0.10009	0.10431
BNI Syariah	0.00087	0.00522	0.09279	0.09888
Bank Muamalat	0.00029	0.00522	0.09747	0.11298
Bank Mega Syariah	0.00118	0.00672	0.09831	0.10621

Source: Financial Report, processed

Table 3 shows that Bank Muamalat gets the highest score (0.11298) in achieving public interest and it makes this bank goes to the first rank, followed by Bank Mega Syariah (0.10621) in the second place, Bank Syariah Mandiri (0.10431) in the third place and BNI Syariah (0.09888) in the last position.

Viewed from each ratio, in the first ratio (R_3^1), the net profit of Bank Mega Syariah has the highest ratio (0.00118), followed by BNI Syariah (0.00087), Bank Syariah Mandiri (0.00062), and Bank Muamalat with the smallest ratio (0.00029). Islamic commercial banks are able to run the operational so well so they can generate the high profits. In this case, they have high

possibility to contribute more optimally to the benefit or public interest, for example the tax payments, the distribution of CSR funds, and many others.

The second ratio (R_3^2) reflects the ratio of zakat funds allocated by the banks toward their net assets. Table 3 shows that Bank Muamalat has the highest ratio (0.01552), followed by Bank Mega Syariah (0.00672), BNI Syariah (0.00522), and Bank Syariah Mandiri (0.00360) in the last position. There was something interesting in the terms of market share in 2016, Bank Syariah Mandiri controlled 22.11% of national syariah banking assets, but from the ratio of zakat funds it actually received the lowest rank compared to other Islamic Commercial Banks. It could not be separated from its financial performance in 2014 which had a decline in almost all of its financial indicators. As a consequence, it also gave impact on the decrease in the average ratio of Bank Syariah Mandiri zakat funds in the period of 2012-2016.

In the third ratio (R_3^3), of the investment in the real sectors, Bank Syariah Mandiri has the highest ratio (0.10009), followed by Bank Mega Syariah (0.09831), Bank Muamalat (0.09747) and BNI Syariah (0.09279). The high investment ratio in the real sectors of Bank Syariah Mandiri cannot be separated from the funding distribution in the micro and small segments or Micro and Medium Enterprises (MSMEs). It is in line with the provisions of PBI No.17/12/PBI/2015 about loans or financing by Commercial Banks and the technical assistance in the context of developing micro, small and medium enterprises in which the financing portfolio to the SME's segment of each bank is at least 20%. In order to encourage the economic growth in the real sectors and to help the government program in the absorption of the labors, Bank Syariah Mandiri has a commitment to channel the financing for the micro-businesses.

Islamic commercial bank ranking based on sharia *maqashid* index

The result of the study related to the ranking of Islamic banks based on the Sharia *Maqashid* Index in the period of 2012-2016 can be seen in the table below.

Table 4. The Islamic commercial bank ranking based on sharia *maqashid* index

Bank	Sharia <i>Maqashid</i> Index				
	PI of 1 st O	PI of 2 nd O	PI of 3 rd O	SMI	Ranked
Bank Syariah Mandiri	0.00235	0.18596	0.10431	0.29262	2
BNI Syariah	0.00663	0.17580	0.09888	0.28131	3
Bank Muamalat	0.00391	0.21483	0.11298	0.33172	1
Bank Mega Syariah	0.00071	0.15546	0.10621	0.26237	4

Source: Financial Report, processed

Based on table 4, the total intention of Sharia *Maqashid* Index in the 2012-2016 shows that Bank Muamalat has the highest score (0.33172) and out it in the first rank, followed by Bank Syariah Mandiri (0.29262) in the second place, BNI Syariah (0.28131) in the third place, and Bank Mega Syariah 0.26237) in the fourth place. It cannot be separated from Bank Muamalat highest score on two objectives of *Maqashid* Sharia; the objective of establishing justice and achieving public interest. It means that the Islamic Commercial Bank which gets the highest score also has the highest ranking in achieving the objectives of Sharia. The results of this research are the same as the results of a study conducted by Antonio (2012) and Prasetyowati (2016) which state that Bank Muamalat is the best accomplishment bank based on the Sharia *Maqashid* Index, which is seen from the highest total *Maqashid* Index during the 2012-2016.

Performance based on sharia conformity and profitability (SCnP)

How far the performance of Islamic banks reaches the level of sharia conformity and profitability at the same time can be measured through the Sharia Conformity and Profitability (SCnP). The results of the study regarding this point can be seen in the following table.

Table 5. The Islamic bank ranking based on SCnP Methodology in The 2012-2016

Year Bank	2012-2016		Quadrant
	Sharia Conformity	Profitability	
Bank Syariah Mandiri	74%	6%	LRQ
BNI Syariah	72%	7%	LLQ
Bank Muamalat	83%	5%	LRQ
Bank Mega Syariah	66%	11%	ULQ

Table 5 displays that for five consecutive years (2012-2016) all of Islamic commercial banks in Indonesia are spread in three quadrants; upper left quadrant (ULQ), lower right quadrant (LRQ) and lower left quadrant (LLQ). It specifies that there is no Islamic commercial bank in Indonesia in the position of upper right quadrant (URQ) with a high level of sharia conformity and also a high level of profitability. The results of the study are almost the same as Ratnaputri (2013) which states that the Islamic commercial banks performance based on the SCnP is spread in four quadrants; upper right quadrant (URQ), upper left quadrant (ULQ), lower right quadrant (LRQ), and lower left quadrant (LLQ).

In general, the Islamic commercial banks performance using the Sharia Conformity and Profitability (SCnP) in the period of 2012-2016 can be seen from the graph below:

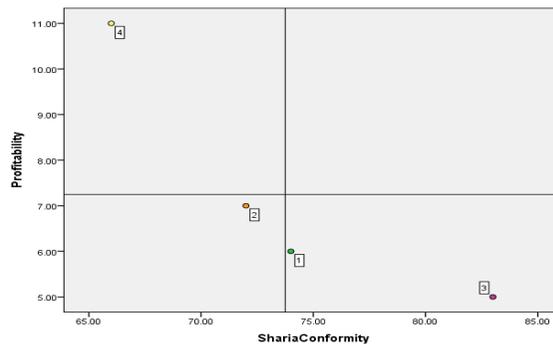


Figure 3. SCnP Graph of the year 2012-2016

Figure 3 shows that Bank Syariah Mandiri (Number 1) is in the lower right quadrant (LRQ) with 74% Sharia Conformity ratio and 6% Profitability proportion. It means that Bank Syariah Mandiri attains a high level of sharia conformity but a low level of profitability. It cannot be separated from the decreased financial performance of Bank Syariah Mandiri in 2012-2016. The financial indicators that have decreased include; Return on Assets (ROA), Return on Equity (ROE) and Net Profit Margin (NPM).

The next position is Bank Muamalat (Number 3) in the lower right quadrant (LRQ) with 83% Sharia Conformity ratio and 5% Profitability proportion. It means that Bank Muamalat attains a high level of sharia conformity but a low level of profitability. Similar to Bank Syariah Mandiri, the low profitability ratio cannot be separated from Bank Muamalat's financial

performance, they are; Return on Assets (ROA), Return on Equity (ROE) and Net Profit Margin (NPM) which decreased during the period of 2012-2016. The high ratio of Sharia Conformity of Bank Muamalat cannot be separated from the high ratio of profit sharing or financing portion with the profit sharing scheme that is distributed by Bank Muamalat itself. However, there is something interesting between these two banks. Although both are in the same quadrant, the ratio of Bank Muamalat Sharia Conformity is higher than Bank Syariah Mandiri, while Bank Syariah Mandiri Profitability is higher than Bank Muamalat.

BNI Syariah (Number 2) is in the lower left quadrant (LLQ) with 72% Sharia Conformity proportion and 7% Profitability proportion. It means that it has a low level of sharia conformity and also a low level of profitability. It cannot be separated from the financial performance of BNI Syariah, especially the Net Profit Margin (NPM) which has decreased during the period of 2012-2016. However, when compared to Bank Syariah Mandiri and Bank Muamalat, the profitability ratio of BNI Syariah is still higher than those two Islamic banks. The low sharia conformity ratio of BNI Syariah cannot be separated from the low ratio of profit sharing or financing portion with the profit sharing scheme distributed by the bank.

The last is Bank Mega Syariah (Number 4) that is on the upper left quadrant (ULQ) with 66% Sharia Conformity ratio and 11% Profitability ratio. It means that it has a low level of sharia conformity but a high level of profitability. It cannot be separated from the low ratio of profit sharing or financing portion with the profit sharing scheme distributed by Bank Mega Syariah itself. Meanwhile, Bank Mega high profitability ratio is caused by the financial performance, especially the relatively stable Return on Equity (ROE) and Net Profit Margin (NPM) during the period of 2012-2016.

The Islamic commercial bank performance based on CAMELS

The health level of Islamic banks can be measured through the CAMELS approach. The results of the research related to this point in the period of 2012-2016 can be seen in the table below.

Table 6. The Islamic bank performance based on CAMELS in the 2012-2016

Year	2012	2013	2014	2015	2016	Predicate
Bank	Result	Result	Result	Result	Result	
Bank Syariah Mandiri	76.75	76.81	66.28	70.17	70.47	Quite Healthy
BNI Syariah	70.62	76.51	75.50	76.60	76.68	Quite Healthy
Bank Muamalat	76.16	69.49	66.97	67.36	67.27	Quite Healthy
Bank Mega Syariah	78.49	77.67	69.02	69.34	76.89	Quite Healthy

Source: Financial Report, processed

Table 6 shows that during the research period, all Islamic commercial banks were seen to be quite healthy despite experiencing ups and downs in every year. It is because the credit values of all Islamic Commercial Banks were in the range 66-80. According to Bank Indonesia, the Predicate Fairly Healthy in the Capital ratio (Capital Adequacy) means that the capital level of a bank is slightly above or in accordance with the applicable Capital Adequacy Ratio (CAR) provision and is expected to remain at the level for the next 12 (twelve) months. The Assets Quality of the Islamic banks is quite good, but it is predicted to decline if there is no improvement made. The Earning is considered high enough to anticipate the potential losses and increase the capital. The Liquidity ratio of the banks to anticipate the liquidity needs and the

application of liquidity risk management are also considered adequate enough. The last point on sensitivity to the Market Risk shows moderate or high risk and the implementation of market risk is effective and consistent.

The assessment of Islamic commercial bank performance based on the sharia *maqashid* index, SCnP and CAMELS

A comparison was made to find out the Islamic banks performance based on these three approaches; Sharia *Maqashid* Index, Sharia Conformity and Profitability (SCnP) and CAMELS. The results of the research in the period of 2012-2016 can be seen in the table below.

Table 7. Comprehensive measurement performance

Bank	Ranked	Quadrant	Predicate
Bank Syariah Mandiri	2	LRQ	Quite Healthy
BNI Syariah	3	LLQ	Quite Healthy
Bank Muamalat	1	LRQ	Quite Healthy
Bank Mega Syariah	4	ULQ	Quite Healthy

Source: Financial Report, processed

Table 7 shows that Sharia *Maqashid* Index approach puts Bank Syariah Mandiri and Bank Muamalat in the highest rank (the first and second positions). However, the CAMELS approach puts both banks in a quite healthy predicate but not satisfactory in the term of profitability. It is proved by the Sharia Conformity and Profitability (SCnP) approach which result that both banks are in the left right quadrant (LRQ) position. It means they have high level of sharia conformity but low level of profitability.

BNI Syariah is in the third position of Sharia *Maqashid* Index. It has a quite healthy predicate based on CAMELS and is in the lower left quadrant (LRQ) position based on the Sharia Conformity and Profitability (SCnP). It means that its Sharia Conformity and Profitability are still low.

Moreover, the research also shows that Bank Mega Syariah gets the lowest predicate on Sharia *Maqashid* Index performance but it gets a quite healthy predicate by CAMELS approach which puts it in the upper left quadrant (ULQ) position. It means that the bank is still in the low position in the Sharia Conformity level but has a great level of profitability.

The findings show that the Islamic commercial banks which are in the first and second rank based on the Sharia *Maqashid* Index approach constantly show the chance of being in two quadrants, the upper right quadrant (URQ) or lower right quadrant (LRQ). They do not necessarily have a great level of profitability but can be ascertained to have high sharia conformity.

These findings are in line with the results of Prasetyowati (2016) research which states that Islamic commercial banks which are in the first and second rank of total *Maqashid* Index will automatically have high sharia conformity. It means that calculating the *Maqashid* Syariah value or sharia conformity by using both methods will give relatively same results.

DISCUSSION

The strengths and the limitations of the three measuring instruments of Islamic banking performance (Sharia *Maqashid* Index, Sharia Conformity and Profitability (SCnP) and CAMELS) can be seen from the table below.

Table 7. The comparison of sharia *maqashid* index, SCnP and CAMELS

Syariah <i>Maqashid</i> Index		APPROACHES Syariah Conformity and Profitability (SCnP)		CAMELS	
Advantages	Limitations	Advantages	Limitations	Advantages	Limitations
The aspects measured are quite broad and detailed; there are 3 big objectives, 9 dimensions, and 10 elements (performance indicators).	The measured financial indicators are limited to the aspect of profitability only (Profit Ratio).	The aspects are measured by combining two variables; sharia conformity and profitability.	The sharia conformity variables are limited to the financial aspects, without including social-related aspects. The sharia conformity variable is already represented by the Sharia <i>Maqashid</i> Index approach. The profitability variables are represented by the CAMELS approach.	The financial aspects measured are quite broad; there are quantitative and qualitative aspects.	The measured aspect is more inclined on financial. The aspect of sharia conformity is included in the management variable, so at a glance there is no difference between the Islamic bank performance and the conventional one.

Based on table 7, it can be seen that the sharia conformity variables from the Sharia *Maqashid* Index approach are more comprehensive than the sharia conformity variables from the Sharia Conformity and Profitability (SCnP). Meanwhile, the CAMELS fully uses the variables that have been used in the conventional banking. This is in line with Al Ghifari (2015) which states that the use Sharia *Maqashid* Index approach in representing the bank performance based on Islamic values is considered more comprehensive. However, the assessment of the bank performance using the Sharia Conformity and Profitability (SCnP) approach still adopts the conventional ratios so that it has not presented the banks overall aspects of welfare.

These findings indicate that because the Sharia *Maqashid* Index approach is broader in scope, it is recommended to be used as an instrument to measure a bank performance. It can also be a complementary instrument for the existing banking performance measurement instrument, the CAMELS approach. These two instruments can even be elaborated to be a new measurement instrument so that it truly becomes a comprehensive instrument in evaluating the Islamic banking performance.

THE IMPLICATION FOR INDUSTRY

- a. It is time for Islamic commercial banks to use the performance measurement instruments to measure their sharia conformity levels (beside the existing performance measuring devices) to obtain a complete description of the banking performance between the financial achievements and the alignment with the values and the objectives of sharia.
- b. The regulators are expected to consider applying the measurement instruments of Islamic banking performance based on the Sharia *Maqashid* Index approach as a complement for the CAMELS approach that was already implemented in order to provide a more complete description of Islamic banking performance, not only financially but also the achievement of the sharia objectives.

LIMITATION AND FUTURE RESEARCH

- a. The CAMELS approach in this study does not contain the Sensitivity to Market Risk factor, due to the incomplete data gained by the researcher especially which are related to the extra capital and the potential loss of the exchange rates which become the formulas/ ratios to calculate the sensitivity factors.
- b. For the further research related to this topic, it is expected that further researchers will take longer periods of time and more samples.

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