

Islamic Banking Performance Assessment Model (Maqasid Sharia)

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Abstract

From what we know about the Islamic Bank Performance Assessment Model in general. Where in the Islamic Bank Performance Assessment Model applies the Maqashid Syariah Index Model. The application of the Islamic bank performance assessment model in Indonesia uses the Maqashid Syariah index, which is a sharia banking performance measurement model that is in accordance with the objectives and characteristics of Islamic banking. MSI was developed with 3 main factors, namely: education, the creation of justice and the achievement of welfare, where the three factors are universal. The three performance measures based on maqashidsyariah, namely education, justice, and welfare require national banks to be able to design education and training programs with moral values so that they will be able to improve the abilities and skills of employees.

Keywords

performance appraisal model;
Islamic banking; assessment



I. Introduction

The development of Islamic Commercial Banks in Indonesia has made the competitiveness of Islamic Commercial Banks higher. Islamic commercial banks must be able to provide the best performance every year, to always gain the trust of the public, stakeholders, and investors both in terms of financial and non-financial. Improving financial performance at Islamic Commercial Banks is expected to be directly proportional to performance based on Islamic concepts. Through adequate sharia-based performance, Islamic Commercial Banks can prove to stakeholders that the business system applied is relevant to Islamic concepts, values and ethics. The banking world is inseparable from human life, because all human activities involve finance and require banking facilities (Tarigan, 2020). Bank is a company engaged in the financial sector, meaning that the banking business is always related to financial matters (Rosmika, 2019). The bank is simply defined as a financial institution whose business activities are collecting funds from the public and channeling these funds back to the community and providing other bank services (Dianto, 2020).

Performance appraisal or measurement is one of the most important factors in the company. Performance can be influenced by various factors, both internal factors and environmental factors directly or indirectly. According to Ivancevich, Konopaske and Matteson (Busro in Edward, 2020) that performance shows the ability and skills of workers. Performance is a person's success in carrying out tasks, work results that can be achieved by a person or group of people in an organization in accordance with their respective authorities and responsibilities (Wulandari, 2021). According to Yani in Syardiansyah (2020) performance is a result of work achieved by a person in carrying out the tasks assigned to him

based on skill, experience and sincerity as well as time. This means that in work contains elements of the standard that achievement must be met, so, for those who reach the standards set means good performance (Wahjudewanti, 2021). Besides being used to assess the success of the company, performance measurement can also be used as a basis for determining the reward system within the company, for example to determine the level of employee salaries and appropriate rewards. The management can also use the company's performance measurement as a tool to evaluate the past period.

In Indonesia, the measurement of Islamic banking performance has not used the Maqasid Syariah Index method such as measuring the performance of Islamic banking in other countries. In all areas of community life, especially people who are Muslim, it cannot be separated from Maqashid Syariah. One example of its activities is in Islamic economic activities such as plans to issue a sharia financial product, then one of the factors that must be considered is related to sharia maqashid.

II. Research Methods

2.1 Types of Research

This type of research is library research, namely research whose studies are based on examining and tracing various literatures (library), both in the form of books, journals, and reports of previous research results. Library research is research conducted by reading books or magazines and other data sources to collect data from various literatures, both libraries and in other places.

Based on the explanation above, it can be understood that library research is not only an activity of reading and recording the data that has been collected. But more than that, researchers must be able to process data that has been collected with the stages of library research and retrieve data both in writing to be described, so as to obtain a comprehensive picture and understanding of the crime of vandalism and destruction.

2.2 Research Approach

The research approach uses a normative juridical method, the norm which is a benchmark for human behavior that is considered appropriate. Normative legal research puts the law as a building system of norms that are built on principles, norms, rules of laws and regulations, court decisions, agreements, and doctrines.

Normative legal research is carried out with the aim of providing performance arguments as a basis for determining whether an event is right or wrong and how the event should be according to law. Normative legal research generally uses research material targets on secondary data which is then analyzed qualitatively in the sense of formulating justification through the quality of legal norms themselves, expert opinions/doctrine and supporting legal information. The data obtained from the legal materials were analyzed descriptively qualitatively to determine the Islamic Bank Performance Assessment Model.

2.3 Data Source

Sources of data used in this library research include text books, scientific journals, statistical references, research results, and the internet, as well as other relevant sources. The source of the data used in this research is the data collected from secondary data. The secondary data referred to include primary materials, secondary materials and tertiary materials in the form of basic materials, results of scientific research, books and so on.

2.4 Method of Collecting Data

The data collection method used is library research or document study, which is a data collection tool carried out through written data. Literature study is the first step in the data collection method, which is directed at searching for data and information through documents, both written documents, photographs, pictures, and electronic documents that can support the writing process. Literature studies are related to theoretical studies and other references related to values, culture and norms that develop in the social situation under study.

2.5 Data Analysis Method

The analytical method used in this research is through a qualitative analysis approach, which is to describe quality data in the form of regular, coherent, logical, non-overlapping, and selective sentences, thus facilitating data interpretation and understanding of the results of the analysis.

III. Discussion

3.1 Definition of Sharia Bank

Islamic bank consists of two words, namely "bank" and "sharia". The word bank means a financial institution that functions as a financial intermediary between two parties, namely those who have excess funds and those who are short of funds. The word sharia in the version of Islamic banks in Indonesia is a rule of agreement based on what is done by the bank and other parties for depositing funds and or financing business activities and other activities in accordance with Islamic law. So, it can be concluded that Islamic bank is a financial institution that functions as an intermediary for parties who have excessive funds and parties who lack funds for business activities and other activities in accordance with Islamic law. In addition, Islamic banks are commonly called Islamic banking or interest free banking.

The functions of Islamic banks are different from conventional banks, namely as follows:

1. Investment Manager
2. Investors
3. Financial Services
4. Function

3.2 Sharia Bank Principles

Sharia principles are the rules of agreements based on Islamic law between banks and other parties for depositing funds and or financing business activities, or other activities that are declared in accordance with sharia, including financing based on the principle of profit sharing (mudharabah), financing based on the principle of participation (musyarakah), the principle of buying and selling goods with a profit (murabahah), or financing of capital goods based on the principle of pure lease without choice (ijarah), or with the option of transferring ownership of the goods leased from the bank by another party (ijarah wa iqtina).

The principles of Islamic banking according to Anas (2013), are as follows:

1. It is not allowed to take or receive bank interest.
2. Financial transactions must be free from usury and are directly or indirectly related to economic transactions in real terms. Profits taken from debt transactions and debt trading are viewed from an unethical sharia perspective.
3. Getting money from money according to sharia is not acceptable.
4. Money is a medium of exchange, a way of defining the value of a thing, whereas there is no value attached to it.

5. Financial transactions may not exploit one of the parties to the transaction.
6. Both the lender and the borrower must share the profits and losses arising from the activities carried out.
7. Prohibit illicit assets.
8. Prohibit transactions involving uncertainty such as speculation or gambling.
9. Every financial transaction must be based on tangible assets as well as identifiable real sectors

3.3 Performance Assessment of Sharia Bank

Performance is a description of the achievement of the implementation of an activity or program or policy in realizing the goals, vision, and mission of an organization. There are two forms of performance, namely operational performance and financial performance. Operational performance places more emphasis on the interests of the company's internal parties, such as branch or divisional performance as measured by speed and discipline. Meanwhile, financial performance is usually measured using financial ratios and the company's stock price in the capital market

The main purpose of performance appraisal is to motivate personnel in achieving organizational goals and in complying with predetermined standards of behavior, in order to produce the actions and results desired by the organization. Performance appraisals are used to suppress dysfunctional behavior and to encourage desirable behavior through timely feedback on performance results and intrinsic and extrinsic rewards.

The performance appraisal measures that can be used to assess performance quantitatively are:

1. Single Performance Measure
Is a performance measure that uses only one assessment measure. In this case, employees and management tend to focus their efforts on these criteria and ignore other criteria.
2. Multiple Performance Measures
Is a performance measure that uses a variety of measures to assess performance. Multiple performance measures are a way to overcome the weakness of a single performance criterion. Various aspects of the manager's performance are sought for the size of the criteria so that the manager's performance is measured by various criteria.
3. Combined Performance Measures
With the awareness that some criteria are more important for the company as a whole compared to other goals, the company will weight its performance measures.

3.4 Sharia Bank Performance Assessment Model in Indonesia

The application of the Islamic bank performance assessment model in Indonesia uses the Maqashid Syariah index, which is a sharia banking performance measurement model that is in accordance with the objectives and characteristics of Islamic banking. MSI was developed with 3 main factors, namely: education, the creation of justice and the attainment of welfare. Maqashid al-Syariah consists of two words, namely maqashid and alShari'ah which relate to one another in the form of mudhaf and mudhafan ilaih. The word maqashid is the plural of the word maqashad which means intent and purpose. The word sharia which actually means God's law, whether it is determined by God himself, or set by the Prophet as an explanation of the law established by God, is produced by mujtahids based on what is determined by God. Therefore,

Maqasid shari'ah is the heart of the science of ushul fiqh, therefore maqasid shari'ah occupies a very important position in formulating shari'ah economics. Maqasid shari'ah is not

needed to formulate macroeconomic policies (monetary, fiscal, public finance), but also to create Islamic banking and financial products as well as other microeconomic theories. Maqasid shari'ah is also very necessary in making regulations for Islamic banking and financial institutions. Without maqasid shari'ah, all regulations, financial and banking product fatwas, fiscal and monetary policies, will lose their sharia substance. Without maqasid shari'ah, the developed muamalah fiqh and banking and financial regulations to be formulated will be rigid and static,

The research of Omar and Dzuljastri (2015) as well as other research related to the maqasid sharia index (MSI) shows that the maqasid sharia approach can be a strategic alternative approach that can describe how well the performance of national banking is so that it can be implemented in the form of a comprehensive policy strategy.

In this study, there is a liaison theory that discusses performance appraisal with maqashid sharia. The theory is:

1. According to Cakhyanu, A. (2018). Research conducted by Mohammed, MD (2009), Shaukat (2008), and Hammed (2004), shows that the practice of measuring performance with the Shariah Maqashid Index (SMI) approach is a solution to existing problems regarding the measurement of Islamic banking performance. This measurement uses sharia indicators as a measuring tool that is different from performance measurement tools in conventional banks.
2. According to Sudrajat, A. & Sodik, A. (2016). In connection with the research conducted by Mohammed, OM & Razak & Dzulastris, A. & Taib, MF & Fauziah (2008). Developed a model for measuring the performance of Islamic banks based on maqashid sharia which was adapted from the formulation of maqashid sharia belonging to Abu Zahra (1997) by classifying the concept of maqashid sharia into:
 1. Educating Individuals,
 2. uphold justice,
 3. Maintain benefit.
3. According to Wira, A. & Handra, H. & Syukria, A. (2018). With the unique character possessed by Islamic banks, of course, the measurement of Islamic banking performance must be different from conventional banks. Islamic banks that operate within sharia boundaries have more specific responsibilities in carrying out their role as financial intermediary institutions.

Based on the linking theory above, it can be said that the performance assessment of Islamic banking can be measured using the maqashid sharia value. Maqashid sharia in question is maqashid with three goals, namely educating individuals, creating justice and maintaining the benefit

IV. Conclusion

The application of the Islamic bank performance assessment model in Indonesia uses the Maqashid Syariah index, which is a sharia banking performance measurement model that is in accordance with the objectives and characteristics of Islamic banking. MSI was developed with 3 main factors, namely: education, the creation of justice and the achievement of welfare, where the three factors are universal. The three performance measures based on maqashidsyariah, namely education, justice, and welfare require national banks to be able to design education and training programs with moral values so that they will be able to improve the abilities and skills of employees.

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