MAQASID SHARIA AND ISLAMIC BANK PERFORMANCE: A SYSTEMATIC REVIEW

TINJAUAN SISTEMATIK: KINERJA MAQASID SHARIA DAN BANK SYARIAH

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Abstract
This study is a literature review study on the relationship between Islamic Maqasid and Islamic banking performance measurement. This study contains the philosophy, terminology of sharia maqasid, and research results relating it to the performance of Islamic banking. The conclusion from the literature review is that Islamic maqasid can be adopted as a measure of the performance of Islamic banking. Many empirical studies have examined the use of maqasid sharia as an indicator, but there is no consistency. Therefore, Islamic banking regulators need to prepare instruments and guidelines so that these measurements can be adopted easily and uniformly.

Keywords: Islamic Bank, Maqashid Sharia, Performance

Abstrak

Kata Kunci: Bank Syariah, Maqashid Syariah, Kinerja

INTRODUCTION
Islamization arose after several centuries of the Islamic world being ruled by western imperialism. As a consequence, Islamic banking, which is one of the instruments of economic Islamization, has experienced a rapid increase and is accepted by all groups, Muslims and non-Muslims. Some literature states that Islamic banking is different from conventional banking not only in the transactions used, but in the overall process and outlook. Islamic banking implements the whole maqasid which is the overall objective of the application of Islamic law, namely the benefit of individuals, society and social welfare. If maqasid is deeply understood by individuals and society, then what happens in society should not compete with each other to defeat each other, but help each other to achieve success¹.


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Islamic economy is present as an alternative economy by promoting Islamic values which aim to provide welfare for all humans by maximally presenting maslahah and avoiding mafsadah. Therefore, although there is still debate among thinkers of Islamic Economics whether this economic system must be implemented substantially as well as formatively, or sufficiently substantially, all elements and instruments must still be implemented according to Islamic values, namely the maqasid of sharia. Therefore, Islamic banking as an instrument in the application of Islamic economics, in addition to aiming at gaining profit, must also comply with sharia principles and must provide benefits to the community. Islamic banking in running a business aims to bring together various interests, in the concept of Islamic Economics the fulfillment of all these interests must refer to the maqasid of sharia in order to achieve maslahah (mutual welfare).

Islamic Banking has been able to survive and the trend is increasing. Therefore, it is necessary to measure the performance, so far used CAMEL (Capital, Asset, Management, Earning, Liquidity, Sensitivity of Market Risk) and EVA (Economic Value Added). However, it is only financial in nature and only provides benefits for shareholders, whereas Islamic banking performance should be measured by looking at financial, social and environmental interests. This means that if Islamic banking is to develop continuously, what must be considered is not only the financial aspects which are the interests of shareholders, but also must pay attention to wider stakeholders, namely the environment and community, and this is in accordance with maqasid. For measurement, it is impossible to use conventional measuring instruments that only measure profit and technicality, but must be measured based on the realization of maqasid sharia, which is a tool to achieve maslahah. Thought and research on the concept of maqasid sharia as a tool to measure the performance of Islamic banking has been carried out. As has been done by Ascarya, Rahmawati, & Sukmana (2016); Julia & Kassim (2019); Mohammed & Md Taib (2015) and Rusydiana & Sanrego (2018) and others.

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Maqasid al-Shari'ah is a comprehensive concept that explains the objectives of sharia related to human life. Since Sharia is an all-encompassing concept relating to human life and human welfare, maqasid should not be reduced to goals in the legal dimension. Maqasid discussions in finance should always refer to the general objective of Sharia, which provides a broad framework and direction for how financial transactions should be regulated in an Islamic economic system. This perspective should not be limited to meeting minimum legal requirements and calling for compliance with Sharia. Within the framework of maqasid, Islamic finance and banking activities lead to the actualization of shari'ah goals by realizing maslahah (benefits) and preventing or repelling mafsadah (danger). In this endeavor, the discussion will cover the macro and micro dimensions of individuals and society in general. Maqasid (objectives) will include a smooth circulation of wealth, fair and transparent financial practices, and fairness and equality at the micro and macro levels.

To realize these goals, several ways must be institutionalized by the Shari'ah including facilitating financial contracts, establishing values and standards and instilling a sense of social responsibility. The future trend in the development of Islamic banking and finance is the hope that it adopts the maqasid al-Shari'ah as an indispensable framework for drafting Islamic finance contracts and as a guiding direction for further industrial development. Complying with a minimum of compliance with sharia law in product arrangement is considered inadequate. On the contrary, the movement towards the realization of the maqasid al-Shari'ah is highly valued as a means of giving Islamic banking and finance a meaningful presence. This will have a substantial economic impact in the form of equitable allocation of resources, development of the real economic sector, and fair and transparent financial transactions with all the features of the ethics of brotherhood, cooperation and risk.

In general, it can be concluded that the measurements that have been carried out are divided into 3, (1) measurements that are purely financial in nature (2) measurements using only the maqasid sharia as a measurement basis consisting of safeguarding religion, soul, mind, property and descent; (2) measurement by combining conventional measurement and maqasid sharia. The concept of the Maqasid Syariah Index does not involve conventional financial ratio analysis tools which are still practiced in Islamic banking, even though these measuring instruments have an important role in assessing the health of the company for the long-term sustainability of the company. Sharia banking is not enough to only conduct qualitative syariah analysis based on the MUI fatwa because the financial reports present data that can be processed to measure the performance of Islamic banking in realizing its basic objectives. It is also not enough for Islamic banking to only conduct performance appraisals based on mathematical calculations of financial ratios, the data of which are presented in figures on the balance sheet using conventional analysis tools. Sharia analysis tools are also needed which can be calculated in the form of numbers and the data is presented in the financial statements. Based on the above problems, this study aims to find the link between previous studies in using maqashid sharia to measure the performance of Islamic banking.

**LITERATURE REVIEW**

**The Term Of Maqasid Sharia**

In Islam, there are two lines of relationship which are both interrelated and inseparable. First, the vertical line of relationship, namely the relationship of a servant with God which is manifested in the form of worship to worship God as taught in the Koran and

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7 Akram Laldin and Furqani, “Developing Islamic Finance in the Framework of Maqasid Al-Shari’ah: Understanding the Ends (Maqasid) and the Means (Wasa’il).”

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prophetic traditions (sunnah) such as prayer, zakat (almsgiving and charity) saum (fasting) haji (ziarah) and others. Second, the horizontal relationship line, namely the relationship between creatures in the form of social relationships and social interactions. All aspects of human life including personal, social, political, economic and other aspects are regulated by a system of values and ethics known as Sharia. Sharia is grouped into three main areas, namely Aqidah (belief), worship (worship) and morality (morality and ethics). These three aspects are an integral part of shari'a.

Humans live together to carry out their activities including economic transactions, and in doing so, humans cannot be separated from the rules and values that must be upheld, namely syariat. In order to understand shari'a, one really needs to know and understand its goals which allow flexibility, dynamism and creativity in social policy. The purpose of sharia is called Maqasid Sharia which is often translated as the goal and target of Islamic law. Sharia is usually based on benefits for humans both individually and in groups of people (ummah). Basically, the main purpose of implementing shari'ah is aimed at maslahah (the welfare of all mankind) where mankind can get protection and benefit from all the provisions of sharia. Another purpose of shari'ah is daf'ul mafsadah (avoiding danger) such as the prohibition of things that are harmful to humans. So, sharia is not beneficial for God but for servants. This is corroborated by the many texts of the Koran which clearly state 'illat, of every sharia rule. 'Illat is a characteristic that is zohir (clear), mundhobith (can be applied in any condition), which is a reference or reason for the existence or absence of law as an example of "intoxication" to `illat the prohibition of liquor (khamr). This gives the idea that every rule established by sharia must have a specific purpose that is beneficial to the mukallaf.

Maqashid is the plural of the word maqshad which comes from the origin of the word qashd, in the Arabic dictionary it means goal or target, middle or moderate, mature and easy. Whereas sharia means the rules stipulated by Shari (sharia maker), namely Allah, both those listed in the Al-Quran and those contained in the sunnah of the Prophet Muhammad. Taimiyah said that maqashid sharia is in the public interest to achieve justice. Asyur defined maqashid sharia as meaning or wisdom that comes from Allah in most of His provisions / rules. Al-Fasi stated that maqashid sharia is the aim or secret of Allah in each of His Sharia laws. Ar-Risuni stated that maqashid sharia is the goal that this sharia wants to achieve to realize the benefit of the people.

Asyur discusses maqashid by distinguishing between wisdom and maslahat, maslahat is the goal of establishing or eliminating a law, while maslahat means any matter that provides benefit and removes harm. So, maqasid sharia is the goal of stipulating laws or rules by the rule maker, Allah, and the goal is to achieve benefits and avoid mafsadat.

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11 Ibnu Taimiyah, Majmu’ Al-Fatawa Al-Kubra, Cetakan I (Beirut: Dar al-Fikr, 1988).
13 Ashur (2006)
14 Asyur, Maqashid Asl-Syariah Al-Islamiyah.
Many Islamic scholars have argued that maqāṣid can also be expressed as maṣāliḥ or public interest. 'Abdul-Malik al-Juwainī, an early contributor to the theory of al-maṣāṣid, has interchangeably used the terms al-maṣāṣid and public interest (al-maṣāliḥ al-'ammah). Imam Ghazali used the term 'unlimited interest' (al-maṣāliḥ al-mursalah) in his maṣāṣid elaboration. Therefore, maqṣad, aim, aim, aim, aim, or principle in sharia is for the 'benefit of humanity'. Imam Ghazali, one of the earliest scholars to discuss this issue, has categorized the goals into two main categories; deeni (related to religion) and dunyawi (related to the world / matter). Dunyawi is divided into four things, but in fact the four parts each aim to achieve the main goal, namely the goal of deeni. These four things are the protection of the nafs (life), nasl (lineage), `aql (intelligence), and maal (wealth).

Scholars including Imam Ghazali have classified maqashids into three categories in descending order of importance, starting with essential maqashids (daruriyat), then complementary benefits (hajiyat) and then jewelery (tahsiniyat). Daruriyyat are things which are undoubtedly indispensable, without exception, for the benefit of religion and the world, where their absence causes chaos. Qaradawi divides daruriyat into two main divisions; namely divisions that need to be protected, and divisions that need to be eliminated. While Imam Shatibi made the five things he was above (religion, soul, descent, mind and property) as an instrument of daruriyat. Qarafi and many other scholars have added a sixth essence, namely `ird (dignity / self-respect). Examples that are daruriyat are work and trade activities for economic development, or Educational activities for the development of human reason.

Meanwhile, hajiyat is an interest needed for the betterment of society, where its absence does not lead to chaos, but can cause trouble to human life. Hajiyat does not stand alone, but is complementary to daruriyat to protect and promote the maintenance of the five things mentioned above. For example, doing certain movements in prayer, such as turning off a ringing cell phone. Performing a movement other than the one regulated in prayer is not only discouraged, but in some schools it is deemed to be able to invalidate prayer, but because the sound of a mobile phone can interfere with prayer which is part of maintaining religion, turning off the cell phone during prayer is a necessity for Hajj. This is because prayers are not damaged / canceled due to hearing the sound of cell phones, but prayers will be disturbed by it, therefore turning off the sound of cell phones is highly recommended in order to maintain prayer as a necessity.

Tahsiniyat is the desire or interest to achieve perfection and perfection in the habits and behavior of people at all levels of achievement. Like the desire to achieve the most noble attitude. For example, the recommendation to wear the best and fragrant clothes during Friday prayers, or avoid foods such as garlic when in crowds to get rid of bad breath. Things like this do not cause damage to the living system or distress, but they lead to ideal situations that are desired by all. Tahsiniyat usually relates to the perfection of morals and ihsan in everything.

15 Mohammed and Taib, “Developing Islamic Banking Performance Measures Based on Maqasid Al-Shari’ah Framework: Cases of 24 Selected Banks.”
16 Mohammed and Taib.

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Al-Ghazali stated that maqashid promotes the welfare of all human beings which relies on the maintenance of religion / faith, life / soul, reason, descent and wealth. So, any activity that aims to maintain these five things means that they have done service for humans and that is the purpose of implementing sharia. By maintaining these five things, it is hoped that justice can reduce distress. It is also hoped that there will be cooperation and mutual support among family members and society in general and this is what is meant by maslahah. Hurayra states that it is very important to understand that the maqasid sharia is every detail of Allah's commands and prohibitions, because if someone cannot realize every wisdom that lies behind Allah's rules, then he will not be able to carry out sharia rules with full sincerity.19

The Contextual Maqasid Sharia On Islamic Banking

Self-strengthening is incomplete if it is not accompanied by strengthening of faith achieved by worldview in the form of tawhid, treatises, khilafah and the hereafter, where it is embedded in values or rules of attitude, and moral education as well as material education. These three things will create Justice, freedom, security of life, wealth and honor, honesty, fulfillment of all socio-economic and political obligations, patience, austerity, prudence, tolerance, mutual care and trust, etc. These things, together with the elimination of poverty, meeting the needs of all, and the availability of employment opportunities and entrepreneurship in equitable distribution (human brotherhood) and a supportive environment for truth, family integrity, social solidarity and political stability and the role of the state will create the role of good governance. Self-strengthening, intellectual, descent and wealth will present falah. Intellectual strengthening is achieved by quality religious and scientific education at affordable prices, emphasis on maqasid in text interpretation, libraries and research facilities, freedom of thought and expression, appreciation for creative and financial work which will be supported by the expansion of knowledge and technology base, self-enrichment, faith and descent, as well as socio-economic and political developments will bring prosperity. The strengthening of offspring is carried out with proper care, moral and intellectual development, marriage and family integrity, fulfillment of needs, a clean and healthy environment, free from fear, conflict and insecurity. Together with strengthening of self, faith, intellectual, and wealth will create human development sustainable. Meanwhile, the strengthening of wealth is carried out by expanding and developing wealth, which is the mandate of Allah.20

Several studies have been conducted to contextualize the maqashid sharia values into Islamic Banking performance measurement. Chapra21 states that the main objective of all Islamic teachings is falah (blessing for mankind). One way is by promoting the welfare of all human beings regardless of race, color, age, gender and nationality. Welfare is not only achieved by fulfilling material needs, but also spiritual ones such as mental peace and happiness. This can be realized by maintaining self-needs, faith / belief, intellectual, descent and wealth. According to him (self) ranks first in fulfilling needs, while faith, intellectual, descent and wealth support self-fulfillment so that falah is achieved. The thoughts of Umar Chapra in the contextualization of the Maqashid Self-care can be seen from the following figure 1.

19 Hurayra.
20 Asyur, Maqashid Asl-Syariah Al-Islamiyah.
Furthermore (Bedoui, 2012)\textsuperscript{23} offers an intellectualization of maqashid sharia in Islamic Banking as follows table 1.

### Table 1. Maqasid Sharia in Islamic Banking

<table>
<thead>
<tr>
<th>1) Enrichment of Human self (Nafs)</th>
<th>2) Enrichment of Faith (Deen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Dignity self-respect, human brotherhood and social equality.</td>
<td>1- Justice, freedom, security of life, property and honor, honesty, fulfillment of all socio-economic and political obligations, patience, thriftiness,</td>
</tr>
<tr>
<td>2- Justice</td>
<td></td>
</tr>
</tbody>
</table>

\textsuperscript{22} Chapra.

| 3- Spiritual and moral uplift | prudence, tolerance, mutual care and trust, etc. |
| 4- Security of life and property | 2- Removal of poverty, need fulfillment of all, employment and self-employment opportunities. |
| 5- Freedom | 3- Equitable distribution (Human brotherhood) |
| 6- Education | 4- Family integrity, social solidarity and political stability |
| 7- Good Governance (four other objectives) | |
| : Nafs, Aql, Nasl and Mal | |
| 8- Need fulfillment | |
| 9- Employment and self-employment | |
| 10- Equitable distribution of income and wealth | |
| 11- Marriage and proper upbringing of children | |
| 12- Family and social solidarity | |
| 13- Minimization of crime and anomie | |
| 14- Mental peace and happiness | |

<table>
<thead>
<tr>
<th><strong>3) Enrichment of intellect (Aql)</strong></th>
<th><strong>4) Enrichment of posterity (Nasl)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Proper upbringing</td>
<td>1- Marriage and family integrity</td>
</tr>
<tr>
<td>2- High quality of education at affordable prices</td>
<td>2- Social solidarity</td>
</tr>
<tr>
<td>3- Library and research facilities</td>
<td>3- Intellectual and</td>
</tr>
<tr>
<td>4- Freedom of thought and expression</td>
<td>4- moral development</td>
</tr>
<tr>
<td>5- Reward for creative work</td>
<td>5- Need fulfillment</td>
</tr>
<tr>
<td>6- Finance</td>
<td>6- Moral and worldly education</td>
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<td></td>
<td>7- Healthy environment</td>
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<tr>
<td></td>
<td>8- Freedom from conflict and insecurity</td>
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</tbody>
</table>

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<tr>
<th><strong>5) Development of wealth (Mal)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Education, research, and improvement in technology and management</td>
</tr>
<tr>
<td>2- Security of life, property and honor</td>
</tr>
<tr>
<td>3- Good governance</td>
</tr>
</tbody>
</table>
4- Freedom of enterprise
5- Employment and self-employment opportunities
6- Removal of poverty, need fulfillment and equitable distribution
7- Social solidarity and mutual trust
8- Saving and Investment
9- Optimum rate of development

Ascarya et al. (2016) proposed the ANP concept as a contextualization of maqashid sharia in Islamic Banking with a model like the following table 2.

<table>
<thead>
<tr>
<th>Concepts (Objectives)</th>
<th>Dimensions</th>
<th>Elements</th>
<th>Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Educating Individual</td>
<td>D1. Advancement of Knowledge</td>
<td>E1. Education grant</td>
<td>R1. Education grant or scholarship/total exp.</td>
</tr>
<tr>
<td></td>
<td>D2. Instilling new skills and improvement</td>
<td>E2. Research</td>
<td>R2. Research exp./total exp.</td>
</tr>
<tr>
<td>2. Establishing Justice</td>
<td>D4. Fair return</td>
<td>E5. Fair return</td>
<td>R5. Profit equalization reserves (PER)/net or investment income</td>
</tr>
<tr>
<td></td>
<td>D6. Elimination of negative element that breed injustices</td>
<td>E7. Interest free product</td>
<td>R7. Interest free income/total income</td>
</tr>
</tbody>
</table>

Table 2. Maqasid Sharia Index


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From several concepts presented in the research above, it can be understood that the contextualization of maqasid sharia in Islamic Banking which has been carried out is divided into two types, namely one of maintenance on 5 things (self, faith, descent, intellectual and wealth) or aims to achieve 3 things (individual education, upholding justice and the public interest).

**METHODOLOGY**

The methodology used in this paper is systematic literature review which was adopted from previous research (Shinkafi et al., 2017). The review procedure is carried out by compiling review questions, determining criteria for topic relevance, literature search strategies, selecting studies, data extraction, quality assessment and data synthesis. The exploration procedure was carried out from March to June 2020 in two stages: (1) selecting and documenting papers based on predetermined keywords; (2) read in more detail the cited papers to find further key literature. Initial phase search using the terms maqasid sharia and Islamic banking. Papers that have been collected are sorted by title, abstract, and keywords with the subject of maqasid sharia as relevant literature. The second phase reads references to find other relevant references. The next step to compile a literature review of articles that meet the criteria. Article searches were conducted through Google Scholar and Emerald, the total number of articles collected was 38 articles, but only 18 articles were reviewed as the main reference presented in the research results. A summary of the 18 articles reviewed is presented in table 3 with the theme maqasid sharia and Islamic bank.

<table>
<thead>
<tr>
<th>No</th>
<th>Author</th>
<th>Title</th>
<th>Year</th>
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<tbody>
<tr>
<td>1</td>
<td>Kahf, Monzer&lt;sup&gt;26&lt;/sup&gt;</td>
<td>Maqasid al Shari'ah in the Prohibition of Riba and their Implications for Modern Islamic Finance</td>
<td>2006</td>
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<tr>
<td>2</td>
<td>Meera, Ahamed Kameel Mydin Larbani, Moussa&lt;sup&gt;27&lt;/sup&gt;</td>
<td>Seigniorage of fiat money and the maqasid al-Shari’ah: the unattainableness of the maqasid</td>
<td>2006</td>
</tr>
<tr>
<td>3</td>
<td>Dusuki, Asyraf</td>
<td>A Critical Appraisal on the Challenges of Realizing</td>
<td>2007</td>
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</tbody>
</table>


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<th>Title</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wajdi Abozaid, Abdulazeem</td>
<td>Maqasid Al-Shariah in Islamic Banking and Finance</td>
<td>2007</td>
</tr>
<tr>
<td>2</td>
<td>Abozaid, Abdulazeem Dusuki, Asyraf Wajdi</td>
<td>The Challenges of Realizing Maqasid al-Shari’ah in Islamic Banking and Finance</td>
<td>2007</td>
</tr>
<tr>
<td>3</td>
<td>Al-mubarak, Tawfiq</td>
<td>Applications of Maqasid al-Shari’ah and Maslahah in Islamic Banking practices: An analysis Introduction: Maslahah: The demand of time</td>
<td>2010</td>
</tr>
<tr>
<td>4</td>
<td>Antonio, Muhammad Syafii Sanrengo, Yulizar D Taufiq, Muhammad</td>
<td>An Analysis of Islamic Banking Performance: Maqashid Index Implementation in Indonesia and Jordania Muhammad</td>
<td>2012</td>
</tr>
<tr>
<td>5</td>
<td>Dangulbi, Sani M. Salleh, Arfa Meera, Ahamed Kameel Aziuddin, A.</td>
<td>Fractional Reserve Banking and Maqasid al-shariah: An Incompatible Practice</td>
<td>2012</td>
</tr>
<tr>
<td>6</td>
<td>Mohammed, Mustafa Omar Taib, Fauziah Md</td>
<td>The Performance Measures of Selected Malaysian and Indonesia Islamic Banks based on the Maqasid Al-Shari’ah Approach</td>
<td>2013</td>
</tr>
<tr>
<td>7</td>
<td>Mohammed, Mustafa Omar Tarique, Kazi Md Islam, Rafikul</td>
<td>Developing Islamic Banking Performance based on Maqasid Syariah Framework: Cases of 24 Selected Banks</td>
<td>2015</td>
</tr>
<tr>
<td>8</td>
<td>Measuring the performance of Islamic banks using maqasid based model</td>
<td>2015</td>
<td></td>
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</table>

30 Al-mubarak and Osmani, “Applications of Maqasid Al-Shari’ah and Maslahah in Islamic Banking Practices: An Analysis.”
31 Antonio, Sanrengo, and Taufiq, “An Analysis of Islamic Banking Performance: Maqashid Index Implementation in Indonesia and Jordania Muhammad.”
32 Dangulbi et al., “Fractional Reserve Banking and Maqasid Al-Shariah: An Incompatible Practice.”
33 Jazil and Syahruddin, “The Performance Measures of Selected Malaysian and Indonesia Islamic Banks Based on the Maqasid Al-Shari’ah Approach.”
34 Mohammed and Taib, “Developing Islamic Banking Performance Measures Based on Maqasid Al-Shari’ah Framework: Cases of 24 Selected Banks.”
Based on figure 2, it presents the number of articles reviewed as research data. 2015 shows that the number of articles is the most widely used as a reference, even though in subsequent years it has decreased. This happens because of the expansion of the topic of maqasid sharia which is linked to Islamic finance, Islamic financial institutions (IFIs), Islamic microfinance, and Islamic economics. We did not review all these topics because this paper focuses on Islamic banking.

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<tbody>
<tr>
<td>11</td>
<td>Hurayra, Mohammad Abu</td>
<td>Achievement of Maqasid-al-Shari’ah in Islamic Banking: An Evaluation of Islami Bank Bangladesh Limited</td>
<td>2015</td>
</tr>
<tr>
<td>12</td>
<td>Zakariyah, Luqman</td>
<td>Harmonising legality with morality in Islamic banking and finance: A quest for Maqasid al-Shari'ah paradigm</td>
<td>2015</td>
</tr>
<tr>
<td>13</td>
<td>Rusydiana, Aam Sanrego, Yulizar Djamaluddin</td>
<td>Measuring the Performance of Islamic Banking in Indonesia: an Application of Maslahah-Efficiency Quadrant (MEQ)</td>
<td>2018</td>
</tr>
<tr>
<td>14</td>
<td>Syafa, Audia, Haron, Razali</td>
<td>The Effect of Corporate Governance on Islamic Banking Performance: A Maqasid Shari’ah Index Approach on Indonesian Islamic Banks</td>
<td>2019</td>
</tr>
<tr>
<td>15</td>
<td>Julia, Taslima Kassim, Salina</td>
<td>Exploring green banking performance of Islamic banks vs conventional banks in Bangladesh based on Maqasid Shariah framework</td>
<td>2019</td>
</tr>
<tr>
<td>16</td>
<td>Mukhibad, Hasan</td>
<td>The Role of Sharia Supervisory Boards in Meeting Maqasid Syariah – Study on Islamic Banks in Indonesia</td>
<td>2019</td>
</tr>
<tr>
<td>17</td>
<td>Wan Ibrahim, Wan Hakimah Ismail, Abdul Ghafar</td>
<td>Do Regulation, Maqasid Shariah and Institutional Parameter Improve Islamic Bank Efficiency?</td>
<td>2020</td>
</tr>
</tbody>
</table>

38 Rusydiana and Sanrego, “Measuring the Performance of Islamic Banking in Indonesia: An Application of Maslahah-Efficiency Quadrant (Meq).”

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DISCUSSION

Result Of Maqasid Sharia In Islamic Banking

Kahf (2006)\(^{43}\) defines maqasid sharia in the context of the prohibition of contemporary riba in the Al-quran. Islamic banking financing with insufficient underlying assets. Additional requirements for these assets are: (1) assets must be able to generate returns, growth, and transactions must be in accordance with the contract; (2) distribution of financing does not contain usury and is subject to sharia ethics. Meera & Larbani (2006)\(^{44}\) stated that interest can be replaced by zakat as a solution to the problems inherent in interest-based banknotes. Gold dinars are compatible with maqasid sharia because they protect wealth, while fiat money is considered counterproductive to maqasid. On the other hand, Dusuki & Abozaid (2007)\(^{45}\) argue that Islamic banking faces challenges in realizing maqasid sharia. This is due to the unavailability of a suitable methodology for implementing maqasid sharia in Islamic banking. The implementation of maqasid at a macro and micro level has the potential to cause manipulation in rationalizing maqasid sharia-based financial contracts that are contrary to Islamic law. Dangulbi, Salleh, Meera, & Aziuddin (2012)\(^{46}\) said that Fractional Reserve Banking (FRB) was an unfair transfer of wealth from the poor to the rich. The creation of money through the FBR system is haram and away from achieving maqasid sharia. Some experts argue that the FBR system is efficient but in reality the costs outweigh the benefits. According to the opinion (Abozaid & Dusuki, 2007)\(^{47}\) that the interpretation of the maqasid syaria is misused in justifying transactions so that they appear in accordance with sharia principles. Therefore, Islamic banking must first ensure that the sharia compliance aspect is both legal and transaction substance. Al-mubarak (2010)\(^{48}\) Islamic banking often violates the

\(^{43}\) Kahf, “Maqasid Al Shari’ah in the Prohibition of Riba and Their Implications for Modern Islamic Finance.”

\(^{44}\) Meera and Larbani, “Seigniorage of Fiat Money and the Maqasid Al-Shari’ah: The Unattainableness of the Maqasid.”

\(^{45}\) Dusuki and Abozaid, “A Critical Appraisal on the Challenges of Realizing Maqasid Al-Shariah in Islamic Banking and Finance.”

\(^{46}\) Dangulbi et al., “Fractional Reserve Banking and Maqasid Al-Shariah: An Incompatible Practice.”

\(^{47}\) Abozaid and Dusuki, “The Challenges of Realizing Maqasid Al-Shariah in Islamic Banking and Finance.”

\(^{48}\) Al-mubarak and Osmani, “Applications of Maqasid Al-Shari’ah in Islamic Banking Practices: An Analysis.”

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maqasid sharia in distributing products with the proposition of service to satisfy customers. For example, financing a property development that ignores environmental issues. Islamic banking should encourage investment that can create development that can increase living standards and is environmentally friendly. Home, vehicle, and other financing can use the mutanaqisah musharakah contract. Likewise, credit cards can be issued using a qardh hasan or rahn contract. However, some cases are in fact contradictory, such as Hurayra (2015)\(^49\) finding evidence that Islamic banking in Bangladesh has not met the maqasid sharia elements in running its business. Zakariyah (2015)\(^50\) tries to connect the role of maqasid sharia in creating product harmonization that meets Islamic moral and legal principles. In a more complex business environment, maqasid sharia is used as a tool to manipulate conditions that should be allowed but become haram or vice versa.

Many empirical studies have been carried out involving maqasid sharia as a performance measure in Islamic banking. Antonio et al. (2012)\(^51\) using this method to test the performance of Islamic banks in Indonesia and Jordan during the 2008-2010 period. The results show that Islamic banks in Indonesia have better performance in all objectives of the maqasid index compared to Islamic banks in Jordan. Jazil & Syahruddin (2013)\(^52\) examined three banks in Indonesia (Bank Muamalat, Bank Syariah Mandiri, and Bank Mega Syariah) and three banks in Malaysia (RHB Bank Islam, CIMB Bank Islam, and Bank Islam) in the 2007-2007 period. Measuring the performance of Islamic banking uses the Maqasid Sharia Index. The empirical results show that Bank Muamalat Indonesia has the highest maqasid index, while the lowest value is obtained by CIMB Bank Islam Malaysia.

Mohammed & Md Taib (2015)\(^53\) use the Islamic maqasid performance evaluation model (MPEM), the reason for using this model is because it provides a comprehensive measurement of all aspects of maqasid sharia. Mohammed, Tariq, & Islam (2015)\(^54\) used the maqasid index to measure the performance of Islamic banks. The index calculation uses the Maqasid Based Performance Evaluation Model (MPEM) method. This study pioneered the use of MPEM to measure the performance of Islamic banking. The use of MPEM can help regulators, researchers and policymakers to take references from maqasid sharia as a performance measurement tool.

Rusydiana & Sanrego (2018)\(^55\) on Islamic banks in Indonesia in 2011-2014. The results reveal that Bank Muamalat Indonesia and Bank Panin Syariah have excellent sharia performance and have entered the first quadrant category. Then Bank Syariah Mandiri, Maybank Syariah, Bukopin Syariah are included in good performance and are in the second quadrant category. BRI Syariah, BCA Syariah are included in the adequate category and are included in the third

\(^{49}\) Hurayra, “Achievement of Maqasid-Al-Shari’ah in Islamic Banking: An Evaluation of Islami Bank Bangladesh Limited.”

\(^{50}\) Zakariyah, “Harmonising Legality with Morality in Islamic Banking and Finance: A Quest for Maqasid Al-Shari’ah Paradigm.”

\(^{51}\) Antonio, Sanrego, and Taufiq, “An Analysis of Islamic Banking Performance: Maqashid Index Implementation in Indonesia and Jordania Muhammad.”

\(^{52}\) Jazil and Syahruddin, “The Performance Measures of Selected Malaysian and Indonesia Islamic Banks Based on the Maqasid Al-Shari’ah Approach.”

\(^{53}\) Mohammed and Taib, “Developing Islamic Banking Performance Measures Based on Maqasid Al-Shari’ah Framework: Cases of 24 Selected Banks.”

\(^{54}\) Mohammed, Tariq, and Islam, “Measuring the Performance of Islamic Banks Using Maqasid Based Model.”

\(^{55}\) Rusydiana and Sanrego, “Measuring the Performance of Islamic Banking in Indonesia: An Application of Maslahah-Efficiency Quadrant (Meq).”

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quadrant. Meanwhile, Bank Mega Syariah, Victoria Syariah, BNI Syariah and BJB Syariah are included in the underperformance category so that they occupy the fourth position.

Syafa & Haron (2019) prove that the maqasid index for Islamic banking in Indonesia ranges from 11% to 28% and only a few Islamic banking reaches 20%. SSB characteristics (size, cross member, education level, and reputation) and board structure (size and independence) play an important role in improving the performance of Islamic banking. This result implies that measuring the performance of Islamic banking based on maqasid sharia can help stakeholders capture all the dimensions contained in maqasid sharia so that it will produce higher quality decisions.

Julia & Kassim (2019) have evaluated green performance based on maqasid sharia in commercial banks and Islamic banking. Islamic banking is proven to be better in terms of maintaining faith, intelligence and wealth than commercial banks. Islamic banking plays a more important role in sustainable economic development by considering environmental risks in every investment.

Mukhibad (2019) said that corporate governance, sharia supervisory board (SSB), and Erika contribute to achieving maqasid sharia. Apart from that, Islamic banking also makes a positive contribution to profitability and maqasid sharia. This research was conducted on Islamic banking in Indonesia in 2009-2017 using SEM tools for data processing. Wan Ibrahim & Ismail (2020) connect banking regulations and the maqasid sharia index with bank efficiency. This research was conducted on 16 Islamic banking in Malaysia from 2008 to 2013. The statistical results prove that the maqasid sharia index has a significant positive relationship with efficiency. Maqasid sharia will contribute highly to efficiency if Islamic banking performs positively and is in line with maqasid sharia.

CONCLUSION
The purpose of this literature review is to expose the experts regarding the maqasid sharia literature associated with Islamic banking. The literature results prove that maqasid sharia has a direct relationship with Islamic banking. The elements contained in the maqasid sharia can be implemented into the Islamic banking performance measurement model. Given that Islamic bank is a profit-oriented entity, on the other hand, it must comply with sharia law and contribute to people's lives. Measurements using the maqasid sharia will be more comprehensive and better present the purpose and function of Islamic banking. Through this study, maqasid sharia is viewed from a broader perspective, because much of the previous literature has only linked maqasid sharia with zakat and waqf.

Several empirical studies linking maqasid sharia with the measurement of Islamic banking performance. The method that is often used is the maqasid sharia index. Several studies have analyzed performance using the maqasid index. However, there are researchers who use specific variables associated with the maqasid syaria index, namely SSB characteristics and board structure. Empirically, the selected locations for the study of bislamic banking are

56 Syafa and Haron, “The Effect of Corporate Governance on Islamic Banking Performance: A Maqasid Shari’ah Index Approach on Indonesian Islamic Banks.”
58 Mukhibad, “The Role of Sharia Supervisory Boards in Meeting Maqasid Syariah – Study on Islamic Banks in Indonesia.”
59 Wan Ibrahim and Ismail, “Do Regulation, Maqasid Shariah and Institutional Parameter Improve Islamic Bank Efficiency?”

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Indonesia, Malaysia, and Jordan. Researchers have not found locations from other countries such as countries from the Middle East North Africa (MENA) Region, the Gulf Cooperation Council (GCC), or other Muslim countries.

Researchers observed several potential problems that would arise if maqasid sharia was associated with Islamic banking. One of them is the readiness of Islamic banking in preparing the infrastructure in the process of calculating the maqasid sharia index which is quite complicated so that it requires tools to simplify the calculation process. The second potential problem is business ethics. Based on the literature, the interpretation of maqasid sharia can be misinterpreted to justify transactions as if they fulfill sharia principles. Calculation complexity problems can be solved with the help of applications or software, while interpretation problems can rely on the control function of SSB Islamic banking.

The literature on the implementation of maqasid sharia as a measure of the performance of Islamic banking has not yet provided comprehensive guidelines and uniform methodology. Islamic banking will find it difficult to adopt the maqasid sharia concept as a standard measure of the performance of a standard Islamic banking entity. So, regulators and policy makers collaborate with experts (researchers) to prepare standard standards so that this maqasid sharia is easier to implement in the Islamic banking industry.

This literature review includes only 17 articles with the majority in English. The observation period is only 2006-2020. It is suggested for further research to connect maqasid sharia in a broader context such as Sustainability Development Goals (SDGs), business ethics, sharia company, corporate social sustainability (CSR), human capital, etc.

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184–203.


