

**AN ANALYSIS OF ISLAMIC BANKING PERFORMANCE
USING *MAQASID* SHARIAH INDEX: EVIDENCE
FROM MALAYSIA AND INDONESIA**

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**ACADEMY OF ISLAMIC STUDIES
UNIVERSITY OF MALAYA
KUALA LUMPUR**

2018

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FAHMI ALI HUDAEFI

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AN ANALYSIS OF ISLAMIC BANKING PERFORMANCE USING *MAQASID SHARIAH* INDEX: EVIDENCE FROM MALAYSIA AND INDONESIA

ABSTRACT

The purpose of this research was to analyse the performance of Islamic banking in actualising *Maqāṣid al-Sharī'ah* in the banking industry. In doing so, this research employed a mixed method research approach. This research firstly employed the study of *Maqāṣid al-Sharī'ah* index pioneered by Mohammed, Razak, & Taib (2008) to compute samples' performance ratios, followed with simple additive weighting approach. Further quantitative approach was conducted using the approach of law of sines on *Maqāṣid al-Sharī'ah* based performance initiated by Bedoui (2012), to illustrate samples' overall orientation on *Maqāṣid al-Sharī'ah* performance into a triangle figure. Following this, the qualitative approach was conducted to study relevant information communicated within samples reports which indicates their achievement in the quantitative analysis. The findings from the quantitative analysis were varied in terms of the highest and the lowest performing samples. Meanwhile, the findings from the qualitative analysis further supported the evidences of the samples' achievement in the quantitative analysis. This research presented three contributions to the research of Islamic banking performance analysis. One, this research offered an appropriate interpretation towards Islamic banking performance analysed using *Maqāṣid al-Sharī'ah* index. Two, this research provided significant information describes Islamic banks achievement in the present *Maqāṣid al-Sharī'ah* index analysis. Three, the findings of this research offered a fresh insight into the achievement of Islamic banks in actualising *Maqāṣid al-Sharī'ah* in the banking industry of Malaysia and Indonesia. With this, the findings of this research is hoped to assist the stakeholders of Islamic banking to appropriately understand the performance of Islamic banks under the framework of *Maqāṣid al-Sharī'ah* index.

AN ANALYSIS OF ISLAMIC BANKING PERFORMANCE USING *MAQASID SHARIAH* INDEX: EVIDENCE FROM MALAYSIA AND INDONESIA

ABSTRAK

Tujuan kajian ini adalah untuk menganalisis prestasi perbankan Islam dalam mengamalkan *Maqāṣid al-Sharī'ah* di industri perbankan. Kajian ini menggunakan pendekatan penyelidikan kaedah campuran. Pendekatan kuantitatif yang merujuk kepada indeks *Maqāṣid al-Sharī'ah* yang dipelopori oleh Mohammed, Razak, & Taib (2008) telah digunakan untuk mengira nisbah prestasi sampel, diikuti dengan pendekatan *simple additive weighting*. Pendekatan kuantitatif lebih lanjut telah dilakukan untuk menggambarkan orientasi keseluruhan perbankan Islam dalam prestasi *Maqāṣid Sharī'ah* ke dalam gambar segitiga dengan pendekatan *law of sines on Maqāṣid al-Sharī'ah based performance* yang dipelopori oleh Bedoui (2012). Pendekatan kualitatif lebih lanjut telah dilakukan untuk mempelajari maklumat yang berkaitan yang menunjukkan pencapaian sampel dalam analisis indeks *Maqāṣid al-Sharī'ah* semasa. Hasil kajian dari analisis kuantitatif berbeza-beza dari segi sampel prestasi tertinggi dan paling rendah. Sementara itu, dapatan dari analisis kualitatif mewakili pencapaian sampel dalam analisis kuantitatif. Penyelidikan ini menyampaikan tiga sumbangan kepada penyelidikan pengukuran prestasi perbankan Islam. Pertama, kajian ini menawarkan interpretasi yang sesuai terhadap prestasi perbankan Islam yang dianalisis menggunakan indeks *Maqāṣid al-Sharī'ah*. Kedua, kajian ini membentangkan maklumat yang bermanfaat menggambarkan pencapaian bank Islam dalam analisis indeks *Maqāṣid al-Sharī'ah* semasa. Ketiga, dapatan kajian ini memberikan gambaran baru tentang pencapaian industri perbankan Islam dalam mengamalkan *Maqāṣid al-Sharī'ah* dalam industri perbankan Malaysia dan Indonesia. Diharapkan hasil kajian ini akan membantu pihak berkepentingan perbankan Islam untuk mentafsir prestasi perbankan Islam dalam rangka *Maqāṣid al-Sharī'ah*.

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LIST OF SYMBOLS AND ABBREVIATIONS

CBs	:	Conventional Bank(s)
EII	:	Ethical Identity Index
IBF	:	Islamic Banking and Finance
IBs	:	Islamic Banks(s)
IDI	:	Islamicity Disclosure Index
IQI	:	Islamicity Quantitative Index
LSMSBP	:	Law of Sines on <i>Maqāṣid al-Sharī'ah</i> Based Performance
MSI	:	<i>Maqāṣid al-Sharī'ah</i> Index
PBUH	:	Peace be Upon Him
PIs	:	Performance Indicator(s)
PRs	:	Performance Ratio(s)
SAW	:	Simple Additive Weighting
SMEs	:	Small and Medium Size Enterprises

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CHAPTER 1: INTRODUCTION

1.1 Introduction

Discussion within this chapter begins with the background of the research which highlights the importance of analysing the Islamic banks performance from *Maqāṣid al-Sharī'ah* perspective. Second is the problem statement, which explains key reasons to conduct this research. Third are the research questions and the related problems. Fourth are the research objectives which derived from the research questions to guide the goals of this research. Finally discussed is the significance of the present study.

1.2 Background of the Research

The industry of Islamic banking and finance (IBF¹) is believed to support the world development agenda, as it promotes both commercial and social financing (Islamic Development Bank Group, 2016). The development of IBF has supported the global financial market and encouraged real sector financing for small and medium size enterprises (SMEs) (Aksak & Asutay, 2011, p. 2). The IBs' existence over a half century² have made their worldwide total asset of approximately 1,493.40 billion US dollar in 2016 (Islamic Financial Services Board, 2017, p. 7).

The presence of IBF is expected to bring *Maṣlaḥah*³ or public interest for the enhancement of human well-being. It is undoubtedly believed that IBF's authentic foundation is built upon the promotion of equitable distribution of wealth (Khan, 1997,

¹ The term IBF here refers to Islamic banking and finance, IB refers to Islamic bank (single), IBs refer to Islamic banks (plural), CB refers to Conventional bank (single), and CBs refers to Conventional banks (plural).

² First IB is Mit Ghamr Bank in Egypt established in 1963, cited in Mohammed, Razak, & Taib, (2008, p. 1) and others related works, also had begun with this information.

³ *Maṣlaḥah* is defined as seeking benefit and preventing harm. Imām Mālik uses term *al-Maṣāliḥ al-Mursalah* to connote *Maṣlaḥah*. Both Imām Mālik and Imām al-Ṭufi advocate *Maṣlaḥah* as one of *Sharī'ah* sources. Al-Ghazālī uses term *Istiṣlāḥ* for *Maṣlaḥah*. Al-Shāṭibī categorises *Maṣlaḥah* into *al-Darūriyāt* (the essentials), *al-Hājiyāt* (the complementary) and *al-Taḥsīniyāt* (the embellishments). This categorisation approved by contemporary scholars to derive new *Sharī'ah* rulings (Dusuki & Abdullah, *Maqāṣid al-Sharī'ah, Maṣlaḥah and Corporate Social Responsibility*, 2007, pp. 31-33).

p. 24), *Sharī'ah* ethics (Bedoui, 2012, p. 3, and Haniffa & Hudaib, 2007, p. 98), religious business philosophy (Haniffa & Hudaib, 2007, p. 97), Islamic moral economy (Asutay, 2012, p. 94), and Islamic worldview (Laldin & Furqani, 2013, p. 32). Further, according to Janachi (1995) as cited in Suleiman (2000, p. 101):

Islamic banks have a major responsibility to shoulder...all the staff of such banks and customers dealing with them must be reformed Islamically and act within the framework of an Islamic formula, so that any person approaching an Islamic bank should be given the impression that he is entering a sacred place to perform a religious ritual, that is the use and employment of capital for what is acceptable and satisfactory to God.

Explained the above, thus analysing IBs' performance should not only cover financial (business or worldly matters) performance, but also should take the Islamic point of view into account. This is due to IB's nature being based on a spiritual foundation (Hudaefi & Bisyri, 2014). Further, it is generally known that the IBs operate differently from that of the CBs counterparts; thus, their formation objectives are dissimilar. In consequence, a different method for analysing an IB's performance is required (Mohammed & Taib, 2010, p. 56).

However, while conventional methods to analyse banking performance have been well established⁴, an appropriate method to analyse an IB performance based on the Islamic point of view is still debated among the topic experts. This might be due to a lack of

⁴ For instance, it is CAMELS (Capital, Asset, Management, Earnings, Liquidity and Sensitivity) rating to evaluate financial soundness of a bank (Koch & MacDonald, 2015, p. 127), and it is an international standardised approach. Many researches have employed this method to evaluate or even compare IBs and CBs performance, and mostly IBs were found to be less profitable, efficient, yet were better in liquidity management. Among those studies include Jaffar & Manarvi (2011), Kouser, Aamir, Mehvish, & Azeem (2011), Merchant (2012), Muhammad & Hasim (2015), Suresh & Bardastani (2016), and Rashid, Muhmad, Hamid, Rasit, & Noor (2017). Additionally, method of banking efficiency analysis has also well established. It is measured by scale efficiency promoted by Farrell (1957), and X-efficiency founded by Leibenstein (1966) cited in Yudistira (2004). In addition, the method of study on banking profitability determinant has also standardised. For example, many studies have considered bank characteristics and macroeconomics to analyse banking profitability, including studies by Wasiuzzaman & Tarmizi (2010), Hassan & Bashir (2003) and many others.

formal discussion regarding IB's objectives as Mohammed & Taib, (2010, p. 56), and Mohammed, Razak, & Taib, (2008, p. 2) stated:

...the failure to address the objectives of IBs has left some scholars with no choice but to adopt the conventional yardsticks to measure the performance of IBs...evidences in most studies using conventional yardsticks to measure IB performance show the results whereby IBs are trailing behind CBs.

Responding the above, one may further inquire; how have IBs been analysed thus far? Concerning this, there are enormous number of published studies have been conducted. Those of the related studies include the study of *Sharī'ah* auditing (Khan, 1997), Islamicity disclosure index (Ibrahim, Wirman, Alrazi, Nor, & Pramono, 2004), ethical identity index (Haniffa & Hudaib, 2007), *Maqāṣid al-Sharī'ah* index (Mohammed, Razak, & Taib, 2008), the adoption of law of sines on *Maqāṣid al-Sharī'ah* based performance (Bedoui, 2012), and social performance evaluation (Asutay & Harningtyas, 2015).

A brief to the above, Khan (1997) contributed the idea of *Sharī'ah* auditing for the IB performance. Albeit the study was limited theoretically, the study has brought major influence for the development of IBs, particularly for *Sharī'ah* auditing literature. Ibrahim, et al. (2004) established Islamic disclosure index (IDI) and Islamic quantitative index (IQI). These methods measure the ability of an IB to disclose critical information declared within the annual report for business advantage purposes. Haniffa & Hudaib (2007) pioneered the ethical identity index (EII). This EII provides the ideal benchmark of ethics for IBs identity, and measures IBs' real ethical identity communicated within annual reports. Mohammed, Razak and Taib (2008) established the *Maqāṣid al-Sharī'ah* index (MSI). Their study translated the abstract notion of *Maqāṣid al-Sharī'ah* into measurable substances. The study has brought a massive influence for the IBF related literature. Bedoui (2012) implemented law of sines on *Maqāṣid al-Sharī'ah* based

performance (LSMSBP). This method is able to measure overall *Maqāṣid al-Sharī'ah* orientation on an IB performance in a triangle figure. Asutay and Harningtyas (2015) evaluated social performance of IBs with referring to those of the former studies⁵ related to measuring the IB performance. They found their sampled IBs performed poorly in *Maqāṣid al-Sharī'ah*.

Respecting the endeavours of those former studies above, this research employs the MSI and the LSMSBP pioneered by Mohammed, Razak & Taib (2008) and Bedoui (2012) respectively. In this, the methods are employed to analyse the performance of IBs in Malaysia and Indonesia. The selection of these two works is based on the consideration of *Maqāṣid al-Sharī'ah*⁶ referenced. According to Laldin & Furqani (2013, p. 33-43), *Maqāṣid al-Sharī'ah* is the fundamental drives of *Sharī'ah* establishment, and is required in developing the Islamic financial system. Elaborated this, thus considering *Maqāṣid al-Sharī'ah* as the benchmark in assessing IBs religious performance is accurate.

Apart from the above, a verse of al-Qur'ān forms a basis for the *Sharī'ah* motivation to carry out this research. This motive is referred to as *muḥāsabah* or evaluation as explained by Ibrahim, et al. (2004). Allah *subḥānahu wa ta'ālā* has ordered this in al-Qur'ān *Sūrah al-Ḥashr*: 18 (Suhail, 2013).

يَا أَيُّهَا الَّذِينَ ءَامَنُوا اتَّقُوا اللَّهَ وَلْتَنْظُرْ نَفْسٌ مَّا قَدَّمَتْ لِغَدٍ وَاتَّقُوا اللَّهَ
 إِنَّ اللَّهَ خَبِيرٌ بِمَا تَعْمَلُونَ ۱۸
 Al-Ḥashr 59:18

Translation: O you who believe! be careful of (your duty to) Allah, and let every soul consider what it has sent on for the morrow and be careful of (your duty to) Allah; surely Allah is Aware of what you do.

⁵ Those of the studies employed include IDI & IQI of Ibrahim, et al. (2004), EII of Haniffa and Hudaib (2007), MSI of Mohammed, Razak and Taib (2008), Law of Sines on *Maqāṣid al-Sharī'ah* based performance of Bedoui (2012) and CAMEL rating analysis.

⁶ In-depth elaboration of *Maqāṣid al-Sharī'ah* is provided in Chapter 2 (two) of this master dissertation

The practicability of the above verse is subjected to the individuals where they are required to evaluate their deeds, so they can improve better (Ibrahim, et al. 2004). In the context of analysing the IBs performance, the above verse may perfectly become a *Sharī'ah* related motivation given IBs are operated by the individuals. Thus, the substance of the IBs performance is also based upon the above verse.

1.2.1 Analysing Islamic Banking Performance Based on *Maqāṣid al-Sharī'ah* Framework

A majority of contemporary scholars are of the view that the concept of *Maqāṣid al-Sharī'ah* serves as the initial basis on establishment of IBF. This is because *Maqāṣid al-Sharī'ah* addresses in serving the interests of all human beings and preventing them from harm. This idea has been accepted by all the jurists without exception (Chapra, 2007, p. 5). The concept of *Maqāṣid al-Sharī'ah* plays a vital role in developing IBF as Laldin & Furqani (2013, p. 34) mentioned:

...*Maqāṣid al-Sharī'ah* discussion will open up horizon of *raison d'etre* why we need to develop Islamic finance at the first place, what goals to be realized and to which direction we are going to bring the industry. In this perspective, *Maqāṣid al-Sharī'ah* would enter into the whole framework, processes, and operations of Islamic finance.

In the above context, *Maqāṣid al-Sharī'ah* should become a benchmark in analysing an IB performance from the Islamic perspective. Nonetheless, since *Maqāṣid al-Sharī'ah* is an abstract notion; thus, it requires further interpretation, particularly in its adoption as an IB performance yardstick. In this case, the study of MSI⁷ done by Mohammed, Razak & Taib (2008) had successfully transformed the concept of *Maqāṣid al-Sharī'ah* into

⁷ Refer to Chapter 2 (two) of this Dissertation for further explanation on MSI pioneered by Mohammed, Razak and Taib (2008).

numerable forms. As such, employing the MSI of Mohammed, Razak & Taib (2008) within this research is reasonable.

Similarly, the study of LSMSBP⁸ done by Bedoui (2012) has made the concept of *Maqāṣid al-Sharī'ah* more visible from mathematical perspective. This is because the idea measures each objective of *Sharī'ah* as illustrated in a triangle figure. Each side of the triangle represents one objective of *Sharī'ah* along with its value. Therefore, the orientation of *Maqāṣid al-Sharī'ah* on an IB performance can be further described in a triangle form.

Particularised the above, there is a rationale for analysing the IBs performance using the MSI and the LSMSBP. Even the studies of *Sharī'ah* auditing (Khan, 1997), IDI and IQI (Ibrahim, et al. 2004), and EII (Haniffa & Hudaib, 2007) have contributed considerably for the IBF literature, the *Maqāṣid al-Sharī'ah* concept was not specifically referred within those studies⁹. Of which *Maqāṣid al-Sharī'ah* is fundamental for developing the IBF, hence, employing the MSI and the LSMSBP in the context of this research shall meet the IBs' basis of establishment. Further, specifically commenting on the study of Asutay & Harningtyas (2015), the dimensions within their study seems to overlap each other¹⁰. With this substantive material concern, the preference to adopt the MSI and the LSMSBP in this research is rationale.

⁸ Refer to Chapter 2 (two) of this dissertation for further explanation on adopted law of sines on *Maqāṣid al-Sharī'ah* based performance by Bedoui (2012).

⁹ The researchers themselves explained the limitation of their studies. For example, Haniffa & Hudaib (2007, p. 111) stated "...exploratory survey of communication in annual reports adds to prior related studies on corporate identity that have focused largely on the Western and capitalistic context and are less explicit concerning religion...". As such, the study did not cover substantial framework of *Maqāṣid al-Sharī'ah* which is an important theory for developing IBs.

¹⁰ For example, in translating the faith dimension, Asutay & Harningtyas (2015, p. 25) referred to elements of 'interest free products' of MSI (Mohammed, Razak, & Taib, 2008) and 'product' of EII (Haniffa & Hudaib, 2007). Although the indicators are different, but the fundamental dimensions are similar. Further, such this overlap also seems to occur in the indicators of 'rights & stakeholding' (which are 'employess appreciation', 'reward for employees', 'training'), with the indicators of 'intellect' (which also has 'training

Distinguishing the present study with the former works of Mohammed, Razak & Taib (2008) and Bedoui (2012), author shall come out with the samples coverage and the research objectives. Besides, given Bedoui's work was limited theoretically and was not attached with empirical evidence, thus this study shall further attempt to implement the idea, to illustrate the overall samples' performance in the present MSI analysis. With this substantive matters, thus differentiates this research from the former ones.

1.2.2 Analysing the Performance of Islamic Bank in Malaysia and Indonesia

The present study shall analyse the performance of the IBs in Malaysia and Indonesia for several reasons. *One*, both the countries include the players of IBF industry. *Two*, the trend of IBs' performance in these two countries. *Three*, as they are neighbouring countries, hopefully this study will provide applicable finding to support the development of the IBs in these countries. Finally, both the countries have their own authentic strengths in the industry.

First and foremost, Malaysia and Indonesia are among the top players in the IBF industry. The countries in 2016 were ranked second and seventh accordingly in terms of contribution to IBF worldwide total asset (Ernst & Young, 2015, p. 15). Within the same period, the countries experienced the growth on their national banking market share of almost 30 percent for Malaysia (Zakariah, 2017), and around 5 percent for Indonesia (Swastika, 2016). From such these circumstances, analysing their performances from *Maqāṣid al-Sharī'ah* perspective shall provide an insight into their accomplishments regarding religious (Islamic) contribution towards the industry. This insight is important

expense'), and the indicator of 'prosterity' (which also represents 'employee expenses'). See Asutay & Harningtyas, (2015, pp. 25-29). This is further elaborated in Chapter 2 (two).

to provide relevant judgment towards the IBs performance following subjective issues are currently arisen, such as IBs are not *Sharī'ah*.

Parallel with the above, former studies which replicated MSI include those of Antonio, Sanrego, & Muhammad (2012) who analysed Jordanian and Indonesian IBs; Jazil & Syahrudin (2013) who analysed Malaysian and Indonesian IBs; Sudrajat & Sodik (2016) who analysed Indonesian IBs; and Saoqi (2017) who analysed Malaysian and Indonesian IBs, have suffered from studying relevant information describing IBs achievement within their MSI investigation. Their findings have repeatedly highlighted whether the performance of one particular sample was better than that of other samples, or vice-versa. From this, the present research urges the importance to further study relevant information related to samples' achievement on the MSI analysis. This is important for the purpose of reciprocal value-added among the sampled IBs, and to further provide scholarly-based findings on this matter, so that the subjective issues on fundamental of IBs shall be rejected.

In all, author's general interest in studying the IBs in Malaysia and Indonesia is to provide an advanced understanding of the IBs performance from *Sharī'ah* perspective. Meanwhile, that of specific interest is to document relevant information regarding IBs achievements in actualising *Maqāṣid al-Sharī'ah* in the banking industry. From this, such the industry from the two countries can take the lessons from each other.

1.3 Problem Statement

Analysing the performance of an IB requires the benchmark which fits the IB's nature as a banking institution which should comply with the *Sharī'ah* requirements. In this regard, a majority of both jurists and contemporary scholars have agreed on the trustworthiness of *Maqāṣid al-Sharī'ah* concept on promoting welfare for mankind (Chapra, 2007). This theory should be the basis framework in developing IBF (Laldin &

Furqani, 2013). With this basis, thus analysing the IB performance should be linked to *Maqāṣid al-Sharī'ah* theory. Of which *Maqāṣid al-Sharī'ah* is a religious concept, a further understanding on the concept which reflects an IB's activities should be well established, however. This is done in order to employ *Maqāṣid al-Sharī'ah* as a benchmark for analysing an IB performance.

Following the above, former studies which have successfully decoded conceptual *Maqāṣid al-Sharī'ah* into quantifiable substances include those of MSI (Mohammed, Razak, & Taib, 2008) and LSMSBP (Bedoui, 2012). The basic idea of MSI's Mohammed, Razak, & Taib was the implementation of operationalisation concept (Sekaran, 2003) on *Maqāṣid al-Sharī'ah*. Conducted so, the *Maqāṣid al-Sharī'ah* was then transformed as the MSI. This MSI represents *Maqāṣid al-Sharī'ah* as a benchmark to analyse an IB performance based on *Maqāṣidic* approach. Likewise, Bedoui's law of sines on *Maqāṣid al-Sharī'ah* based performance, has further made *Maqāṣid al-Sharī'ah* solvable from mathematical perspective. The basic idea was his reference to interdependent *Maqāṣid al-Sharī'ah* of Chapra (2007)¹¹. Considered this, Bedoui opined vector approach was applicable to be executed. In this, law of sines works to measure each objective of *Sharī'ah* represented in a triangle. As such, the performance orientation on *Maqāṣid al-Sharī'ah* is observable within a triangle form.

Explained the above, this research employs MSI (Mohammed, Razak, & Taib, 2008) and LSMSBP (Bedoui, 2012) to analyse the performance of Malaysian and Indonesian IBs. The interest in studying IBs in Malaysia and Indonesia is to provide relevant evidences regarding IBs performance from *Maqāṣid al-Sharī'ah* perspective. This relevant evidences is critical to provide scholarly findings of the subject matters,

¹¹ The view of Chapra (2003) on *Maqāṣid al-Sharī'ah* is elaborated in Chapter 2 (two) of this Master Dissertation.

following subjective issues on fundamental of IBs is currently arisen, such as IBs are not *Sharī'ah*. Together with this, the former studies which have employed the MSI to analyse the performance of IBs in Malaysia and Indonesia have not provided scholarly evidences upon the IBs position in actualising *Maqāṣid al-Sharī'ah* in banking industry. As such, scholarly-based evidences to challenge subjective issues related to fundamental of IBs remains insufficient.

1.4 Research Questions

With the elaboration of the above section (1.3), this research addresses four research questions as follows:

1. How is the performance of Malaysian and Indonesian IBs analysed using *Maqāṣid al-Sharī'ah* Index (MSI)?
2. How is the overall orientation of *Maqāṣid al-Sharī'ah* performance of IBs in Malaysia and Indonesia measured using adopted law of sines on *Maqāṣid al-Sharī'ah* based performance (LSMSBP)?
3. What relevant information do Malaysian and Indonesian IBs provide within their recent annual reports which describe their achievements in the present MSI analysis?
4. What are the differences between Malaysian and Indonesian IBs performances under the present MSI analysis?

1.5 Objectives of the Research

Our research objectives are as follows:

1. To analyse the performance of Malaysian and Indonesian IBs by employing *Maqāṣid al-Sharī'ah* Index (MSI).

2. To measure overall orientation of *Maqāṣid al-Sharī'ah* performance of Malaysian and Indonesian IBs by employing the adopted law of sines on *Maqāṣid al-Sharī'ah* based performance (LSMSBP).
3. To identify relevant information regarding Malaysian and Indonesian IBs communicated within annual reports which describe their achievements in the present MSI analysis.
4. To examine the differences between the performances of Malaysian and Indonesian IBs under the present MSI analysis.

1.6 Study Limitation

This research is limited to the following:

1. The object of this research is the performance of Malaysian and Indonesian IBs, which is limited to measuring *Maqāṣid al-Sharī'ah* performance. To do this, the present study adopts the study of MSI (Mohammed, Razak, & Taib, 2008) and the work of LSMSBP (Bedoui, 2012).
2. The subjects of this study are IBs operate in Malaysia and Indonesia. The selection is limited to the five Malaysian IBs and five Indonesian IBs. In total, there are ten sampled IBs within this research with data set is considered from 2013 to 2017¹².
3. MSI within this research refers to the study initiated by Mohammed, Razak, & Taib (2008). The study was presented at the IIUM International Accounting Conference (INTAC IV) on June 25th 2008 in Putra Jaya, Malaysia. This MSI by the two initial authors (Mohammed & Taib) was further utilised and presented at the Ninth Australian Society of Heterodox Economists

¹² Refer to Chapter three (research methodology) of this master dissertation for further explanation on technique sampling.

Conference, University of New South Wales on December 6th-7th, 2010 in Sydney, Australia. This work of MSI under these two authors, was also published in Journal of Islamic Monetary Economics and Finance, Bank of Indonesia, Volume 1, Number 1, August 2015.

4. LSMSBP (Law of Sines on *Maqāṣid al-Sharī'ah* Based Performance) in this study refers to the work done by Bedoui (2012). The paper was presented at the Tenth Harvard University Forum on Islamic Finance held by Harvard Law School on March 24th-25th, 2012 in Cambridge, United States of America.

1.7 Research Outlines

The rest of the present research outlines is organised as follows. Chapter 2 contains the literature review. Chapter 3 explains the research methodology. Chapter 4 discusses the preliminary findings. Chapter 5 discusses the results. Chapter 6 concludes the study and provides recommendation as well as suggestion for future studies.

1.8 Significance of the Study

This study offers a fresh point of view on the IBs performance from the *Maqāṣid al-Sharī'ah* perspective. The originality of this study lies on the adoption of the MSI and the LSMSBP to provide an empirical evidence of the IBs performance. Further, this work sheds new light on advantageous information from the IBs in Malaysia and Indonesia, which shall be a decent lesson for the stakeholders, most importantly for the development of the IBs within each country. And to some extent, the findings shall provide substantive materials related to the IBs position in actualising *Maqāṣid al-Sharī'ah*. With these findings, the subjective issues upon the fundamental of IBs, such as IBs are not *Sharī'ah*, will be further proven inaccurately.

Apart from the above, the findings of this study should make an important contribution to the field of the IBF research, particularly for the way to interpret an IB performance as

is analysed using the MSI. Additionally, with exploring *Maqāsidic* perspective in analysing the IBs performance, this study is hoped to advance our knowledge of a proper analysis when measuring, evaluating, or assessing an IB performance.

In summary, the novelty and significance of this research are not only supportive and enhancing the IBF related literature, but also generating applicable finding for the development of IBs in Malaysia and Indonesia.

1.9 Chapter Conclusion

The above has discussed the research background emphasising the importance of employing the MSI and the LSMSBP to analyse an IB performance for an appropriate practice. In addition, the reason to analyse the IBs in Malaysia and Indonesia was also clarified. Moreover, the elaboration upon the problem statement, research questions, objectives, study limitation, research organisation, as well as significance of this study were taken into account.

Discussed the above, thus far author has introduced this research comprehensively. Now, our discussion shall move on to elaborate the literature review, to further discuss theoretical grounds related to the topic of this research.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Moving on to the chapter of literature review, here we begin with an introduction to Islamic banking to brief the subject matters. It then continues with defining the performance of Islamic banking to capture its accurate understanding. Given this research studies the IBs in Malaysia and Indonesia, thus the next section covers the discussion upon the IBs in these two countries. Further discussed, the next section reviews related studies on analysing the IBs performance. It is then continued with an in-depth discussion into *Maqāṣid al-Sharī'ah* theory. In the last section, author presents concluding remarks.

2.2 Introduction to Islamic Banking and Finance

The definition of IBF is firstly explored here to get insight into its main idea. From this, a discussion upon the basic idea of the IBF establishment is further continued covering the prohibition of *ribā*. The key principles of IBF and the fundamental differences between IBs and CBs are further accounted. The history of IBF is further provided here to establish the knowledge of the IBF initiatives, started with general perspective followed with that of the specific views in Malaysia and Indonesia. After elaborating this, the discussion is further narrowed into the IBs performance. In this, an overview to conventional methods of analysing banking performance is firstly conducted, followed with establishing the understanding of the IBs performance from *Maqāṣid al-Sharī'ah* perspective.

2.2.1 Definition of Islamic Banking and Finance

In all literature related to IBF, the experts of Islamic economics are of the view whereby Islamic banking is a banking system which adopts the rule of Islam in its operation (Ali & Sarkar, 1995; Hassan, 1999; Othman & Owen, 2001; Wilson & Henry, 2004; Antonio M. S., 2007; Bakar & Ali, 2008; Kettell, 2011). The IB delivers banking

products and services according to *Sharī'ah*, especially for the Islamic community (Hassan & Lewis, 2007, p. 2). Nowadays, IBF is not only recognised in Muslim society, but also in non-Muslim communities as an ethical alternative for conventional finance which has lost the value of trust (Venardos, 2010). According to Ahmad & Shabbir, IB is specifically defined:

... (IB is) a banking system which is according to the spirit, ethos and value system of Islam and governed by the principles laid down by *Sharī'ah* principles. Interest free banking is a narrow concept denoting several banking instruments or operations which avoid interest. IB, the more general term, is based not only to avoid interest-based transactions prohibited in Islamic *Sharī'ah*, but also to avoid unethical and un-social practices. In practical sense, IB is the transformation of conventional money lending into transactions based on tangible assets and real services. The model of Islamic banking system leads towards the achievement of a system which helps achieve economic prosperity.

Per the above, it can be inferred that the IB is a banking system whereby the fundamental establishment is to realise and actualise the value of Islam in nowadays modern banking transaction. The very main idea is to eliminate *ribā*-base transaction as Allah *subhānahu wa ta'ālā* has prohibited in al-Qur'ān. In order to gain a better insight into this prohibition of *ribā*, the following section deliberates this matter.

2.2.2 The Prohibition of *Ribā*

The discourse whether interest of conventional bank is included as *ribā* or not, is significant in the field of the IBF subject. Considering a long debate among the topic experts within this matter, therefore, our discussion here will firstly clarify the definition of *ribā*, in order to establish an accurate perspective on this subject matters.

Regarding the above, the majority of jurists define the word *ribā* (which is an Arabic word), as an excess or addition charged on principle amount. In general, there are two categories of *riba*; *ribā al-'uqūd* (usury in contracts) and *ribā al-qurūd* (usury in loans) (Harasani, 2013). In Islamic law, *ribā* refers to an increase of return when performing

specific transaction. While in loan, *ribā* refers to the premium to be paid by the borrower, including charge or penalty beyond due date payment (Harasani, 2013).

A majority of Muslim scholars have agreed that the interest of conventional bank is a form of *ribā* (Billah, 2014), in the specific cases (Suharto, 2018). In the practice of conventional banking, the excess, addition or increase as defined in *ribā* refers to both usury and interest. This usury refers to interest on a non-productive loan, while interest itself refers to excess on productive loan (Samiullah, 1982).

Further, the object of excess in the interest is not limited to a currency, but also relates to commodities. According to Samiullah (1982):

...(interest) is not confined to money but to all kinds of commodities in which there is an idea of stipulated increase when taken or given in loan. It also includes an excess according to the legal standard of measurement and weight in one of the two homogeneous articles in which such an excess is stipulated as an obligatory payment on one of the contracting parties (p. 53).

In the light of the above, the prohibition of *ribā* has been clearly mentioned in the main legal sources of *Sharī'ah* which is al-Qur'ān. In this, Allah *subhānahu wa ta'ālā* has mentioned in *surah al-Baqarah* 278-279:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ مُّؤْمِنِينَ
فَإِن لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ ۗ وَإِن تُبْتُمْ فَلَكُمْ رُءُوسُ
أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ ۗ
al-Baqarah: 278-279

Translation: 278. O you who believe! Be careful of (your duty to) Allah and relinquish what remains (due) from usury, if you are believers. 279. But if you do (it) not, then be apprised of war from Allah and His Messenger; and if you repent, then you shall have your capital; neither shall you make (the debtor) suffer loss, nor shall you be made to suffer loss.

The above verse is evident from al-Qur’ān regarding the prohibition of *ribā*. This prohibition is mentioned in the four phases of the revelation covered in al-Qur’ān *surah al-Baqarah* verse from 275-281. The first stage of the revelation was the declaration that *ribā* eliminates the blessing of Allah from the wealth. The second phase highlighted Allah’s disapprobation on *ribā*. The third revelation ordered Muslims to stay clear from *ribā*. Finally revealed, Allah clearly established the distinction between *ribā* and trading. That was then further stated whereby the people who ignored the prohibition of *ribā* are in war with Allah and His Massager (Kettell, 2011, p. 31).

In the Ḥadith (saying of Prophet Muḥammad PBUH), the Prophet cursed the people who involve in *ribā*. According to the Ḥadiths:

Reported by Muḥammad al-Bukhārī, *Ṣaḥīḥ al-Bukhārī* (Mecca: *Maktabat al-Nahḍah al-Ḥadiah*, 1377 AH) Ḥadīth No. 6857, and 2766, it is mentioned that Prophet Muḥammad cursed ten people: “The one who consumes *ribā*, the one who pays *ribā*, the one who writes it down, the two who witness it, the one who makes it lawful, and the one for whom it is made lawful”. Further, in Muslim al-Naisaborī, *Ṣaḥīḥ Muslim* (Riyadh: *Maktabat al-Rushd*) Ḥadīth No. 89; “Abū Hurairah narrated that Prophet Muḥammad (PBUH) said: ‘Avoid the seven things which will lead to doom.’ He then listed them and listed *ribā* amongst them” cited in (Harasani, 2013, p. 290).

Taken together, the evidences presented above from both al-Qur’ān and Ḥadith have clearly established the prohibition of *ribā*. Of which the fundamental basis of the IBs establishment lies on this, thus the principles of IBs should be according to Islamic values. Considering this, the discussion upon the principles of Islamic banking is further presented here in the following section.

2.2.3 The Principles of Islamic Banking

Massively explained in the related literature, the central principle of the IBF is the prohibition of *ribā*. Kettell (2011, pp. 31-32) explained the basic idea of an IB is to operate

based on a profit and loss sharing (PLS) system. In order to have this realised, Kettell (2011) explained some key principles of IBF as follows:

...*One*, predetermined loan repayments as *ribā* is prohibited. *Two*, profit and loss sharing are at the heart of the Islamic system. *Three*, making money out of money is unacceptable; all financial transactions must be asset-backed. *Four*, speculative behaviour is prohibited. *Five*, only *Sharī'ah*-approved contracts are acceptable. And *six*, contracts are sacred (p. 33).

Further, as an IB has the function to serve people, particularly in collecting funds, thus the principles should consider religious aspects. According to Sadr (1982), the principle of IBs in offering deposit services shall cover the following:

...*one*, (banks) should provide more than commercial banking services, receiving charges at rates oriented to cost of services. In the name of charging commission, a banking service should not become a cover for any capitalistic exploitation. *Two*, the services of banks, for which they are paid, should not cause any damage to the society whose overall interests they are expected to serve. *Three*, the banking methodology should not in any way contradict the Islamic ideology. On the contrary it should conform precisely to Islamic Laws... (p. 13).

Explained all above, thus the principles of the IBF have clearly established here. Of which the IBF has been pioneered to eliminate *ribā*-based deals, the principles of the IBs are subject to conduct businesses based on the Islamic ideology. With this explained, a further space is available here to have a detail explanation upon the fundamental differences between IBs and CBs. For this, the next section will drive our knowledge into the subject matters.

2.2.4 Fundamental Differences between Islamic Bank and Conventional Bank

Undoubtedly established, the IBs have different principles in business operations from the CBs (Hanif, 2011; and Ibrahim & Ismail, 2015). While the CB is massively known as a profit-oriented institution which is friendly to *ribā*-based transactions, the IB is religiously driven. In this, the IBs' authentic foundations are built upon under the promotion of equitable distribution of wealth (Khan, 1997, p. 24), *Sharī'ah* ethics

(Bedoui, 2012, p.3, and Haniffa & Hudaib, 2007, p.98), religious business philosophy (Haniffa & Hudaib, 2007, p. 97), Islamic moral economy (Asutay, 2012, p. 94), and Islamic worldview (Laldin & Furqani, 2013, p. 32). With this in mind, the presence of the IBs is expected to bring *Maṣlaḥah* (public interest) for the enhancement of human well-being. In consequence, analysing an IB performance should consider religious features as captured in *Maqāṣid al-Sharī'ah* theory (Laldin & Furqani, 2013).

On the basis of CB as a profit-oriented institution, thus analysing a CB performance shall limit to the efficiency and the productivity measures. Meanwhile, given a function of delivering Islamic values in banking industry, therefore, analysing an IB performance requires different method substantively. With a different fundamental ideology, a conventional benchmark will not perfectly match to measure an IB performance, in special aspect of *Sharī'ah*. Explained this, thus is evident that CBs and IBs are essentially different.

With the above sections (2.2.1 – 2.2.4), author has established a general introduction to IBF include the principles of IBF and the fundamental differences of IBs and CBs. Of which the population of this study is the IBs in Malaysia and Indonesia, thus, a detail section discussing the history of the IBs in these countries is central for a comprehensive insight. For this, below section discusses this topic.

2.2.5 Brief History of Modern Islamic Banking

In general perspective, of which the relationship between an investor and a worker related to the activity of the business in the banking industry, historically documented, this practice may refer to that of the practice performed by Prophet Muḥammad PBUH, back in the period of pre-Islam. In this, Khadijah, the then wife to the Prophet, began her relationship with the Prophet as an investor and a worker. In a study conducted by Koehler (2009), the finding indicated that Islamic finance is a pioneer of a capital venture in the

Medieval Ages. Koehler explored the practice of *commenda*, a well-known legal structure to medieval Italian merchants, was identified practicing *qirād*. *Commenda* was a commercial form which connected investors and entrepreneurs. In another form, it was also utilised by Italian merchants to ship their goods across the Mediterranean. Meanwhile, *qirād* is a contract of partnership in the form of capital venture with a profit sharing system. Back to the time of the Prophet, the relationship of investor and worker between Khadijah and Muḥammad PBUH was an example of practicing *qirād* contract. On this basis, Koehler (2009) highlighted the modern practice of *commenda* in the Medieval Ages may be traced back to the business activities performed by Prophet Muḥammad PBUH.

Of which a history related to the modern practice of the IBs can be factually traced back to 1963, the two IBs which were Myt-Ghmar Bank in Egypt (Khan & Porzio, 2010), and *Tabung Haji* (Pilgrims Saving) in Malaysia (Al Nasser & Muhammed, 2013) had established in that period. The Myt-Ghmar Bank was initiated by Abdul Aziz Ahmad El-Najjar which had offered banking products for the rural areas it operated. The bank is the pioneer of the IBs establishment, and is worldwide recognised within the IBF literature. Even so, the bank was closed in 1967 for political reasons (Wahyudi, Rosmanita, Prasetyo, & Putri, 2015). On the other hand, the *Tabung Haji* of Malaysia keeps growing and is evident for the success of managing the pilgrim funds in nowadays history (Al Nasser & Muhammed, 2013).

Further documented, the initial establishment of the IB was continued to take place in 1969 with the conference of the Organisation of Islamic Cooperation (OIC) in Kuala Lumpur. In 1973, the Philippine Amanah Bank which is the development bank of the Philippines, was established (currently known as Al-Amanah Islamic Bank). Later on, in 1975, Islamic Development Bank (IDB) in Jeddah, Saudi Arabia, and Dubai Islamic Bank

formed their footprint of the establishment. In 1977, the two IBs include Faysal Islamic Bank in Sudan and Egypt, and Kuwait Finance House, were established. In the 1980s, the Islamic commercial banks and Islamic investment banks made their tracks (Wahyudi, Rosmanita, Prasetyo, & Putri, 2015), include Bank Islam Malaysia, which was established in 1983 (Al Nasser & Muhammed, 2013).

Summarised the above, author has presented a general history of modern IBs as per discussed in the section (2.2.5) above. Further, with our interest here is to analyse the performance of IBs in Malaysia and Indonesia, a deep elaboration upon the industry history from these countries becomes critical. In this respect, the following sections provide this related discussion.

2.2.5.1 Islamic Banking in Malaysia

Malaysia has started its footmark on establishing IBF with *Tabung Haji* in 1963. The bank was formed as a specialised institution managing its national pilgrim funds, and is further developing until recent days. In Islamic commercial bank, Malaysia has started this in 1983 with Bank Islam Malaysia Berhad. Following this, almost two decades later, another full-fledged IB which is Bank Muamalat Berhad, started to operate in 1999 (Al Nasser & Muhammed, 2013).

In line with expectations, the government of Malaysia experienced significant confidence on the IBF industry (Al Nasser & Muhammed, 2013). This is evident as its central bank, Bank Negara Malaysia (BNM), had issued “*Skim Perbankan Tanpa Faedah*” (interest-free banking scheme) on March 1993. This regulation has allowed the conventional commercial banks offering the *Sharī‘ah*-compliant services (then known as Islamic Windows Bank). Since then, this scheme has made significant contributions to the development of the IBs in the country.

Experiencing a legal framework development, the IBs in Malaysia was firstly legally recognised under the Laws of Malaysia Act 276, Islamic Banking Act (IBA) 1983. This legal recognition was repealed in 2013 with a new legal framework, called as Islamic Financial Services Act (IFSA) 2013, under Laws of Malaysia Act 759. In the current legal framework, the IB in Malaysia refers to Islamic banking business, which means:

... (a) accepting Islamic deposits on current account, deposit account, savings account or other similar accounts, with or without the business of paying or collecting cheques drawn by or paid in by customers; or (b) accepting money under an investment account; and ... (IFSA, 2013, p. 13).

The IFSA 2013 has legalised a number of *Sharī'ah* governance principles through legislative level, and is believed to have had a significant impact for the development of IBF in Malaysia. This issuance is seen as a revolutionary footprint to enhance a *Sharī'ah* governance initiated from a governmental level (Muneeza, 2014).

Of which the development of worldwide IBF is promising, the government of Malaysia on August 2006 further responded this with announcing its initiative of Malaysian International Islamic Financial Centre (MIFC). This is to position the country as international Islamic finance hub serving ASEAN (Association of South East Asian Nations), East Asia, South Asia and the Middle East. This MIFC is an international platform for *Sukuk* origination, Islamic wealth and fund management, Islamic international banking, international *Takaful* and human capital development (Thani & Hussain, 2010).

From the time the IBs been initiated to this research is conducted, there are 16 IBs currently operating in Malaysia. They include 10 local IBs and 6 foreign IBs. These local IBs are (1) Affin Islamic Bank Berhad, (2) Alliance Islamic Bank Berhad, (3) AmBank Islamic Berhad, (4) Bank Islam Malaysia Berhad, (5) Bank Muamalat Malaysia Berhad, (6) CIMB Islamic Bank Berhad, (7) Hong Leong Islamic Bank Berhad, (8) Maybank

Islamic Berhad, (9) Public Islamic Bank Berhad, and (10) RHB Islamic Bank Berhad. Meanwhile, the foreign IBs are (1) Al Rajhi Banking & Investment Corporation (Malaysia) Berhad, (2) Asian Finance Bank Berhad, (3) HSBC Amanah Malaysia Berhad, (4) Kuwait Finance House (Malaysia) Berhad, (5) OCBC Al-Amin Bank Berhad, and (6) Standard Chartered Saadiq Berhad.

2.2.5.2 Islamic Banking in Indonesia

Indonesia has established its track on the Islamic banking industry in 1983 with its Central Bank's (Bank of Indonesia – BI) deregulation, of which had endorsed the local banks to set the interest rate individually. This has marked the birth of Islamic banking system in the country. Following this, BI issued another strategy of banking liberalisation in 1988 with “Pakto88” (*Paket Kebijakan Deregulasi Perbankan 1988*). This release is considered to have opened new era for Indonesia's banking industry.

Thereafter, in 1990 local *Ulamā* Indonesia (MUI) held a conference discussing the formation of an IB. The conference had result to a substantive project to establish an IB. The plan was then executed with the assistance from the Association of Indonesian Muslim Intellectual (ICMI). The project of the IB establishment was further supported by Mr. Suharto, the serving President of the Republic Indonesia during the period. Two years later, Indonesia then marked the two-big event of its IBF initiatives in 1992. Those were the establishment of Bank Muamalat Indonesia (Sobol, 2016), and the amendment of Indonesia's Banking Law No. 7 of 1992 which regulated the adoption of dual banking system (Hamzah, 2010).

Managing its IBF related legal framework, Indonesia has been experiencing this with a further advancement. The government has updated its IBF legal basis with the Law No. 10 of 1998. This act had allowed the CBs to open its branch (unit/window) offering *Sharī'ah*-compliant banking products and services. The law was then further revised with

the Act of Islamic Banking under Laws of Indonesia No. 21 of 2008. This act regulates a comprehensive procedure for conventional banks to convert their licenses into Islamic bank (Hamzah, 2010). Under the current Act, the IB in Indonesia is defined as follows (is translated from Bahasa¹³ into English):

Islamic banking is everything related to Islamic Bank and Islamic Business Unit (Islamic Windows), includes institution, business activity, along with way and process in conducting its business activity.

Of which the role of BI under the Bank of Indonesia Law, Act 23 of 1999, was further amended with the Act No. 3 of 2004, BI has a position as the authority to develop policies, instruments and regulations that comply with *Sharī'ah* principles for all the IBs in Indonesia. With this, the IBF development in the country has impacted significantly (Hamzah, 2010, p. 104). In 2012, BI published new regulations which categorised the national banking industry according to their core capital. This regulation is known as Commercial Banks based on Business Activities (*Bank Umum Berdasarkan Kegiatan Usaha – BUKU*). The banks are classified into four BUKUs. The banks with core capital from Rp100 billion to Rp1 trillion, Rp1 trillion to Rp5 trillion, Rp5 trillion to Rp30 trillion and Rp30 trillion above, are classified into BUKU 1, BUKU 2, BUKU 3, and BUKU 4, respectively (Ernst & Young - EY, 2017).

Further documented, the government of Indonesia had shifted the authority of BI in supervising its national banking to Financial Services Authority (*Otoritas Jasa Keuangan – OJK*) in 2013. This transfer of power was effective two years later after the issuance of the Laws of Republic Indonesia No. 21 of 2011 regarding OJK. In 2016, OJK then further updated the regulation of BUKU to improve resilience, competitiveness, and efficiency

¹³ The Bahasa version; “*Perbankan Syariah adalah segala sesuatu yang menyangkut tentang Bank Syariah dan Unit Usaha Syariah, mencakup kelembagaan, kegiatan usaha, serta cara dan proses dalam melaksanakan kegiatan usahanya*”.

of Indonesian banking industry, and to support economy growth of the country (Bank Indonesia, 2012).

With about 25 years' experience in the IBF industry, currently there are 13 (thirteen) full-fledged IBs, 21 (twenty-one) window IBs, and 167 (one hundred sixty-seven) rural IBs operating in Indonesia at the time of this study. These full-fledged IBs are (1) PT. Bank Aceh Syariah, (2) PT. Bank Muamalat Indonesia, (3) PT. Bank Victoria Syariah, (4) PT. Bank BRISyariah, (5) PT. Bank Jabar Banten Syariah, (6) PT. Bank BNI Syariah, (7) PT. Bank Syariah Mandiri, (8) PT. Bank Mega Syariah, (9) PT. Bank Panin Dubai Syariah, (10) PT. Bank Syariah Bukopin, (11) PT. BCA Syariah, (12) PT. Maybank Syariah Indonesia, and (13) PT. Bank Tabungan Pensiunan Nasional Syariah.

In summary, this section (2.2) has come out with an overview of the IBs. This has covered the understanding of the IB and other relevant information. Besides, it has also covered general history of the IBs, include that of in Malaysia and Indonesia. With the above discussed, author has provided the relevant theories ground the general IB, and that of specific phenomenon in Malaysia and Indonesia. Of which our discussion here has covered these substantive grounds, a detail discussion upon the differences between industry of IBs in Malaysia and Indonesia is further taken into account. This discussion is critical to establish the ground of the subject matters.

2.2.6 The Differences between the Practice of IBs in Malaysia and Indonesia

Along with the aim of this research is to analyse the IBs in Malaysia and Indonesia, the discussion upon the differences of the industry between the two countries is central for a wide-ranging outlook. In this section, the information here is from the author's experiences and knowledge, of which is written either inductively or deductively.

Historically experienced, the above sections (2.2.5; 2.2.5.1-2.2.5.2) have informed that Malaysia had firstly begun the initiative of establishing the IBF system by a quarter century earlier, compared to Indonesia. With this longer experience, it may be an indication as the factor of Malaysia which is more advanced in the practice of IBF compared to that of in Indonesia.

Further, it is commonly known among the discussion of the experts, of which the governments support for the IBF industry are different. In Malaysia, a proxy states its well-established IBF system is because the government support, based on the ruling from the top to the bottom. As such, it is easier for the industry to grow up rapidly responding the system implemented. Meanwhile, that of the practice in Indonesia is experienced to be very slowly developed. For many believes, this sluggish development is due to a lack of the government support. For this, a statement refers to the unwillingness of the government to convert one of its CB (nationally owned company) into a full-fledged IB could be a hypothetical evidence. Recently experienced in 2018, one of the rural IBs (Bank Aceh), has converted into a full-fledged rural IB which had increased Indonesia's IBs market share up to 5 percent. Commenting this, author sees the phenomenon is a paradox, considering Indonesia has the biggest Muslim population with the IBF existence of almost three decades, yet the IBs' market share is very small.

Practicing the *Shari'ah*-compliance, author noted upon the behaviour of some Indonesian scholars who tend to claim to be more compliant to *Shari'ah*, compared to that of Malaysian. In this, those people shall take the practice of a full-fledged IB. In Indonesia, a full-fledged IB is an IB operates individually as an entity. Shall a CB plan to conduct a *Shari'ah*-compliant business, this must be executed in a different system, include the building. It says, a bank cannot practice the two systems (Islamic and conventional) in one roof, unlike that of the practice in Malaysia. Responding this, author

sees such the Indonesian practice is somehow emotionally motivated, of which to actualise a fully *Sharī'ah* system, meanwhile, the Malaysian one is more rationally driven. For this, author offers an example of an efficient practice regarding a bank offers both Islamic and conventional products within one roof, or say, management. This practice could be more efficient given the existing technology and the advanced management of the main bank. And to some extent, this brings much more *maṣlahah* for the business practices as the operating costs is lower; no fees for renting the building, no fees for technology, and no other related fees.

Further, individually experienced during learning, author has received the information condemning Malaysia's practicing the (*'aqd*) contract in the IBF, mentioning to be liberally practiced, even this liberal term is failed to be understood substantively. For example, the practice of *bay inah* (now is already revoked) and the *tawarruq*, of which is seen as an effort of financial engineering to making the conventional practices to be compliant to *Sharī'ah*. Remarking this, author opines this information is a subjective issue, comes from the failure to understand both of the sciences of finance and the *Sharī'ah*.

Empirically proven related to *Maqāṣid al-Sharī'ah* performance, author has observed related researches comparing the IBs Malaysia and Indonesia using the MSI, of which this shall be further elaborated in the next section. To brief this, those evidences have found that the sampled Malaysian IBs, in some occasion, were performed higher compared to that of the sampled Indonesian IBs.

Discussed the above, the differences of the IBF practices in Malaysia and Indonesia can be seen from several views. These include the duration of the countries experiencing the IBF implementation, the legislative supports, the scholars perspective from both the

countries in practicing *Sharī'ah*-compliance in IBF, and the evidences from the related scholarly works.

With this insight of the dissimilarities between IBs industry in Malaysia and Indonesia, author has presented the appropriate grounds of the subject matters. From this, our next section shall continue to discuss the idea of banking performance. The elaboration shall further cover a review of the shortfall in the method to analyse the IB performance. Finally discussed here, author shall elaborate in detail the *Maqāsid al-Sharī'ah* theory as the benchmark in analysing IB performance.

2.3 Banking Performance

Let us begin with a question, 'what is banking performance?' To answer this, here author shall firstly elaborate the perspective of a bank's shareholders on their interest in investing their fund, to get an idea of measuring banking performance from the conventional approach. This elaboration include conventional banking performance indicators and the correlation with banking competitiveness.

From a general perspective, the interest of a bank's shareholders is profit. Those shareholders want to maximise their gains while maintaining low cost. In consequence, speculative motives occur among shareholders of a bank regarding profit distribution from their investment; whether they choose dividends or an increase of the share price of the bank. For this, the economic theory of profit maximisation equals to cost minimisation is far from practical due to exogenous factors. Further, incentive and inefficiency problems take part on banking performance. Incentive problems occur as bank's ownership and control are separated of which leads to a conflict of interest between shareholders and the bank management. The inability of a bank's shareholders to control adequately the management may result in either profit being maximised or cost being minimised. Additionally, efficiency is important in measuring banking performance as it

acts for policy-making in reacting to the dynamics of the single market (Bikker & Bos, 2008).

Further, Bikker (2010) explained banking performance indicators and their correlation with competition. These performance indicators include efficiency, costs, profit and market structures, including number of banks and concentration. Efficiency and market share of number of banks have a positive correlation with competition. Costs have negative correlation, while profit's negative correlation with competition needs a further investigation. A concentration of market structures has a conflicting correlation with competition. In addition, Koch & MacDonald (2015) explained the term of 'high performance' bank which means; a bank generates high income while maintaining acceptable level of risk.

With the above elaboration, some ideas of banking performance can be inferred, include profitability, efficiency, costs and market structure. Considering this, the conventional benchmark for measuring banking performance shall relate to analysing these matters. To gain in-depth into this conventional benchmark, the following section discusses the subject matters.

2.3.1 Conventional Approach to Analyse Banking Performance

The approach of conventional measure to analyse banking performance shall utilise the framework of return on equity (ROE). This is because ROE can describe the trade-offs between profitability and risk as well as delivers the measures to identify between a bank which makes high profit and that of making low profit. It was David Cole in 1972 who introduced the procedure of evaluating bank performance using ROE model to analyse bank profitability, while at the same time able to recognise the risks, such as credit risk, liquidity risk, interest rate risk, operational risk, and capital risk. (Koch &

MacDonald, 2015, pp. 68-91). Figure 2.1 depicts the procedure of conventional yardstick to analyse banking performance under the framework of ROE:

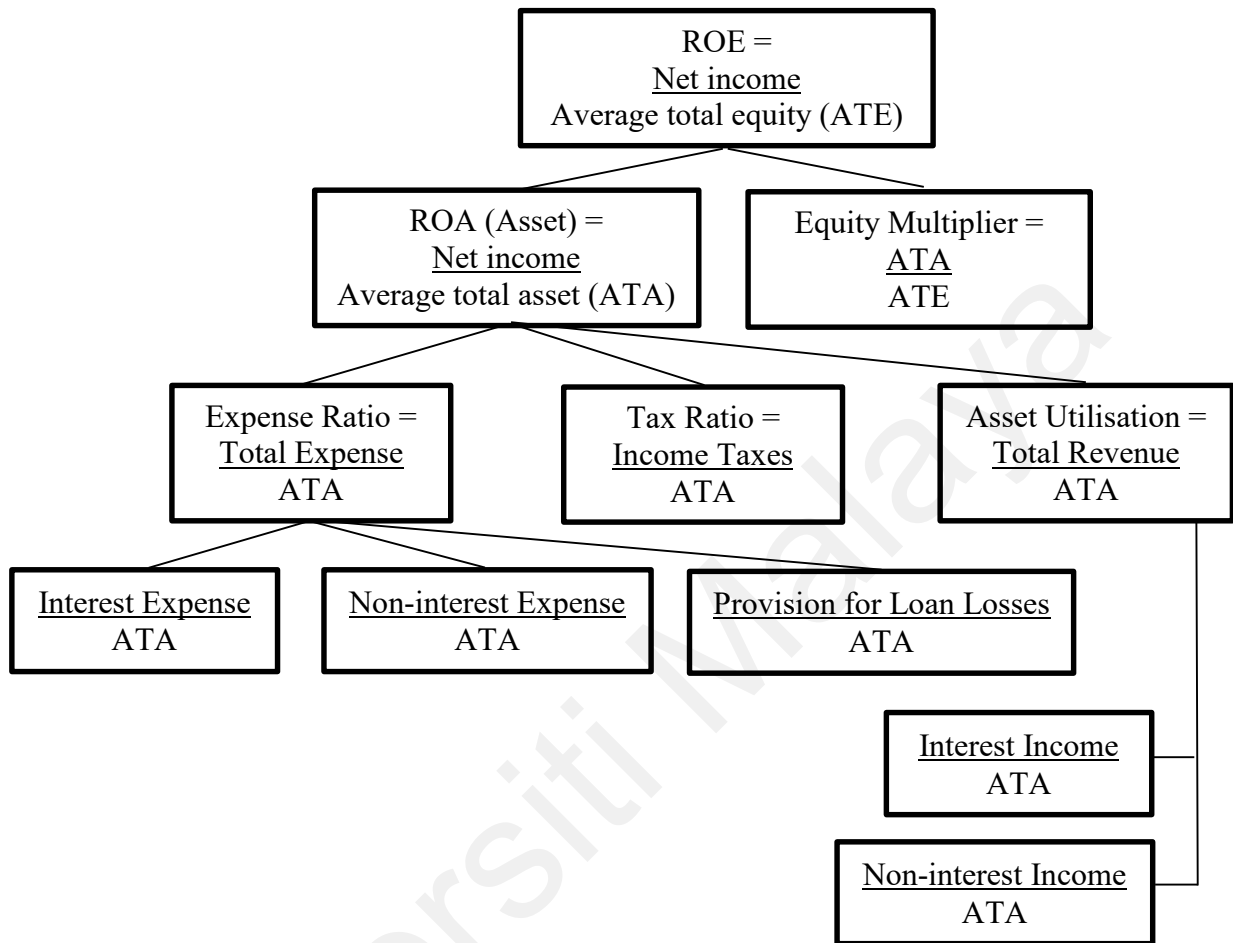


Figure 2.1: Decomposition of Return on Equity: The Nature of Bank Profits

Source: Cole (1972), cited in (Koch & MacDonald, 2015).

In figure 2.1, the decomposition of ROE is illustrated upon the process of the ROE being carried out in a bank, and the related procedures of financial ratios analysis to measure banking performance. With the above figure, it is further understood of which the conventional banking performance measurements are (only) related to the business (financial) measures, to reveal the financial circumstances.

The conventional method has further developed the CAMELS rating system to evaluate the financial circumstances of a bank in a single method. It measures a bank's soundness related to earnings quality and risk management practices (Koch &

MacDonald, 2015, p. 127). The following section further discusses this CAMELS rating system.

2.3.1.1 CAMELS Rating System to Analyse Banking Performance

The CAMELS rating system is an internationally standardised approach to evaluate a bank's soundness in the financial and managerial contexts (Muhmad & Hasim, 2015, p. 112). The sustainability of CAMELS rating system to analyse banking performance has been evidenced in numerous studies which have employed this framework. This as Rashid, et al. (2017, p. 1841) concluded:

The sustainability of CAMELS framework is proven by numerous researchers around the world which is still employed this method for their evaluation towards bank performance especially for health check financial performance. In annual report, CAMELS variables become the compulsory things to disclose especially for the subtopic under bank performance indicators. It is verified by reviewing top ten annual report in the developing countries. CAMELS indicators are important to test for financial soundness and as a precautionary step for any banking risk that may arise.

The CAMELS refers to 'Capital adequacy', 'Asset quality', 'Management quality', 'Earnings', 'Liquidity', and 'Sensitivity to market risk' (Koch & MacDonald, 2015, p. 127). The following is an explanation and measurement for each category:

(a) *Capital Adequacy*

Capital adequacy describes the bank's capability to preserve capital adequate towards the nature of banks' risks and the management's readiness to identify, measure, monitor, and control those risks (Koch & MacDonald, 2015, p. 127). The ratio measurement for capital adequacy is total equity over total assets (Vong & Chan, 2009). The formula for capital adequacy is $(\text{Equity}/\text{Total Liabilities \& Equity}) * 100$ (Merchant, 2012). The ratio is assumed to be as high as possible; this is because equity describes current financial position whereby total amount of a bank is portrayed. This means the higher is the ratio,

the more adequate is a bank capital as it is divided by the bank's total liabilities and equities.

(b) ***Asset quality***

Asset quality explains the amount of existing credit risk associated with the loan and portfolio investment as well as off-balance activities (Koch & MacDonald, 2015, p. 127). The ratio measurement for asset quality is loan loss provision over total loans (Vong & Chan, 2009). The formula for asset quality is $(\text{Loan loss reserve} / ((\text{Loans} + \text{Loan loss reserves}))) * 100$ (Merchant, 2012). This ratio is good to be maintained as low as possible given loan reserves accounts representing the total amount allocated to cover the loss. This means the less the amount covers, the less the loss is a bank.

(c) ***Management quality***

This above indicator represents sufficiency of the board of directors and senior management systems and procedures in the identification, measurement, monitoring and control of risks (Koch & MacDonald, 2015, p. 127). The ratio of management quality is cost to income. The formula for management quality is $(\text{Overheads} / ((\text{Net interest revenue} + \text{other operating income}))) * 100$ (Merchant, 2012). This ratio is good when it is in a lower position. This is because the bank's management being efficient in its business operation for cost outflows are minimised.

(d) ***Earning***

Earning shows the quantity and trend in earning include the factors cause the sustainability or quality of earnings (Koch & MacDonald, 2015, p. 127). The ratio of earning is return on average assets (ROAA) & return on average equity (ROAE). The formulas are $(\text{Net income} / \text{average total assets}) * 100$ for ROAA, and $(\text{Net income} / \text{average equity}) * 100$ for ROAE (Merchant, 2012). These ratios of ROAA and ROAE are good as they are higher. This is because ROAA describes the net income to total assets,

which means the higher the net income, the higher return a bank earns. As such, this shows the bank's ability to generate income. Besides, ROAE reflects the bank's ability to make profit from investors' and its own capital, whereby the higher the ratio indicates the more profit is gained. This increases the value of the bank commensurately.

(e) ***Liquidity***

This indicator is reflective for the adequacy of a bank's fund management and sources of liquidity (Koch & MacDonald, 2015, p. 127). The ratio measurement for liquidity is net loan to total assets. The formula is $(\text{loans} / \text{total assets}) * 100$ (Merchant, 2012). This ratio is good when it is in a lower position. This is because the ratio describes the net loan to total assets, meaning that the lower is the ratio, the lower is the non-performing loan, which indicates the better performance of the given loan.

(f) ***Sensitivity to market risk***

Sensitivity to market risk reflects the degree to which changes in interest rates, foreign exchange rates, commodity prices, or equity prices can unfavourably affect a bank's earnings or economic capital. In conventional community banks, market risk largely reflects experience to changing interest rate, thus effective management of interest rate risk (IRR) is advisable (Federal Deposit Insurance Corporation, 2015). The ratio measurement is based on interest expense ratio. The formula for sensitivity to market risk, in this regard IRR, is $((\text{interest paid} / \text{total deposit}) * 100)$ (Yulianto & Sulistyowati, 2012).

With the above section (2.3.1), the two conventional approaches in measuring banking performance were documented, they are ROE basis measurement and CAMELS rating system. With this knowledge, author has equipped the discussion with a relevant ground of the subject matters. Following this, we are now moving forward to the next section to

discuss the previous studies which have employed these conventional yardsticks to measure the IBs performance.

2.3.1.2 Review Related Works Employing Conventional Yardsticks to Analyse Islamic Banking Performance

Having conducted a comprehensive search throughout the internet, author has documented massive studies on this subject. The following sections review those of the previous studies which have employed the conventional benchmarks to analyse the IBs performance. The information below is from the studies conducted in several countries, include Pakistan, Malaysia, Indonesia and some other countries. The basis selection of those studies reviewed is based upon the author's convenience.

(a) *Studies Compared Pakistani IBs and CBs using CAMELS Rating System*

Jaffar & Manarvi (2011) compared the performance of 5 CBs and 5 IBs in Pakistan with a five-year examined period from 2005 to 2009. The study highlighted those of the findings stated that equity and loans were advantageous for IBs, yet IBs were less profitable and were inferior in efficiency compared to that of CBs. The study found the sampled IBs had performed better in terms of liquidity management compared to that of CBs. Nonetheless, with regard to profitability, the sampled IBs were found to be less profitable. Meanwhile, the similarity was found along the sampled IBs and CBs on the asset quality management. In this, both were found to be ineffective in the process of loan disbursement.

Kouser, Aamir, Mehvish, & Azeem (2011) conducted a comparative study examining the performance of 4 CBs and 4 IBs in Pakistan over a six-year examined period (2006 to 2011). The study tested five hypotheses derived from CAMELS rating whereby IBs' financial soundness is better than that of CBs under the CAMELS test. The study found

the sampled CBs' financial performances were better than that of the IBs during the examined periods.

(b) ***Studies on IBs and CBs Performance Analysis in Malaysia using CAMELS Rating System***

Rozzani & Rahman (2013) employed the CAMELS rating system to compare the performances of 19 CBs and 16 IBs operate in Malaysia over a four-year examined period from 2008 to 2011. The study found that the performance of Malaysian CBs and IBs investigated using CAMELS rating system were highly similar, particularly in terms of management quality which was found to be the best rating among the components.

Rahman & Masngut (2014) adopted the CAMELS rating system to detect financial distress among 17 IBs in Malaysia. They employed the data from annual reports of a five-year period (2006 to 2010). The study found the sampled IBs performed well over the examined periods in terms of financial performance applied in CAMELS rating. This indicated the IBs had a small chance to face financial distress.

Muhmad & Hasim (2015) examined the relationship between CAMELS rating system variables and the bank performance in Malaysia. They evaluated local and foreign owned banks over the period 2008 to 2012. They found some components of CAMELS rating system, which are capital adequacy, asset quality, earning quality and liquidity, were among contributing factors for better performance of banks in Malaysia.

(c) ***Studies on IBs and CBs Performance Analysis in Indonesia using CAMELS Rating System***

Toin (2014) investigated the performances of 5 IBs and 5 CBs in Indonesia. The study compared the performance of IBs and CBs over a three-year examined period from 2010 to 2012. The study developed a hypothesis derived from CAMELS framework. The study

found the hypotheses for capital adequacy and non-performing loan ratios were rejected. This means there was no significant difference in both IBs and CBs in those financial ratios. Further, the hypotheses for efficiency and profitability were accepted. In this, the sampled CBs performed higher in both ratios, indicating the CBs were more profitable and efficient. In addition, the hypothesis for liquidity was also accepted. In this, the sampled IBs performed highest on this ratio. This means the sampled IBs were more liquid during the examined periods.

Lupa, Parengkuan, & Sepang (2016) compared the performance of IBs and CBs in Indonesia over a four-year examined period from 2009 to 2012. The study found both IBs and CBs performed almost similar in terms of capital adequacy, return on equity (ROE) and liquidity ratios. However, CBs outperformed IBs in terms of non-performing financing and return on asset (ROA) ratios. This indicated the sampled CBs had better management efficiency during the examined periods.

(d) ***Review Related Works Comparing Islamic and Conventional Banks in Terms of Productivity and Efficiency***

Samad (1999) compared the efficiency between CBs and IBs in Malaysia. The study sampled the banks performances from 1992 to 1996. The examination which covered productivity and managerial efficiency on sources and the use of the bank's fund through weighted ratios approach. Productive efficiency was measured with profit maximisation, loan recovery and investment utilisation. Managerial efficiency was measured under the tests of return on asset (ROA) and return on equity (ROE). The study found the CBs in Malaysia during the examined periods performed higher in managerial efficiency, while the results of the productivity test were varied. The IBs were found to be less efficient compared to CBs as its earned profit from its investment was lower than that of the CBs. However, in terms of managing liquidity, IBs were superior.

Hassan (2006) investigated relative efficiency of the IB industry worldwide in the period 1995 to 2001 with both approaches of parametric and non-parametric tests using a panel of banks. Parametric approach covered cost and profit efficiency, while non-parametric test covered data envelopment analysis (DEA) which measured the scores of cost, allocative, technical, pure technical and scale efficiencies. The scores were calculated and correlated with conventional accounting measures of performance. The study indicated the industry of IB was less efficient compared to that of CB during the studied periods. The finding was also highlighted the allocative inefficiency had more driven the industry's inefficiency than had the technical ineptitude.

Taken together, the evidences presented in above section (2.3.1.2) have provided the results of the IBs performance as they are analysed using the conventional benchmark. From this, it is evident that comparing the performance of IBs and CBs using the benchmark, had resulted the so-called IBs being inferior to CBs. In this, the conventional offered only the insight into the financial circumstances of a bank, yet failed to investigate the *Sharī'ah* features. Concerning this evidence, the following section shall more elaborate this issue.

2.3.1.3 The Inferiority of Islamic Banks Performance Analysed using Conventional Methods

Reviewing the above, it is evident from the studies of Samad (1999), Hassan (2006), Jaffar & Manarvi (2011), Kouser, Aamir, Mehvish, & Azeem (2011), and Toin (2014), Lupa, Parengkuan, & Sepang (2016), in which the sampled IBs were less profitable and less efficient compared to that of the CBs. Responding this, some researchers are of the view of an inaccuracy on the study compared the performance of IBs and CBs using the conventional yardsticks. In this regard, Mohammed & Taib (2010) stated:

... Given the long list citing IBs to be less efficient and less performing than their counterparts, one cannot help but wonder what has gone wrong? Is it true IBs less capable than CBs due to some constraints experienced under the IB settings? Or is it because the performance measurements used do not take into consideration the varying obligations or responsibilities expected out of IBs?...

Further, of which the fundamental basis of IBs is different from that of CBs as clarified in the beginning chapter of this research, therefore, the characteristic of the IBs shall also be different from that of CBs. Explained this, thus comparing between IBs and CBs performances should be imprecise. To what extent, this further supports the idea of the different yardstick for analysing the IBs must be required. According to Koch & MacDonald (2015):

(Evaluating banking performance...) the analyst begins by gathering background information on the firm's operations, including specific characteristics of the business and intensity of competition, organisational and business structure, management character and quality... The evaluation should also identify the products or services provided and the bank's competitive position in the marketplace... (pp. 113-114).

Given the IBs' business structure, management character, product and services are different from that of the CBs, thus using the conventional benchmark to analyse their performance is inaccurate. From this basis, thus further supports the idea of the IBs should be analysed using a method which fits the characteristics of the IBs. In addition, Siddiqi (2001) as cited in Saoqi (2017) suggested the measurement of an IB performance should include the nature of the IB.

Clarified the above, author has further equipped this research with a comprehensive substantive grounds. To further support the discussion here, the following section highlights the shortfall on a benchmark to analyse an IB performance. This discussion shall brainstorm us with the relevant knowledge contributed by the former works, as an attempt to advance this gap in the knowledge.

2.3.2 The Lack of Method to Analyse Islamic Banking Performance

One of the most cited studies in measuring an IB performance was conducted by Mohammed, Razak, & Taib (2008). They highlighted the lack of the IB performance yardstick due to insufficient discussion upon the IB objectives. In this regard, previous studies on measuring an IB performance have frequently focused on measuring conventional results on an IB performance, such as profitability ratios, efficiency, and among others. Concerning this, Mohammed, Tarique, & Islam (2015) stated:

... there has not been any effort to measure the extent of the success of this harmonisation exercise and how it has reflected on the performances of Islamic banking... there is lack of proper *maqāṣid* based yardstick to capture the impact of the experiment on Islamic banking performance ...

Correspondingly, the present research urges the importance on measuring the IB performance using *maqāṣid* based yardstick due to substantive grounds. Before further elaborating the studies which have developed *maqāṣid* based yardstick, author shall firstly discuss the previous attempts in developing the method of an IB performance.

2.3.3 Review Related Works Developing Yardsticks to Analyse Islamic Banking Performance

This section firstly reviews the previous attempts in developing the method to measure the IB performance. This review covers those of the works which have considerably contributed to advance the IBF related literature, include the study of *Sharī'ah* auditing, Islamic disclosure and quantitative index, and ethical identity index. With this elaboration, our knowledge shall be further exposed to this essential information.

2.3.3.1 The Study of *Sharī'ah* Auditing

Of which the appropriate accounting and auditing standards to measure the IBs efficiency was lack back in a several decades ago, an effort to further establish this subject has been initiated by Khan (1997). He explained performance auditing for the IBs may

be practiced in the two areas. The first is the audit of the bank performance against a broader criteria to gain efficiency, effectiveness and competitiveness advancements. The second is the review of the financed customers by assigning external auditor, to evaluate the pre-agreed outputs made in the beginning contracts.

The practice of performance auditing for the IBs was further suggested with Khan's idea of incorporating the Islamic economic values. For instance, IBs' business lending activities should encourage market competitiveness, cancel market monopolies, ensure businesses be in line with the *Sharī'ah*, protect the environment, and commit to human development. Further discussed, Khan (1997) explained the two stages of the performance auditing, include feasibility studies and the evaluation of the approved ones. The scope evaluation of the IBs operations in Khan's article may cover the followings. The first is the compliance of operational management to the overall policy frameworks, in order to ensure an efficient performance. The second is the practice of financing activities, prominently in the treatment of *Sharī'ah* contracts to fulfil the satisfactory of capital owners. And the third is the disclosure of a valuable information of the business conditions, especially for the shareholders.

In his study, Khan (1997) did not specifically relate the performance auditing of the IBs to the objectives of *Sharī'ah*. Even so, the study mentioned several Islamic values which indirectly relates to the goal of *Sharī'ah*. Of which *Maqāṣid al-Sharī'ah* is undeniably critical to benchmark whether one particular IB has fulfilled the value of *Sharī'ah* or not (Dusuki & Bouheraoua, 2011), thus, linking this concept with the performance of the IBs is fundamental. Conducted the study, Khan (2007) has preliminarily began *Sharī'ah* auditing into a scholarly work which has unlocked the knowledge of this field, however.

2.3.3.2 The Study of Islamicity Disclosure Index (IDI) and Islamic Quantitative Index (IQI)

Ibrahim et al. (2004) developed the IDI and IQI to evaluate the performance of Bahrain Islamic Bank (BIB) and Bank Islam Malaysia Berhad (BIMB) over one period (2001 – 2002). The IDI and IQI aim to measure an IB's ability to reveal a beneficial information to their stakeholders within the annual (company) reports. The indicators of the IDI include *Shari'ah*-compliance, corporate governance, and social or environmental contribution, meanwhile that of the IQI include profit-sharing, *Zakāh* and equitable distribution performances¹⁴.

Ibrahim et al. (2004) employed a scoring approach to quantify the qualitative IDI and IQI. In this, the samples were scored 1 (one) if they were found to disclose the information built in the IDI and IQI, and conversely 0 (zero) if they did not inform so. Using their developed IDI and IQI, they found BIB outperformed BIMB with regard to providing information to the stakeholders during the examined period. From the study, a lesson can learn upon the industry practice of disclosing the valuable information to the shareholders for business advantage purposes.

2.3.3.3 The Study of Ethical Identity Index (EII) to Rank Actual and Ideal Ethical Identities of Islamic Banks

Haniffa & Hudaib (2007) developed the ethical identity index (EII) to investigate the performance of the IBs in Arabian Gulf region over a three-year period (2002 – 2004). This EII compares between the ideal identities of an IB to the performed one stated in the annual reports. This EII was adapted from the Western ethical business philosophy done by Gray & Balmer (2000). In the study, Haniffa & Hudaib (2007) designed the five

¹⁴ Refer to appendix A for the table of IDI and IQI for a better understanding on this developed yardstick.

themes of the ideal ethical identity of IBs into eight dimensions and seventy-eight constructs¹⁵.

Haniffa & Hudaib (2007) further designed a checklist method to quantify the qualitative EII. In this, they built scoring approach and equal weight to improve the reliability and validity of the method they used¹⁶. The developed EII were then further employed to analyse the performance of the 6 sampled IBs. The study found that BIB (Bahrain Islamic Bank) performed the highest under their EII analysis, while ARB (Al-Rajhi Bank) performed the lowest rank. The finding suggested the bank which achieved lower performance should improve its communication through the annual report.

Admitted some limitations, Haniffa & Hudaib (2007) explained the EII was considerably focused on the capitalistic context and the Western influence, while *Sharī'ah* adoption was less specifically referred. Nevertheless, the research has had a substantial influence for the related literature.

Of which the above sections (2.3.3.1-2.3.3.3) have presented the previous studies which have considered the idea of *Sharī'ah*, the theory of *Maqāṣid al-Sharī'ah* was not specifically elaborated within those works, however. The importance of discussing the *Maqāṣid al-Sharī'ah* in developing the IBF, include in that of the performance benchmark, is irrefutably critical due to fundamental aspect. With this in mind, our discussion shall now turn to elaborate *Maqāṣid al-Sharī'ah*, together with the former works which have developed the IB performance measure based on this theory.

¹⁵ Refer to Appendix B for the table of EII.

¹⁶ Refer to Appendix C for EII formula.

2.4 *Maqāṣid al-Sharī'ah* Theory and Islamic Banking Performance

With a fundamental idea within *Maqāṣid al-Sharī'ah* concept, the performance of the IB should be extended to this theory for accurate practices. Laldin & Furqani (2013) elaborated:

Maqāṣid al-Sharī'ah in Islamic finance (including IB) refers to the overall goals and meaning that the *Sharī'ah* aims to achieve from its philosophy, principles and rulings related to the financial activities and transactions.

From the above, the rationale of the importance of *Maqāṣid al-Sharī'ah* theory as a benchmark to analyse an IB performance is objectively enlightened. A valid interpretation on an IB performance can be realised when they are analysed based on this concept. Of which the *Maqāṣid al-Sharī'ah* is a broad theory which is not limited to only a benchmark for an IB performance, many of scholars have considered this theory to construct the Islamic yardstick. For example, Oladapo & Rahman (2016) stated:

... (*Maqasid Sharī'ah*) framework is a promising alternative for enhancing human development and well-being due to its consideration for individual and societal well-being, and its potential role in preventing destruction in the society.

Highlighted the above, this section (2.4) has briefed the importance on referring to *Maqāṣid al-Sharī'ah* theory as a benchmark in analysing the IB performance. For this, then it becomes important to confer the *Maqāṣid al-Sharī'ah* theory in-depth. Following this, our discussion here shall then move on to the next section to elaborate the definition of *Maqāṣid al-Sharī'ah*.

2.4.1 Definition of *Maqāṣid al-Sharī'ah* from Classic and Contemporary Thoughts

Synchronised Jurists' views on *Maqāṣid al-Sharī'ah*, Auda (2011) documented the definition from Muḥammad al-Ṭāhir ibn 'Āshūr (1325AH), Dhia' ul-Din Abd al-Malik ibn Yusuf al-Juwayni al-Shafi'i (d.478 AH/1085 CE), Abū Ḥāmid Muḥammad ibn Muḥammad al-Ghazālī (d.505 AH/1111 CE), Shihāb al-Dīn al-Qarāfi (d.684 AH/1285

CE), Sayf al-Din al-Amidi (1404AH), Ibn Qudāmah al-Maqdīsī (1399AH), Ahmad ibn al-Tayyib al-Sarakhsi, and Ibn Abdul Samad. According to those Muslim Scholars, *Maqāṣid al-Sharī'ah* is the objectives, purposes, intents, ends and principles behind the Islamic rulings which found expression in the philosophy, theory and fundamentals of law in various ways (such as public interests), the avoidance of mischief, the wisdom behind the scripts, the appropriateness of the juridical analogy, the basis behind juridical preference, the basis behind the presumption of continuity principle, and a large number of other tools for juridical *Ijtihad* (juristic efforts to obtain Islamic rulings).

Specialist of *Maqāṣid al-Sharī'ah* subject, Auda (2008) had identified the Muslim Scholars who explained *Maqāṣid* with their authentic interpretation which have contributed on *Maqāṣid* theory development, in the fifth to eight Islamic centuries. They are include al-Juwayni (d.478 AH/1085 CE) with 'public needs', al-Ghazālī (d.505 AH/1111 CE) with 'order of necessities', al-'Izz (d.660 AH/1209 CE) with 'wisdom behind the rules', al-Qarāfī (d.684 AH/1285 CE) with 'classification of prophetic actions', Ibn Qayyim (d. 748 AH/1347 CE) with 'what *Sharī'ah* is all about' and al-Shatibi (d. 790 AH/1388 CE) with '*Maqāṣid* as fundamentals'.

Further documented, the view of the Muslim scholars on *Maqāṣid al-Sharī'ah* has been well presented in Nizam (2016). In his doctoral thesis, *Maqāṣid al-Sharī'ah* from the thoughts of Muslim scholars are summarised as follows:

(a) ***Maqāṣid al-Sharī'ah According to Al-Imam Abū Ḥāmid Muḥammad ibn***

Muḥammad al-Ghazālī (d. 505 AH/1111 AC)

Al-Ghazālī explained:

The very objective of the *Sharī'ah* is to promote the well-being of the people, which lies in safeguarding their faith (*dīn*), their lives (*naḥs*), their intellect (*'aql*), their posterity (*nasl*) and their wealth (*māl*). Whatever ensures the safeguarding of these five serves public interest

and is desirable, and whatever hurts them is against public interest and its removal is desirable (Al-Ghazālī, 1987, cited in Nizam, 2016, p. 79).

(b) ***Maqāṣid al-Sharī‘ah According to Al-Imam ‘Izz al-Dīn ibn al-Salām (d. 660 AH/1261 AC)***

Al-Imam ‘Izz al-Dīn ibn al-Salām developed the theory of *al-Maqāṣid* by writing the books titled *Qawā‘id al-Ahkām fī Maṣāliḥ al-Anām* (Basic Rules Concerning People’s Interests). The ideas of Al-Imam ‘Izz were primarily based upon ‘wisdoms behind the rules’. He associated the legitimacy of rulings with their objectives and was mostly concerned with interest and mischief (Auda, 2008, p. 23).

Al-Imam ‘Izz al-Dīn ibn al-Salām stated:

The entire Law consists of interest: either it prevents that which would cause harm, or achieves that which would bring benefit. Hence, when you hear God say. “O ye who believed!”, reflect carefully on whatever admonition follows his summons, and you will be certain to find some good which he is urging you to do or some evil against which He is cautioning you... (*Qawā‘id al-Ahkām*, vol. 1, p. 8, cited in Al-Raysuni, 2006, p. 32).

(c) ***Maqāṣid al-Sharī‘ah According to Al-Imam Al-Shātibī (d. 790)***

Al-Shātibī enlightened:

The primary goal of the *Sharī‘ah* is to free man from the grip of his own whims, so that he may be the servant of Allah by choice, just as he is His slave (in matters about which he has) no choice (Shātibī, 2011 in Al-Raysuni, 2006 and Dusuki & Bouheraoua, 2011, cited in Nizam, 2016, p. 79).

(d) ***Maqāṣid al-Sharī‘ah According to Ibn ‘Āshūr (d. 1393)***

Ibn ‘Āshūr stated the overall objective of Islamic legislation is:

...to preserve the social order of the community and insure its healthy progress by promoting the well-being and virtue (Īlāh) of the human being. The Īlāh of human beings consists of the soundness of their intellects and the righteousness of their deeds, as well as the goodness of the things of the world in which they live that are put at their disposal (El-Mesawi, 2006 and Dusuki & Bouheraoua, 2011, cited in Nizam, 2016, p. 80).

(e) *Maqāṣid al-Sharī‘ah According to Muḥammad Abū Zahrah (1958)*

Muḥammad Abū Zahrah explained the goal of *Sharī‘ah* as follows:

النحلية الأولى بتوفي بلبل فردني سيطي ع أن يكون صدر نجي لجمعه و يكون فيه شر حد
من الناس..الن افعال شلية إقامه ل عدل في الجماعة ا هي ال غن في طبعين ها، لل عدل مع
غيرها..الن احي ال ثالثه : غيلة م تقف في كل ا ك ية و هي الصلحة ...

The first aspect is educating the individual, so that he can be good for other people and not becoming evil for others ... the second aspect is establishing justice in the community of Islam, the justice between the community and justice to other people ... the third aspect is the goal in every Islamic rulings, it is welfare ... (Zahrah, 1958, pp. 364-366).

This *Maqāṣid al-Sharī‘ah* of Muḥammad Abū Zahrah was employed in the works of Mohammed, Razak, & Taib (2008), Mohammed & Taib (2010), Antonio, Sanrego, & Muhammad (2012), Jazil & Syahrudin (2013), and Saoqi (2017). On this basis, the present research shall also employ this explanation due to a substantive ground.

(f) *Maqāṣid al-Sharī‘ah in the Perspective of Contemporary Muslim Scholars*

The contemporary scholars, such as Abdul Majid Najjar (2006) and Chapra (2007), have also elaborated their views on *Maqāṣid al-Sharī‘ah*. In this regard, Abdel Majid Najjar (2006) explained *Maqāṣid al-Sharī‘ah* as incorporating the following concepts: *one*, safeguarding the value of human life which covers faith and human rights; *two*, safeguarding the human self which including self and intellect; *three*, safeguarding the society which shelters posterity and social entity; and *four*, safeguarding physical environment which covers wealth and environment (Bedoui, 2012). This *Maqāṣid al-Sharī‘ah* of Abdul Majid Najjar was employed by Asutay & Harningtyas (2015) and Bedoui (2012).

Given circumstances change with the times, the need to discuss *Maqāṣid al-Sharī‘ah* in the modern context is further urged. In this, with referring to al-Ghazālī (d. 505 AH/1111 AC), Chapra (2007) explored the five of *Maqāṣid al-Sharī‘ah* and extended the

explanation to the current context¹⁷. Of which each objective of *Sharī'ah* is equally important to each other, Chapra (2007) explained all these five objectives of *Sharī'ah* are interdependent. For instance, to actualise the development of wealth dimension, such as employment opportunities, this further requires to enrichment of intellect dimension, such as high quality of education. From this logic, Chapra (2007) has come out with an interconnected *Maqāṣid al-Sharī'ah*. With this in mind, such *Maqāṣid al-Sharī'ah* can be illustrated in the following figure:

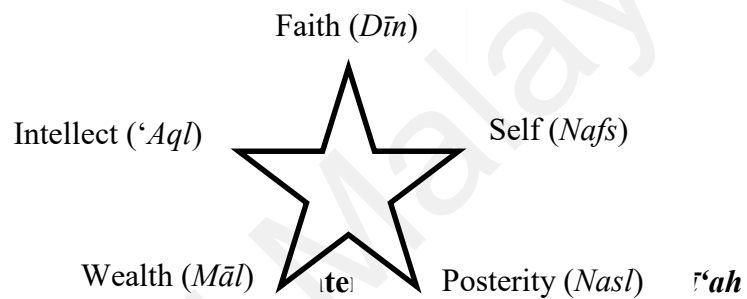


Figure 1

Source: (Chapra, 2007).

Presented the above section (2.4.1), author has elaborated upon *Maqāṣid al-Sharī'ah* understanding from both perspective of classic and contemporary scholars. Of which the MSI has employed the *Maqāṣid al-Sharī'ah* of Muḥammad Abū Zahrah, therefore, it is reasonable for the present research to further employ this *Maqāṣid al-Sharī'ah* due to substantive material concern.

2.4.2 Employing *Maqāṣid al-Sharī'ah* Theory as a Benchmark in Analysing Islamic Bank Performance

Of which the *Maqāṣid al-Sharī'ah* is an abstract theory, a further interpretation in its adoption as a yardstick for analysing an IB performance is required. For this, our section

¹⁷ Refer to Appendix D for Chapra (2007) explanation on *Maqāṣid al-Sharī'ah* subjected to current context.

here shall present those of the former studies which have adopted *Maqāṣid al-Sharī'ah* theory to develop the IB performance yardstick. The following discussion covers the study of Mohammed, Razak, & Taib (2008), Bedoui (2012), and Asutay & Harningtyas (2015).

2.4.2.1 A Review of *Maqāṣid al-Sharī'ah* Index (MSI) Study Done by Mohammed, Razak and Taib (2008)

In an orthodox view, a religious related concept is seen to be impossibly measured with number, and so does to some old-school Muslims' perspective. In the context of measuring *Maqāṣid al-Sharī'ah* quantitatively, the work of Mohammed, Razak, & Taib, (2008) has made this truly possible, however. In this, Mohammed, Razak, & Taib, (2008) performed three stages to develop *Maqāṣid al-Sharī'ah* index (MSI). First, they referred to *Maqāṣid al-Sharī'ah* of Muḥammad Abū Zahrah, which consists of educating the individual, establishing justice and promoting public interest. Second, they employed the method of operationalisation by Sekaran to break down those three objectives of *Maqāṣid al-Sharī'ah* into measurable variables. In this, the study described the objectives into the dimensions based on the clues figured in the objectives. Those dimensions were then defined into elements which were specifically laid on the IBs activities. These elements were then evaluated using the information gained from the IBs annual reports. For instance, the study defined *Sharī'ah* objective of educating individual as a dimension which is further translated as advancement of knowledge. In order to establish a measurable variables, this dimension is further detailed into element. This element is described by a performance indicator of which the amount of education grant and research to the expenses. With this, such the objectives are translated and can be further measured quantitatively. Briefly, this second stage had resulted the developed MSI as in table 2.1 below.

Table 2.1: *Maqāṣid al-Sharī'ah* Index (MSI) by Mohammed, Razak & Taib (2008)

Concepts (Objectives)	Dimensions	Elements	Performance Ratios (PRs)
Educating Individual	D1. Advancement of Knowledge	E1. Education grant	R1. Education grant / total income
		E2. Research	R2. Research expense / total expense
	D2. Instilling new skills and improvements	E3. Training	R3. Training Expense / total expense
	D3. Creating Awareness of Islamic banking	E4. Publicity	R4. Publicity expense / total expense
Establishing Justice	D4. Fair dealings	E5. Fair Returns	R5. Profit / total income
	D5. Affordable products and services	E6. Affordable price	R6. Bad debt / total investment
	D6. Elimination of injustices	E7. <i>Ribā</i> free product	R7. Interest free income / total income
Public Interest	D7. Profitability	E8. Profit ratios	R8. Net profit / total asset
	D8. Redistribution of income & wealth	E9. personal income	R9. <i>Zakāh</i> / Net Income
	D9. Investment in vital real sector	E10. Investment ratios in real sector	R10. Investment deposit / total deposit

Source: (Mohammed, Razak, & Taib, 2008).

Following the above, the study then continued with the third stage for suitability verifications of the developed MSI, with interviewing the experts of IBs and CBs, Islamic Economics, and *Fiqh* from Middle East and Malaysia. In this, they appointed sixteen experts with a questionnaire to authenticate the weight of each objective. The experts then considered the average weights of the objectives in which 30 percent is for education, while the rest percentages of 41 and 29 are for justice and welfare respectively. In short, this third stage had resulted the weights given by the experts to the MSI as in table 2.2, of which those are the coefficient for the built variables.

Table 2.2: Mohammed, Razak & Taib's *Maqāsid al-Sharī'ah* Index Weighted by *Sharī'ah* Experts

Concepts (Objectives)	Average Weights (Out of 100)	Elements	Average Weights (Out of 100)
Educating Individual	30%	E1. Education grant	24%
		E2. Research	27%
		E3. Training	26%
		E4. Publicity	23%
		Total	100%
Establishing Justice	41%	E5. Fair Returns	30%
		E6. Affordable price	32%
		E7. Interest free product	38%
		Total	100%
Public Interest	29%	E8. Profit ratios	33%
		E9. personal income	30%
		E10. Investment ratios in real sector	37%
Total	100%	Total	100%

Source: (Mohammed, Razak, & Taib, 2008)

Employed the MSI, Mohammed, Razak, & Taib (2008) further analysed the performance of their 6 sampled IBs. Quantifying their developed performance ratios along with the assigned weights (coefficient) of each variable, they adopted the approach of simple additive weighting (SAW). For this, we shall focus on discussing this SAW in detail here.

(a) *The Adoption of Simple Additive Weighting (SAW)*

Fishburn (1967) explained SAW is one of a solutive methods in multiple attribute decision making (MADM) which discovers the weighted sums of performance ratings on each alternatives of all attributes (cited in Darmastuti, 2013). In other words, SAW is a value function established based on a simple addition of scores represent the goal under each criterion multiplied by the particular weights (Velasquez & Hester, 2013). SAW works as the weights are multiplied by the corresponding attribute values for each alternative and then summing across alternatives (MacCrimmon, 1968, p. 29).

On the above basis, in an MSI analysis, to get a total score for each sampled IB is done by multiplying the scale rating for each attribute with the evaluations obtained for each corresponding intra-attribute, and further adding the total score for the products (Mohammed, Razak & Taib, 2008). This can be mathematically formed as follows: (keep in mind that the weighted ratio – WR for objective 1 is denoted by WR O1):

Equation 2.1: Simple Additive Weighting (SAW) Applied in *Maqāṣid al-Sharī'ah* Index (MSI)

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

While referring to table 2.2 above, (O1) denotes the first *Sharī'ah* objective (educating the individual), W_1^1 is the weight (0.30) assigned to (O1). E_1^1 denotes the weight of 0.24 given to the first element of (O1). E_1^2 denotes the weight of 0.27 assigned to the second element of (O1). E_1^3 denotes the weight of 0.26 assigned to the third element of (O1). E_1^4 denotes the weight of 0.23 assigned to the fourth element of (O1). While $R_1^1, R_1^2, R_1^3, R_1^4$ denotes the ratio corresponding to the first, second, third and fourth element of (O1) respectively (the value is the performance ratios as applied in MSI, refer to table 2.1). Similarly, the WR for the objectives 2 and 3 are calculated as per above formula. Thus, the overall WR represents MSI which consists of the total sum of the weighted ratios of O1, O2 and O3.

Analysed the sample's performance with the above developed formula, Mohammed, Razak, & Taib (2008) found the Islamic International Arab Bank of Jordan outperformed other five sampled IBs over a six-year examined period (2000 – 2005). The rank was then followed by Bank Syariah Mandiri (Indonesia), Bahrain Islamic Bank, Islamic Bank Bangladesh, Bank Muamalat Malaysia and Islamic Bank (Sudan).

Of which the MSI has credited a significant novelty for the IBF related literature, some former researchers have further employed this to measure the IBs performance, include that of the IBs in Malaysia and Indonesia. In this respect, we are now turning to get insight into those studies to further establish our research space here.

2.4.2.2 Review Related Studies Which Have Employed the Study of MSI

With the help of the advanced technology of internet, author has recognised some former studies which has replicated the MSI investigating the performance of the IBs in some countries, include in Malaysia and Indonesia. For this, our section here intents to discuss them.

A study by Antonio, Sanrego, & Muhammad (2012) was found to be significantly cited of which comparing the performance of the IBs in Indonesia and Jordan. With the 4 selected sampled IBs of which Bank Syariah Mandiri (BSM) and Bank Muamalat Indonesia (BMI), and another two Jordanian IBs which were Islamic International Arab Bank (IIAB) and Jordan Islamic Bank (JIB), the study found the sampled IBs from Indonesia performed better compared to that of the sampled IBs from Jordan under their MSI analysis over a three-year examined period (2008 – 2010).

Replicated so, Jazil & Syahrudin (2013) ranked the performance of Malaysian and Indonesian IBs with the 6 sampled IBs of which 3 Indonesian IBs include Bank Muamalat Indonesia (BMI), Bank Syariah Mandiri (BSM) and Bank Mega Syariah (BMS), and 3 Malaysian IBs which were RHB Islamic Bank (RHB-IB), CIMB Islamic Bank (CIBB), and Bank Islam Malaysia (BIMB). Found in their MSI analysis, the highest performing sample was BMI, followed by BSM, BIMB, RHB-IB, BMS, and CIBB over a five-year period examination (2007 – 2011).

Analysed the performance of the full-fledged Indonesian IBs, Sudrajat & Sodik (2016) employed the MSI to conduct so. Sampled 9 Indonesian full-fledged IBs include Bank Panin Syariah (BPS), BCA Syariah (BCA-Sy), Bank Muamalat (BMI), Bukopin Syariah (BS), BRI Syariah (BRIS), BNI Syariah (BNI-Sy), Bank Syariah Mandiri (BSM), Maybank Syariah (MS) and Bank Mega Syariah (BMS), they found BPS performed the highest, while BMS performed the lowest under their MSI analysis over one-year period of 2015.

Further explored the empirical evidences upon the IBs performance on *Maqāṣid al-Sharī'ah*, Saoqi (2017) compared the performance of the IBs in Malaysia and Indonesia. With the two sampled IBs of which Bank Syariah Mandiri of Indonesia (BSM) and Bank Islam Malaysia (BIMB), he found BIMB performed better in overall indicators of the MSI, while BSM performed better only on the objective of justice (*'adl*) over a two-year examined period (2013 – 2014).

Having our sections (2.4.2.1-2.4.2.2) here, author has established understanding of *Maqāṣid al-Sharī'ah* and that of the MSI, along with the studies which have replicated so. With a considerable number of the studies employing the MSI, an indication for this is a significant contribution for the IBF related literature has been produced so by the MSI.

Apart from the above studies, there have also some researches employed *Maqāṣid al-Sharī'ah* theory as a benchmark to analyse industry (including IBs) performance. In this regard, the following section reviews another two studies which have developed a *Maqāṣid al-Sharī'ah* based performance yardstick.

2.4.2.3 Review Other Related Studies Which Have Developed *Maqāṣid*-Based Performance Measure

Another two related studies which have developed *Maqāṣid*-based performance measure were documented here. Those studies include the LSMSBP by Bedoui (2012), and the social performance evaluation by Asutay & Harningtyas (2015). Substantively considered here, thus, those two studies are critical for a comprehensive discussion.

(a) *Review of the Study Adopting Law of Sines on Maqāṣid al-Sharī'ah Based Performance by Bedoui (2012)*

Concerned with ethical advantage as a competitive benefit for the IBs, Bedoui (2012) referred to the view of Chapra's interdependent *Maqāṣid al-Sharī'ah* of which are balanced to each other. With this in mind, Bedoui (2012) argued such the *Maqāṣid al-Sharī'ah* can be mathematically solved using vector approach. In this, Bedoui applied the law of sines to calculate each area of sum 5 (five) triangle by firstly adopting the following formula:

Equation 2.2: Adopted Law of Sines on *Maqāṣid al-Sharī'ah* Based Performance by Bedoui (2012)

$$T = \frac{1}{2}bc \sin A = \frac{1}{2}ac \sin B = \frac{1}{2}ab \sin C$$

Further applied the above formula, Bedoui (2012) then created that of the *Maqāṣid al-Sharī'ah* based law of sines performance formula as follows:

$$\begin{aligned} T1 &= \frac{1}{2} * p1 * p2 \sin\left(\frac{2\pi}{5}\right) \text{ for human self (}naf\text{)}, \\ T2 &= \frac{1}{2} * p2 * p3 * \sin\left(\frac{2\pi}{5}\right) \text{ for faith (}deen\text{)}, \\ T3 &= \frac{1}{2} * p3 * p4 * \sin\left(\frac{2\pi}{5}\right) \text{ for intellect ('}aql\text{)}, \\ T4 &= \frac{1}{2} * p4 * p5 * \sin\left(\frac{2\pi}{5}\right) \text{ for posterity (}nasl\text{)}, \text{ and} \\ T5 &= \frac{1}{2} * p5 * p1 * \sin\left(\frac{2\pi}{5}\right) \text{ for wealth (}māl\text{)}. \end{aligned}$$

With the above formula, an orientation of the industry in *Maqāṣid al-Sharī'ah* performance can be illustrated in a five-triangle as in figure 2.3 below:

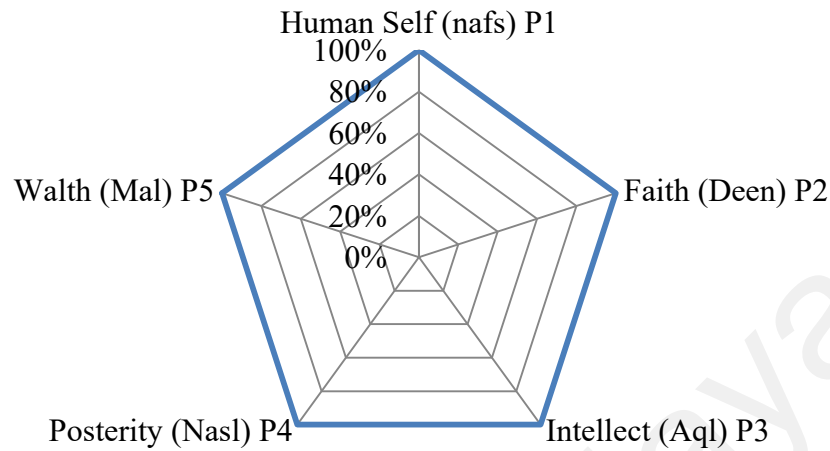


Figure 2.3: Illustrated *Maqāṣid al-Sharī'ah* in a Five-Triangle

Source: Bedoui (2012).

Of which an empirical evidence was absent within the above work, thus, the study was limited conceptually. Given the novelty of the study, it is reasonable to further employ this work, however. In this, the present study shall utilise this Bedoui's work, to measure the overall orientation of the IB performance in actualising *Maqāṣid al-Sharī'ah* in the banking industry.

Further commenting on Bedoui's LSMSBP, in the context of *Maqāṣid al-Sharī'ah* performance, the model was not developed to interpret either a better or a weaker performance upon the highest or the lowest performing samples. The study was set out to examine the orientation of the industry's performance in *Maqāṣid al-Sharī'ah*. Should an industry is found to highly performed in one particular objective of *Sharī'ah* under this method, this does not mean to either a good or a weak performance, rather this describes the sample's orientation on *Maqāṣid al-Sharī'ah* performance.

(b) ***Review Maqāsid-Based Yardstick to Evaluate Social Performance of Islamic Banks***

Concerned on the issue of social failure within the IBF industry, Asutay & Harningtyas (2015) referred to the former studies to develop *Maqāsid*-based performance¹⁸, to evaluate the realisation of Islamic moral economy within the IB industry. The study referred to the theory of *Maqāsid al-Sharī'ah* of Abdel Majid Najjar (2006) and employed the related studies which were IDI & IQI (Ibrahim et al., 2004), EII (Haniffa & Hudaib, 2007), MSI (Mohammed, Razak & Taib, 2008) and CAMELS rating system under the work of Jaffar & Manarvi (2011).

Conducted the three levels designs of analysis of which bank level, country level and industry level performances, the analysis was firstly estimated the arithmetic mean of each indicator. Following this, they referred Haniffa & Hudaib's scoring method to quantify their qualitative data, and further adopted Mohammed, Razak & Taib's applying Multiple Attribute Decision Making (MADM). Finally, they referred Bedoui's work to rank the samples based on the level of industry performance. With the sampled 13 IBs from six different countries over a five year examined period (2008 – 2012), the study found the highest score of the IB performance according to country level was performed by Indonesia with Bank *Sharī'ah* Mandiri (BSM). That was then followed by Pakistan, Malaysia, Turkey, Qatar and England.

Specifically commenting on the study of Asutay & Harningtyas (2015), author argues the dimensions on their developed yardstick seem to overlap each other. For example, in translating the faith dimension, Asutay & Harningtyas (2015, p. 25) referred to elements of 'interest free products' of MSI (Mohammed, Razak, & Taib, 2008) and 'product' of

¹⁸ Refer to appendix E for the *Maqāsid*-based performance in Asutay & Harningtyas (2015).

EII (Haniffa & Hudaib, 2007). Although the indicators are different, but the substantive dimensions are similar. Further, the overlap also seems to occur in the indicators of ‘rights & stakeholding’ (which are ‘employee appreciation’, ‘reward for employees’, ‘training’), with the indicators of ‘intellect’ (which also has ‘training expense’), and the indicator of ‘posterity’ (which also represents ‘employee expenses’). Of which Asutay & Harningtyas have also referred to the MSI of Mohammed, Razak, & Taib (2008), with this circumstance, the present research shall not fully employ the study of Asutay & Harningtyas (2015) for suitability reason. Even so, this research shall follow their analysis design consisting of individual bank, country level and overall industry performance.

Reviewing the above, author has presented a relevant insight into the main subject. From this, a detail gap in the knowledge shall be further identified in the following section, derived from the above discussion. This shall establish our research space here, and to some extent, to position this research in the IBF knowledge.

2.5 The Gap in the Knowledge and the Position of this Study for the IBF Literature

Finding out the gap in this knowledge, author has presented the section (2.4.2.2) of which the elaboration upon the studies replicated the MSI. Discussed this, author has documented those of the studies of which were limited to only rank the samples’ performance, and came out with the interpretation of a better performance of the studied samples. From this, author does not find any study which has explored a relevant information which indicates the samples’ achievements during an MSI analysis. With this ground, the gap in the knowledge is identified here, and thus becomes the concern of this research.

Further recognised, author sees the generalisability of the evidences from the studies presented in the section (2.4.2.2) is problematic, notably within the works of Antonio,

Sanrego, & Muhammad (2012) and Saoqi (2017). In this, of which the concept of operationalisation which has grounded the MSI is not meant to see correlation, reasons, consequences or antecedents, rather it describes its observable characteristics for measurement purposes (Sekaran, 2003, p. 182), therefore, such the performance interpretation within those two works of which claiming a better performance upon a sampled IB, is against this grounding theory. On this basis, another gap in this knowledge is further documented here.

Expounded the above, author has identified the relevant gap in the knowledge of the IBF, and thus drives the present research. Further positioning this research for the knowledge in the IBF literature, several differences of the present research from the former works need to a recognition. In this, three aspects shall truly distinguish this research of which; *first*, the selected samples which cover IBs in Malaysia and Indonesia. *Second*, the adoption of Bedoui's study to illustrate the sample's orientation on *Maqāsid al-Sharī'ah* performance. And *third*, this study presents relevant information communicated within sample's annual reports which indicate their achievement in the present MSI analysis.

Having the above elaboration upon the gap in the knowledge and the position of this study for the IBF literature, author has accurately equipped this research with a substantive ground. With this in mind, the discussion here has been well established scientifically.

2.6 Concluding Chapter

This chapter has discussed the literature related to this research. The discussion has covered introduction to the IBF including definition of IBF, the prohibition of interest, the principles of IBs, and the history of IBF. The discussion of the conventional method to analyse banking performance has also taken into account along with those of the studies

which employed the method to analyse IB performance. The discussion was then narrowed into reviewing former works which have developed a method to analyse an IB performance. Further, the discussion has highlighted the differences between IB and CB and the need to benchmark *Maqāṣid al-Sharī'ah* to analyse the IB performance. In the last section, this research has provided an insight into *Maqāṣid al-Sharī'ah* theory and the related studies which have developed *Maqāṣid al-Sharī'ah* based performance, along with the identification of gap in the knowledge. Elaborated this, the present study has provided relevant theories grounding the topic of this research.

Discussed this chapter, author has reviewed appropriate literature related to our topic here. With this, a systematic review has been well established, and to some extent, this has grounded this research scientifically. From this, our discussion shall now move on to the research methodology, to further discuss the subject matters.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

Turning now to the research methodology, the discussion here is central to present a systematic method of which the way this study is carried out. Here, the elaboration upon the research method, the research design, the population, the sampling method, and the data analysis method is discussed methodically in an accurate manner. To close this chapter, author provides concluding remarks in the final part.

3.2 Research Method

Of which this research has set four objectives as explained in the beginning, author has discussed systematically with the experts¹⁹, and confirmed that a descriptive research which adopts mix-mode method shall fit this study methodologically to achieve these objectives.

A descriptive research is to describe relevant aspects of the phenomena of the interests from an individual, organisational, industry-oriented or other perspective (Sekaran, 2003, p. 122). Here, it is expected the output from this study is able to generally describe that the IBs has actualised *Maqāṣid al-Sharī'ah* in the banking industry, and to specifically identify their performance related to the subject matters. To have this achieved under the four research objectives, therefore, a combination of both qualitative and quantitative is required. Concerning this, the following section further informs this method employed.

¹⁹ Author has intensely discussed with Dr. Kamaruzaman bin Noordin (Author's supervisor) during conducting this research. Doing so, this research was well equipped theoretically, include the research method. Additionally, during proposal defense and final comments from the examiners, author has received massive advises which are substantive pertaining to research method and other related matters, from Dr. Mohd Rizal bin Muwazir, and Dr. Azian bin Madun. Experienced this, scientific of this research is accurate.

3.2.1 Mixed Mode Research Design

Fundamentally, a mixed-mode research design employs both quantitative and qualitative analysis in a single study. Creswell J. (2012) described this as a process of collection, analysis, and combination of quantitative and qualitative methods in a study to interpret the problems discussed. In the present study, author has firstly employed qualitative approach to further develop the MSI, followed with quantitative calculation applied in the MSI and the LSMSBP, and finalised with a qualitative analysis to further support the findings from the quantitative investigation. Before further discussing this, author shall firstly introduce the sample related matters as follows.

3.3 Population and Sampling Method

Moving now to discuss our sample, this section begins with the definition of population. In this, a population in scholarly work is defined as an entire group of people, events, or things of interest which will be investigated in a research (Sekaran, 2003, p. 265). Given the interest of the present study is to analyse the performance of IBs in Malaysia and Indonesia, thus the IBs which operate in Malaysia and Indonesia are the population of this research. Reverting to the previous discussion within chapter two sections (2.2.5.1 – 2.2.5.2), this research has presented the names of the IBs operate in Malaysia (section 2.2.5.1) and in Indonesia (section 2.2.5.2). From the elaboration, thus we have 29 IBs as the population of this research²⁰. Further selected as the samples here, the following section shall elaborate this matter.

3.3.1 Purposive Sampling Method

Discussing now the sampling technique method, this research adopted a purposive sampling to select the existing IBs. Creswell J. (2012, p. 206) explained purposeful

²⁰ Refer to chapter two of this research, page 22 to 27.

sampling as a sampling method in which a researcher may decide to study several sites or individuals or groups as they are information rich. Of which the nature of this research adopted nonprobability sampling design, thus, the purposive method employed here is scientifically accurate. In order to obtain the information relevant to, and available only with certain groups; thus, a judgment sampling is appropriate (Sekaran, 2003, p. 281) to be employed in this study.

From the above basis, the present work considered the full-fledged IBs which operate in Indonesia and Malaysia as the information rich. Following this, the present research intentionally selected the IBs in Malaysia and Indonesia. Further, in order to select the number of the IBs operate in Malaysia and Indonesia as the present sample, this work considered a purposive judgement sampling method to be executed.

3.3.1.1 Purposive Judgement Sampling Method

This study executed a judgement sampling method to select the number of the IBs operate in Malaysia and Indonesia as the sample here. This judgement sampling method is a purposive sampling strategy which involves the choice of the subjects who are most advantageously placed or in the best position to provide the information required (Sekaran, 2003, p. 277). In this, author understands of which the central banks of Malaysia and Indonesia, in this case, Bank Negara Malaysia (BNM) and Bank Indonesia (BI) respectively, are placing such the position. Hence, with referring to their websites which are www.bnm.gov.my for BNM, and www.bi.go.id for BI, this research decided the five IBs in Malaysia and the five IBs in Indonesia as the present sample. From this, we are now have the ten IBs as the sample. The five sampled IBs of Malaysia include:

1. Bank Muamalat Malaysia Berhad (BMMB),
2. Bank Islam Malaysia Berhad (BIMB),
3. CIMB Islamic Bank Berhad (CIBB),

4. Maybank Islamic Berhad (MIB), and
5. Public Islamic Bank Berhad (PIBB).

While the five sampled IBs of Indonesia include:

1. PT. Bank Muamalat Indonesia (BMI),
2. PT. Bank Mega Syariah (BMS),
3. PT. Bank BNI Syariah (BNI),
4. PT. BRI Syariah (BRI), and
5. PT. Bank Syariah Mandiri (BSM).

Selected the above, the consideration is based upon the position of the ten IBs in the banking industry of which are among the top ten in their respective countries. Informed this, an indication of managerial advancement practiced in the respective IBs may best representative for the performance of the IBs within the countries' banking industry. On this basis, the selection is reasonable.

Following the above, this study further considered the data set taken from the samples' annual reports. The present work has decided a data set over a five-year periods from 2013 to 2017 for the analysis. This data set consideration was based on the basis of purposive sampling method, while the judgement sampling method was considered on the usage of the data taken from the websites of the respective sampled IBs. The consideration for choosing a-five year examined period was based on the logics that these duration of the periods are best representative of the samples' recent performance.

3.4 Data Collection Method

Of which annual report of the sampled IBs is utilised here, therefore, the method of documentation shall match this research. This document refers to public or private records. The example of public documents including minutes of meeting, official memos,

records in the public domain, and archival material in libraries. While private documents including personal journals and diaries, letters, personal notes, and jottings individuals write to them. Other sources include e-mail comments and website data, represent both private and public documents (Creswell, 2012, p. 223). Explained this, thus, the data collection method here was equipped scientifically.

3.5 Data Analysis Method

Elaborating into a sequence, our analysis had begun with qualitative approach, followed with quantitative approach employing the MSI and the LSMSBP, and ended with qualitative analysis to further support the quantitative findings.

In the beginning, a qualitative approach was employed to further develop the MSI. Following this, the developed MSI was further employed of which the analysis here involved a three-stage of quantitative computation. In the first stage, a calculation of the performance ratios (PRs) applied in the MSI was executed, followed with statistical approach of data normality test. The second stage moved on to employ simple additive weighting (SAW), to calculate the samples' performance ratios along with the determined coefficient of the MSI variables. In the third stage, a further quantitative analysis of LSMSBP was computed to illustrate the overall samples' orientation in the present MSI analysis. To support the quantitative findings, the final analysis involved a further qualitative approach of content and thematic analysis, to identify relevant information of the samples' achievements in the present MSI analysis. To better understand this, the following elaborates the procedures which were conducted here.

3.5.1.1 Qualitative Approach to Further Develop the *Maqāṣid al-Sharī'ah* Index

Even the MSI has been well established, yet author believes that a further advancement is critical for practicability and adaptability purposes. Conducted so, this section has employed the qualitative method of content analysis, of which the method is defined as a

research technique for making replicable and valid inferences from texts (or other meaningful matter) to the context of their use. The texts here refer to something readable include writing, pictorial images, gestures, web-pages, musical composition and even behavioural sequences (Krippendorff, 2004). This content analysis is applicable to all contexts, include that of the applied context of the Internet (Neuendorf, 2002).

Returning to our review of the study of MSI by Mohammed, Razak, & Taib (2008) in the previous chapter two, under this ground, the present research has employed and further developed the model of the MSI in some specific aspect of the variables. The following section discusses this model elaboration and development.

(a) ***Education Grant to Total Income (R1)***

Of which *Maqāṣid* of educating the individual may be represented with education, hence, education grant to total income may measure the IBs' ability to contribute in advancing the knowledge through scholarship provided (Mohammed, Razak, & Taib, 2008). An understanding of this ratio is seen as its measurable substance for *Maqāṣid* of O1 (educating the individual). The interpretation of an IB's achievement under this ratio is; that the higher this ratio indicates higher amount contributed by the respective IB in providing scholarship. With this, the IBs' achievements in actualising *Maqāṣid* of educating the individual is assessable. On this basis, that is the rationale to employ such this developed measurement.

(b) ***Research Expense to Total Expense (R2)***

Further pronounced, a research is also representative of *Maqāṣid* of educating the individual. In the context of the IBs, a research expense to total expense may represent the measurable variable for *Maqāṣid* of educating the individual. In this regard, an IB's expense for a research activity is divided with its total expense, so the ratio represents its achievement in realising the *Maqāṣid* of O1. A higher ratio is interpreted as the IBs'

ability to realise the *Maqāṣid* of O1 of which the research expense is the variable. Elaborated this, thus is the logic to adopt the measure.

(c) *Training Expense to Total Expense (R3)*

With an assumption that a training can enhance someone's knowledge, hence, training expense to total expense may symbolise an IB's ability to educate the individuals under the context of staff training programmes (Mohammed, Razak, & Taib, 2008). From this, the ratio of R3 can measure an IB's capacity in actualising *Maqāṣid* of O1 under these conditions. From this basis, here is the logic to employ this measure.

(d) *Publicity Expense to Total Expense (R4)*

Of which publication can deliver a knowledge to the public, thus, this activity may measure an IB's capability upon creating awareness of the Islamic banking, under the measure of publicity expense to total expense (Mohammed, Razak, & Taib, 2008). Further extended, the present research referred the term of publicity as marketing, advertisement and promotion. The rationale of this extending terminology is to cover the measure of the IBs whereby the term publicity has similar substance with marketing, advertisement and promotion. In this regard, perhaps, the management of an IB practices a different term in reporting this information. The higher this ratio indicates the IB's ability to actualise *Maqāṣid* of O1 through the perspective of publicity expense.

(e) *Profit to Total Income (R5)*

This ratio measures an IB's ability to actualise *Maqāṣid* of O2 (establishing justice). The measure is represented by the element of fair return to describe fair dealing, so that *Maqāṣid* of establishing justice is measurable (Mohammed, Razak, & Taib, 2008). The interpretation of an IB's achievement within this measure is that the ratio is representative of the IB's ability in realising *Maqāṣid* of O2 within banking industry, described with a profit distribution. Explained this, employing the measurement shall make sense.

(f) ***Bad Debt to Total Investment (R6)***

Non-performing loan or financing represents a bad debt. A possible cause of this is the price charged; when it is highly charged, a bad debt shall increase, and conversely, it shall decrease. In the context of an IB performance, bad debt to total investment can measure the ability of an IB in actualising *Maqāṣid* of establishing justice under the justification of a fair price. Explained in Mohammed, Razak, & Taib, (2008), the higher of this ratio indicates a widening gap in income distribution due to indebtedness. The interpretation of this ratio is, that it represents an IB's ability for realising *Maqāṣid* of O2 under these conditions. On this basis, employing this measure is reasonable.

(g) ***Usury Free Income to Total Income (R7)***

Author has extended the understanding of usury free income into non-halal and *Sharī'ah* non-compliance income. The calculation executed for the analysis is total income minus non-halal or *Sharī'ah* non-compliance income, further divided with total income. A high ratio of this measurement contributes positively towards minimising income and wealth disparity (Mohammed, Razak, & Taib, 2008). The understanding of this ratio is; that it is representative of an IB in actualising *Maqāṣid* of O2 within the banking industry. With this elaboration, employing this ratio is rational.

(h) ***Net Profit to Total Asset (R8)***

This ratio measures an IB's ability for promoting *Maqāṣid* of O3 (public interest). The understanding of the higher ratio of this measure indicates IBs are enjoying high financial *Maṣlahah* (Mohammed, Razak, & Taib, 2008). From this, the more contribution towards public interest can be actualised. The understanding of this ratio is that it describes an IB's ability to actualise public interest within banking industry. Discussed this, the objective of employing the measure is precise.

(i) ***Zakāh to Net Income (R9)***

Of which *maqāṣid* of public interest may relate to the substance of *zakāh*, thus, with *zakāh* to income measurement may predict the capability of an IB's in actualising this *Maqāṣid* of O3. This ratio shows transfer of income and wealth to the poor and the needy, therefore, an IB's role in bridging the inequality gap is measurable (Mohammed, Razak, & Taib, 2008). The understanding of this ratio is; that it represents an IB's contribution in realising *Maqāṣid* of public interest under these circumstances. From this, our objectivity in considering this measure is shot correctly.

(j) ***Investment Deposit to Total Deposit (R10)***

This ratio measures an IB's ability for promoting *Maqāṣid* of public interest through its investment in real sector. This ratio indicates direct investment of an IB in the real economic sector such as agriculture, mining, fisheries, construction, manufacturing and etcetera (Mohammed, Razak, & Taib, 2008). The understanding of this ratio is the IBs' ability for actualising *Maqāṣid* of O3 is measurable under this condition. With this explanation, that is the rationale to employ this measure.

Taken into a summary, here author has further developed the MSI, notably in that of the measure of R4 (publicity) and R7 (usury free income), and the measurement elaboration as well. Further employed the above, the analysis was firstly executed upon the calculation of the samples' PRs. For this, the following section details the procedure of the present quantitative analysis.

3.5.1.2 Quantitative Calculation of the MSI and the LSMSBP

Of which the MSI analysis requires a two-step quantitative analysis, author has firstly computed the first step of samples' PRs applied within the MSI, as per elaborated within above section, and further adopted the simple additive weighting (SAW), to calculate the samples' PRs along with the assigned variables in the MSI (refer to table 2.2). For this,

the following is the equation of SAW which was considerably replicated from Mohammed, Razak, & Taib (2008, pp. 11-12).

Equation 3.1: Performance Indicator for Objective 1 (Educating Individual)

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

Or,

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

Where;

(O1) denotes the first *Maqāṣid al-Sharī'ah* which is educating individual,
 W_1^1 denotes the weight assigned to (O1) (see Table 2.5),
 E_1^1 denotes the weight assigned to the first element of (O1) (see Table 2.5),
 E_1^2 denotes the weight assigned to the second element of (O1) (see Table 2.5),
 E_1^3 denotes the weight assigned to the second element of (O1) (see Table 2.5),
 E_1^4 denotes the weight assigned to the second element of (O1) (see Table 2.5),
 R_1^1 denotes the evaluation for the performance ratio corresponding to E_1^1 of (O1) (see Table 3.1),
 R_1^2 denotes the evaluation for the performance ratio corresponding to E_1^2 of (O1) (see Table 3.1),
 R_1^3 denotes the evaluation for the performance ratio corresponding to E_1^2 of (O1) (see Table 3.1), and
 R_1^4 denotes the evaluation for the performance ratio corresponding to E_1^2 of (O1) (see Table 3.1).

Furthermore, $PI(O1) = PI11 + PI21 + PI31 + PI41 \quad [2]$

Where,

$$PI11 = W_1^1 \times E_1^1 \times R_1^1 \quad [3]$$

$$PI21 = W_1^1 \times E_1^2 \times R_1^2 \quad [4]$$

$$PI31 = W_1^1 \times E_1^3 \times R_1^3 \quad [5]$$

$$PI41 = W_1^1 \times E_1^4 \times R_1^4 \quad [6]$$

Equation 3.2: Performance Indicator for Objective 2 (Justice)

$$PI(O2) = W_2^2 \times E_2^5 \times R_2^5 + W_2^2 \times E_2^6 \times R_2^6 + W_2^2 \times E_2^7 \times R_2^7$$

Or,

$$PI(O2) = W_2^2 (E_2^5 \times R_2^5 + E_2^6 \times R_2^6 + E_2^7 \times R_2^7) \quad [7]$$

Where;

(O2) denotes the first *Maqāṣid al-Sharī'ah* which is justice,
 W_2^2 denotes the weight assigned to (O2) (see Table 2.5),
 E_2^5 denotes the weight assigned to the first element of (O2) (see Table 2.5),
 E_2^6 denotes the weight assigned to the second element of (O2) (see Table 2.5),

E_2^7 denotes the weight assigned to the third element of (O2) (see Table 2.5),
 R_2^5 denotes the evaluation for the performance ratio corresponding to E_1^5 of (O2) (see Table 3.1),
 R_2^6 denotes the evaluation for the performance ratio corresponding to E_1^6 of (O2) (see Table 3.1), and
 R_2^7 denotes the evaluation for the performance ratio corresponding to E_1^7 of (O2) (see Table 3.1).

$$\text{Furthermore, } PI(O2) = PI12+PI22+PI32 \quad [8]$$

Where,

$$PI12 = W_2^2 \times E_2^5 \times R_2^5 \quad [9]$$

$$PI22 = W_2^2 \times E_2^6 \times R_2^6 \quad [10]$$

$$PI32 = W_2^2 \times E_2^7 \times R_2^7 \quad [11]$$

Equation 3.3: Performance Indicator for Objective 3 (Public Interest)

$$PI(O3) = W_3^3 \times E_3^8 \times R_3^8 + W_3^3 \times E_3^9 \times R_3^9 + W_3^3 \times E_3^{10} \times R_3^{10}$$

Or,

$$PI(O3) = W_3^3 (E_3^8 \times R_3^8 + E_3^9 \times R_3^9 + E_3^{10} \times R_3^{10}) \quad [11]$$

Where;

(O3) denotes the first *Maqāṣid al-Sharī'ah* which is public interest,

W_3^3 denotes the weight assigned to (O3) (see Table 2.5),

E_3^8 denotes the weight assigned to the first element of (O3) (see Table 2.5),

E_3^9 denotes the weight assigned to the second element of (O3) (see Table 2.5),

E_3^{10} denotes the weight assigned to the third element of (O3) (see Table 2.5),

R_3^8 denotes the evaluation for the performance ratio corresponding to E_3^8 of (O3) (see Table 3.1),

R_3^9 denotes the evaluation for the performance ratio corresponding to E_3^9 of (O3) (see Table 3.1), and

R_3^{10} denotes the evaluation for the performance ratio corresponding to E_3^{10} of (O3) (see Table 3.1).

$$\text{Furthermore, } PI(O3) = PI13+PI23+PI33 \quad [12]$$

Where,

$$PI13 = W_3^3 \times E_3^8 \times R_3^8 \quad [13]$$

$$PI23 = W_3^3 \times E_3^9 \times R_3^9 \quad [14]$$

$$PI33 = W_3^3 \times E_3^{10} \times R_3^{10} \quad [15]$$

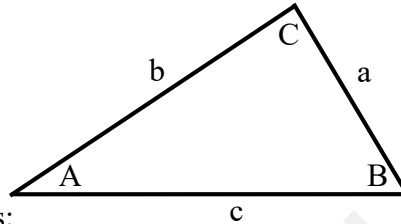
Equation 3.4: *Maqāṣid al-Sharī'ah* Index (MSI)

$$MSI = PI(O1) + PI(O2) + PI(O3) \quad [16]$$

Source: all the equation 3.1 to 3.3 above replicated from (Mohammed, Razak, & Taib (2008).

Following the above, the present research further employed the work of Bedoui (2012), to investigate the orientation of the overall samples' performance on the MSI. Bedoui (2012) implemented law of sines on his proposed *Maqāṣid al-Sharī'ah* based performance by firstly explained the mathematical approach as follows:

Equation 3.5: Law of Sines



The area of the triangle is:

$$T = \frac{1}{2}bc \sin A = \frac{1}{2}ac \sin B = \frac{1}{2}ab \sin C \quad [17]$$

With the above equation, Bedoui (2012) derived the formula to construct the equation to measuring the overall orientation of industry's performance on *Maqāṣid al-Sharī'ah*. Of which the present research has employed the three objectives of *Maqāṣid al-Sharī'ah* of Muḥammad Abū Zahrah, therefore, the equations of the present LSMSBP adapted from Bedoui (2012) should be as follows:

Equation 3.6: Adopting Law of Sines to Measure *Maqāṣid al-Sharī'ah* Orientation

$$T1 = \frac{1}{2} x PI(01) x MSI x \sin\left(\frac{2\pi}{3}\right) \quad [18]$$

$$T2 = \frac{1}{2} x PI(02) x MSI x \sin\left(\frac{2\pi}{3}\right) \quad [19]$$

$$T3 = \frac{1}{2} x PI(03) x MSI x \sin\left(\frac{2\pi}{3}\right) \quad [20]$$

Where,

$T1$, $T2$, and $T3$, denote *Maqāṣid al-Sharī'ah* of educating individual, justice, and welfare, respectively.

$PI(01)$ the value taken from equation [2]

$PI(02)$ the value taken from equation [8]

$PI(03)$ the value taken from equation [12]

MSI the value taken from equation [16]

Source: equation 3.5 and 3.6 above adapted from Bedoui (2012).

With the above section, author has conducted the analysis and discussed the procedures. Following this, the results of the present analysis is presented in the following chapter four. Summarised the above, author is now moving to close the discussion here.

3.6 Concluding Chapter

This chapter has explained the research method employed. The discussion has covered the adopted research methodology include the sampling technique, data collection method and data analysis method. From these steps elucidated, we are now moving to the results of this research. Further discussed, the following chapter covers the preliminary findings as per conducted in the above sections.

Universiti Malaysia

CHAPTER 4: RESULTS OF THE QUANTITATIVE ANALYSIS

4.1 Introduction

It has discussed earlier the procedures of the MSI analysis and the LSMSBP which were employed in this study. From the analysis, the empirical evidences were documented of which this chapter here shall further present these preliminary findings. Herewith discussed are the results include the samples' performance ratios (PRs), the statistical approach of the data normality test, the samples' performance in the present MSI analysis with SAW approach, and the overall samples' orientation on the present MSI analysis with LSMSBP approach. With conducted the analysis, we are now have enough data to answer our research questions. For this, the following sections deliberate upon our preliminary findings.

4.2 Results of the Samples Performance Ratios from the First Stage of the MSI Analysis

Of which one of our research objectives here is to analyse the samples' performance ratios (PRs) using the MSI pioneered by Mohammed, Razak, & Taib (2008), author has firstly conducted the PRs calculation. In doing so, author firstly utilised the samples' annual reports to document the relevant data required in the MSI analysis, and further computed the data using Microsoft Excel 2017. During the analysis, the data was limited to informational disclosure factor of which not all the samples have disclosed the data required.

Table 4.1 informs the results of the samples' PRs calculation as applied in the first step of the MSI analysis. In the following table, the samples are represented based on the country and are started based on the alphabet. The fulfilled cells mean the samples had disclosed the related information within their annual reports, while 0 (zero) in some cells indicate undisclosed information for the related measurement.

Table 4.1: Result of Samples' Performance Ratios Calculation for the Examined Periods of 2013 to 2017

Country		Malaysia																															
Samples		BMMB						Mean	BIMB					Mean	CIBB					Mean	MIB					Mean	PIBB					Mean	
Objectives	PR	2013	2014	2015	2016	2017	2013		2014	2015	2016	2017	2013		2014	2015	2016	2017	2013		2014	2015	2016	2017	2013		2014	2015	2016	2017	2013		2014
Educating Individual	R1	0	0	0	0	0	0	0.001	0.002	0.000	0.000	0	0.001	0.002	0.017	0.000	0.006	0.010	0.007	0.013	0.005	0.005	0.001	0.001	0.005	0	0	0	0	0	0	0	
	R2	0.055	0.131	0.020	0.067	0.041	0.063	0.001	0.001	0.001	0.009	0	0.002	0	0	0	0	0	0	0.000	0.000	0.000	0.000	0.000	0.0003	0	0	0	0	0	0	0	
	R3	0.020	0	0.025	0.021	0	0.013	0.012	0.009	0.007	0.008	0.006	0.008	0.009	0.010	0	0.012	0.012	0.009	0.130	0.114	0.091	0.012	0.011	0.072	0	0	0	0	0	0	0	0
	R4	0.137	0.100	0.067	0.039	0.041	0.077	0.013	0.009	0.008	0.011	0.007	0.010	0.018	0.011	0.011	0.011	0.009	0.012	0.016	0.011	0.005	0.002	0.002	0.007	0.004	0.005	0.009	0.007	0.005	0.006	0.005	0.006
Establishing Justice	R5	0.282	0.248	0.164	0.212	0.274	0.236	0.335	0.338	0.334	0.322	0.330	0.332	0.366	0.386	0.384	0.450	0.472	0.412	0.454	0.430	0.420	0.426	0.464	0.439	0.485	0.477	0.448	0.452	0.434	0.459		
	R6	0.001	0.027	0.003	0.004	0.004	0.008	0.010	0.005	0.004	0.003	0.002	0.005	0.009	0.013	0.011	0.010	0.007	0.010	0.002	0.004	0.003	0.010	0.010	0.006	0.004	0.004	0.002	0.002	0.002	0.002	0.003	
	R7	1.00	0	0	0	0	0.200	0.965	0.998	0.995	1.00	0	0.792	0	0	0	0	0	0	1.00	1.00	1.00	1.00	1.00	1.000	0	0	0	0	0	0	0	
Public Interest	R8	0.008	0.008	0.004	0.006	0.006	0.006	0.011	0.011	0.010	0.010	0.011	0.011	0.007	0.008	0.007	0.008	0.008	0.008	0.008	0.008	0.007	0.009	0.008	0.010	0.009	0.007	0.008	0.007	0.008			
	R9	0.010	0.008	0.007	0.008	0.008	0.008	0.026	0.008	0.006	0.008	0.006	0.011	0	0	0	0.001	0.002	0.001	0.009	0.007	0.003	0.005	0.005	0.006	0.000	0.000	0.000	0.000	0.000	0.0003		
	R10	0.552	0.675	0.686	0.739	0.749	0.680	0.637	0.720	0.787	0.853	0.974	0.794	0.727	0.474	1.073	0.005	0.014	0.459	0.964	0.925	1.230	1.075	1.049	1.049	0.806	0.828	0.812	0.877	0.842	0.833		
Country		Indonesia																															
Samples		BMI						Mean	BMS					Mean	BNI					Mean	BRI					Mean	BSM					Mean	
Objectives	PR	2013	2014	2015	2016	2017	2013		2014	2015	2016	2017	2013		2014	2015	2016	2017	2013		2014	2015	2016	2017	2013		2014	2015	2016	2017	2013		2014
Educating Individual	R1	0.000	0.001	0.001	0.000	0.000	0.0005	0.000	0	0	0.000	0.000	0.00001	0.000	0.000	0.003	0.001	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.0002	0.002	0.000	0.000	0.000	0.003	0.001		
	R2	0.004	0.004	0.005	0.014	0.002	0.006	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	R3	0.060	0.017	0.043	0.016	0.004	0.028	0.005	0.012	0.003	0.006	0.009	0.007	0.039	0.027	0.024	0.026	0.034	0.030	0.020	0.013	0.006	0.006	0.007	0.010	0.010	0.005	0.009	0.006	0.010	0.008		
	R4	0.101	0.085	0.102	0.002	0.032	0.065	0.011	0.008	0.004	0.007	0.016	0.009	0.061	0.059	0.072	0.045	0.035	0.055	0.034	0.032	0.041	0.020	0.020	0.029	0.029	0.019	0.022	0.019	0.017	0.021		
Establishing Justice	R5	0.109	0.011	0.151	0.021	0.007	0.060	0.119	0.017	0.010	0.123	0.140	0.082	0.073	0.075	0.094	0.099	0.096	0.087	0.075	0.003	0.052	0.065	0.033	0.045	0.096	0.011	0.000	0.077	0.093	0.055		
	R6	0.016	0.048	0.042	0.014	0.028	0.029	0.030	0.039	0.043	0.033	0.030	0.035	0.013	0.010	0.014	0.020	0.018	0.015	0.033	0.036	0.038	0.040	0.053	0.040	0.029	0.043	0.041	0.031	0.027	0.034		
	R7	1.00	1.00	1.00	1.00	1.00	0.999	0	0	0	0	0	0	1.00	1.00	1.00	1.00	1.00	1.000	1.00	1.00	1.00	1.00	1.000	1.00	1.00	1.00	1.00	1.00	1.00	1.000		
Public Interest	R8	0.009	0.001	0.001	0.001	0.000	0.003	0.016	0.003	0.017	0.018	0.020	0.015	0.008	0.008	0.010	0.010	0.009	0.009	0.007	0.000	0.005	0.006	0.003	0.004	0.010	0.001	0.041	0.004	0.004	0.012		
	R9	0.020	0.202	0.019	0.023	0.077	0.068	0.034	0.038	0.035	0.034	0.034	0.035	0.039	0.034	0.056	0.058	0.057	0.049	0.017	0.211	0.032	0.042	0.046	0.070	0.026	0.003	0.027	0.025	0.026	0.021		
	R10	1.000	0.955	0.903	0.954	0.848	0.932	0.929	0.928	0.967	0.948	0.910	0.936	0.984	0.926	0.919	0.846	0.803	0.896	0.999	0.903	0.773	0.784	0.655	0.823	0.894	0.821	0.823	0.795	0.778	0.822		

Source: Data computation by author conducted in Microsoft Excel 2017.

Explaining in detail, table 4.1 informs all the samples have disclosed the information on R4 (publicity expense to total expense), R5 (profit to total income), R6 (bad debt to total investment, or non-performing financing or loan), R8 (net profit to total asset), and R10 (investment deposit to total deposit). While in particular, some samples did not disclose information on R1 (education grant), R2 (research expense), R3 (training expense), R7 (interest free income) and R9 (*Zakāh*).

In particular case of the sampled Malaysian IBs, those of which did not disclose the information for R1 include BMMB and PIBB for all examined years, and BIMB for 2017. The sample which did not provide information for R2 include BIMB for 2017, and CIBB and PIBB for the whole studied years. The sampled IBs which did not disclose information for R3 include BMMB for 2014 and 2017, CIBB for 2015, and PIBB for all examined years. The samples which did not inform the data for R7 include BMMB for 2014 to 2017, BIMB for 2017, and CIBB and PIBB for the whole periods. The samples which did not disclose data for R9 include CIBB for 2013 to 2015.

Meanwhile in the case of the sampled Indonesian IBs, those of which did not inform data for R1 include BMS for 2014 and 2015. The bank which did not disclose information for R2 include BMS, BNI, BRI and BSM for all the examined years. The bank which did not provide information for R7 include BMS for whole examined years.

In short, thus is the result of the first stage MSI analysis upon data computation of the samples' PRs. There were two samples which have disclosed all the information required in the present PRs calculation which were MIB and BMI. Meanwhile, others eight samples did not provided completely the data required. Undergoing this data limitation, thus, our below section shall firstly present the result of data normality test, investigating whether the above data has normally distributed or not.

4.2.1 Results of Statistics Data Normality Test

Of which a substantive issue had occurred within data limitation, in this section, a data normality test was further conducted for the data within the table 4.1 for accuracy and scientific purposes. In order to conduct this test, author employed non-parametric test of one-sample Kolmogorov-Smirnov and selected significance level of 0.05. This test is relevant as Marques de Sá (2007) explained:

The Kolmogorov-Smirnov goodness of fit test is a one-sample test designed to assess the goodness of fit of a data sample to a hypothesised continuous distribution... (p. 183).

Following the above, there were two hypotheses tested here. The first one (H_0) is ‘the data is normally distributed’, and the second alternative hypothesis (H_1) is ‘the data is not normally distributed’. The test involved the mean of all the samples’ PRs (refer to table 4.1). The following table 4.2 represents the result.

Table 4.2: Result of Data Normality Test

One-Sample Kolmogorov-Smirnov Test		MEAN PR
N		100
Normal Parameters ^{a,b}	Mean	.17521876
	Std. Deviation	.324130465
Most Extreme Differences	Absolute	.387
	Positive	.387
	Negative	-.294
Kolmogorov-Smirnov Z		3.867
Asymp. Sig. (2-tailed)		.000

a. Test distribution is Normal.

b. Calculated from data.

Source: Taken from SPSS software test results.

Table 4.2 represents the result of data normality test conducted using computer software of Statistical Package for the Social Sciences (SPSS) version 20. Informed the above, the result of Kolmogorov-Smirnov is 3.867. Verified this, thus the null hypothesis is accepted. Or in other words, the data within the table 4.1 was normally distributed.

With the above evidences, author may claim our data here is perfectly accurate and is scientifically normally distributed. From this, our discussion shall now turn to present the results of the samples' performance in the second stage of the present MSI analysis.

4.3 Results of the Samples Performance in the Second Stage of the MSI Analysis with Simple Additive Weighting Approach

Further continued with the second stage of the analysis, the results from multiplying the samples' PRs (as applied in table 2.1) with the assigned weights given to the attribute values (weights for the objectives, refer to table 2.2) and the intra-attribute values (weights for elements, refer to table 2.2) are presented here.

Conducted the analysis, author has replicated the equations of SAW approach as per elaborated within chapter three (section 3.2.1.2). Employed this, the result of the samples' performance under this analysis is informed in table 4.3 (for the sampled Malaysian IBs) and table 4.4 (for the sampled Indonesian IBs).

Table 4.3 and 4.4 represent the result of data computation with regard to the samples performance on the present MSI with SAW approach for the five-year examined period (2013 to 2017). Conducted the analysis, author utilised Microsoft Excel 2017 to calculate the data. Informed in both of the tables include the general and individual performances of the sample. General performance of the sample can be seen in the column total PI and overall mean. The total PI represents the sum of each samples' PI (01 to 03) and overall samples' performance on MSI analysis. While overall mean cell informs the sum of each five-year mean PI (01 to 03).

Table 4.3 The Results of Samples' Performance on MSI Analysis with SAW Approach (Sampled IBs Malaysia)

Country		Malaysia																									Total PI	Overall Mean PI			
Samples		BMMB					BIMB					CIBB					MIB					PIBB									
Examined years		2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Educating Individual / PI(01)	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI
	PI11	0	0	0	0	0	0.000	0.000	0.000	0.000	0	0.000	0.001	0.000	0.000	0.001	0.001	0.000	0.000	0.000	0.000	0.000	0	0	0	0	0	0	0	0	0
	PI21	0.004	0.011	0.002	0.005	0.003	0.000	0.000	0.000	0.001	0	0	0	0	0	0	0.00002	0.00003	0.00002	0.00002	0.00002	0.00002	0	0	0	0	0	0	0	0	0
	PI31	0.002	0	0.002	0.002	0	0.001	0.001	0.001	0.001	0.0005	0.001	0.001	0.000	0.001	0.001	0.010	0.009	0.007	0.001	0.001	0.001	0	0	0	0	0	0	0	0	0
	PI41	0.009	0.007	0.005	0.003	0.003	0.001	0.001	0.001	0.001	0.0005	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.000	0.000	0.000	0.0002	0.0004	0.001	0.001	0.0004	0.0002	0.0004	0.001	0.001	0.0004
PI(01)		0.016	0.018	0.008	0.010	0.006	0.002	0.002	0.001	0.002	0.001	0.002	0.003	0.001	0.002	0.002	0.012	0.010	0.008	0.001	0.001	0.0002	0.0004	0.001	0.001	0.0004					
Total PI(01)		0.057					0.008					0.010					0.032					0.0021									
5-year mean PI(01)		0.011					0.002					0.002					0.006					0.00042									
Establishing Justice / PI(02)	PI12	0.035	0.031	0.020	0.026	0.034	0.041	0.042	0.041	0.040	0.041	0.045	0.047	0.047	0.055	0.058	0.056	0.053	0.052	0.052	0.057	0.0596	0.059	0.055	0.056	0.053					
	PI22	0.000	0.004	0.000	0.001	0.001	0.001	0.001	0.001	0.000	0.0003	0.001	0.002	0.001	0.001	0.001	0.000	0.001	0.000	0.001	0.001	0.0006	0.000	0.000	0.000	0.000					
	PI32	0.156	0	0	0	0	0.150	0.155	0.155	0.156	0	0.000	0.000	0.000	0.000	0.000	0.156	0.156	0.156	0.156	0.156	0	0	0	0	0					
PI(02)		0.191	0.034	0.021	0.027	0.034	0.193	0.198	0.197	0.196	0.041	0.046	0.049	0.049	0.057	0.059	0.212	0.209	0.208	0.210	0.214	0.060	0.059	0.055	0.056	0.054					
Total PI(02)		0.306					0.824					0.260					1.053					0.284									
5-year mean PI(02)		0.061					0.165					0.052					0.211					0.057									
Public Interest / PI (03)	PI13	0.001	0.001	0.000	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.0010	0.001	0.001	0.001	0.001					
	PI23	0.001	0.001	0.001	0.001	0.001	0.002	0.001	0.000	0.001	0.001	0.000	0.000	0.000	0.000	0.000	0.001	0.001	0.000	0.0005	0.0004	0.00003	0.00003	0.00003	0.00002	0.00002					
	PI33	0.059	0.072	0.074	0.079	0.080	0.068	0.077	0.084	0.092	0.105	0.078	0.051	0.115	0.001	0.002	0.103	0.099	0.132	0.115	0.113	0.0865	0.089	0.087	0.094	0.090					
PI(03)		0.061	0.074	0.075	0.081	0.082	0.072	0.079	0.086	0.093	0.106	0.079	0.052	0.116	0.001	0.002	0.105	0.101	0.133	0.117	0.114	0.088	0.090	0.088	0.095	0.091					
Total PI(03)		0.372					0.436					0.250					0.569					0.451									
5-year mean PI(03)		0.074					0.087					0.050					0.114					0.090									
MSI		0.267	0.126	0.103	0.117	0.122	0.267	0.278	0.284	0.291	0.148	0.127	0.104	0.165	0.060	0.064	0.329	0.320	0.349	0.327	0.329	0.148	0.149	0.144	0.151	0.145					
Total MSI		0.735					1.267					0.520					1.654					0.737					4.914				
5-year mean MSI		0.147					0.253					0.104					0.331					0.147					0.983				

Source: Data computation by author conducted using Microsoft Excel 2017.

Table 4.4: The Results of Samples' Performance on MSI Analysis with SAW Approach (Sampled IBs Indonesia)

Country		Indonesia																									Total PI	Overall Mean PI
Samples		BMI					BMS					BNI					BRI					BSM						
Examined years		2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017		
Educating Individual / PI(01)	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI	PI		
	PI11	0.000	0.000	0.000	0.000	0.000	0.0000	0	0	0.0000	0.0000	0.000	0.000	0.0002	0.0001	0.00004	0.00001	0.00001	0.00001	0.00002	0.00003	0.0001	0.00002	0.00001	0.00003	0.0002		
	PI21	0.000	0.000	0.000	0.001	0.000	0	0	0	0	0	0	0	0	0	0	0.000	0	0	0	0	0	0	0	0	0		
	PI31	0.005	0.001	0.003	0.001	0.000	0.0004	0.001	0.000	0.0005	0.0007	0.003	0.002	0.002	0.002	0.003	0.002	0.001	0.000	0.000	0.001	0.001	0.000	0.001	0.001	0.0008		
	PI41	0.007	0.006	0.007	0.000	0.002	0.0008	0.001	0.000	0.0005	0.001	0.004	0.004	0.005	0.003	0.002	0.002	0.002	0.003	0.001	0.001	0.002	0.001	0.002	0.001	0.0012		
PI(01)		0.012	0.008	0.011	0.003	0.003	0.001	0.001	0.001	0.001	0.002	0.007	0.006	0.007	0.005	0.005	0.004	0.003	0.003	0.002	0.002	0.003	0.002	0.002	0.002	0.002		
Total PI(01)		0.036					0.006					0.031					0.014					0.011						
5-year mean PI(01)		0.007					0.001					0.006					0.003					0.002						
Establishing Justice / PI(02)	PI12	0.013	0.001	0.019	0.003	0.001	0.0147	0.002	0.001	0.0151	0.0172	0.009	0.009	0.012	0.012	0.012	0.009	0.000	0.006	0.008	0.004	0.012	0.001	0.000	0.009	0.0115		
	PI22	0.002	0.006	0.006	0.002	0.004	0.0039	0.005	0.006	0.0043	0.004	0.002	0.001	0.002	0.003	0.002	0.004	0.005	0.005	0.005	0.007	0.004	0.006	0.005	0.004	0.0036		
	PI32	0.156	0.156	0.156	0.156	0.156	0	0	0	0	0	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.1558		
PI(02)		0.171	0.163	0.180	0.160	0.160	0.019	0.007	0.007	0.019	0.021	0.166	0.166	0.169	0.171	0.170	0.169	0.161	0.167	0.169	0.167	0.171	0.163	0.161	0.169	0.171		
Total PI(02)		0.835					0.073					0.842					0.833					0.835						
5-year mean PI(02)		0.167					0.015					0.168					0.167					0.167						
Public Interest / PI (03)	PI13	0.001	0.000	0.000	0.000	0.000	0.0016	0.000	0.002	0.0017	0.0019	0.001	0.001	0.001	0.001	0.001	0.001	0.000	0.000	0.001	0.000	0.001	0.0001	0.004	0.0004	0.0004		
	PI23	0.002	0.018	0.002	0.002	0.007	0.0030	0.003	0.003	0.0030	0.0030	0.003	0.003	0.005	0.005	0.005	0.002	0.018	0.003	0.004	0.004	0.002	0.0003	0.002	0.002	0.002		
	PI33	0.107	0.102	0.097	0.102	0.091	0.0997	0.100	0.104	0.1017	0.0976	0.106	0.099	0.099	0.091	0.086	0.107	0.097	0.083	0.084	0.070	0.096	0.088	0.088	0.085	0.0834		
PI(03)		0.110	0.120	0.099	0.105	0.098	0.104	0.103	0.108	0.106	0.102	0.110	0.103	0.104	0.097	0.092	0.109	0.115	0.086	0.088	0.075	0.099	0.089	0.095	0.088	0.086		
Total PI(03)		0.531					0.525					0.506					0.474					0.456						
5-year mean PI(03)		0.106					0.105					0.101					0.095					0.091						
MSI		0.293	0.291	0.289	0.267	0.261	0.124	0.112	0.116	0.127	0.125	0.283	0.276	0.281	0.272	0.267	0.283	0.279	0.257	0.259	0.243	0.273	0.253	0.258	0.259	0.259		
Total MSI		1.401					0.604					1.379					1.321					1.302						
5-year mean MSI		0.280					0.121					0.276					0.264					0.260						

Source: Data computation by author conducted using Microsoft Excel 2017.

Meanwhile, individual performance of each sample can be seen in the columns PI (01-03), total PI (01-03), 5-year mean PI (01-03), MSI, total MSI and five-year mean MSI. In this, PI (01-03) informs the sum of each samples' PI in a year, while total PI (01-03) represents the sum of samples' PI in the whole examined year. The five-year mean PI represents the arithmetic mean of each total PI (01 to 03) in the five-year investigated period. The MSI column represents the samples' performance in a single year, while the total MSI informs the samples' performance in the whole studied years. The cell of five-year mean MSI informs the arithmetic mean of each samples' performance during the examined period.

Conducted the above, we are now able to move on to measure the overall orientation of the samples' performance on the present MSI analysis. With employing the study of LSMSBP (Bedoui, 2012), the following section shall elaborate the results.

4.4 Results of the Overall Orientation of the Samples Performance in the MSI Analysis with LSMSBP Approach

Of which one of our research objectives is to measure the samples' overall orientation in the MSI analysis, this section presents the results of the analysis using the LSMSBP approach. Returning to the explanation of the adapted equation from Bedoui (2012) as per elaborated in chapter 3 (three) (point 3.2.1.2), with employed this, thus the overall orientation of the samples performance on the present MSI analysis is further illustrated here in a triangle form.

Figure 4.1 depicts clearly the samples' achievement in the present MSI analysis, in the context of performance orientation in *Maqāṣid al-Sharī'ah*. Having this result here, author has performed the data computation in Microsoft Excel 2017. In brief, the total of the present LSMSBP analysis is 51.65 point.

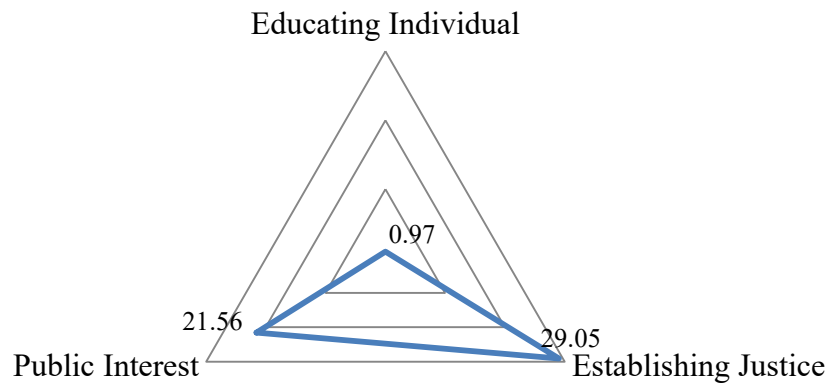


Figure 4.1: Overall Orientation of Samples' Performance on MSI Study

Source: adapted from Bedoui (2012), author conducted the calculation in Microsoft excel 2017.

Considering the sum of the present LSMSBP, it can be inferred that the overall orientation of the samples' performance on the present MSI analysis was 2 percent on 'educating individual', 56 percent on 'establishing justice' and 42 percent on 'public interest'. Evidenced this, thus author has partially answered our research question.

Taken together, our section here has elaborated upon the result of the overall samples' performance in the present MSI analysis with LSMSBP approach. Thus far, author has deliberated the results of the analysis systematically and accurately. To close our discussion here, author shall conclude this with the following section.

4.5 Concluding Chapter

This chapter has discussed the results of data analysis which covered the results of the first stage of the MSI analysis, followed with the results of data normality test and the results of the samples' overall orientation on the MSI analysis with LSMSBP approach. Discussed this, the present study has equipped with a complete evidence to answer the research questions. Following this, we are now turning to chapter five to discuss the interpretation of the results here.

CHAPTER 5: DISCUSSION AND INTERPRETATION OF THE QUANTITATIVE FINDINGS

5.1 Introduction

Together with the development of the IBF industry in either Malaysia or Indonesia, several subjective issues has been arisen there. Most of the issues has been accusing the IBs fundamentally of which the industry are not *Sharī'ah*. In line with this, the evidences from the related scholarly works regarding the IBs performance on *Maqāṣid al-Sharī'ah* are found to be problematic, and has not challenged the issue. Several scientific works has been conducted of which *Maqāṣid al-Sharī'ah* has been made possible to be mathematically measured, however. Driven by these circumstances, thus has further called author to conduct this research. With the evidences in the previous chapter four, this research has produced significant evidences to reject the related issues of the IBF, and to some extent, has answered the research questions here reasonably.

Turning now to interpret these results, the discussion of this chapter begins with interpreting individual performance of each sample, followed with the interpretation of the overall performance of the samples in each stage of the present MSI analysis. Finally discussed, the relevant information which reflects the samples' achievements on the present MSI analysis shall be taken into account.

5.2 Interpretation of the Samples' Performances in the First Stage of the MSI Analysis

This section covers the explanation on the results of the samples' performance on the first stage of the MSI analysis. This include the results of the PRs calculation (presented within chapter four; section 4.2). The discussion here begins with explaining the samples' performance in the country level, followed by the overall samples performance on the

PRs. With doing this, the general performances of the samples in both country (Malaysia and Indonesia) and industry levels (the ten selected sampled IBs) can be well highlighted.

5.2.1 The Performance Ratios of the Ten Selected Islamic Banks

Started with the industry level performance in the first stage of the MSI analysis, the performance of our samples which are five Malaysian IBs (BMMB, BIMB, CIBB, MIB and PIBB), and five Indonesian IBs (BMI, BMS, BNI, BRI and BSM) is further interpreted here.

Table 5.1: Five-Year Mean PRs of the Ten Samples

Country and Sampled Ibs		5-year mean PRs (R1-R10)									
		R1	R2	R3	R4	R5	R6	R7	R8	R9	R10
Malaysia	BMMB	0	0.063	0.013	0.077	0.236	0.008	0.200	0.006	0.008	0.680
	BIMB	0.001	0.002	0.008	0.010	0.332	0.005	0.792	0.011	0.011	0.794
	MIB	0.005	0.0003	0.072	0.007	0.439	0.006	1.000	0.008	0.006	1.049
	CIBB	0.007	0	0.009	0.012	0.412	0.010	0	0.008	0.001	0.459
	PIBB	0	0	0	0.006	0.459	0.003	0	0.008	0.0003	0.833
Indonesia	BMI	0.0005	0.006	0.028	0.065	0.060	0.029	0.999	0.003	0.068	0.932
	BSM	0.0011	0	0.008	0.021	0.055	0.034	1.000	0.012	0.021	0.822
	BNI	0.0009	0	0.030	0.055	0.087	0.015	1.000	0.009	0.049	0.896
	BRI	0.0002	0	0.010	0.029	0.045	0.040	1.000	0.004	0.070	0.823
	BMS	0.00001	0	0.007	0.009	0.082	0.035	0	0.015	0.035	0.936

Source: simplified and re-presented from table 4.1 (Chapter 4 of this research, page 76).

Table 5.1 is simplified and re-presented from previous chapter for convenient analysis. The table specifically informs the five-year mean PRs of the samples. Returning to the previous explanation, author has mentioned in chapter 3 of which the value of 0 (zero) within some cells indicates the respective samples did not provide the data for the measures.

To be further noted, the MSI does not have any specific percentage as the limit for either that of the highest or the lowest. The MSI is the method to only measure *Maqāṣid al-Sharī'ah* in the context of banking performance. Should the following information mentioned either 'the highest' or 'the lowest', this does not mean the samples have met the MSI's percentage limit. The number depicts the samples' performance, however.

5.2.1.1 Education Grant to Total Income ($R1 / R_1^1$)

Education grant measures to what extent the samples' ability in contributing towards advancing the knowledge through a scholarship. In the country level of Malaysia, table 5.1 shows an evidence of the range five-year mean $R1$ performed by the sampled IBs is 0.001 – 0.007. This indicates the highest percentage for this PR is 0.7 percent, while that of the least is 0.1 percent. Given this, it means the highest performing sample was CIBB, followed by MIB and BIMB. The two samples which are BMMB and PIBB performed 0 (zero) due to undisclosed information for the measure of $R1$.

Meanwhile in the level of Indonesia, that of the range five-year mean PR is 0.00001 – 0.0011. This means the highest percentage for $R1$ is 0.011 percent and that of the least is 0.001 percent. In table 5.1, it is evident of which BSM performed highest in $R1$, followed by BNI, BMI, BRI and BMS.

With the above evidences, the sampled Malaysian IBs performed higher than that of Indonesian IBs in $R1$. These evidences did not provide the measure of a better performance of one particular IB, however. A proper explanation for the samples which had informed the data for $R1$ is; that these are the ratios for the sampled IBs reflecting their contribution in actualising *Maqāsid* educating individual by providing education grants or scholarships, under the present MSI analysis over the five-year period.

5.2.1.2 Research Expense to Total Expense ($R2 / R_1^2$)

Research expense measures the performance of a sample in educating individual. Generally performed in the case of Malaysia, an evidence in table 5.1 shows the range of the five-year mean $R2$ is 0.0003 – 0.063. This means the highest percentage performed by the sampled Malaysian IBs in $R2$ was 6 percent (BMMB), while that of the least was 0.03 percent (MIB). The two samples which are CIBB and PIBB did not disclose the

information for R2. Meanwhile, in the case of Indonesia, it was only BMI which disclosed the information for R2 with 0.6 percent. The other four samples which are BSM, BNI, BRI and BMS did not provide the data.

The evidences of R2 in table 5.1 did not predict any a better performance of one particular sample. Even it is evident that the overall sampled Malaysian IBs performed higher than that of Indonesian, this achievement is due to informational disclosure factor. An appropriate description for the samples performance within R2 is, these are the ratios of the IBs in Malaysia and Indonesia depicting their contribution in actualising *Maqāṣid* of educating individual, measured under the variable of research expenses during the observed periods.

5.2.1.3 Training Expense to Total Expense (R_3 / R_1^3)

Training expense measures an IB's competency in educating the individual. Generally performed in table 5.1, in the level of Malaysia, the evidence shows the range of the samples' five-year mean R3 is 0.008 – 0.072. This indicates the highest percentage for R3 is 7 percent (MIB), while that of the least is 0.8 percent (BIMB). The sample which did not disclose information for R3 was PIBB. While in the case of Indonesia, that of the range of the samples' five-year mean R3 is 0.07 – 0.030. This shows that BNI performed the highest in R3 (3 percent) and BMS performed the least (0.7 percent).

Shown the above, an evidence of a better performance of one particular sample was not sighted. Of which the sampled Malaysian IB (CIBB) was found to perform highest in R3, this finding suggests its concern on conducting training for its employees, however. For this, an accurate interpretation for the samples performance in R3 could be seen as the evidences of the ten sampled IBs from Malaysia and Indonesia, in the context of

realising *Maqāṣid* of educating individual during the examined periods, measured under the present MSI indicators.

5.2.1.4 Publicity Expense to Total Expense (R4 / R₁⁴)

Publicity expenses measure an IB's capacity to create an awareness of Islamic banking. Generally evidenced in Malaysia context as in table 5.1, the range of the samples' five-year mean R4 is 0.006 – 0.077. This means the highest percentage in R4 performed by the sampled Malaysian IBs was 7.7 percent by BMMB, while that of the lowest was 0.6 percent by PIBB. In the context of Indonesia, that of the range is 0.009 – 0.065. This shows the highest and the lowest R4 performed by the sampled Indonesian IBs were 6.5 percent by BMI and 0.9 percent by BMS respectively.

Presented the evidences of R4 in table 5.1, author did not inform any proof to mention superior performance of one particular sampled IB. An explanation for these evidences is; these are the insights into Malaysian and Indonesian IBs with regard to their contribution in realising *Maqāṣid* of educating individual in the five-year analysed period, measured under their spending in publicity, marketing and promoting programmes.

5.2.1.5 Profit to Total Income (R5 / R₂⁵)

Profit to total income depicts the degree of distributing profit, which further measures the IBs' ability to realise *Maqāṣid* of establishing justice. Analysed this, in the case of the sampled Malaysian IBs, the evidence in table 5.1 shows the range of the five-year mean R5 is 0.236 – 0.459. This indicates the sampled Malaysian IB performed the highest percentage in R5 is by 5 percent (PIBB), while that of the lowest is 2.3 percent (BMMB). Meanwhile in the level of Indonesia, that of the range is 0.045 – 0.087. This shows the highest percentage for R5 in the case of Indonesia was 8.7 percent by BNI, while that of the lowest was 4.5 percent by BRI.

Having the evidences of R5, there is no suggestion for a superior or inferior performing sample. These evidences are accurately seen as the samples' capability in the subject matters, and to some extent, they describe the samples' position in realising *Maqāṣid* of establishing justice during the examined periods, as measured under this employed MSI indicator.

5.2.1.6 Bad Debt to Total Investment (R_6 / R_2^6)

Bad debt to total investment can measure the ability of an IB in establishing justice with an indication of affordable price. Investigating this, in the context of the sampled Malaysian IBs, an evidence in table 5.1 shows the range of their five-year mean R6 is 0.003 – 0.010. This means the sampled Malaysian IBs performed the highest percentage of R6 was 1 percent by CIBB, while that of the least was 0.3 percent by PIBB. In the level of Indonesia, that of the range is 0.015 – 0.040, where BRI performed the highest with 4 percent, while that of the least was performed by BNI with 1.5 percent.

With the evidences of R6, it is evident the sampled IBs of Indonesia performed higher than that of the Malaysia's. This higher ratio of R6 does not claim any better or weaker performance. These evidences are the insights of the samples' contribution in actualising *Maqāṣid* of establishing justice, under an assumption of the IBs' effort to offer an affordable price. Explained this, thus, a higher R6 means a lesser affordable price is charged, while lower R6 means a more affordable price is charged.

5.2.1.7 *Ribā* Free Income to Total Income (R_7 / R_2^7)

With a substantive ground, author has extended the understanding of *ribā* free income into non-*halal* and *Sharī'ah* non-compliance income. In the analysis, the calculation was conducted upon the total income minus non-*halal* or *Sharī'ah* non-compliance income, which was further divided with total income. Computed this, in the case of the sampled

Malaysian IBs, MIB was found to perform R7 with 100 percent, BIMB with 79.2 percent, BMMB with 20 percent, while CIBB and PIBB with 0. This highest percentage of MIB refers to its completed data of R7 informed for the whole examined years. Conversely, the percentages performed by either BIMB or BMMB indicate their data limitation. In this, BIMB did not inform the data for 2017, while BMMB informed the data only for 2013. In the case of 0 for CIBB and PIBB, this shows these two samples did not inform the data for the whole examined periods.

Meanwhile in the case of Indonesia, that of the five-year mean R7 is 0.99 – 1.00. The four sampled Indonesian IBs which are BMI, BSM, BNI, and BRI had disclosed the data for R7 for the whole examined periods, while data from BMS was absent throughout the periods.

Explained the above, thus the presented evidences of R7 were not representative for a particular sample to be more compliant to *Shari'ah*. These evidences suggest the samples' contribution towards establishing justice (*Maqāṣid O2*) in the banking industry over the five-year examined period, measured under this utilised benchmark of the MSI.

5.2.1.8 Net Profit to Total Asset (R8 / R_3^8)

Net profit to total asset can measure an IB's ability in promoting public interest (O3), under the assumption of profitability. The higher R8 indicates a higher profit is gained, thus the more contribution on the objective of public interest can be actualised. Conducted this measure, in the case of the sampled Malaysian IBs, an evidence presented in table 5.1 demonstrates the range of the five year mean R8 is 0.006 – 0.011. This means the highest percentage for R8 performed by the sampled Malaysian IBs is 1.1 percent (BIMB), while that of the least is 0.6 percent (BMMB). In the context of Indonesia, that of the five-year mean R8 is 0.003 – 0.015. This shows the highest percentage performed

by the sampled Indonesian IBs is 1.5 percent (BMS), while that of the least is 0.3 percent (BMI).

The evidences of R8 are not representative for a better performing sample, or vice-versa. Even it shows the sampled Indonesian IBs performed higher than that of the Malaysian, the correct explanation for this; is that the samples' contribution in realising public interest in the banking industry is in a different proportion. These are the evident for the samples performance in the subject matters, measured under this employed benchmark of the MSI.

5.2.1.9 *Zakāh* to Net Income (R_9 / R_3^9)

Zakāh to net income is representative of an IB's capability in actualising *Maqāṣid* public interest. From the assessment, an evidence in table 5.1 presents the five-year mean R9 for the sampled Malaysian IBs; is in the range of 0.03 – 0.11. The highest performing sample was BIMB with 1.1 percent, while that of the least was PIBB with 0.03 percent. In the context of Indonesia, that of the range five-year mean was 0.21 – 0.70, where the highest percentage of 7 percent was performed by BRI, while that of the least is 2.1 percent performed by BSM.

The evidences of R9 do not provide any measure to claim a better performance of one sampled IB. Of which the viewpoint among the IBs management on paying the *zakāh* is different, thus does further support this. An explanation for evidence of R9 is, these are the measure of the samples' ability in actualising *Maqāṣid* of public interest over the examined period from 2013 to 2017. This has measured under this employed benchmark of the MSI.

5.2.1.10 Investment Deposit to Total Deposit (R_{10} / R_3^{10})

Investment deposit to total deposit can measure the extent of an IB's position in the context of promoting public interest. As per informed in table 5.1, found the five-year mean R_{10} performed by the sampled Malaysia IBs is in the range of 0.459 – 1.049. This shows the highest percentage was performed by MIB with 105 percent, while that of the least was performed by CIBB with 46 percent. Further discussed in that of the context of Indonesia, the range is 0.822 – 0.936. This means the highest percentage of 94 percent was performed by BMS, while that of the least of 82.3 percent was performed by BSM.

The evidences of R_{10} do not predict a better performance of one sample, or contrariwise. These evidences represent the samples' achievements in actualising *Maqāṣid* of public interest with the assumption of their investment in the real sector. The higher ratio indicates a higher investment contributed. Elaborated this, a proper interpretation for the samples' achievements in R_{10} is varied. This variation describes their different level of contribution in actualising *Maqāṣid* of public interest.

In summary, this section has discussed the samples' PR (from R_1 to R_{10}) along with the relevant interpretation on their performances. The evidences presented above did not detect a better or a lesser performance of one particular sample. These are seen as the insights into the samples' achievements in actualising *Maqāṣid al-Sharī'ah* in the banking industry of Malaysia and Indonesia, measured under the first stage of the MSI analysis. Having this clarified, our discussion shall now move on to discuss that of the finding in the second stage of the MSI analysis.

5.3 The Interpretation of the Samples' Performances in the Stage of the MSI Analysis with SAW Approach

Of which the MSI adopted the SAW in the final analysis, author has further conducted so here. This section interprets the results of the MSI analysis with SAW approach as previously presented in chapter four (section 4.3). Our discussion here begins with elaborating the individual performance of the samples. In this, we start with the sampled Malaysian IBs, followed by that of the Indonesian ones.

5.3.1 The Performance of the Sampled Malaysian Islamic Banks Analysed Using the MSI with SAW Approach

Returning to our discussion in the previous chapter 4 (section 4.3), the results of the MSI analysis with SAW approach have been presented there. Following this, our section here further interprets these results. Simplifying the data within table 4.3 (in chapter 4), the following table 5.2 represents the performance of the 5 sampled Malaysian IBs under the present MSI analysis with SAW approach in the examined periods (2013 to 2017). The information in table 5.2 covers the arithmetic 5-year mean PI (O1-O3) and that of the MSI.

Table 5.2: The 5-year Mean PI of the Sampled Malaysian Islamic Banks Analysed Using the MSI with SAW Approach from 2013 to 2017

No	Sampled IBs	5-year mean			
		O1	O2	O3	MSI
1	BMMB	0.011	0.061	0.074	0.147
2	BIMB	0.002	0.165	0.087	0.253
3	CIBB	0.002	0.052	0.050	0.104
4	MIB	0.006	0.211	0.114	0.331
5	PIBB	0.0004	0.057	0.090	0.147

Source: simplified and re-presented from table 4.3 (Chapter 4 of this research, page 80).

It is evident in table 5.2, that the five-year mean MSI of the five sampled Malaysian IBs was in the range of 0.104 – 0.331. This means MIB reached 33 percent (highest) on the present MSI analysis during the observed periods. That was then followed by BIMB

with 25.3 percent, PIBB with 14.7 percent, BMMB with 14.7 percent and CIBB with 10.4 percent (lowest).

For the samples' performances above, the findings did not indicate to either a superior or an inferior achievement. Even MIB was found to perform highest on the present MSI analysis (33 percent) among the other four samples (in the Malaysian context); this finding suggests MIB had provided all the required information during the present MSI analysis.

Discussed the above, the interpretation of the sampled Malaysian IBs has clarified. Following this, we are now turning to interpret the results of the sampled Indonesian IBs in the following section.

5.3.2 The Performance of Sampled Indonesian Islamic Banks Analysed Using MSI with SAW Approach

This section interprets the result of the performance of the 5 sampled Indonesian IBs in the-five year examined period. Table 5.3 informs briefly the results of the present MSI analysis performed by the five sampled Indonesian IBs. It is an evidence the range of the samples' five-year mean MSI was 0.121 – 0.280. This shows that BMI performed highest during the present MSI analysis with 28 percent, followed by BNI with 27.6 percent, BRI with 26.4 percent, BSM with 26 percent and BMS with 12.1 percent.

Table 5.3: The 5-year Mean PI of the Sampled Indonesian Islamic Banks Analysed Using the MSI with SAW Approach from 2013 to 2017

No	Sampled IBs	5-year mean			
		O1	O2	O3	MSI
1	BMI	0.00715	0.16693	0.1062	0.280
2	BMS	0.00118	0.01463	0.10493	0.121
3	BNI	0.00616	0.16847	0.10121	0.276
4	BRI	0.00284	0.16658	0.09477	0.264
5	BSM	0.00217	0.16709	0.09121	0.260

Source: simplified and re-presented from table 4.4 (Chapter 4 of this research, page 81).

Further interpreting the above evidences, these are not representative for either a better or a worse performance of one sampled IB. Although BMI and BMS were found to perform the highest and the lowest accordingly, these evidences are correctly seen as the differences among the samples' performances, with the consideration of informational disclosure factor during the MSI analysis.

Having elaborated the above evidences, our discussion now is turning to elaborate the results based on the industry level as follows.

5.3.3 The Overall Samples Performance on the Present MSI Analysis with SAW Approach

This section takes the account of the overall samples performance on the present MSI analysis in the observed periods from 2013 to 2017. For the discussion here, our focus is on the individual sample's performance on each objective and the total MSI. From this focus, a deep insight into each sample performance shall be further documented.

Table 5.4: The Overall Samples Performance on the Present MSI Analysis with SAW Approach from 2013 to 2017

No	Sampled IBs	Total MSI	5-year mean	1 to 10
1	BIMB	1.267	0.253	6
2	BMI	1.401	0.280	2
3	BMMB	0.735	0.147	8
4	BMS	0.604	0.121	9
5	BNI	1.379	0.276	3
6	BRI	1.321	0.264	4
7	BSM	1.302	0.260	5
8	CIBB	0.520	0.104	10
9	MIB	1.654	0.331	1
10	PIBB	0.737	0.147	7
Overall 5-year MSI		10.921	2.184	

Source: simplified and re-presented from table 4.3 and 4.4 (Chapter 4 of this research, page 78-79).

Table 5.4 depicts the individual and the overall samples performance on the present MSI analysis with the five-year observed period (2013 to 2017). The overall 5-year MSI

informs the sum of both the total MSI and the 5-year mean MSI of the ten samples. The column '1 to 10' highlights the highest to the lowest performing samples which does not provide any indication to claim the best performing sample, or vice-versa. This information indicates the informational disclosure factor had caused so.

The evidence in table 5.4 shows the sampled Malaysian IBs made both the highest and the lowest performances among the ten samples, which were performed by MIB, and CIBB respectively. Meanwhile, the sampled Indonesian IBs took both the second highest and the second lowest with BMI and BMS correspondingly. For such these achievements, thus are the samples' positions which are varied in actualising *Maqāṣid al-Sharī'ah* in the banking industry.

Further discussed individually, in the case of the sampled Malaysian IBs, MIB performed the highest in O2 and O3 and performed the second highest in O1. This achievement makes sense due to informational disclosure; whereby MIB had disclosed the whole required information during PRs calculation. Conversely, the lowest performing sample of CIBB, which in particular it had performed the lowest in both O2 and O3 and performed the third highest in O1, was caused by the absence of several data. In this, CIBB did not disclose data for R2 (the whole five examined year), R3 (year of 2015), R7 (whole examined year) and R9 (from 2013 to 2015).

Similarly found in the context of Indonesian sampled IBs, the second highest performing sample of BMI was due to its completed data disclosed. The same case also goes to the second lowest performing sample of BMS. In this, BMS did not disclose the data for R1 (from 2014 to 2015), R2 and R7 (whole examined years).

Confirming the previous findings, the above empirical evidence is consistent with that of Antonio, Sanrego, & Muhammad (2012) and Saoqi (2017). In this respect, Antonio,

Sanrego, & Muhammad (2012) replicated the MSI to analyse Indonesian and Jordanian IBs. They sampled four IBs which were BSM and BMI (sampled Indonesian IBs) and Islamic International Arab Bank Jordan (IIABJ) and Jordan Islamic Bank (JIB) over the 3-year periods from 2008 to 2010. The study found the sampled Indonesian IB which was BMI performed the highest during their investigation. Given the present finding in the context of the sampled Indonesian IBs, that BMI was the sample performed the highest; thus the present finding confirms that of Antonio, Sanrego, & Muhammad (2012).

Further, the present evidence also supports that of Saoqi (2017) who investigated Malaysian and Indonesian IBs, with two samples which were BIMB and BSM from 2013 to 2014. In his study, BIMB was found to perform the highest. With the present evidence finds the sampled Malaysian IB (MIB) performed the highest among other nine sampled IBs (see table 4.4), thus further confirms that of Saoqi (2017) based on the perspective of country level.

Returning now to our first research question in chapter one; ‘how is the performance of Malaysian and Indonesian IBs analysed using MSI?’ Hence, with the above discussion, author is now possible to say; with the ten samples of IBs from these countries over a five-year observed period, the present research found MIB performed the highest in the present MSI analysis with the 5-year mean of 0.331. That was then followed by BMI (0.280), BNI (0.276), BRI (0.264), BSM (0.260), BIMB (0.253), PIBB (0.147), BMMB (0.147), BMS (0.121) and CIBB (0.104).

Substantively elaborated, the above findings did not detect any evidence for claiming that one particular sample was better than other samples. This research interprets the above findings as the insight into the samples’ performance on the present MSI analysis in the five-year observed period. With the above evidences, author has answered the first question of this research.

Further discussed, the above interpretation towards the samples' performance on the present MSI analysis disproves both that of Antonio, Sanrego, & Muhammad (2012) and Saoqi (2017); who claimed within their studies whereby one particular sampled IB was 'better' than other sampled IBs. A possible explanation for this disapproval is; that neither have all the samples disclosed the data during the analysis, nor have all the samples had the data due to some circumstances. In addition to this, of which the developed MSI was grounded by the concept of operationalisation, this grounding theory does not provide any basis to claim so. Confirmed this, Sekaran (2003) stated:

...it is clear that operationally defining a concept does not consist of delineating the reasons, antecedents, consequences, or correlates of the concept. Rather, it describes its observable characteristics in order to be able to measure the concept...(p.182).

Explained the above, thus, interpreting 'better' towards a sample's performance using the developed MSI shall be incorrect due to substantive matters. The developed variables within the MSI of Mohammed, Razak, & Taib (2008) shall be understood according to the theory grounded prior to its establishment. The above explanation indicates that defining concept of *Maqāṣid al-Sharī'ah* shall describe only observable characteristics of an IB in order to measure the concept within the IB performance. From this basis, the present interpretation is reasonable.

Thus far, this research has elaborated the results of the present MSI analysis. In a nutshell, the findings of both the individual sample and the overall sample performances are consistent with that of Antonio, Sanrego, & Muhammad (2012) and Saoqi (2017) in two specific cases. Nevertheless, this research substantively does not interpret or claim any better performance as Antonio, Sanrego, & Muhammad (2012) and Saoqi (2017) did. Author has explained substantive grounds to not interpreting so. For this, the present study interprets the findings as the insights into Malaysian and Indonesian IB, analysed using the employed benchmark of the MSI. Discussed here, author has answered the first

research question. Following this, the discussion upon the overall orientation of the samples performance with LSMSBP is presented as follows.

5.4 The Interpretation of the Overall Orientation of the Samples' Performance with LSMSBP Approach

With the evidences presented in chapter 4 (section 4.4) along with the procedures of LSMSBP explained in chapter 3, author has conducted the analysis here. From this, we are now moving to interpret these results. The section here covers substantive materials upon the overall samples' performance in the present MSI analysis.

5.4.1 The Overall Orientation of the Samples Performance on the MSI Analysis Using LSMSBP

Representing the results as per elaborated in chapter 4 (four) (section 4.4); the overall orientation of the samples performance on the present MSI investigation is illustrated in the following figure:

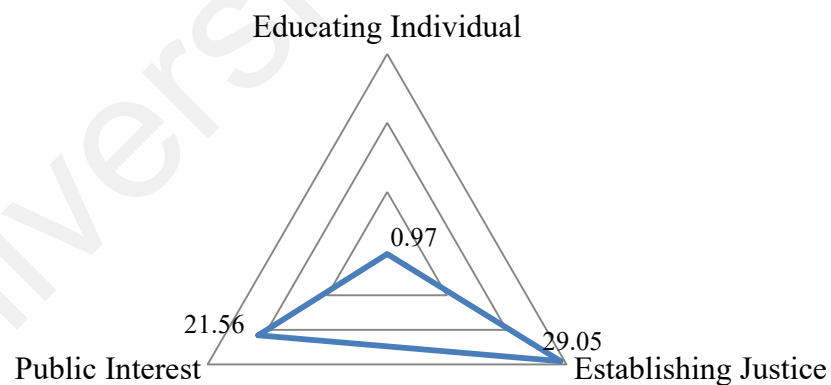


Figure 5.1: Overall Orientation of Samples' Performance on MSI Study (Re-presented from Chapter 4 Section 4.4)

Source: adapted from Bedoui (2012), author conducted the calculation in Microsoft excel 2017.

Figure 5.1 describes the overall orientation of the samples performance on the present MSI investigation using LSMSBP. Employing the equation explained in chapter 3, author found the overall LSMSBP reached 51.65, consisting of 0.97 on educating the individual, 29.05 on establishing justice, and 21.56 on public interest. Returning to the second research question 'how is the overall orientation of *Maqāṣid al-Sharī'ah* performance of

IBs in Malaysia and Indonesia measured using LSMSBP? With this evidence, author has answered this research question.

Further, the above findings do not provide any evidence to claim whether the samples performed good or conversely on the present MSI analysis. The present research describes the above as a fresh knowledge from the IB industry in Malaysia and Indonesia regarding their performances on the present MSI investigation. This explanation contradicts to that of Asutay & Harningtyas (2015) who developed a yardstick to evaluate social performance of IBs. Employed LSMSBP to measure the overall orientation of the analysed 13 (thirteen) IBs from 6 (six) different countries, in their abstract section, they wrote ‘a lack of achievement in *Maqāṣid al-Sharī‘ah* performance of IBF’ (Asutay & Harningtyas, 2015, p. 5).

With not interpreting as so did Asutay & Harningtyas, we provide our possible argumentation for this contradiction. Of which the LSMSBP was made to illustrate an industry’s orientation on *Maqāṣid al-Sharī‘ah* performance in a triangle figure, in this, Bedoui (2012) neither developed nor established a benchmark to judge whether one particular industry performs poor on *Maqāṣid al-Sharī‘ah* or not. On this basis, our interpretation offered here is rational.

Bringing to the close, the above section (5.4.1) has provided an evidence of the overall samples performance on the MSI analysis with LSMSBP approach. The result provides the insights into Malaysian and Indonesian IBs represented by 10 (ten) IBs, in context of the IBs’ achievements in actualising *Maqāṣid al-Sharī‘ah* in banking industry. The interpretation on the findings of overall samples’ performance is different from that of Asutay & Harningtyas (2015) for the explained reasonable argument. Briefly, the above has answered the research question here.

Summarised the above, the two sections here (5.3 – 5.4) have elaborated the results of the samples' overall performance on the present MSI analysis. Moving on, author shall now close our discussion here with the following concluding chapter.

5.5 Concluding Chapter

Thus far, this chapter has elaborated the results of the samples' in all the stages of the present MSI analysis, and that of the overall orientation in the LSMSBP analysis. Discussed this chapter, author has presented some novelties for the IBF related literature regarding an appropriate interpretation when analysing the IBs with the MSI and LSMSBP. Substantively, the evidences here can further challenge those of the subjective issues judging the IBF fundamentally.

In order to strengthen our evidences here, a further qualitative analysis shall be conducted in the following chapter. The discussion here is to further answer our research questions.

CHAPTER 6: FINAL QUALITATIVE ANALYSIS AND THE RESULTS

6.1 Introduction

Of which the previous chapter five has discussed the appropriate interpretation towards the samples' performance in the present MSI analysis, yet the discussion has not completely answered our research questions here. The evidences from our previous quantitative analysis have somewhat answered our research questions, however. For this, our chapter six here presents final qualitative analysis to fully achieve our research objectives, and to further support our quantitative findings.

6.2 The Procedure and the Final Qualitative Analysis

This section deliberates relevant information communicated within the samples' annual report over the periods from 2013 to 2017, which describes their position in actualising *Maqāṣid al-Sharī'ah* in the banking industry. To the best of our knowledge, none of previous attempt has studied such the information from samples' annual (company) report which indicates their achievement on an MSI analysis. From this, it is reasonable for author to claim that the discussion here is the originality offered by this research.

Conducted the analysis within this section, author has employed qualitative approach of content analysis, together with thematic analysis derived from *Maqāṣid al-Sharī'ah* as explained by Muḥammad Abū Zahra. From this, the employed themes include contribution on education, establishing justice and promoting public interest. For the analysis purposes, author has carefully and comprehensively read the samples' recent annual reports as per utilised during the present MSI analysis in the beginning. Following this, author has selected the information communicated within the samples' reports, which is further quoted here based on the three employed themes. To what extent, the

following information describes the samples' position in actualising *Maqāṣid al-Sharī'ah* in the banking industry.

6.2.1 The Information Related to the Samples' Contribution on Education

Analysed carefully, the following information may best represent the samples' position in actualising *Maqāṣid al-Sharī'ah* in the banking industry, in special relation to contribution on education. Started with the samples' commitment on giving equal right on training for its employees, the following information from BRI Syariah's annual report of 2017 may be an evidence of the samples' effort in actualising *Maqāṣid* of educating individual. Reported the following:

BRISyariah provides equal opportunity to all employees to develop their competence through education and training... BRISyariah strives to implement an effective and fair training strategy, thus providing an opportunity for all employees to develop their competencies in order to achieve a higher career path (BRI Syariah, 2017, pp. 196-197).

Further documented, the information of the samples' contribution on publishing research papers may also be a relevant evidence on this matter. Following is the information quoted from BMMB annual report of 2017:

In 2017, a total of 16 research papers have been completed comprising *Sharī'ah* issues, product development and special request by *Sharī'ah* Committee and other parties... (In) collaboration with Human Capital Division and Customer Service Department we have also conducted more than 30 series of *Sharī'ah* training and awareness to the staff for branches, headquarters, Takaful Specialists and other related institutions. (Bank Muamalat Malaysia, 2017, p. 68).

Informed the above, it can be further inferred BMMB contribution on education is illustrated in its total number of published research papers, and its collaboration with other departments to enhance *Sharī'ah* knowledge among its employees. In like manner, a similar evidence can also be found within CIBB's annual report of 2017. Stated the following;

On the education front, we remain proud partners of the Chevening-CIMB ASEAN (Association of South East Asian Nations) Scholarship, through which we sponsored five students from the ASEAN region to pursue a one-year Master's degree programme in the UK. 2017 also saw 16 CIMB ASEAN Scholarship recipients pursue undergraduate studies in reputable universities worldwide. Meanwhile, our Be\$MART financial literacy programme was well received by 4,592 students from 59 universities and colleges throughout Malaysia. Another notable annual event is our Young ASEAN Leaders, which brought over 50 ASEAN students together on the topic "Sharing Economy Beyond Boundaries". (CIMB, 2017, p. 29).

From the above, conducting scholarship programme for bachelor and master level, forming an innovative program on financial literacy, and holding a big event for youth in ASEAN are evident from CIBB, describing its position in actualising *Maqāṣid* of educating individual during the present MSI analysis.

Supporting the above, the following information on the main company initiatives in learning and development from MIB recent annual report of 2017, can further strengthen the evidence of the IBs contribution in actualising *Maqāṣid al-Sharī'ah* in the banking industry, in special reference to educating the individual. Informed below:

We focused on strengthening our learning culture, infrastructure, and development of new programmes that enable our employees to acquire new skills and lead successfully in the rapidly changing environment. Our learning & development initiatives in 2017 were anchored on four key focus areas: strengthening effectiveness & delivery, deepening a strong learning culture, building new capabilities, and augmenting talent programmes (Maybank, 2017, p. 83).

Further evidenced, the samples' contribution towards education can be seen in BMI's recent annual report of 2017. Stated the following:

(Muamalat Institute (MI) has the objectives)... Developing, promoting and educating the people on *Sharī'ah*-based economic system, especially to Indonesian Muslim society. To do this, MI provides services in researches, training, consultation and publication. (Bank Muamalat Indonesia, 2017, p. 121).

Per the above, further indication of the samples' contribution in educating the individual is evident from BMI's initiatives of establishing educational private institute.

Likewise, such this effort of private initiatives can also be found in BNI recent report of 2017. It was reported:

...*Yayasan Hasanah Titik* with BNI Syariah has collaborated on society empowerment programmes in five sectors which are education, economy, social Dakwah and aids for natural disaster... (in education)... 730 awardee has received scholarship... (BNI Syariah, 2017, pp. 417-418).

Elaborated the above, author has supported the evidences related to the samples' position in actualising *Maqāṣid* of educating the individual. Moving forward, our next section shall further elaborate the second theme, which is the samples' position in establishing justice.

6.2.2 The Information Related to the Samples' Performance in Establishing Justice

Turning now to the second theme which is establishing justice, author has documented related information from the samples' reports, which describes their position in actualising *Maqāṣid al-Sharī'ah* in the banking industry, in the context of *Maqāṣid* of establishing justice. Our first evidence here was taken from BMMB's annual report of 2017. It was stated:

... We hold strongly to our belief in making a positive and sustainable impact to the communities we operate in. Our business helps support economic growth through the expansion of products and services, employment and the creation of knowledgeable workers. We believe that we can contribute significantly in enhancing the living standards of the community through initiatives such as sponsorships, charitable contributions, and disaster relief efforts (Bank Muamalat Malaysia, 2017, p. 80)

Shown the above, it is evident several contributions from BMMB which is specifically related to its effort in establishing justice in the banking industry. Supporting this, a further evidence regarding this was sighted from BMMB's zero tolerance towards *Sharī'ah* non-compliance. Stated within its 2016 report:

...The Bank will at all times be guided and adhere to relevant laws, including *Shari'ah* rules and principles. The Bank has zero-tolerance with respect to *Shari'ah* non-compliance (Bank Islam Malaysia, 2016, p. 127).

Explained the above, this commitment on zero-tolerance towards *Shari'ah* non-compliance is suggestive for BIMB's position in establishing justice. In addition to this, the sample's commitment on sustainability may also relate to this matter. For this, evidence from MIB is rational to be documented. Informed within its 2017 report:

Maybank Islamic aims to generate positive and sustainable impact to the economy, community and environment in the markets we operate in. Our sustainable initiatives relate to the objectives of *Shari'ah* which encompasses the protection of religion, life, intellect, wealth and progeny (Maybank Islamic, 2017, p. 7).

Related to the above, similar evidence of commitment community-based business partnership may also be an indication of the samples' position in actualising *Maqāṣid* of establishing justice. The information from BMI's annual report of 2017 mentioned:

Not only focusing on business growth, in the social contest, Bank Muamalat Indonesia also continues to nurture and build communication with all Muslim communities. The commitment is evident in community-based business approaches the Bank applies, including establishing cooperation and partnership with Islamic education institutions, Islamic hospitals, and travel agents, as well as providing products and services for Haj and umrah pilgrims (Bank Muamalat Indonesia, 2017).

In line with the above, the evidence of CSR (corporate social responsibility) execution can also be considered as the samples' achievement in realising *Maqāṣid* of establishing justice. Quoted the information from BSM's 2017 annual report:

...The three pillars of BSM in implementing CSR, 1) spirituality (character building) consists of building mosques and other supporting facilities, the aids for other religious activity. 2) National contribution which consists of education grant for underprivileged students, aids for school of Islamic school projects, aids for natural disaster victims and others. 3) Economic empowerment which consists of capital injection, competence enhancement, and entrepreneurial skill development. For example: BSM culinary area, aids for training and capital for small entrepreneur and others (Mandiri Syariah, 2017, p. 1).

Concluded the above, thus are the evidences quoted from the samples' recent annual reports, which are indicative for their position in actualising *Maqāṣid* of establishing justice in the banking industry. Documented these, author has discussed relevant information of the subject matters.

6.2.3 The Information Related to Promoting Public Interest from the Sampled IBs

Moving now to the last theme, our qualitative discussion here covers the samples' information related to their contribution on promoting public interest. For this, author has reviewed some relevant information, which may firstly be considered from BMS' commitment on synergy. Reported this within its 2017 report:

BMS is an Islamic Bank puts forward the vision of grow and prosper together with the nation, keeps on synergising for a quality growth. ... (Bank Mega Syariah, 2017).

Quoted the above, to some extent the information may describe the sample's contribution towards actualising public interest from the perspective of synergy. To support this, the evidence of the sample's involvement in the related government programme is accurate to consider. Informed within PIBB's 2017 annual report:

In support of the initiative by the Bank Negara Malaysia ("BNM") to promote greater public awareness of Islamic banking, the Public Islamic Bank had participated in the *Karnival Kewangan* (Carnival Finance) at Putra World Trade Centre ("PWTC")... (Public Islamic Bank, 2017, p. 7).

Considered the above, it further supports the evidence from the sample, which is PIBB, related to its position in actualising *Maqāṣid* of public interest. Uniquely analysed, the sample's company value was objectively found related to realising public interest. Reported this within BMI's recent annual report of 2017:

The Core values of Bank Muamalat Indonesia are Islamic – Modern – Professional. These Core values are expanded into five main behaviours. Islamic value translates into Integrity, Modern value translates into

Openness and Responsiveness, and Professional value translates into Competence and Excellence... (Bank Muamalat Indonesia, 2017, p. 69).

In line with the above information from BMI, the company value of humanising financial services was also found within MIB's main company report of 2017. It was mentioned:

As a leading financial services group in ASEAN, we are passionate about our people and we will continue to embrace the diversity of the region. Whether we are serving our customers or communities across the region, our focus on delivering the best customer experience is underpinned by our mission of Humanising Financial Services (Maybank, 2017).

Informed the above, it may be inferred that MIB's embracing the diversity and humanising financial services describes its position in realising *Maqāṣid* of public interest. In addition to this, commitment on corporate social responsibility (CSR) can also be an evident. Reflected within BIMB's 2017 report:

...the Bank has always been committed to corporate responsibility, not just by giving back to the community in which it operates but the Islamic finance industry as a whole through knowledge sharing and becoming the source of reference (Bank Muamalat Indonesia, 2017).

Stated the above, responsibility towards the society can be the evidence of the sample's performance in actualising public interest, as chiefly performed by BIMB. Discussed here, author has provided relevant information supporting the evidences of the samples' performance in the present MSI analysis, particularly their position in actualising *Maqāṣid* of public interest.

Taking the above sections (5.5; 5.5.1-5.5.3) to the end, these evidences here have supported those of quantitative findings. To what extent, author has answered the third question of this research, namely 'What relevant information do Malaysian and Indonesian IBs include within their annual reports to describe their achievements in the present MSI analysis?' Evidenced above, thus has answered so.

Further claimed, author has also answered the fourth research question of which ‘What are the differences between Malaysian and Indonesian IBs performances under the present MSI analysis?’ With the above elaboration here and that of in the previous chapter, thus has discussed the answer for this.

6.3 Concluding Chapter

This chapter has presented qualitative evidences of which further support those of quantitative ones as previously discussed. To some extent, the evidences here have answered our research questions completely, and thus our research objectives are achieved. Discussed this chapter, this research has equipped with an established discussion comprehensively of which the novelties are further credited to the IBF literature.

Moving on to our last chapter, author shall take the discussion here into one highlighting point, capturing the originality earned. Further, author shall also come out with relevant recommendation for academics, practitioners, industry, and other stakeholders of the IBF.

CHAPTER 7: CONCLUSION AND RECOMMENDATION

7.1 Introduction

In this chapter, author concludes this research. The discussion here begins with elaborating general concluding remarks, followed by specific conclusion answering the research questions in brief. Additionally, this chapter also proffers recommendations for both the IB industry and future study.

7.2 Concluding Remarks

This section is divided into three concluding remarks; the first conclusion is written to recap the discussion on the present MSI analysis. Second conclusion is made to short up the discussion on the samples' overall orientation on the MSI analysis with LSMSBP approach. And the third conclusion summarises the discussion on relevant information which indicates the samples' achievements in the present MSI analysis. From these, such a short answer for the research questions is highlighted.

7.2.1 Concluding Remarks for the Samples' Performance on the present MSI Analysis

There were two stages data analysis this research has carried out in the MSI analysis. The first stage performed PRs calculation of the samples, followed with non-parametric test of one-sample Kolmogorov-Smirnov to check whether the data of PRs was normally distributed or not. The second stage was the calculation of PRs, along with the determined coefficient variables as applied within the MSI with SAW approach.

The results on PRs calculation during the five-year period from 2013 to 2017 were varied. Some samples disclosed the information required and some have not. Thus, informational disclosure has affected the samples' performance in the next stage of the MSI analysis. Due to this shortcoming, data normality test was carried out. The result has shown that the data on the samples' PRs was normally distributed. As such, the analysis

was further continued to the second last stage. In this, the analysis with SAW approach had indicated the overall five-year mean of the MSI for the sampled Malaysian IBs was 0.983, while that of the sampled Indonesian IBs was 1.202.

Individually performed, the sampled Malaysian IBs of which MIB and CIBB were found to be the highest and the lowest performing samples. Followed MIB, the sampled Indonesian IB performed the second highest with BMI, and that of the second lowest before CIBB was BMS. The findings of this research did not predict any a better or a superior performance of one particular group sampled IBs. Even though the findings of current study have agreed with the previous studies of Antonio, Sanrego, & Muhammad (2012) and Saoqi (2017) in some specific cases, yet the interpretation offered by this research was different and contradictive towards those two studies. This research offered an interpretation of which referring back to the essence of the operationalisation concept of Sekaran (2003). The interpretation within this research should help others to better understand in interpreting the results of an IB performance when is analysed using the MSI.

7.2.2 Concluding Remarks for the Samples' Overall Orientation on the Present MSI Analysis with LSMSBP Approach

The concluding remarks within this section are related to the samples' overall orientation on the MSI analysis with LSMSBP approach. Author has found whereby the orientation of the ten samples' on the MSI analysis during the five-year examined period was 2 percent on educating individual, 56 percent on establishing justice and 42 percent on promoting public interest.

Author's interpretation for the above findings was dissimilar to that of Asutay & Harningtyas (2015). The present research has reverted back to Bedoui (2012) who initiated the study of LSMSBP, which did not provide any measure to claim either greater

or weaker achievement of one analysed sample in *Maqāṣid al-Sharī'ah* performance. This research has offered an appropriate interpretation on the finding as the insight into the samples' achievements in actualising *Maqāṣid al-Sharī'ah* within banking industry of Malaysia and Indonesia.

7.2.3 Concluding Remarks for the Information Indicates the Samples' Achievement on the Present MSI Analysis

This research has further conducted a qualitative approach of content analysis combined with thematic analysis to identify relevant information from the samples' annual report, of which describing their achievement in the present MSI analysis. Recent reports of the ten samples were utilised during the study. Table 6.1 below briefs these evidences which further support those of the quantitative ones:

Table 7.1: Relevant Information Describes the Samples' Achievement in the Present MSI Analysis

No	Sampled IBs	Information Indicates the Samples' Achievement in Actualising <i>Maqāṣid al-Sharī'ah</i> in Banking Industry	
1	Malaysia	BMMB	Total number of published research papers, collaborative agenda with other departments, and initiatives on community development.
2		BIMB	Zero-tolerance on <i>Sharī'ah</i> non-compliance and commitment on CSR.
3		CIMB Islamic	Programme of scholarship for bachelor and master level, innovative programme on financial literacy, and conducting big event for youth in ASEAN.
4		Maybank Islamic	Initiatives in learning and development, sustainable development programme, and embracing the diversity and humanising financial services.
5		PIBB	Involving in agenda of Islamic Banking promotion.
6	Indonesia	BMI	Private institute initiative, commitment on community based-business partnership, and company core values of Islamic, modern, and professional.
7		BMS	Commitment on synergy.
8		BNI Syariah	Social foundation initiative which provides education grant and establishing corporate value based on <i>Maqāṣid al-Sharī'ah</i> .
9		BRI Syariah	Commitment on providing scholarship for educational level of secondary, junior and senior high school, and commitment on providing equal right on training for employees.
10		BSM	Pillars of spirituality, national contribution, and economic empowerment.

Source: information from respective IBs' annual report as induced (and or) deduced by the author (s).

Explained the above sections (7.2; 7.2.1 – 7.2.3), author has concluded discussion from the previous chapters. To what extent, the above has further concluded the answers to the four research questions here. Following this, the novelty credited by this research is further highlighted in the following section.

7.3 Contribution of the Study

With conducted this research, several contribution for academics, practitioners, and the related stakeholders of the IBF has been contributed so. These include; *one*; the accurate interpretation towards the IBs' performance analysed using the MSI. In this, author has returned back to the main theory grounded the MSI. From this, author has critically discussed the interpretation of the former works, and has come out with the valid interpretation based on the grounding theory. *Two*; with employing the MSI, author has further presented the empirical evidence from the IBs, particularising that such *Maqāṣid al-Sharī'ah* in the context of IBs performance, is measurable and is reasonable for further adoption in the industry report. And *three*, with identifying the information which is relevant to *Maqāṣid al-Sharī'ah*, author has successfully presented the evidences supporting those of quantitative findings. With this, author may further claim; that the IBs has actualised and realised the *Maqāṣid al-Sharī'ah* in the banking industry. And to some extent, our findings here further challenge substantively those of subjective issues condemning the IBF fundamentally.

7.4 Recommendation

This section covers advisable notes credited by this research for both academics and practitioners of IBF.

7.4.1 Recommendation for the IB industry in Malaysia and Indonesia

This research had found that at the country level, MIB (Malaysia) and BMI (Indonesia) were the sampled IBs which performed the highest. In this regard, there are some values which can be learned from both IBs. This includes embracing diversity and humanising financial services (MIB) as well as community business based-partnership (BMI). To this extent, it is advisable for other IBs to learn these lessons and interpret this beneficial information into the company's business plans.

Further, for a specific contribution on educating the individual, other IBs may take the lesson from BMMB (Malaysia) to publish research paper. Meanwhile for contribution on establishing justice, other IBs can take the lesson from BIMB which is zero-tolerance in terms of *Sharī'ah* non-compliance income. In addition, for specific contribution on actualising public interest, other IBs may take the lesson from BMS to strengthen commitment on synergy.

7.4.2 Recommendation for the IBF industry in General

A major different between IBs and CBs are their foundation of establishment, in this regard, IBs are hoped to actualise *Maqāṣid al-Sharī'ah* within banking industry. As none of the samples were found to disclose specific information on *Maqāṣid al-Sharī'ah* performance, for instance, measurable ratio (such as financial ratio in the current practice of reporting) thus this research recommends the industry of the IBs to utilise the benchmarks within the MSI to include a report on *Maqāṣid al-Sharī'ah* performance. With doing so, such their achievement in actualising *Maqāṣid al-Sharī'ah* shall be visible.

7.4.3 Recommendation for Future Study

The present research has examined relevant information indicating the samples' achievements in realising *Maqāṣid al-Sharī'ah* in the banking industry of the samples' respective countries. As per concluded within table 6.1 above, a further study may use

either qualitative, quantitative, or both approaches to further investigate and validate these evidences related to the IBs achievement in realising and actualising *Maqāṣid al-Sharī'ah* in the banking industry.

Further, a future study may enhance the MSI developed by Mohammed, Razak, & Taib (2008) with different referenced to *Maqāṣid al-Sharī'ah* theory. For example, one may refer to the current explanation of *Maqāṣid al-Sharī'ah* as explained by the related experts to enhance so. With this, a coverage of the *Maqāṣid al-Sharī'ah* interpretation on an IB performance can be wider investigated. In addition, a future study may also include a conventional benchmark to enhance the MSI, so that it shall not only reveal 'religious' information, but also disclose 'business' circumstances (financial matters as applied within conventional benchmark) within a single yardstick.

7.5 Concluding Chapter

Discussed this chapter, discussion within the previous chapters were concluded here with a highlight of some critical information produced here. Author has also claimed our novelty contributed, and the position of this research for the IBF related literature. In addition, author has also documented some lessons for the industry practices, include the direction for the future study. With this, all the research questions here were answered, and thus our research objectives here have been achieved.

Ending now our study here, some further revision and improvement have been made in this research. With this, author would like to take an opportunity to claim, of which author has conducted this research accurately and scientifically. *Wallahua'lam.*

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LIST OF PUBLICATIONS AND PAPERS PRESENTED

A part of this research was presented at the *Forum Riset Ekonomi & Keuangan Syariah* (FREKS 2018) held by *Otoritas Jasa Keuangan* (OJK) and *Ikatan Ahli Ekonomi Islam Indonesia* (IAEI), at Universitas Syiah Kuala, Banda Aceh, Indonesia, on 18-19 September, 2018. The paper presented was titled “Religious Performance of Islamic Banking in Indonesia: A Critical Analysis”. The paper won as the best paper for the main category of paper recommended for a journal indexed Scopus.

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