



## **DEVELOPING THE PERFORMANCE MEASUREMENT SYSTEM BASED ON *MAQĀṢID* FOR ISLAMIC BANKS**

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**Abstract:** The performance appraisal system for Islamic banks, according to the function and role of Islamic banks, is still not well established and is still in search of ideal forms. Several Islamic economic figures see that the existing Islamic bank performance appraisal system is still profit-oriented and has not considered Islamic banks' social aspects. Apart from having a business function, Islamic banks also have social functions that must be carried out. Using the *maqāṣid al-Najjār* approach, this study developed a performance measurement system based on *maqasid* for Islamic Banks. Using the Sekaran model, the researcher breaks down the elements of *maqāṣid al-Najjār* into indicators of performance appraisal of Islamic banks to produce a Syaria bank performance measurement system within the framework of the *maqāṣid al-Najjār*. Based on the concept of *maqāṣid al-Najjār*, the developed model in this study is called the performance measurement system based on *maqasid* (PMSBM) for Islamic banks. This model contains financial and social aspects, so that Islamic banks are more in line with the basic objectives of Islamic economics, namely realizing prosperity for mankind.

**Keywords:** Performance, Islamic banks, *Maqāṣid*

## **INTRODUCTION**

The formulation of a Syariah bank performance appraisal system that follows the values, objectives, roles, and characteristics of Islamic banks is still in search of an ideal form. Few multidisciplinary studies that have resulted in integrated and interconnected the Islamic bank performance appraisal system formula as an approach (Mohammed et al., 2015; Prasetyo & Rofiah, 2021; Tarique et al., 2020). In fact, the emergence and development of Islamic Financial Institutions, including Islamic banks as the spearhead, is shaped by the norms, values, and ethical principles of Islamic economics. Therefore, the assessment of Islamic banks' performance with the right model is very important, so that the performance of Islamic banks remains on track in accordance with the original objectives, roles, and characteristics.

Islamic banks have unique and different characteristics and functions from conventional banks. In addition to having a business function, Islamic banks also have social functions that must be carried out. Therefore, the evaluation and performance assessment of Islamic banks must also be carried out comprehensively according to their role, namely the achievement of business performance (financial) and social performance (Hasan & Andriany, 2015, p. 51; Sucipto, 2003, p. 34). But unfortunately, the assessment of the social performance of Islamic banks has not received adequate attention. So far, Islamic bank performance appraisals are more likely to assess business performance. In contrast, business performance and social performance are integral parts that go hand in hand because Islamic

banks are established and developed to fulfill these two functions. The fulfillment of these two functions is also a unique characteristic of Islamic banks compared to conventional ones.

Islamic banks are developed as an entity based on two inseparable principles: world affairs and religious affairs. These principles must obey and comply with shariah as the basis for all aspects of life. Compliance is not only related to origin worship (*ibadah mahdah*) but also business transactions (AAOIFI, 2015, p. 5). The relationship between Islamic banks and religion is in line with social construction theory in the sociology of religion. According to Berger, religion is a social reality. Religion has a strategic role in building a social reality (Berger, 1991, p. 35; Soehadha, 2008, pp. 20–21). Islamic banking is a social reality whose presence cannot be separated from religion. The emergence of Islamic banks is based on the Islamic paradigm. Therefore, the assessment of Islamic banks' performance as a social reality through a religious approach with *maqāṣid al-sharī'ah* as a reflection needs to be done.

Many scholars have discussed *maqāṣid al-sharī'ah*. One of them is 'Abd al-Majīd al-Najjār, a Tunisian-born scholar. Al-Najjār develop *maqāṣid al-sharī'ah* based on the areas of human life. Al-Najjār tries to dialogue and relate the text to the context of human life. With starting from the concept of *maqāṣid al-sharī'ah* that have developed before and consider the problems that develop in various dimensions of human life, al-Najjār developed the essential elements in *maqāṣid al-sharī'ah*. Al-Najjār argued that shariah was revealed for the benefit of humans. Therefore, it deserves and becomes necessary that *maqāṣid*

*al-sharī'ah* oriented in general to the comprehensive dimensions of human life (Al-Najjar, 2008, p. 56). Based on this, the concept of *maqāṣid* al-Najjār is quite relevant to be used as an approach to formulate an Islamic bank performance measurement system in academic studies.

## LITERATURE REVIEW

### *Maqāṣid al-Sharī'ah* in the Concept of al-Najjar

The term *maqāṣid al-sharī'ah* consists of two words, namely *maqāṣid* and *sharī'ah*. *Maqāṣid* is the plural form of *maqṣad* which means purpose, target, final goal. Meanwhile, *maqāṣid* what is meant in Islamic shari'ah is the objective or purpose of Islamic law. Some *fuqaha'* argue that *maqāṣid* bush with *maṣāliḥ*. Al-Juwayni, for example, used the term *maqāṣen* and *maṣāliḥ* alternately (Auda, 2008, p. 2). *Maqāṣid al-sharī'ah* underwent a long evolution in its development until it finally emerged as a scientific discipline in the mid-20th century with the main character Muḥammad Ṭāhir Ibn 'Āshūr (d. 1379 H / 1973 M) who played a major role in developing the concept of *maqāṣid* which has been built by al-Shāṭibī (d. 790 H) (Mawardi, 2010, p. 178).

Currently, the development of *maqāṣid al-sharī'ah* are in a phase of methodological development. This phase was pioneered by the presence of Ibn 'Āshūr, which is phenomenal and is positioned as the third pillar in the map of *maqāṣid al-sharī'ah* development. After that, several contemporary *maqāṣid* figures emerged who seek to develop *maqāṣid al-sharī'ah* from a concept to an approach in

answering current problems. However, the five main elements of *maqāṣid* developed by al-Ghazālī seem to be a fixed price that remains. Although that does not mean *maqāṣid* figures in this phase have no role at all. The positive contribution of *maqāṣid* figures in this phase is to relate the five main elements of *maqāṣid* with contemporary issues. Jasser Auda, for example, understands that the protection of offspring is a concern for the family. Besides, he understands that property protection is economic development and reduces the gap between economic classes (Auda, 2008, pp. 248–249).

Meanwhile, 'Abd al-Majīd al-Najjār, a Tunisian-born scholar, offered the concept of *maqāṣid* with a slightly different offer. Al-Najjār develops *maqāṣid al-sharī'ah* based on the areas of human life. Al-Najjār seeks to dialogue and relate the text to the context of human life. With starting from the concept of *maqāṣid al-sharī'ah* who have developed before and consider the problems that develop in various dimensions of human life, al-Najjār developed the essential elements in *maqāṣid al-sharī'ah*. Al-Najjār argued that shariah was revealed for the benefit of humans. Therefore, it deserves and becomes a necessity that *maqāṣid al-sharī'ah* oriented in general to the comprehensive dimensions of human life (Al-Najjar, 2008, p. 56).

According to al-Najjār, the dimension of *al-maqāṣid al-ḍarūriyyah*, better known as *al-ḍarūriyyāt al-khams*, sometimes it is not entirely appropriate to analyze the various aspects of human life that develop very rapidly. The multiple dynamics in human life must be covered by *maqāṣid al-sharī'ah* (Al-Najjar, 2008, p. 51). The

thinking reason used by al-Najjār is known as reasoning with the Islamic anthropocentrism epistemology (Wijaya, 2014, p. 322).

Based on the epistemology of Islamic anthropocentrism, al-Najjār reformulating *maqāṣid al-sharī'ah* into four dimensions, and each dimension contains two elements. Al-Najjār confirms that the classification of the *maqāṣid* elements which are developed does not mean that each element stands alone to realize *maṣlahah* without being related to other elements. According to al-Najjār, although each element is interrelated and intertwined, each element has its main characteristics that differ from another (Al-Najjar, 2008, p. 56).

*Maqāṣid* reformulation developed by al-Najjār are: 1) Maintaining the value of human life, which consists of protection of religion (faith) and protection of human humanity; 2) Maintaining human essence, which consists of safeguarding the soul (self) and protection of intellect (mind); 3) Maintaining the human community, which consists of keeping the offspring (prosperity) and maintaining the existence of the human entity (social entity); and 4) Maintaining the material dimension of humans, which consists of preserving wealth and protecting the environment (Al-Najjar, 2008).

## **METHODS**

This study constructs a performance measurement system for Islamic Banks that includes financial and social aspects using the *maqāṣid* al-Najjār approach. It means that the concept of *maqāṣid* al-Najjār is used as an approach and framework in constructing the performance measurement system for Islamic banks. The researcher

breaks down the *maqāṣid* al-Najjār elements become indicators of performance measurement of Islamic banks resulting in a Syariah bank performance measurement system within the framework of the *maqāṣid* al-Najjār concept. Moreover, it uses two analyses, content and domain analysis, to explore and get a holistic understanding of the data and theories. The researcher breaks down the elements of *maqāṣid* al-Najjār using the Sekaran model into indicators of financial and social performance measurement of Islamic banks to produce a syariah bank performance measurement system within the framework of the *maqāṣid* al-Najjār concept.

Islamic banking is a derivative of the Islamic economic system which makes Islam the cornerstone of its paradigm. Therefore, it is very important to develop a performance assessment of Islamic banks so that all activities of Islamic banks are in accordance with Islamic objectives. One way to make Islamic bank activities in accordance with Islam is to assess the performance of Islamic banks based on the *maqasid* framework.

## **RESULT AND DISCUSSION**

### **Overview of the Islamic Bank Performance Assessment System**

Information related to Islamic banks' financial and non-financial performance is of interest to many related parties from owners, managers, people using Islamic bank services, Islamic bank supervisory authorities, and other parties that are not directly related. Information on the performance of Islamic banks can be used according to the interests of each party. Among the most widely used

Islamic bank financial performance assessments are the CAMELS and RGEC assessment systems. The two performance systems have been used in the prevailing regulations in Indonesia. RGEC is still valid in the performance assessment regulations of Islamic banks in Indonesia. CAMELS has been in effect since 2007 and has been replaced by RGEC since 2014, which is valid until now.

Compared to other Islamic bank performance appraisal systems, the CAMELS method is relatively the most established because it has long been used, and various improvements through academic studies and studies have been made. In the CAMELS method, not all assessment factors are related to financial performance assessments. There is one assessment factor that does not assess economic performance, namely Management. Thus, there are only five factors associated with the assessment of Islamic bank financial performance. The five factors are CAELS (Capital, Assets, Earning, Liquidity, and Sensitivity to market risk).

Meanwhile, of the four factors in the RGEC method, the assessment of Islamic bank financial performance is based on three factors, namely Risk Profile, Earnings, and Capital. Meanwhile, Good Corporate Governance is related to the governance or management of Islamic banks. In the RGEC method, several factors differ from the CAMELS method. These factors are Assets Quality, Liquidity, and Sensitivity to Market Risk. In the CAMELS method, these three factors are the main factors in assessing Islamic banks' performance. In the RGEC method, these three factors are not eliminated. The three



factors in the RGEC method are included in the Risk Profile factor because they are related to the risks faced by Islamic banks.

Iwan Triyuwono, as an academic and sharia accounting expert, offers another syariah bank performance assessment system using the ANGELS method. Although he agrees with the assessment factors in CAMELS, Triyuwono is not entirely in line with the orientation and indicators used in the Conventional CAMELS Method. Triyuwono offers the same factors but with different assessment indicators. One of Triyuwono's criticisms is related to the Earning Factor. He disagrees with Earning orientation in the CAMELS method, which tends to be more about the notion of profit. In the ANGELS concept, Earning is the value-added that is distributed for a broader stakeholder's welfare (Triyuwono, 2011, p. 14).

Islamic bank financial performance is the determination of certain measures to measure the success of Islamic banks in generating profits. The responsibility of management is to improve the company's financial performance. The stakeholder components, such as investors, creditors, and employees, are very concerned about performance. The higher financial performance generated by the company will increase stakeholder assets. Also, an increase in financial performance gives companies many opportunities to improve social performance in all aspects.

In general, the factors in CAMELS and RGEC emphasize more on the financial aspects. Non-financial aspects have a tiny portion, such as management or governance (Good Corporate Governance) factors. The financial part is none other than the profit

aspect. According to Triyuwono, the aspect of assessing the health of Islamic banks is determined so that the financial aspects are maintained, and even with the existing provisions, it is hoped that it will continue to increase from time to time (Triyuwono, 2011, p. 3). Indeed, the regulation of Islamic bank health assessment is the basis for ensuring the existence and sustainability of a bank. The presence and sustainability of a bank can be guaranteed if the bank in its operations makes a profit and, in simple terms, the profit is actually intended for shareholders.

Assessment of Islamic banks' performance, which is oriented to the aspects of finance and profit for the interests of shareholders, is not wrong. Of course, this is in the context of the fundamental values contained in the modern economic system. However, according to Triyuwono, if it is viewed from the point of view of shariah ethics, then the performance assessment of a Islamic bank which is only oriented to the financial and profit aspects will look very partial and temporary. In fact, in the context of sharia ethics, social reality (including the reality of the banking business) is an inseparable part of all social and religious systems (Triyuwono, 2011, pp. 4–5). Apart from financial performance assessment, Islamic bank social performance assessment as a reflection of the social role must also be done.

However, unlike financial performance, corporate social performance is relatively difficult to measure, even though the company's social performance, which is often known as Corporate Social Performance (CSP), has been an academic topic of discussion

for decades. The CSP concept has been used in the United States since the mid-1970s. According to Wood, CSP is a configuration of the principles of social responsibility in business organizations and processes, policies, social responsibility programs, and outcomes that can be observed related to corporate social relations (Wood, 2017, pp. 691–693).

Along with the increasing awareness of many companies about the importance of CSR and increasingly accepted by various parties, an assessment of the company's social performance is also developing. Several researchers have developed a corporate social performance assesment system. However, the concept of CSR, which is quite varied, has resulted in various social performance assesment systems as well. With regard to Islamic banks, there have been no researchers who specifically developed an assessment of the social performance of Islamic banks. Several studies have been carried out adapting the CSP concept developed for general company assessment. Among the adapted CSP concepts is Islamic banks' performance assessment using the Islamic Social Reporting (ISR) Index. In addition, there is also a syariah bank social performance assesment system that is integrated with Islamic bank financial performance assessment, such as the ANGELS model developed by Triyuwono and several other researchers.

*Islamic Social Reporting* (ISR) was initiated by Roszaini Haniffa (Haniffa, 2002) and further developed by Rohana Othman, et. al. in 2009 and 2010 (Othman et al., 2009; Othman & Thani, 2010). The ISR concept emerged as a form of corporate accountability to

Allah and society. In addition, ISR also reflects the transparency of the company's business activities by presenting relevant information following corporate social responsibility. Haniffa, as the initial initiator of ISR, formulated the ISR Index covering five disclosure themes, namely the theme of funding and investment, the theme of products and services, the theme of employees, the theme of the community, and the theme of the environment. Of the five themes, Othman et al. added one disclosure theme, namely the Theme of Corporate Governance.

Meanwhile, Triyuwono offers the ANGELS concept to assess the performance of Islamic banks. This concept was formulated by Triyuwono from philosophical thinking to more concrete thinking. However, this concept has not yet reached the technical level. Those who wish to assess Islamic banks' performance using the ANGELS concept must develop the assessment indicators first at the technical level. Unlike the CAMELS and RGEC methods, the performance assessment of Islamic banks using the ANGELS method is related to financial performance and social performance. The ANGELS system stands for Amanah Management, Non-economic Wealth, Give Out, Earnings, Capital and Assets, Liquidity and Sensitivity to Market, and Socio-Economic Wealth. Each of these ANGELS factors is part of the “process”, “results” and “stakeholders”.

Of the two Islamic bank social performance assessment systems, ISR and ANGELS, there are several points of similarity between the two, although each expresses it with different terms. The point of the equation is the importance of assessing the social

performance of Islamic banks based on three Islamic bank relationships, namely the relationship between Islamic banks and God, the relationship between Islamic banks and stakeholders, and the relationship between Islamic banks and nature. These three relations are essential points in the form of Islamic bank social accountability that must be assessed.

The first relation is the accountability of Islamic banks to God. The second relationship is the accountability of Islamic banks to stakeholders. Furthermore, the third relation is the social accountability of Islamic banks to nature. Apart from the points of relation with God, these points of contact are also in line with the concept of CSR, which aims to make companies not only carry out the interests of shareholders but also pay attention to the interests of stakeholders, such as employees, communities, government, consumers, and the environment (Susanto, 2009, pp. 109–118). CSR is a company's concern based on three fundamental principles known as Triple Bottom Lines (3P): Profit, People, and Planet. With this 3P principle, business goals are no longer merely seeking profit and must provide welfare for humans (people) and ensure the sustainability of life in this world (planet) (Alma & Priansa, 2009, p. 191).

### **Developed Model of The Performance Measurement System Based on *Maqasid* for Islamic Banks**

The performance measurement system for Islamic banks has not yet been established and is still searching for an ideal form. The CAMELS and RGEC methods used as standards in the assessment of Islamic banks in Indonesia are also still drawing criticism. The two

performance appraisal methods are considered financial oriented and do not reflect the other social roles of Islamic banks. Based on the objectives and philosophical basis of Islamic banks' existence, this social role is inherent in Islamic banking institutions.

From the philosophical basis of Islamic banks, Islamic banks' role and activities, however, cannot be separated from the basic principles of shariah that underlie and construct their existence. Based on these basic principles, Islamic banks have a business and social role in carrying out their activities. These two roles must be carried out simultaneously to create social welfare in society to achieve *falāh* as an Islamic economic goal.

In the context of Islamic banking, Islamic banking is a social reality whose presence cannot be separated from religion as its builder and founder. Islamic banks exist based on the religious paradigm, namely Islam. All Islamic banks' activities and their roles must be following the basic principles of shariah that underlie them. So how do you see that all Islamic bank activities are in line with shariah principles? To answer this question, the assessment of the performance of Islamic banks as a social reality through a religious approach as a norm that builds their existence is appropriate. This religious approach can be done through an assessment of the alignment of Islamic banking practices with the objectives of shariah (*maqāṣid al-sharī'ah*).

Several Islamic scholars and scholars have developed the concept of *maqāṣid al-sharī'ah*. One of the contemporary scholars who developed the concept of *maqāṣid al-sharī'ah* is 'Abd al-Majīd al-

Najjār, a Tunisian-born cleric. Al-Najjār as an academic and politician in Tunisia developing *maqāṣid* with a wider perspective and spectrum than previous scholars. Al-Najjār outlines the *maqāṣid al-sharī'ah* based on the dimensions of human life. Al-Najjār believes that human life is developing very fast. The teachings of Islam must always be able to answer all these developments. Islam is a religion that is still following the space and time dimensions of human life (*ṣāliḥ li kull zamān wa makān*). Hence, the mainstream dimension of the *al-maqāṣid al-ḍarūriyyah*, which is better known as *al-ḍarūriyyāt al-khams*, sometimes is not entirely appropriate to read the dynamics of various aspects of human life that develop very rapidly. The various dynamics in human life should be covered by *maqāṣid al-sharī'ah* (Al-Najjar, 2008, p. 51). Therefore, it deserves and becomes necessary that *maqāṣid al-sharī'ah* must develop and be generally oriented to the comprehensive dimensions of human life.

By using epistemology of anthropocentrism reasoning (Wijaya, 2014, p. 322), al-Najjār pays attention to integrate and interact efforts to the syariah principles dealing with the human life's conditions and dimensions. Based on the epistemology of anthropocentrism, al-Najjār seeks to reformulate and develop the dimensions of *maqāṣid al-sharī'ah*.

In developing the *maqāṣid al-sharī'ah* dimension, al-Najjar has a different opinion with the Islamic worldview that one of the main roles and duties of humans living in this world as representatives of Allah (*khalīfah Allah fi al-arḍ*). Based on these roles and duties, humans must maintain and preserve the universe's structure to achieve

happiness in this world and the hereafter. Meanwhile, the purpose of the shariah revealed by Allah (*maqāṣid al-sharī'Ah*) is for the benefit of humankind. Hence, al-Najjār seeks to internalize the objectives and basic principles of Islamic teachings (*maqāṣid al-sharī'ah*) and the task of humans as caliphs in the dynamics of contemporary human life. The internalization, then, produces the pillars of the *maqāṣid* and each pillar contain two dimensions of *maqāṣid*.

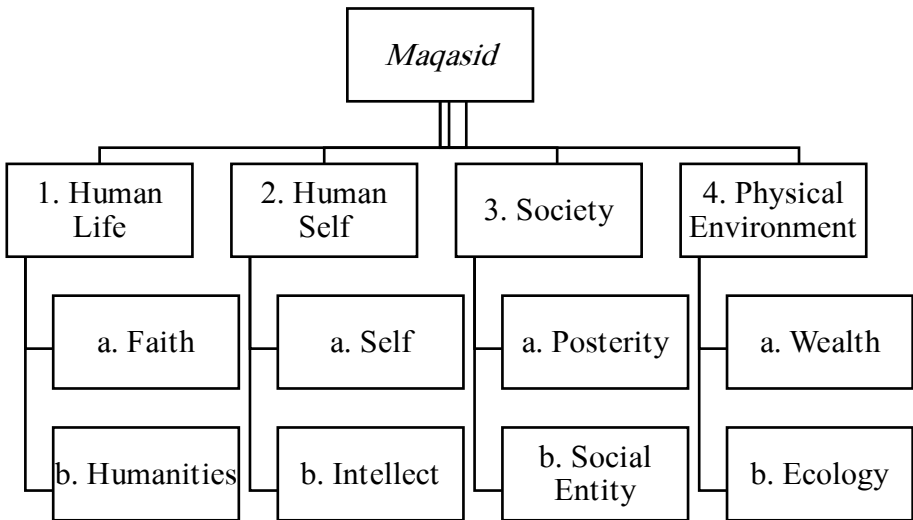


Image 1. Dimensions of *Maqāṣid* according to al-Najjār

Based on this background of thought, the researcher constructs a performance measurement system for Islamic banks that is developed from *maqāṣid* al-Najjār dimensions. *Maqāṣid* al-Najjār concept is more detailed concerning various dimensions of human life, so it is more applicable to be used as a theoretical framework in developing a Syariah bank performance appraisal system. In the



concept of *maqāṣid* al-Najjār, *maqāṣid al-sharī'ah* elements consist of: 1) maintaining the value of human life; 2) maintaining the essence of human; 3) maintaining the social system of society; and 4) maintaining the material dimension of life.

In detail, the following is the construction of a syariah bank performance appraisal system using a *maqāṣid* al-Najjār perspective.

#### 1. Maintaining the value of human life

The first pillar in *maqāṣid* al-Najjār is maintaining the value of human life. According to al-Najjār, two important dimensions for preserving the value of human life are preserving religion and maintaining human humanity (Al-Najjar, 2008, pp. 59–61). In relation to this first dimension, the implementation of the dimension of maintaining religion in Islamic banks' performance assessment can be done by assessing the syariah compliance of Islamic banks. Practically, fulfilling the supporting factors for the existence and role of religion and getting rid of the inhibiting factors can be realized if Islamic banks' operation is in accordance with and complies with the provisions of syariah. Islamic banking operations must really be carried out based on the principles of shari'ah. The application of syariah compliance is a necessity. In addition to maintaining the alignment of Islamic bank operational practices with syariah principles and rules, syariah compliance is also useful for fostering public trust in Islamic banks.

Furthermore, the second dimension in preserving the value of human life is maintaining human humanity. Human humanity studied by al-Najjār is similar to Human Rights in contemporary studies. This

means that humanity is a set of rights inherent in humans' substance and existence as God's creatures. According to al-Najjār (Al-Najjar, 2008, pp. 86–104), maintaining human humanity means maintaining the four factors that become the main pillars of a human being. The four factors are maintaining human nature, maintaining respect, maintaining the purpose of human life, and maintaining freedom of will.

Related to the second dimension, indicators that can be used in the assessment are the vision, mission, and objectives of Islamic banks. Islamic bank's concern for human humanity can be seen in Islamic banks' vision, mission, and objectives. The three of them are an important part in determining the direction of Islamic banks' policy and operations. Based on the concept of *falāḥ*, the direction of Islamic banking must be in line with these Islamic economic goals. The manifestation of the direction of Islamic banking is manifested in the vision, mission and objectives of Islamic banks. For a company, the vision, mission, and goals description is vital to the strategic management and planning of all its activities. All company policy directions are reflected in the vision, mission, and objectives. The policy direction must take sides and be committed to stakeholders' welfare and human life sustainability.

## 2. Maintaining the human essence

Religion exists to realize human benefit. Humans socially consist of different individuals. The starting point for maintaining the benefit of the community is through maintaining the benefit of each

individual. Maintaining the human substance means guarding the two main elements that exist in humans, namely the soul and mind.

According to al-Najjār, keeping the soul contains two important dimensions in humans: protecting the soul materially and protecting the soul in a meaningful manner. The soul is immaterial. However, guarding the soul does not mean just taking care of the soul itself in a meaningful way. Because the soul is contained in a material body, this material body must also receive attention (Al-Najjar, 2008, pp. 114–115).

Regarding the performance appraisal of Islamic banks, the dimension of life protection can be reduced to protection for employees and customers. Providing protection to employees and customers means that the management of Islamic banks has provided protection for the life which is one of the pillars in *maqāṣid al-sharī'ah*.

Furthermore, the second dimension in safeguarding human essence is maintaining intellect. The reason is one of the factors supporting the strength of the soul. The reason is what distinguishes humans from other creatures on earth. Reason or is also often referred to as a human spiritual instrument that functions to determine right and wrong and analyze something whose ability is very much dependent on the experience and knowledge of the owner. Maintain intellect in *maqāṣid al-sharī'ah* means maintaining the power of intellect so that humans can carry out their duties as caliph. The intellect has two dimensions, namely the material dimension and the

meaningful dimension. Both dimensions must have protection to reach *maqāṣid al-sharī'ah*.

Regarding Islamic banks' performance assesment, maintaining intellect is through training and educating employees as corporate human resources and through research. These two forms of activity are essential in developing Islamic bank employees' intellect power and a form of protection of Islamic bank management against intellect. Human resources (HR) are precious company assets, even priceless. Islamic bank HR consists of all employees who work in running the company organization. Quality human resources are vital in carrying out Islamic bank operations to achieve the stated goals and policy directions. Their human resources very much determine Islamic banks' success and their ability to be competitive.

### 3. Maintaining the social system of society

Humans are social creatures who cannot possibly live alone without interacting with other people. Maintaining the community's social system means keeping the system of community rules in accordance with the established buildings and necessary framework to achieve the mission of life. In the concept of al-Najjār, maintaining the social system of society consists of two elements, namely protecting the offspring and maintaining the social structure of society. In assessing Islamic banks' performance, maintaining the social system of the community is included in the category of social performance of Islamic banks.

The implementation of this dimension in the performance assesment of Islamic banks is to provide educational scholarships.

The young generation is a precious asset for the sustainability of humankind. One form of protection for offspring is to maintain the younger generation's quality through the support of educational scholarships.

The second dimension in maintaining the social system of society is maintaining the social structure of society. Humans will not be able to carry out their duties as caliphs if they are not incorporated into society's structure. Society consists of various structures. According to al-Najjār, maintaining the social structure of society means maintaining the two main elements in it, namely community organization and social relations. Humans as social beings are included in various social institutions. These institutions start from the family as the smallest organization, community organizations, to the government as a formal organization (Al-Najjar, 2008, pp. 157–158).

The implementation of this dimension in Islamic banks' performance appraisal is through Islamic bank social funds distributed for CSR (Corporate Social Responsibility). The amount of Islamic bank CSR funds reflects how much attention and concern Islamic banks to the surrounding community. In a broader dimension, the CSR of Islamic banks shows Islamic banks' protection against the social structure of society and social relations.

In essence, every person, group and organization has a social responsibility for their environment. The social responsibility of a person or organization is ethics and the ability to do good in the social environment based on society's rules, values, and needs. Doing good

or virtue is part of social life. Ethically, the company has economic and legal obligations to shareholders or shareholders and has obligations towards other parties socially, including the surrounding community. Therefore, CSR is a moral value that should be implemented based on the owner or company leadership's conscience calling to improve the welfare of the company's stakeholders. If CSR is based on Islamic values, its social objectives and ethical values are clear. CSR within the framework of the value of social responsibility, help and brotherhood, and a form of worship is the social goal of the *maṣlaḥah 'āmmah* in Islamic teachings.

#### 4. Maintaining the material dimension of life

Humans living in the world are not only related to humans themselves. There are other factors that humans must consider to support their functions and duties in this world. Another factor is the material element that surrounds humans and supports life. Without this material element, humans would not be able to carry out their functions and duties properly. The material elements are assets that are obtained and utilized and the natural environment around which humans live and produce wealth. The Holy Qur'an has emphasized that everything in the heavens and on earth is left to humans for its management. Humans as the caliph of Allah in this world are responsible for its management. The good and the bad of this universe depend on humans.

In the study of *maqāṣid al-Najjār*, the property is distinguished from other material dimensions. Although the property is part of the material dimension, the property has different characteristics and

specifications from other natural objects' structure. Someone obtains property through work and other methods of obtaining assets. The relationship between property and humans is a relationship of ownership that can rotate and transfer ownership.

The implementation of this dimension in the performance assesment of Islamic banks is through revenue redistribution. Income redistribution is a form of Islamic banking social concern. Therefore, income redistribution is included in the category of Islamic bank social performance assesment. Meanwhile, another assessment in the dimension of asset protection is the financial performance assessment of Islamic banks related to profitability, asset quality, liquidity, capital, and sensitivity to market risk. All of them are a form of Islamic bank protection against assets following the objectives of shariah (*maqāṣid*).

Another form of assessment of the performance of Islamic banks on the implementation of Islamic bank protection against assets is through financial performance factors contained in the CAMELS Method, namely Capital, Asset Quality, Profitability, Liquidity, and Sensitivity to Market Risk. These five factors reflect the elements of property protection in the concept of *maqāṣid* al-Najjār.

The second dimension in preserving the human material element is protecting the environment or ecology. Environment means the nature where humans live. Earth with everything in it is the environment. Likewise, the universe that surrounds the earth where humans live in the environment. Protecting the environment is very important for the sustainability of human life. As the caliph of Allah,

humans play an essential role in the sustainability of humans themselves. The Qur'an has warned that it is the role of man himself is the destruction in this world.

According to al-Najjār, protecting the environment means maintaining the environmental balancing system, preserving it, and protecting it from damage, pollution, and excessive consumption. Environment and nature have an important role in human life. Ecological and natural damage will significantly impact the balance and sustainability of all living things in the world (Al-Najjar, 2008, pp. 207–230).

The implementation of this dimension in assessing the performance of Islamic banks is through environmental CSR (environment responsibility). The concepts underlying this theme are *mīzān*, *i'tidāl*, *khilāfah*, and the afterlife. These concepts emphasize the principles of balance, simplicity, and responsibility in protecting the environment. Islam teaches its people to protect and preserve the earth. Allah provided the earth and its contents including the environment for humans to be managed without destroying it.

CSR is one of the pillars of business ethics. Business ethics is a code of conduct for entrepreneurs based on moral values and norms used as guidelines for behavior in carrying out their business activities. Meanwhile, business ethics in Islam are good behavior in running a business to profit based on shariah principles that are far from greed and egoism.

Apart from emphasizing the social interests of society, Islam also commands this CSR practice in the environment. The



environment and its preservation are some of the core teachings of Islam. What underlies the formation of the philosophy of environmental virtue carried out holistically by the Prophet Muhammad is the belief that creatures are basically dependent on other creatures. The nature of dependence between fellow living beings is the nature of Allah SWT. Allah created this universe in a balanced and measured manner, both quantitative and qualitative. So that if humans destroy this universe or ignore this universe, then the consequence is that the whole of nature will experience suffering, which will impact human suffering as well.

Based on the overall description of the construction of the financial and social performance appraisal system of Islamic banks in *maqāṣid* al-Najjār perspective above, a summary of the financial and social performance appraisal system of Islamic banks in the *maqāṣid* al-Najjār perspective is as follows:

Table 1. Performance Measurement System Based on *Maqāṣid* for Islamic Bank

<b>Maqasid Pillar</b>	<b>Dimensions</b>	<b>Element</b>	<b>Indicators / Aspects of Disclosure</b>
<b>The Value of Human Life</b>	Religion	Shariah Compliance	Shariah Compliance Status
	Humanity	Vision, Mission and goals	Commitment to: 1. Welfare of stakeholders 2. Sustainability of life
<b>Value of Human Essence</b>	Soul	Employees	<ul style="list-style-type: none"> <li>• Employee Salary / Total Income</li> <li>• Health insurance</li> <li>• Safety guarantee</li> </ul>
		Customer	• Funds are guaranteed by LPS / Insurance
	Reason	Employee Training and Education	• Employee training and education funds / total costs

Maqasid Pillar	Dimensions	Element	Indicators / Aspects of Disclosure
Social System	Hereditiy	Research	/ Research grants / total costs
		Education Scholarships	Educational scholarship funds / total social funds
	Social Structure	CSR	CSR Funds / Total Cost
Life Material Dimension	Treasure	Income Redistribution	<ul style="list-style-type: none"> <li>• Zakat / net profit</li> <li>• Virtue fund / total income</li> </ul>
		Capital	<i>Capital Adequacy Ratio (CAR)</i>
		Asset Quality	Earning Asset Quality Ratio (KAP)
		Profitability	Net Operating Margin (NOM) Ratio
		Liquidity	Short Term Maturity (STM) Ratio
		Sensitivity to Market Risk	Market Risk Ratio (MR)
	Environment	Environmental CSR	Social activities related to environmental issues

## CONCLUSION

Al-Najjār internalizes the objectives and basic principles of Islamic teachings (*maqāṣid al-sharī'ah*) and the task of humans as caliphs in the dynamics of contemporary human life. The internalization then produces *maqāṣid* dimensions, which is more detailed and comprehensive in responding to contemporary human life dynamics. In the perspective of *maqāṣid* al-Najjār, model of the Performance Measurement System based on Maqasid (PMSBM) in this research includes both financial and social performance aspects.

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