COMPARISON OF ISLAMIC BANKING PERFORMANCE IN INDONESIA, PAKISTAN, AND BANGLADESH: SHARIA MAQASHID INDEX APPROACH

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ABSTRACT – There is a different characteristic between Islamic banks and conventional banks, so Islamic banks must have performance measures based on Islamic values in them. This study aims to measure the performance of Islamic banks in three countries - Bangladesh, Indonesia, and Pakistan - using the Sharia Maqashid Index. Also, this study examined whether there were differences in Sharia Maqashid Islamic bank indexes in the three countries using the one-way ANOVA test. The results of the study, in general, showed that the Al-Arafah Islamic Bank of Bangladesh received the highest score, followed by Bank of BNIS and Bank of BRIS. Besides, the results of the study also showed that there were differences in performance. This result implies that Islamic banks should use the maqashid sharia framework as a benchmark for their objective and performance indicators.
Keywords: sharia maqashid index, Islamic banks, performance indicators.
JEL Classification: G21, G29

ABSTRAK – Perbandingan Kinerja Perbankan Syariah di Indonesia, Pakistan, dan Bangladesh: Pendekatan Indeks Maqashid Syariah. *Terdapat perbedaan karakteristik antara bank syariah dan bank konvensional, sehingga ukuran kinerja bank syariah harus didasarkan pada nilai-nilai syariah yang terdapat di dalamnya. Penelitian ini bertujuan untuk mengukur kinerja bank syariah di tiga negara yaitu Bangladesh, Indonesia, dan Pakistan dengan menggunakan Sharia Maqashid Index. Selain itu, penelitian ini juga menguji apakah ada perbedaan indeks bank syariah Maqashid Syariah di tiga negara dengan menggunakan uji one-way ANOVA. Hasil penelitian secara umum menunjukkan bahwa Bank Islam Al-Arafah Bangladesh memperoleh skor tertinggi, disusul oleh Bank BNIS dan Bank BRIS. Selain itu, hasil penelitian juga menunjukkan adanya perbedaan kinerja di tiga negara tersebut. Hasil ini menyiratkan bahwa bank syariah harus menggunakan kerangka maqashid syariah sebagai tolok ukur tujuan dan indikator kinerjanya.*
Kata Kunci: *Literasi Keuangan Islam, Bank Syariah, Sektor Keuangan Islam.*

INTRODUCTION

The Islamic finance industry is currently developing quite rapidly. One of the dominant sectors is the Islamic banking industry, where Islamic banking controls 71% of the market share asset. The value of global Islamic banking assets in various countries, regionally Iran has the highest number of Islamic banking assets at 33%, then successively followed by Saudi Arabia 20.6%, Malaysia in the third position with asset values reaching 9.3%, and the UAE reaches 9%. The phenomenon is different in Indonesia, which only reaches 1.6% of Islamic banking assets, not much different from other Asian countries, namely Pakistan, with a value of 1.1%, Bangladesh 1.8% (IFSB, 2017).

Pakistan, Indonesia, and Bangladesh have a low amount of assets that only reaches an interval of 1%, while the three countries predict to lead the largest Muslim population in the world by 2030. Pakistan is predicted to be ranked first with a Muslim population of 250 million, followed by Indonesia 230 million Muslim population and Bangladesh fourth in 188 million. The projection of the Muslim population is a high potential for these three countries. However, this is a contradiction when compared to the Islamic banking market share of these three countries. So, this raises a question about the performance of Islamic banking in the three countries.

This study takes measurements related to the performance of Islamic banking, so it can see things that are hampering the development of the Islamic banking sector. There are several indicators of performance measurement of Sharia banking. The measurement of Sharia banking performance so far has only focused on the financial aspect. The measurement gave rise using CAMELS, EVA, and other financial ratios. However, there is one thing that is most important from Islamic banks that often missed, namely conformity with Shariah compliance (Hudaefi & Noordin, 2019). However, those approach has several weaknesses if implemented as an indicator for Islamic banking because Islamic and conventional banking have different principles, functions, and operations. The indicators commonly applied to conventional banking do not consider the aspects and objectives of Sharia, while Islamic banking has different characteristics and performance from conventional banking (Antonio, Sanrego, & Taufiq, 2012; Soediro & Meutia, 2018; Wira, Handra, & Syukria, 2018; Ibrahim, 2015).

Criticism of Islamic banking arises over the use of financial ratios solely as an indicator of performance. Moral aspects that should be the difference between Islamic banking and conventional banking often rule out, even though morals are the foundation of the Islamic financial system. Performance measurement of Islamic banks is also influenced by the value that reflects non-profit benefits following Islamic banking objectives (Rusydiana & Firmansyah, 2017; Ibrahim & Kamri, 2017). This condition gave rise to an idea to measure financial performance based on Sharia objectives known as maqashid Sharia (Mifrahi & Fakhrunnas, 2018). Maqashid Sharia base on its constituent part of the goals and objectives of the Islamic rule (Ali & Kishwar, 2017; Amaroh & Masturin, 2018; Laela, Rossieta, Wijayanto, & Ismal, 2018; Dayyan & Mohammed, 2014). The relationship between maqashid Shariah and Islamic banking marks the list of elements manifested by Imam al-Ghazali (Shinkafi & Ali, 2017).

Efforts to develop performance evaluations that are in line with the concept of maqashid Sharia have made by Hameed, Wirman, Alrazi, Nazli, & Pramono (2004), Mohammed & Md Taib (2015), Mohammed, Razak, & Md Taib (2008), and Shaukat (2008). Maqashid index is one of the alternatives to measure Islamic banking performance (Suhada & Pramono, 2014). The study states that the practice of performance measurement with the Maqashid Sharia approach is the best solution to the problems regarding the measurement of Sharia banking performance and the Maqashid Sharia concept (Mohammed et al., 2008). Mohammed et al. (2008) attempted to research to measure the performance of Islamic banking using the concept of Maqashid Sharia, known as the Sharia Maqashid Index (SMI). However, there is still a lack of achievement in Maqashid Sharia performance of Islamic banks (Asutay & Harningtyas, 2015).

This research seeks to replicate the Sharia Maqashid index in the Islamic banking industry in 3 countries: Indonesia, Pakistan, and Bangladesh. The first novelty in this research is a study of the Sharia maqashid index in the Islamic banking industry in three countries. Then, it will test whether there are differences in the performance of Islamic banking in the three countries. The thing that distinguishes this study from previous research is to conduct an Anova test to examine differences in the performance of Islamic banking in the three countries. Testing the difference in performance with ANOVA is the second novelty of this study. Therefore, this study has a renewed up in the Sharia maqashid index testing in three countries that adhere to a dual banking system. This study has two objectives: First, to analyze the performance of

Islamic banking in each country by Sharia Maqashid Index. Secondly, this research will compare the performance differences of Islamic banks between those countries.

LITERATURE REVIEW

Maqashid Sharia means the highest purpose of Allah SWT and His Messenger in formulating Islamic law (Soediro & Meutia, 2018). According to Al-Ghazali's opinion, five things are the goal of Sharia such as to protect life, mind, offspring, freedom of religion and worship, and property (Laldin & Furqani, 2013). It is essential to understanding the objective of Sharia (maqashid Sharia) in all aspects of our life because without having a solid understanding of maqashid, and no one can get the wisdom and benefits (Qoyum, 2018; Hidayat, Oktaviani, & Aminudin, 2019; Hurayra, 2015). It is essential to understand the values of Shariah rules, which make maqashid Sharia interpretable in the field of Islamic economics (Kasdi, 2019).

Al-Ghazali, a prominent Muslim scholar, classified the maqashid into five major categories, such as faith (deen), human self (*nafs*), intellect (*aql*), posterity (*nasl*), and wealth (*maal*). The five elements of the maqashid Sharia should become the framework of an Islamic financial institution by transforming the concept directly into the aspect of management and governance (Soediro & Meutia, 2018). Hudaefi & Noordin (2019) state that there are two reasons we need to modify the measurement of Islamic banks. First, conventional measurements do not consider Sharia aspects, and the measurement only measures the financial factors. Second, none of the previous measurements have precisely represented both the financial and religious aspects of Islamic banks' specific characteristics.

At least there are three approaches to measure the Sharia maqashid index. First, the measurement that develops by Mohammed et al. (2008). Second, the sharia maqashid index that develops by Bedoui (2012). Third, the measurement of the Sharia maqashid index that proposes by Asutay & Harningtyas (2015).

Maqashid Shariah Measurement by Mohammed et al. (2008)

The Sharia maqashid index developed by Mohammed et al. (2008) uses the *Ushl Fiqh* framework from Muhammad Abu Zahrah. The first approach emphasizes that the existence of Islamic Sharia has three main objectives, namely: educating individuals *(tahdib al-fard),* establishing justice *(iqamah al-*

'adl), and public interest *(al-maslahah)*. The three objectives of Sharia then reduce to performance measurement parameters, namely the determination of dimensions, elements, and ratios. Determination of the performance index weight, the ranking of Islamic banking show in Table 1.

The first goal is that individual education can be divided into three dimensions: advancing knowledge, instilling new skills and improvements, and creating awareness of Islamic banking. The three dimensions were reduced into several elements, namely: educational grant, research, training, and publicity—each element measured by several performance ratios. More details about these dimensions show in Table 1.

Table 1. The Dimensions of Sharia Maqashid Index by Mohammed et al. (2008)

Objective	Dimensions	Element	Performance Ratio
Ta'dib al-Fard	D1. Advancement of knowledge	E1. Educational grant	R1. Educational grant/total income
		E2. Research	R2. Research expense/total expense
	D2. Instilling new skills and improvement	E3. Training	R3. Training expense/total expense
	D3. Creating awareness of Islamic banking	E4. Publicity	R4. Publicity cost/ total expense
Iqamah al-'adl	D4. Fairness dealing	E5. Fair revenue sharing	R5. Profit/Total Revenue
	D5. Affordable Products & Services	E6. Affordable price	R6. Bad debt/total investment
	D6. Elimination of Injustice	E7. Interest-free products	R7. Interest-free income / total income
Jalb Al-Maslahah	D7. Profitability	E8. Profit ratio	R8. Net profit /total assets
	D8. Redistribution of income & wealth	E9. Personal income	R9. Zakat /net income
	D9. Investment in the real vital sector	E10. Investment ratio in the real sector	R10. Investment deposit/ total deposit

Source: Mohammed et al. (2008).

While the second objective is establishing justice, this objective can be reduced to three dimensions: fairness dealings, affordable products and services, and elimination of injustice. The three dimensions are three elements: fair returns, affordable prices, and interest-free products, where each element has several performance ratios, as in Table 1. The third objective is the public interest with three dimensions: profitability, redistribution of income and wealth, and investment in the real vital sector.

Table 2. Average Weight for The Third Objective

Objective	Average Weight	Elements	Average Weight
Ta'dib Al-Fard	30%	E1. Education grants	24%
		E2. Research	27%
		E3. Training	26%
		E4. Publicity	23%
		Total	**100%**
Iqomah Al-'adl	41%	E1. Fair returns	30%
		E2. Fair price	32%
		E3. Interest-free product	38%
		Total	**100%**
Al-Maslahah	29%	E1. Bank's profit ratios	33%
		E2. Personal income transfer	30%
		E3. Investment ratios in the real sector	37%
		Total	**100%**

Source: Mohammed et al. (2008)

Each objective and element have a measurable weight. The weight of each goal is: educating individuals (30%), establishing justice (41%), and public interest (29%). The first objective has four elements, such as education grants (24%), research (27%), training (26%), and publicity (23%). The second objective has three elements, such as fair returns (30%), fair price (32%), and interest-free products (38%). The thirds objective has three elements, such as a bank's profit ratio (33%), personal income transfer (30%), and investment ratios in the real sector (37%). Details for average weight shown in Table 2.

Maqashid Sharia by Bedoui (2012)

Bedoui (2012) developed the Sharia maqashid index with a paradigm developed by Abdul Majid Najjar. Four dimensions must be maintained to meet the maqashid Sharia, namely the value of human life, human self, society, and physical environment (See Table 3).

Table 3. Maqashid Shariah Dimensions

Dimensions		Elements
Safeguarding the value of human life	(a)	Faith
	(b)	Human rights
Safeguarding the human self	(a)	Self
	(b)	Intellect
Safeguarding the society	(a)	Posterity
	(b)	Social entity
Safeguarding physical environment	(a)	Wealth
	(b)	Environment (ecology)

Source: Bedoui (2012)

Table 3 shows that each dimension has its elements such as faith and human rights for safeguarding the value of human life; self and intellect for safeguarding the human self; posterity; posterity and social entity for safeguarding the society; and for safeguarding physical environment has two elements such as wealth and environment. Based on Table 3, Bedoui (2012) derive the concept of the eight corollaries. Every axis in Figure 1 represents one objective (maqashid) of the eight maqashid in Table 3.

After that, this approach applying the law of sinus to calculate the maqashid Shariah-based performance as follows:

$$Ethical\ Performance = \frac{Sin\left(\frac{2\pi}{8}\right)}{2}[\sum_1^7 p_i * p_{i+1}] + p8p1$$

There are several limitations to the maqashid Sharia-based ethical performance. First of all, the approach proposed in the general form can be used in any institution (Islamic or not and depends only on objectives chosen). Second, this framework measuring ethical performance based on maqashid Sharia is a practical approach to establish an ethical rating for organizations, but should several ethical objectives have to be predetermined.
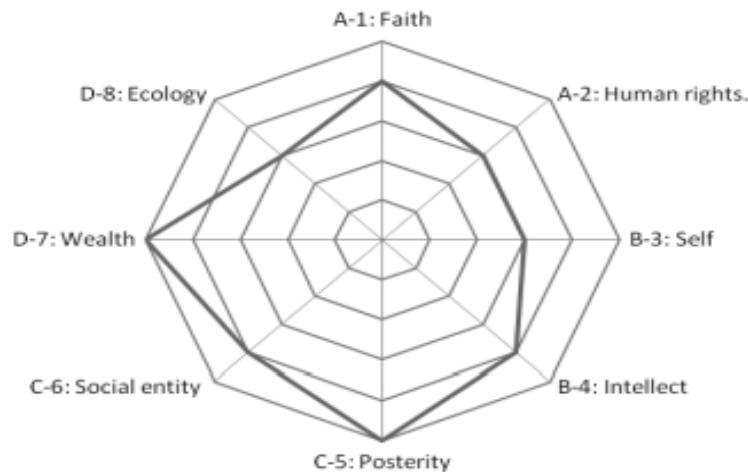

Figure 1. Maqashid Shariah Dimensions
Source: Bedoui (2012)

Shariah Maqashid by Asutay and Harningtyas (2015)

The developed maqashid Sharia framework derives from the approach proposed by Bedoui (2012) with modifications using several indicators of Sharia banking performance measurement that have been used. Performance indicators used are the Islamic Disclosure Index (Hameed et al., 2004), Ethical

Identity Index (Haniffa & Hudaib, 2007), Maqashid Index (Mohammed et al., 2008), and CAMEL (Jaffar & Manarvi, 2011). The model developed by Asutay & Harningtyas (2015) emphasizes the unique characteristics of Islamic banking based on Islamic values and norms included in the framework, including the prohibition of usury, the utilization of Profit and Loss Sharing (PLS) contracts, real sector financing, and community orientation. The concept of dimensions, elements, and indicators also adopt from the research of Mohammed et al. (2008). The framework of the Asutay & Harningtyas (2015) model can be seen in Figure 2. The maqashid framework developed by Asutay & Harningtyas (2015) has four main objectives. The four objectives were then articulated into 25 dimensions, 32 elements, and 112 indicators.
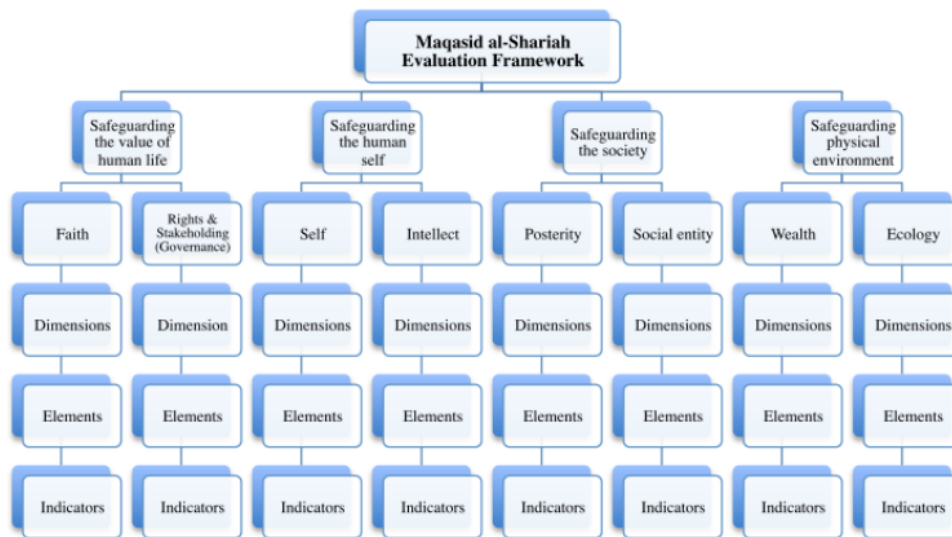

Figure 2. Maqashid Shariah Framework
Source: Asutay & Harningtyas (2015)

RESEARCH METHOD

This study took a sample of 12 Islamic banks from three countries. The selected banks are the top four Islamic banks that have the highest asset value in each country. The four banks sampled from Indonesia are Bank of Shariah Mandiri (BSM), Bank of Muamalat Indonesia (BMI), Bank of BNIS (BNIS), and Bank of BRIS (BRIS). While from Pakistan are Al Baraka Bank Pakistan Limited (ABBPL), Islamic Bank of Pakistan Limited (BIPL), Dubai Islamic Bank Pakistan Limited (DIBPL), and Meezan Bank Limited (MIBL). Then the banks

from Bangladesh are Islamic Bank Bangladesh Limited (IBBL), Al-Arafah Islamic Bank Limited (AAIBL), Export-Import Bank of Bangladesh (EXIM), and First Security Islamic Bank Ltd (FSIB).

This research will use the Sharia maqashid index by Mohammed et al. (2008). This selection is based on data availability and compliance with the object of study, namely Islamic banks. The stages are in the first stage using Simple Additive Weighting (SAW). This first stage is by weighting, aggregating, and determining the rank (weighting, aggregating, and ranking processes) of 10 ratios from three dimensions of Maqashid Sharia, namely *Ta'dib al-Fard*, *Iqamah al-Adl*, and *Al-Maslahah*. The second stage, to test whether there are differences in the performance of Islamic banks between countries, will be done One Way ANOVA different test techniques.

RESULT AND DISCUSSION

The measurement of the financial performance of Islamic Banks using the Sharia Maqashid Index (SMI) method carries out in three stages. The first step is to calculate the performance ratios of all Islamic banks that are the study sample. The second step calculates the performance indicators based on the calculation of the performance ratio that previously did. The third step is to rank based on the Sharia Maqashid Index (SMI), which is all performance indicators. The three steps divide into three objectives of Maqashid Sharia, namely educating individuals (tahdib al-fard), establishing justice (*iqamah al-'adl*), and public interest (al-Maslahah).

Performance Ratios of Islamic Banks in Bangladesh, Indonesia, and Pakistan

The first dimension is educating individuals *(tahdib al-fard),* which consists of four elements, and it is measured to determine the level of concern of Islamic banking to advance education and science for stakeholders. The four elements are education grant (R1.1), research expense (R1.2), training expense (R1.3), and publicity expense (R1.4). Table 4 shows the value of the performance ratio for the first objective in Bangladesh, Indonesia, and Pakistan. In specific, Table 4 shows that in the first ratio, namely Education Grant, the constellation Meezan Islamic Bank Limited (MIBL) Pakistan has the highest ratio compared to other Islamic banks.

Table 4. The Performance Ratio of First Objective

Bank		First Objective Performance Ratio			
		R1.1	R1.2	R1.3	R1.4
Indonesia	BMI	0.00183	0.00174	0.04081	0.06652
	BNIS	0.00244	**0.00838**	0.03592	0.12419
	BRIS	0.00093	0.00000	0.03680	0.10227
	BSM	0.00261	0.00000	**0.10881**	**0.23378**
Pakistan	ABBPL	0.00044	0.00000	0.00057	0.00171
	BIPL	0.00391	0.00000	0.00000	0.09380
	DIBPL	0.00022	0.00000	0.00000	0.03850
	MIBL	**0.00722**	0.00000	0.00000	0.07481
Bangladesh	IBBL	0.00000	0.00310	0.00823	0.05838
	AAIBL	0.00000	0.00140	0.01171	0.14283
	EXIM	0.00000	0.00000	0.00842	0.19670
	FSIB	0.00000	0.00233	0.01548	0.12400

Source: Data Processing (2021)

Then for the second ratio, namely research expenditure, the highest ratio was achieved by Bank of BNIS from Indonesia. Banks need research and development to support the progress and sustainability of companies in the face of competition. Furthermore, the highest performance value for Expense training achieves by Bank of Shariah Mandiri. Investment to improve the competency and professionalism of human resources owned is the key to a company's success. The fourth ratio in the first dimension is publicity expense. Bank of Shariah Mandiri (BSM) again obtained the highest ratio among other Islamic banks. This publicity activity is essential to be carried out by Islamic banking, in addition to socializing and introducing Islamic banking products as well as introducing Islamic banking operational systems and Islamic economic systems to the public.

The second dimension is establishing justice (*iqamah al-'adl*), which consists of three elements. This dimension is the measure to find out the extent of the commitment of Islamic banking in upholding economic justice to create a mutually beneficial relationship between the banks and the general public. The three elements are fair return (R2.1), affordable price (R1.2), and interest-free products (R2.3). Table 5 shows the value of the performance ratio for the second objective in Indonesia, Pakistan, and Bangladesh. Table 5 shows that the first element is fair return measured by the Profit Equalization Ratio (PER). The calculation results show that none of the Islamic banks in Indonesia and Bangladesh reported allocating funds for PER in their financial statements. The only bank reporting PER is Al Baraka Bank Pakistan Limited (ABBPL). When an Islamic bank determines a portion of its income for PER, the bank considers

having denied the depositor's right to profit; this is a form of the injustice of the Islamic bank.

Table 5. The Performance Ratio of Second Objective

Bank		Second Objective Performance Ratio		
		R2.1	R2.2	R2.3
Indonesia	BMI	0.00000	1.18217	4.99993
	BNIS	0.00000	2.25234	4.99962
	BRIS	0.00000	1.75734	3.99979
	BSM	0.00000	0.84069	4.99962
Pakistan	ABBPL	**0.01841**	2.40688	4.99774
	BIPL	0.00000	0.39740	4.99994
	DIBPL	0.00000	0.25975	5.00000
	MIBL	0.00000	0.44768	4.99860
Bangladesh	IBBL	0.00000	0.02995	5.00000
	AAIBL	0.00000	0.04847	5.00000
	EXIM	0.00000	0.17491	5.00000
	FSIB	0.00000	**4.25715**	5.00000

Source: Data Processing (2021)

Meanwhile, if the PER ratio is more than one or there is no PER reserve, the Islamic bank is committed to upholding justice. The Islamic banking system in Indonesia and Bangladesh do not use PER indicators, so the ratio value for all banks is 0. While the Sharia Commercial Bank (BUS) in Pakistan, out of the four Islamic banks, only Al-Baraka Bank (Pakistan) Limited (ABBPL) reports the allocation of funds for the Profit Equalization Ratio (PER) of 0.01841 or 1.84%.

The second element is the affordable price, which is explained by the ratio of financing to the profit-sharing agreement, mudharabah and musharakah, to other contracts. In this second element Al-Arafah Islamic Bank Limited (AAIBL), Bangladesh gets the highest ratio among other Islamic banks. Funding with a profit-sharing scheme considers reflecting more justice because banks also feel the conditions in the real sector, whether profit or loss. Revenue sharing schemes also reflect long-term partnership relationships that rely on trust. The third element is the interest-free product that can measure through the ratio of interest-free income to total income. In this third ratio, it can show that the income of Islamic banks in Indonesia, Pakistan, and Bangladesh, in general, does not come from prohibited activities, although there is still interest income from the placement of funds and current accounts in conventional banks. The third objective is public interest (al-Maslahah), which consists of three elements—this dimension measures the extent of the commitment of Islamic banking in promoting welfare.

Table 6. The Performance Ratio of The Third Objective

Bank		Second Objective Performance Ratio		
		R3.1	**R3.2**	**R3.3**
Indonesia	BMI	0.02785	0.05974	3.00618
	BNIS	0.03565	0.47743	3.75227
	BRIS	0.06603	**0.74462**	3.73502
	BSM	0.11178	0.10442	2.67846
Pakistan	ABBPL	0.07636	0.00000	1.82612
	BIPL	0.01198	0.00000	1.88707
	DIBPL	0.03344	0.00000	3.11510
	MIBL	**0.91351**	0.00000	2.34361
Bangladesh	IBBL	0.06020	0.07445	4.34474
	AAIBL	0.06020	0.07445	4.34474
	EXIM	0.11404	0.14512	**4.41136**
	FSIB	0.13575	0.00000	4.33590

Source: Data Processing (2021)

The three elements are the bank's profit ratio (R3.1), personal income transfer (R3.2), and investment ratio in the real sector (R3.3). Table 6 shows the performance ratio for the third objective in Indonesia, Pakistan, and Bangladesh in the third dimension. Table 6 shows that Pakistan's Meezan Islamic Bank (MIBL) obtained the highest ratio in the first element, namely the bank's profit ratio. The ability of an Islamic bank to manage its wealth optimally and wisely to obtain high profits is a form of safeguarding assets *(hifzhul maal).* High profits allow Islamic banks to contribute more to taxes for the country's development and allow higher contributions to the benefit of society.

The second element is personal income transfer, which is reflected by the ratio of zakat issued by Islamic banks to their net assets. The highest ratio was achieved by Bank of BRIS from Indonesia. The third element is the investment ratio in the real sector, which is reflected by the ratio of Islamic banking investment in the real sector compared to the overall investment of Islamic banks. In Table 6, it knows that 4,41136 or 41.1% of the investments made by the Export-Import Bank of Bangladesh (EXIM), Bangladesh channel in the real sector, this value is the highest among other Islamic banks. Investment activities in the real sector are believed to positively impact the economy of the community compared to investment activities in the financial sector.

Performance Indicators of Islamic Banks in Bangladesh, Indonesia, and Pakistan

The next step is to determine the performance rating of each sample of the Islamic Banks studied. The process of determining the performance ranking is

done by calculating Performance Indicators for each sample of Islamic Banks. The Simple Additive Weighting (SAW) method will use to find out the value of performance indicators. The SAW method is carried out by weighting, aggregating, and determining the ranking carried out by identifying each attribute value. Table 7 is the result of the performance indicator calculation in Indonesia, Pakistan, and Bangladesh for the first objective.

Table 7 shows that in the first objective of educating individuals *(Ta'dib Al-Fard)*, Meezan Islamic Bank Limited (MIBL) Pakistan has the highest performance indicators in channelling donations for public education purposes. Bank of BNIS is an Islamic bank with the highest allocation of funds for research and development among other Islamic Banks. In training and capacity building for employees, Bank of Shariah Mandiri (BSM) obtained the highest performance indicators. Besides, Bank of Sharia Mandiri (BSM) is also an Islamic Bank that has the highest allocation of funds for promotion and publication among other Sharia Banks. Overall, Bank of Shariah Mandiri (BSM) obtained the highest value in achieving the first goal of individual education *(Ta'dib Al-Fard)* compared to other Islamic banks in Bangladesh and Pakistan.

Table 7. The Performance Indicators of First Objectives

Bank		First Objective Performance Indicators				
		IK1.1	**IK1.2**	**IK1.3**	**IK1.4**	**Total**
Indonesia	BMI	0.00013	0.00014	0.00318	0.00459	0.00805
	BNIS	0.00018	**0.00068**	0.00280	0.00857	0.01223
	BRIS	0.00007	0.00000	0.00287	0.00706	0.00999
	BSM	0.00019	0.00000	**0.00849**	**0.01613**	**0.02481**
Pakistan	ABBPL	0.00003	0.00000	0.00004	0.00012	0.00019
	BIPL	0.00028	0.00000	0.00000	0.00647	0.00675
	DIBPL	0.00002	0.00000	0.00000	0.00266	0.00267
	MIBL	**0.00052**	0.00000	0.00000	0.00516	0.00568
Bangladesh	IBBL	0.00000	0.00025	0.00064	0.00403	0.00492
	AAIBL	0.00000	0.00011	0.00091	0.00986	0.01088
	EXIM	0.00000	0.00000	0.00066	0.01357	0.01423
	FSIB	0.00000	0.00019	0.00121	0.00856	0.00995

Source: Data Processing (2021)

The results from the first objective performance indicator, namely individual education, put Bank of Shariah Mandiri (BSM) as an Islamic bank in Indonesia with the highest average value. This result is in line with research conducted by (Antonio et al., 2012), which also shows BSM as an Islamic bank with better Performance Indicators than other countries.

Table 8. The Performance Indicator of Second Objective

Bank		Second Objective Performance Indicator			
		IK2.1	IK2.2	IK2.3	Total
Indonesia	BMI	0.00000	0.15510	0.77899	0.93409
	BNIS	0.00000	0.29551	0.77894	1.07445
	BRIS	0.00000	0.23056	0.62317	0.85373
	BSM	0.00000	0.11030	0.77894	0.88924
Pakistan	ABBPL	**0.00226**	0.31578	0.77865	1.09669
	BIPL	0.00000	0.05214	0.77899	0.83113
	DIBPL	0.00000	0.03408	0.77900	0.81308
	MIBL	0.00000	0.05874	0.77878	0.83752
Bangladesh	IBBL	0.00000	0.00393	0.77900	0.78293
	AAIBL	0.00000	0.00636	0.77900	0.78536
	EXIM	0.00000	0.02295	0.77900	0.80195
	FSIB	0.00000	**0.55854**	0.77900	**1.33754**

Source: Data Processing (2021)

Table 8 shows that in the second objective of establishing justice (iqamah al-Adl), Bangladesh's Al-Arafah Islamic Bank (AAIBL) obtained the highest Performance Indicator value. The superiority of Al-Arafah Islami Bank Limited (AAIBL) is due to the high profit-sharing-based financing scheme channeled by Al-Arafah Islami Bank Limited (AAIBL). The results of calculations on the second objective performance indicator (establishing justice), which places Al-Arafah Islamic Bank Limited (AAIBL) as an Islamic bank with the highest average value acquisition, is not in line with research conducted by Mohammed et al. (2008). Mohammed et al. (2008) conclude that BSM, as an Islamic bank in Indonesia, has better Performance Indicators than the State of Bangladesh on the second indicator *(Iqamah al-Adl).* This difference in results is likely due to differences in the taking period of the study.

Table 9. The Performance Indicator of The Third Objective

Bank		Third Objective Performance Indicator			
		IK3.1	IK3.2	IK3.3	Total
Indonesia	BMI	0.00266	0.00520	0.32256	0.33043
	BNIS	0.00341	0.04154	0.40262	0.44757
	BRIS	0.00632	**0.06478**	0.40077	0.47187
	BSM	0.01070	0.00908	0.28740	0.30718
Pakistan	ABBPL	0.00731	0.00000	0.19594	0.20325
	BIPL	0.00115	0.00000	0.20248	0.20363
	DIBPL	0.00320	0.00000	0.33425	0.33745
	MIBL	**0.08742**	0.00000	0.25147	0.33889
Bangladesh	IBBL	0.01021	0.01292	0.42905	0.45217
	AAIBL	0.00576	0.00648	0.46619	0.47843
	EXIM	0.01091	0.01263	**0.47334**	**0.49688**
	FSIB	0.01299	0.00000	0.46524	0.47823

Source: Data Processing (2021)

Table 9 shows that in the third objective of public interest (al-maslahah), Meezan Islamic Bank (MIBL) of Pakistan got the highest score on the Performance Index related to profitability. Meanwhile, Bank of BRIS from Indonesia obtained the highest zakat performance index. Export-Import Bank of Bangladesh (EXIM) achieved the highest performance index in channelling financing in the real sector. Besides, the Export-Import Bank of Bangladesh (EXIM) also received the highest overall value in achieving the third goal of public interest (al-maslahah).

Shariah Maqashid Index in Bangladesh, Indonesia, and Pakistan

Sharia Maqashid Index (SMI) is the total sum of each Performance Indicator of the three objectives of Sharia maqashid. Table 10 shows the SMI values of Islamic banks in Indonesia, Pakistan, and Bangladesh. Table 10 shows that in the first dimension, educating individuals (tahdib al-fard) shows that Bank of Shariah Mandiri (BSM) obtained the highest value of the Sharia Maqashid Index (SMI). In the first dimension, Islamic banks in Indonesia obtain the highest scores because of the optimal allocation of funds spent on publications, research, and training. Islamic banks in Indonesia realize that investment to improve the competency and professionalism of human resources owned is the key to a company's success.

Table 10. Comparison of Sharia Maqashid Index in Islamic Banks Between Indonesia, Bangladesh, and Pakistan

Bank		Sharia Maqashid Index (SMI)				
		D1	D2	D3	SMI	Rank
Indonesia	BMI	0.00805	0.93409	0.33043	1.27256	7
	BNIS	0.01223	1.07445	0.44757	1.53424	2
	BRIS	0.00999	1.00953	0.47187	1.49139	3
	BSM	**0.02481**	0.88924	0.30718	1.22123	9
Pakistan	ABBPL	0.00019	1.09669	0.20325	1.30014	5
	BIPL	0.00675	0.83113	0.20363	1.04151	12
	DIBPL	0.00267	0.81308	0.33745	1.15320	11
	MIBL	0.00568	0.83752	0.33889	1.18209	10
Bangladesh	IBBL	0.00492	0.78293	0.45217	1.24002	8
	FSIB	0.01088	0.78536	0.47843	1.27467	6
	EXIM	0.01423	0.80195	**0.49688**	1.31306	4
	AAIBL	0.00995	**1.33754**	0.47823	1.82572	1

Source: Data Processing (2021)

Whereas Islamic banking, which gets the highest value in the second dimension - establishing justice *(iqamah al-adl)* - is Al-Arafah Islamic Bank Limited (AAIBL), Bangladesh. Then in the third dimension, which is to the public interest (al-maslahah), the Export-Import Bank of Bangladesh (EXIM) from

Bangladesh receives the highest value. Bangladesh is a country with Islamic banks with the highest value in the second and third dimensions because of its consistency in allocating funds for investment in the real sector and investment with profit-sharing systems (mudharabah and musharakah). This system is an essential indicator of the attainment of maqashid Sharia. The Islamic banks in Pakistan are the countries with the worst levels of Islamic performance because Islamic banks in Pakistan do not have the allocation of funds for research. Meanwhile, research and development are the need for banks to support the company's progress and sustainability in facing competition.

On the whole, the highest-ranked first in the Sharia Maqashid Index (SMI) is Al-Arafah Islamic Bank Limited (AAIBL) Bangladesh, Bank of BNIS Indonesia, and Bank BRIS, Indonesia. The results of the Sharia Maqashid Index (SMI) ranking, which places Islamic banks from Bangladesh and Indonesia as the highest rank is in line with research conducted by Ali HT & Rama (2018) that also concludes that Islamic banks in Indonesia obtained an average score of the best maqashid Sharia. Antonio, Sanrego, & Taufiq (2012), Hudaefi & Noordin (2019) find that the Bank of BSM, as an Islamic bank in Indonesia, has better Performance Indicators than other countries. Al Ghifari, Handoko, & Yani (2015); Ramdhoni & Fauzi (2020) find a different result; they put Bank of Muamalat Indonesia as the first rank in the Maqashid index.

Adzhani & Rini (2017) also get results that Islamic banks in Bangladesh get the highest rank of other countries compared to research because of their consistency in allocating funds for investment in the real sector and investment with profit-sharing systems (mudharabah and musharakah). Both of these reasons are important indicators of the dimension of upholding justice and promoting prosperity in the attainment of maqashid Sharia. Nugraha, Nugroho, Lindra, & Sukianti (2020) find that Indonesian Islamic banking had a better Sharia maqashid index rather than Islamic banking in Bahrain.

Amaroh & Masturin (2018) state that the financial system must flexible, resilient, and stable. So, the Islamic banks can also balance the business objective, social missions, and spiritual goals that suitable for maqashid Sharia. The regulator plays an essential role in the performance of the Islamic banking industry. Implementation of non-suitable regulations could also impair banks' performance (Alam, Zainuddin, & Rizvi, 2019).

The Performance Differences Between Bangladesh, Indonesia, and Pakistan

Table 11 shows that the F-calculated value of the three indicators, namely educating individuals (tahdib al-fard), establishing justice *(iqamah al-'adl)*, and public interest *(al-maslahah)* of 124.116. This result shows that the research rejects the null hypothesis, where the null hypothesis states that there is no difference in performance between Islamic banks in the three countries. So, it can conclude that there are differences in the performance of sharia banking - measured by the shariah maqashid index - between Indonesia, Pakistan, and Bangladesh.

Table 11. One Way ANOVA Result

	Sum of squares	df	Mean square	F-test
Between groups	159.557	2	79.779	124.116
Within groups	21.212	33	0.643	
Total	180.769	35		

Source: Data processing (2021)

This result is different from Adzhani & Rini (2017) that found no performance differences between seven Asian countries such as Indonesia, Malaysia, Iran, Saudi Arabia, United Arab Emirates, Kuwait, and Qatar. Mutia & Musfirah (2017) also state that the average performance of Islamic banking with the maqashid Sharia index in ASEAN countries (Indonesia, Brunei, Malaysia, Philippines, and Thailand) is not much different. The same result also shows by Nugraha et al. (2020) that there are no differences between Islamic banks in Indonesia and Bahrain.

Table 12. Post Hoc Test

Dimensions	N	Subset for alpha = 0.05		
		1	2	3
Tahdib al-fard	12	0.0114792		
Al-Maslahah	12		0.3788317	
Iqamah al-'adl	12			0.9198092
Sig.		1.000	1.000	1.000

ANOVA one-way test shows that there are differences in the performance of Islamic banking in the three countries. S post hoc test will conduct to find out which dimensions are different. Table 12 shows the average of each dimension, which divide into three groups. The first group consists of the first dimension, namely educating individuals (tahdib al-fard). Public interest *(al-maslahah)* includes in the second group. The third group consists of the second dimension, namely establishing justice *(iqamah al-'adl)*.

The results in Table 12 conclude that the average of the three-maqashid dimensions of Sharia has different values. The highest average obtained by the second dimension is establishing justice (*iqamah al-'adl*). In contrast, the third dimension, namely public interest *(al-Maslahah),* gets the second-highest average, and the dimension that gets the lowest average is educating individual *(tahdib al-fard).* Islamic banking must incorporate Islamic values as an inseparable part of its business operations. Sharia Maqashid Index is the proper benchmark to measure the performance of Islamic banking (Rusydiana & Firmansyah, 2017; Saoqi, 2017). So, each Islamic bank should use the maqashid sharia framework as a benchmark for its objective and performance indicators (Analia & Anto, 2019; Jazil & Syahruddin, 2013). Islamic banks must able to maintain excellent performance so that they can compete with conventional banks (Suhartanto, Zulkarnain, & Yuda, 2020).

CONCLUSIONS

This study has two objectives: First, to analyze the performance of Islamic banking in each country by Sharia Maqashid Index. Secondly, to compare the performance differences of Islamic banking in the three countries. The results showed that, in general, the Islamic bank that had the highest SMI value is Al-Arafah Islamic Bank Bangladesh, followed by Bank of BNIS and Bank of BRIS from Indonesia. In the first dimension, the bank with the highest value is an Islamic bank from Indonesia, i.e., Bank of Shariah Mandiri. Whereas in the second and third dimensions, the banks with the highest value are Islamic banks from Bangladesh, namely the Export-Import Bank of Bangladesh (EXIM) and Al-Arafah Islamic Bank Limited (AAIBL). In contrast, Islamic banks from Pakistan have the worst performance levels. Then, the ANOVA one-way test results show differences in the performance of Islamic banking (SMI values) of the three countries.

The results of this study provide several policy implications. First, the sharia banking industry must strive to improve in achieving sharia maqashid. Second, several elements need to be improved, namely research activities, training activities, fair profit sharing, and allocation of funds for zakat expenditure. Third, the regulator must make policies that support the achievement of sharia maqashid by Islamic banks.

The limitation of this study is the number of samples used. This study only took a sample of four banks from each country. So that the recommendations for

future research can add even more samples. In addition, the subsequent research can test the Sharia maqashid index on three banks (namely BSM, BNIS, and BRIS) after they are merged.

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