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MEASURING ISLAMIC BANKING PERFORMANCE USING MAQASHID SHARIAH INDEX AND RGEC: THE MALAYSIAN AND INDONESIAN ISLAMIC BANKING EVIDENCE

Elissa Qathrunnada[a,*], Andriani Samsuri[b], Ahmad Agus Hidayat[c]

[a,b,c] Universitas Islam Negeri Sunan Ampel, Surabaya, Indonesia
*elissaannada1@gmail.com

ABSTRACT

Islamic banking in Malaysia and Indonesia ranks first and third based on the top Islamic Financial Development Indicator (IFDI) countries. However, this great potential has not been matched by a comprehensive performance measurement covering social and sharia aspects as well as the health of Islamic banks. Therefore, this study aims to measure the performance of Islamic banks through the Maqashid Syariah Index and RGEC approaches using quantitative methods. The results showed that through the MSI approach, Malaysian Islamic banking is superior to Indonesian Islamic banking in the aspects of justice and benefit, whereas Islamic banking in Indonesia focuses more on tahdzib al fard. Through the RGEC approach, the NPF, ROA, FDR, and CAR ratios show that Malaysian Islamic banking is superior. The implications of this research can be useful for Islamic banking in developing the right strategy in order to improve sharia and social performance and bank health.
Keywords: Islamic Banking Performance, Maqasid Sharia Index, RGEC.

ABSTRAK

Perbankan syariah Malaysia dan Indonesia menempati posisi pertama (Malaysia) dan ketiga (Indonesia) berdasarkan top islamic financial development indicator (IFDI) countries. Namun Potensi yang besar ini belum diimbangi dengan pengukuran kinerja yang komprehensif meliputi aspek sosial dan syariah serta kesehatan bank syariah. Oleh karena itu, penelitian ini bertujuan mengukur kinerja bank syariah melalui pendekatan Maqashid Syariah Index dan RGEC menggunakan metode kuantitatif. Hasil penelitian menunjukkan bahwa melalui pendekatan MSI, perbankan syariah malaysia lebih unggul dari perbankan syariah Indonesia dalam aspek keadilan dan kemaslahatan, sedangkan perbankan syariah Indonesia lebih memfokuskan pada pendidikan individu. Melalui pendekatan RGEC, pada rasio NPF, ROA, FDR, dan CAR menujukkan perbankan syariah Malaysia lebih unggul. Implikasi dari penelitian ini dapat bermanfaat bagi perbankan syariah dalam menyusun strategi yang tepat dalam rangka meningkatkan kinerja syariah dan sosial serta kesehatan bank.
Kata Kunci: Kinerja Perbankan Syariah, Maqasid Sharia Indeks, RGEC.

INTRODUCTION

The Islamic finance sector is currently experiencing continuous growth increasing. The Islamic financial industry consists of Islamic banking, sukuk, Islamic financing, takaful, and other Islamic finance industries (OIFIS), account for 70%, 18%, 6%, 2%, 4% of total global Islamic finance assets, respectively (ICD - Refinitiv, 2022). It can be seen that Islamic banking contributes more to the global Islamic finance industry. The contribution to the development of the Islamic banking industry is inseparable from the role of the state that supports this development, especially countries in the Southeast Asian region which are also at the centre of the development of the global Islamic finance industry. of the global Islamic finance industry today (Herviyani & Filianti, 2019). In Southeast Asia, Islamic banking assets exceeded US$ 301 billion, concentrated in two countries, Malaysia at US$ 252 billion, and Indonesia at US$ 39 billion, with the remaining US$ 10 billion spread across other Southeast Asian countries (Islamic, 2022) To comprehensively observe the development of the Islamic banking industry, it is not enough to look at the growth of assets and marketshare of Islamic banking. Other important aspects such as financial performance and compliance to Islamic values and principles also need to be observed (Khotimah, 2020). This is because Islamic banks are financial institutions that run business activities with the basic principles of Islamic economics (Makruflis, 2019) and to achieve the socio-economic goals of Islam such as realising justice and welfare (Meilani et al., 2016), (Qathrunnada, 2021).

Efforts to develop an evaluation of Islamic banking performance measurement with maqashid sharia have been discussed by (Mohammed & Taib, 2015) which known as the Maqasid Shariah Indeks (MSI). There are several previous studies that measure the performance of Islamic banking with the maqasid sharia index approach, among others (Masykuroh, 2014), (Mutia & Musfirah, 2017) (Nugraha et al., 2020), (Mursyid et al., 2021), (Qathrunnada, 2021).

Bank Indonesia Regulation Number 13/1/PBI/2011 concerning the assessment of the Health Level of Commercial Banks explains that a bank can be said to be healthy if measured using the RGEC method, namely Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital. The Health Level of an Islamic bank is quite important to pay attention to in order to improve performance in the future and can be used as a preventive measure in order to minimise the risk of financial system failure which will result in the shaking of a country's economic resilience (Stella & Puspitasari, 2020).

Previous research on the performance of Islamic banks with the RGEC approach has been carried out by (Stella & Puspitasari, 2020), (Puspita & Saryadi, 2018), (Ardiansyah & Anita, 2020). Research on banking performance using financial ratios was also conducted by (Putri & Ningtyas, 2023). Based on the description above, it is necessary to conduct research on the Islamic banking performance measurement model to be explored in scientific

research with the aim of obtaining a more comprehensive performance picture and aims to reveal the multidimensional side of Islamic banks in two Muslim-majority countries and contribute to the development of literacy regarding the suitability of Islamic bank performance measurement tools. This study contributes to describing and comparing the performance of Islamic banks in two Muslim-majority countries, namely Islamic banks in Malaysia and Indonesia through an approach based on the objectives and suitability of sharia using the maqashid sharia index which refers to Abu Zahrah's theory and performance measurement using financial ratios through the RGEC approach. by using financial ratios through the RGEC approach. The researcher proposes the following hypothesis:

Hypothesis I : Maqasid Shariah Index Ratio

Ho1: There is no significant performance difference in the performance of Islamic banks in Indonesia and Malaysia measured through the Maqashid Syariah Index approach.

Ha1: There is a significant performance difference in the performance of Islamic banks in Indonesia and Malaysia measured through the Maqashid Syariah Index approach.

Hypothesis II: RGEC ratio

Ho2: There is no significant performance difference in the performance of Islamic banks in Indonesia and Malaysia measured through the RGEC approach.

Ha2: There is a significant performance difference in the performance of Islamic banks in Indonesia and Malaysia measured through the RGEC approach.

Research that has been conducted by (Puspita & Saryadi, 2018) shows that the results of the NPF difference test between Indonesian and Malaysian Islamic banks with the following results that the results of the NPF difference test between Indonesian and Malaysian Islamic banking with an Asymp. the result of Asymp.

METHOD

The method used in this research is a quantitative approach with a comparative method. The comparative method aims to determine the differences in the performance of Islamic Banks in Indonesia and Malaysia through the Maqashid Syariah Index and RGEC approaches. In the maqashid syariah index approach, this research uses a quantitative method called with Simple Additive Weighting (SAW).

The measurements used in analysing the performance of Islamic banking are maqashid sharia index Abu Zahrah and RGEC approach. Maqashid sharia index Abu Zaharah uses Tahdzib al-fard, Iqamah al-adl, and Jalb al-mashlahah. *Abu Zaharah's index* uses *Tahdzib al-fard*, *Iqamah al-adl*, and *Jalb al-mashlahah.* While the RGEC variable uses Risk Profile (NonPerforming Financing and Financing to Deposit Ratio), Good Corporate Governance, Earnings (Return on Asset), and Capital (Capital Adequacy Ratio).

The population in this study were Islamic Commercial Banks located in Indonesia and Malaysia. The sampling technique used in this research is Purposive Sampling. The considerations used in determining the sample in this study are as follows:

a. Islamic Commercial Banks in Indonesia and Malaysia included in the Book 2 category with core capital of Rp.1 trillion to below Rp.5 trillion.
b. Islamic Commercial Banks in Indonesia and Malaysia that have entered into an Interbank Sharia Fund Cooperation Agreement Based on Interbank Sharia Principles.
c. Have published annual financial statements on each Bank's website during the period 2018-2022.
d. Has complete data related to Maqashid Syariah Index and RGEC.

Based on the purposive sampling technique that has been determined, the samples in this study are Bank Muamalat Indonesia (BMI), Bank Mega Syariah (BMS), Bank Islam Malaysia Berhad (BIMB), Bank Muamalat Malaysia Berhad (BMMB). Muamalat Malaysia Berhad (BMMB).

The data used in this study is secondary data, through the annual report of each Islamic Commercial Bank in Indonesia and Malaysia which is accessed through the official website of each Islamic bank. Data analysis was carried out by fulfilling the data prerequisite test through normality test, homogeneity test, and Kruskal Wallis H test. In the maqasid sharia index approach there are 10 ratios, among others:

Table 1. Weighting Ratio Value SAW

Objectives	**Average Weight**	**Elements**	**Average Weight**
Tahdzib Al Fard (Education)	0,3	Donation	0,24
		Research	0,27
		Training	0,26
		Publicity	0,23
		Total	**1**
Iqamah Al Adl (Justice)	0,41	Fair Returns	0,3
		Fair Price	0,32
		Interest Free Product	0,38
		Total	**1**
Jalb Al Maslahah (Public Interest)	0,29	Banks Profit Ratio	0,33
		Personal Income Transfers	0,3
		Investment Ratos in real Sector	0,37
		Total	**1**
Total	**1**	**Total**	**1**

Source: (Mohammed & Taib, 2015).

In accordance with PBI No. 13/1/PBI/2011, the RGEC is a refinement of the assessment of bank health motivated by changes in business complexity and risk profile. risk profile. The matrix of bank health assessment parameters include:

a. The measurement matrix used is based on financing risk and liquidity risk using the Non Performing Financing and Financing to liquidity risk using the Non Performing Financing and Financing to Deposit Ratio,
b. Assessment of Good Corporate Governance factors

c. Assessment based on the bank's ability to earn profit or ROA
d. The assessment of capital includes an evaluation of the adequacy of capital management, banks must refer to BI regulations that regulate the obligation to provide a minimum capital of 8% (CAR).

Table 2. RGEC rating criteria matrix

Ratio	Rank	Description
NPF < 2%	1	perfectly healthy
2% ≤ NPF < 5%	2	healthy
5% ≤ NPF < 8%	3	moderately healthy
8% ≤ NPF < 12%	4	less healthy
NPF ≥ 12%	5	unhealthy
FDR ≤ 75%	1	perfectly healthy
75% < FDR ≤ 85%	2	healthy
85% < FDR ≤ 100%	3	moderately healthy
100% < FDR ≤ 120%	4	less healthy
FDR > 120%	5	unhealthy
GCG	1	perfectly healthy
GCG	2	healthy
GCG	3	moderately healthy
GCG	4	less healthy
GCG	5	unhealthy
ROA > 1,5%	1	perfectly healthy
1,25% < ROA ≤ 1,5%	2	healthy
0,5% < ROA ≤ 1,25%	3	moderately healthy
0 < ROA ≤ 0,5%	4	less healthy
ROA ≤ 0%	5	unhealthy
CAR ≥ 12%	1	perfectly healthy
9% ≤ CAR < 12%	2	healthy
8% ≤ CAR < 9%	3	moderately healthy
6% < CAR < 8%	4	less healthy
CAR ≤ 6%	5	unhealthy

Source: Bank Indonesia

RESULT AND DISCUSSION

The research was conducted on Indonesian and Malaysian Islamic banks that fulfil the sampling technique, among others: Bank Muamalat Indonesia (BMI), Bank Mega Syariah (BMS), Bank Islam Malaysia Berhad (BIMB), and Bank Muamalat Malaysia Berhad (BMMB).

Results of Performance Analysis of Islamic Banks in Indonesia and Malaysia through the Maqasid Shariah Index Approach.

a. *Tahdzib al-Fard* (Individual Education) Assessment

Tahdzib al-Fard in the first objective indicates the dissemination of knowledge, skills, as well as instilling and developing spiritual values in each individual. Islamic banks can achieve the objectives of *Tahdzib al-Fard* through three dimensions, namely: increasing knowledge, instilling skills and renewal, and creating awareness about Islamic banking and Islamic bank products, from these three dimensions are then derived into four elements namely educational grants, research, training, and publicity.

Bank Muamalat Indonesia (BMI) for 5 consecutive years has an education grant ratio of 0.50%, 0.10%, 0.18%, 0.20%, and 0.35% with an average value of 0.27%. Bank Mega Syariah for 5 years (2018-2022) consecutively has an education grant ratio of 0.39%, 0.47%, 0.68%, 0.86%, and 0.76% with an average value of 0.63%. In Bank Islam Malaysia Berhad, the education grant ratio for 5 years was 0.13%, 0.12%, 0.09%, 0.10%, and 0.10% with an average value of 0.11%. Whereas Bank Muamalat Malaysia on the ratio of education grants for 5 years are 1.01%,

0.68%, 0.30%, 0.40%, and 0.01% with an average value of 0.48%. average of 0.48%.

From the calculation results on BMI, BMS, BIMB, and BMMB in the first ratio shows the level of scholarships and donations that reflect educational contributions to employees and society. Bank Mega Syariah in the education grant ratio from 2018 -2022 as a whole has the highest average value compared to other banks of 0.76%, BMS financial statements classify education and training costs in the same category, namely education and training costs.

Thus, the result of education costs at BMS is equivalent to training costs. BMS designs education and training programmes to increase the capacity and capability of employees, both in terms of technical, soft skills, and leadership. SDI skills in accordance with their respective fields are carried out to support the achievement of business targets that have been set. On the other hand, BMS also provides learning programme opportunities to improve employee competencies through education programmes at domestic universities with scholarships from the company, sponsorship, or their own costs. Based on this explanation, it indicates that BMS pays attention to the development of knowledge for its employees. BMS also supports by providing assistance in the field of education through financial literacy and inclusion activities organised internally or by external parties involving BMS. BIMB channelled education grants from 2018-2022 with an overall average of 0.11%. overall average of 0.11%, lower than the other banks. Nonetheless, based on BIMB's financial statements, it shows that

BIMB conducts aid distribution that focuses on the development of knowledge, which in this case is education. knowledge, in this case education, as well as conducting philanthropic activities in disaster-affected communities. to communities affected by disasters.

In the second element, it is measured by dividing the total research by the total cost. Bank Muamalat Indonesia for 5 consecutive years has a research grant ratio of 0.72%, 0.12%, 0.12%, 0.66%, and 0.10% with an average value of 0.34%. Bank Mega Syariah for 5 consecutive years did not allocate funds for research costs. In the research element, Bank Islam Malaysia Berhad is the same as Bank Mega Syariah, which does not allocate funds for research costs. Bank Mega Syariah which did not allocate funds for research costs for 5 consecutive years. for 5 consecutive years.

In the third element, it is measured by dividing total training by total costs. Bank Muamalat Indonesia for 5 consecutive years has a training ratio value of 0.33%, 0.11%, 0.70%, 2.19%, and 2.45% with an overall average of 1.16%. Bank Mega Syariah has a training ratio value of 0.39%, 0.47%, 0.68%, 0.86%, and 0.76% with an average of 0.63%. Bank Islam Malaysia Berhad and Bank Muamalat Malaysia Berhad do not allocate funds for training.

Based on BMI's financial statements, in terms of HR training and development, BMI provides equal opportunities for every employee to develop themselves, both personally and professionally. BMI distributes HR investment funds of 5% of total Labour Cost in accordance with OJK regulations to be channeled to training and development programs. The training method uses digital learning and in class learning. Based on this exposure, it shows the company's commitment to developing HR through the media or facilities available at the company. While at BMS, based on its financial statements, Bank Mega Syariah classifies education and training costs in the same category, namely education and training costs. Thus, the result of training costs at BMS is equivalent to education costs. BMS conducts in-class training from 2018, BMS also provides training through the internet to employees by continuing to develop e-learning programmes so that employees are able to adapt to business developments and sector trends. adapt to business developments and trends in the banking sector.

b. *Iqamah al-Adl* (Upholding Justice) Assessment

In the second objective of fairness, Islamic banks must ensure fair transactions in all their business activities, which include products, prices, and contract terms and conditions. Islamic banks must also ensure that all their operational activities are free from negative elements that can create injustice, such as usury, gharar, tadlis, corruption. Indirectly, the bank should use its profits wisely and direct its activities to vital areas that can help reduce income and wealth inequality and encourage wealth circulation and distributive equity.

BMI has an average fair return value from 2018-2022 of 0.30%, BMS of 1.13%, BIMB of 1.10%, and BMMB of 1.54%. In the weighting of the maqashid index value, the fair return element is the only ratio that has a deduction value in weighting the MSI value, meaning that the smaller the profit received by the Islamic bank, the bank is considered to be increasingly implementing the goal of achieving justice. So from the results of the above calculations, BMI is considered more capable of implementing justice compared to BMS, BIMB, and BMMB. This is because BMI is smaller in taking a fair return portion in its operational activities compared to other banks. The justice referred to in the functional distribution ratio is justice in the economic aspect when Islamic banking financing is more dominant with mudharabah and musyarakah contracts. This is because the impact will be more pronounced in income distribution. Because the two contracts use a profit and loss sharing system so that it directs more people towards socio-

economic justice.

BMI for five years consecutively has an average value of functional distribution ratio of 0.17%, BMS by 0.51%, BIMB by 0.13%, and BMMB by 1.68%. The results of The results show that the portion of financing with mudharabah and musyarakah schemes at BMMB is more dominant than that of Islamic banks. BMMB is more dominant compared to other Islamic banks. In the ratio of non-interest products, it describes the activities of Islamic banks that are free from the element of interest, especially in investment activities undertaken. This is because interest is one of the instruments that is prohibited in the Islamic banking system because it will have a negative impact on social inequality. on social inequality.

The ratio value of non-interest products in each bank from 2018-2022 with an average value at Bank Muamalat Indonesia (BMI) of 0.08%, Bank Mega Syariah (BMS) 0.07%, Bank Islam Malaysia Berhad (BIMB) 0.08%, and Bank Muamalat Malaysia Berhad (BMMB) 0.09%. These results indicate that of the four banks there is no significant average difference, but BMMB is superior in the application of non-interest product ratios compared to other Islamic banks. This indicates that in carrying out their operational activities, the four banks still have interest-based products due to the relationship between Islamic banks with the central bank and conventional banks, causing the existence of non-interest products. and conventional banks, causing the existence of interest-based products. interest-based products.

c. Assessment of *Jalb al-Mashlahah* (Improving Welfare)

In the third objective, mashlahah or public interest, Islamic banks must prioritise business activities that produce greater benefits for the general public. This includes activities in areas related to to the basic needs of the community such as investment in the real sector, financing projects,

BMI and BMS for five consecutive years have an average profit ratio value of 0.06% and 0.98%. Profitability is not the primary objective of Islamic banking, however, profitability is fundamental for Islamic banking to maintain the sustainability of Islamic banks and the redistribution of income to all stakeholders. BIMB has a high level of profitability for five consecutive years at 2.85% compared to the others. Then followed by BMS, BMMB, and BMI with an average value during 2018-2022 of 0.98%, 0.61%, and 0.06%. Within the framework of maqashid sharia, this ratio This ratio is classified as hifdzul maal which reflects that Islamic banking endeavours to utilise and manage wealth in a manner that is fair and just. Islamic banking seeks to utilise and manage wealth optimally and optimally.

The payment of zakat demonstrates the important role of Islamic banks and is a form of worship to reduce the level of inequality. Because by paying zakat, it means that Islamic banks have shown an important role of social responsibility. Based on the zakat ratio, BMI has the highest value with an average value during 2018-2022 of 53.3%, followed by BMS 3.39%. 2016-2020 of 53.3%, followed by BMS 3.39%, BMMB 2.98%, and BIMB 0.70%. 0.70%. Based on its financial statements, BMI does not directly carry out the function of managing zakat funds. the function of managing zakat funds. The distribution of zakat funds is managed by Baitul Muamalat Foundation, which was established by BMI. Maal Muamalat Foundation which was established by BMI in 2000. The purpose of establishing Baitul Maal Muamalat is to encourage the realisation of zakat management and benevolent funds to the Amil Zakat Institution. benevolence funds to the Amil Zakat Institution, so that this gives positive results with a higher value on BMI. positive results with a higher value in BMI compared to other banks. More specifically, according to BMI's annual report, BMI places zakat as a part of its corporate social responsibility (CSR).

BIMB, BMS and BMMB provide growth performance in real sector investment with an average value of 99.36%, 97.85%, and 95.68% respectively. While BMI is only 36.63%. This means that investment activities at BIMB, BMS, and BMMB almost entirely touch the real sector and very little is allocated to the non-real sector. This shows that the level of alignment of BIMB, BMS, and BMMB in the real sector is better than BMI. The results reflect that Islamic banks have optimised the true intermediary function of banks by improving the quality of life of the community in order to achieve massively. quality of life of the community in order to achieve mashlahah al-ummah.

d. Results of Maqashid Syariah Index Calculation of Islamic Banks in Indonesia and Malaysia using Simple Additive Weighting (SAW).

SAW calculations are carried out to calculate the weighting results of the rating of each performance according to its respective indicators and objectives. This calculation is adapted from (Mohammed & Taib, 2015) which uses SAW method to break down the concept of maqashid sharia theory by Abu Zahrah which then through Sekaran's concept, these three maqashid concepts are translated into dimensions and then classified into 10 elements. into dimensions and then classified into 10 elements so that it becomes an index, namely the Maqashid Syariah Index. into an index, namely the Maqashid Syariah Index, the ten elements are converted into performance ratios. The following are the results of the grouping and summation of

the Performance Indicators and Maqashid Syariah Index Performance in Islamic banks in Indonesia and Malaysia during 2018-2022.

Table 3. Calculation Results of Weighting Summation of MSI using SAW

Bank	Performance Indicators			MSI Performance
	T1	T2	T3	
BMI	0,00193	0,00505	0,04264	0,04961
	0,00128	0,00310	0,04708	0,05146
	0,00110	0,00302	0,03678	0,04091
	0,00281	0,00317	0,03688	0,04286
	0,00273	0,00255	0,03359	0,03888
BMS	0,00059	0,01588	0,10563	0,12210
	0,00070	0,01231	0,10695	0,11997
	0,00101	0,00986	0,10534	0,11621
	0,00129	0,01061	0,10449	0,11639
	0,00113	0,01426	0,10740	0,12279
BIMB	0,00082	0,07180	0,10901	0,18163
	0,00071	0,07405	0,10946	0,18421
	0,00068	0,06800	0,10937	0,17804
	0,00110	0,06682	0,10963	0,17756
	0,00079	0,06667	0,10937	0,17683
BMMB	0,00114	0,03157	0,09567	0,12838
	0,00195	0,04694	0,10290	0,15078
	0,00074	0,03827	0,10560	0,14461
	0,00089	0,02598	0,10593	0,13280
	0,00016	0,03507	0,10624	0,14146

Source: Author Analysis (2023)

Overall the summation results based on the weighting results show that in the First Objective Performance Indicator BMI is superior in implementing the Tahdzib al-Fard goal with an IK (T1) value of 0.00986. In the Second Objective Performance Indicator, BIMB is superior in implementing the Iqamah al-Adl objective compared to other Islamic banks with an IK (T2) value of 0.34743. In the Third Objective Performance Indicator BIMB is superior in implementing the Jalb al-Mashlahah objective compared to other Islamic banks with an IK (T3) value of 0.54684. Table 3 shows the results of the ranking of Islamic banks in achieving Maqashid Syariah Index performance from 2018-2022 with the following results the results of BIMB being the most superior Islamic bank in implementing the three objectives of the Maqashid Syariah Index with an MSI value of 0.89827, followed by BMMB with an MSI value of 0.69802, then followed by BMS with an MSI value of 0.59745, and BMI is the last rank with an MSI value of 0.22372.

e. Descriptive Statistical Test Results of Islamic Bank Performance in Indonesia and Malaysia through Maqashid Syariah Index Approach

Descriptive statistical analysis was carried out by analysing research data objectively by comparing the minimum value, maximum value, and range on the sample based on the MSI ratio. The descriptive statistical test results show the minimum, maximum, and range values of the MSI ratios at BMI, BMS, BIMB, and BMMB from 2016-2020, with a minimum

value of 0.06091, a maximum value of 0.18484, and an average value of 0.18484. minimum value of 0.06091, maximum value of 0.18484, with an average value of 0.1333977.

Based on the data from the normality test results, the Sig (2-tailed) value on the MSI performance rasio is 0.165. These results indicate that the value of Asymp sig. (2-tailed) on the performance ratio through the MSI approach> 0.05. The normality test results show that the data is normally distributed, however, to determine the difference test that will be used must perform the next data prerequisite test related to homogeneity. Because to do the parametric one way Anova test, the data must be normally distributed and homogeneous.

Homogeneity test results from the MSI rasio shows a Sig (2-tailed) value of 0.000, meaning that the value of Asymp sig. (2-tailed) on the performance ratio through the MSI approach <0.05. So it is stated that the sample variance is not homogeneous. Furthermore, the difference test in this study is with the Kruskal-Wallis H non-parametric statistical test. Based on the results of the Kruskal Wallis H statistical test, it shows that the MSI performance ratio of Indonesian Islamic Commercial Banks and Malaysian Islamic Commercial Banks has a significance value of 0.001, which means Asymp sig. (2-tailed) MSI performance ratio <0.05. So it can be concluded that there is a significant difference in the MSI ratio between Islamic Commercial Banks in Indonesia and Islamic Commercial Banks in Malaysia. This result shows the results of the independent sample t-test MSI with a significance value of 0.010, which means there is a significant difference between the performance of Islamic banking in Indonesia and Malaysia in terms of the Maqashid Syariah Index.

In this study, since there are two countries with four selected samples, in this case BMI, BMS, BIMB, and BMMB. selected samples, in this case BMI, BMS, BIMB, and BMMB, there are 6 non-Parametric Post Hoc tests (Mann Whitney U Test). there are 6 non-Parametric Post Hoc tests (Mann Whitney U Test), The Mann Whitney U test shows that in the performance ratio of the MSI performance ratios on BMI and BIMB, BMI and BMMB, BMS and BIMB, BMS and BMMB, and BIMB and BMMB there are significant differences. BMMB, and BIMB and BMMB there are significant differences. While in BMI and BMS there is no significant difference.

The results of the data prerequisite test show that the data on the MSI variable is normally distributed but not homogeneous so it does not fulfil the requirements for the parametric one way ANOVA test so that the test carried out is the Kruskal Wallis H non-parametric statistical test. performed

is the Kruskal Wallis H non-parametric statistical test. the results of the Kruskal-Wallis H ranks test on Bank Muamalat Indonesia (BMI), Bank Mega Syariah (BMS), Bank Islam Malaysia Berhad (BIMB), and Bank Muamalat Indonesia (BMI). (BIMB), and Bank Muamalat Malaysia Berhad (BMMB).

Islamic banks in Malaysia are far superior to Islamic banks in Indonesia because the Second Objective Performance Indicator and the Third Objective Performance Indicator are much higher than Islamic banks in Indonesia. The third objective is much higher than Islamic banks in Indonesia. This means that Islamic banks in Malaysia are Islamic banks in Malaysia are better able to apply the concepts of justice and benefit compared to Islamic banks in Indonesia. While Islamic banks in Malaysia are more capable of implementing the concept of justice and benefit compared to Islamic banks in Indonesia. Islamic banks in Indonesia are superior to Islamic banks in Malaysia on the Performance Indicators of the First Objective, which reflects that Islamic banks focus more on improving the quality of individuals in terms of education, research, training, and publicity. education, research, training, and publicity.

This research has differences with previous studies (Qathrunnada, 2021) that only analyse data at the SAW (Simple Additive Weighting) method stage as a weighting test in the Maqashid Shariah Index, without conducting further statistical tests through different tests. In this study, a non-parametric mann whitney U statistical test was conducted, followed by a ranking test through kruskal wallis H, so that ranking results could be obtained which showed that BMMB, and BIMB as Malaysian islamic banking were superior in maqashid shariah index performance indicators than BMS and BMI as Indonesian islamic banking.

Results of Performance Analysis of Islamic Banks in Indonesia and Malaysia through the RGEC Approach.

a. RGEC Assessment

In the Risk Profile assessment, it is measured through liquidity risk using the using the Non Performing Financing (NPF) and Financing to Deposit Ratio (FDR).

NPF rate BMI is relatively very high, this will certainly cause the development of the bank's business to be less than optimal because of the high level of non-performing financing. business is less than optimal because the high level of non-performing financing will affect the value of income generated by the bank. will affect the value of income generated by the bank. So that banks must be more selective and careful in the distribution of funds. The decrease in the FDR ratio indicates the growth of distribution of funds which is smaller than the increase in third party

funds. The decline in the value of Financing to Deposit Ratio (FDR) is due to the condition of the COVID-19 pandemic, thus conditioning selective disbursement of financing (Agus Hidayat et al., 2023).

Bank Mega Syariah is increasingly selective in channeling financing to reduce the NPF rate and maintain asset quality to remain in a healthy condition. Bank Mega Syariah did not do much financing distribution compared to the previous year and afterwards. However, overall, the liquidity level of Bank Mega Syariah is in a good condition.

The NPF rate at Bank Islam Malaysia Berhad average is below 2% and is in the very healthy category. This means that the level of non-performing financing at the bank tends to be low. So it can be concluded that Bank Islam Malaysia Berhad is in good condition. The NPF rate at Bank Muamalat Malaysia Berhad has decreased significantly. This means that Bank Muamalat Malaysia Berhad maintains and improves the quality of assets to remain in a healthy category. Financing to Deposit Ratio (FDR) level at Bank Muamalat Malaysia Berhad average Berhad from the average year is in a fairly healthy category. From The data indicates an optimisation in the distribution of financing. This is reflected in the relatively high FDR level.

In this study there are differences from previous studies, from all RGEC variables, statistical tests were only carried out on the Risk Profile, Earnings, and Capital ratios assessed through NPF, FDR, ROA, and CAR. This is because the Good Corporate Governance data between Islamic banks in Indonesia and Malaysia is not apple to apple. The imbalance of data is due to differences in policies related to assessing the implementation of GCG in Islamic banks in Indonesia and Malaysia. So that in assessing the implementation of GCG in Islamic banks in Malaysia it is only disclosed in a narrative manner, this is because there is no policy for Islamic Commercial Banks in Malaysia to conduct self-assessment of GCG assessment as in Indonesia.

b. Descriptive Statistical Test Results of Islamic Bank Performance in Indonesia and Malaysia through the RGEC Approach

Following Table 4, the results of RGEC descriptive statistics on Bank Muamalat Indonesia, Bank Mega Syariah, Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad during 2018-2022.

Table 4. Descriptive Statistical Test Results Using SPSS 25

Ratio	*Bank*	n	*Min*	*Max*	*Range*
NPI	BMI	5	1,40%	4,30%	2,90%
	BMS	5	1,38%	3,30%	2,25%
	BIMB	5	0,67%	0,98%	0,87%
	BMMB	5	1,07%	2,31%	1,60%

FDR	BMI	5	69,84%	95,13%	79,21%
	BMS	5	63,53%	95,20%	87,03%
	BIMB	5	78,49%	84,84%	82,72%
	BMMB	5	97,30%	98,90%	98,16%
ROA	BMI	5	0,03%	0,14%	0,08%
	BMS	5	0,89%	2,63%	1,55%
	BIMB	5	1,10%	1,37%	1,28%
	BMMB	5	0,58%	0,77%	0,69%
CAR	BMI	5	12,34%	15,21%	13,26%
	BMS	5	19,96%	24,15%	22,07%
	BIMB	5	15,52%	19,80%	17,63%
	BMMB	5	16,70%	18,70%	18,08%

Source: Author Analysis (2023)

Based on the results of the descriptive statistical test in table 4, it can be seen that the range of minimum values, maximum value, and the average of each variable indicator of NPF, FDR, ROA, and CAR in each bank varies.

The results of the normality test show that the data is normally distributed on the FDR, ROA, and CAR ratios. Except for the NPF ratio showing data not normally distributed. Data non-normality is due to differences in mean and median between groups so that the data cannot be tested using parametric statistical tests. Furthermore, the alternative used in the differential test in this study is the nonparametric statistical test Kruskal-Wallis H.

Homogeneity test results from performance ratios NPF, FDR, ROA, and CAR show sig values of 0.012, 0.033, 0.007, and 0.229. From these results indicate that Asymp sig. (2-tailed) each performance ratio < 0.05 except for the CAR ratio > 0.05. So it is stated that the sample variance is not homogeneous. Furthermore, the difference test in this study is the Kruskal-Wallis H non-parametric statistical test.

In the NPF ratio, the Kruskal Wallis H value is 13.320 with a significance value of 0.004, which means that the H0 is rejected which means that the H0 is rejected. significance of 0.004, which means the P value <0.05, then H0 is rejected, which means there is a significant difference in the NPF ratio or the level of NPF. H0 is rejected, which means that there is a significant difference in the NPF ratio or the level of non-performing financing at Bank Muamalat Indonesia, Bank Mega, or level of non-performing financing at Bank Muamalat Indonesia, Bank Mega Syariah, Bank Islam Malaysia Berhad, and Bank Muamalat Malaysia Berhad. The Kruskal Wallis H value on the FDR ratio is 11.994 with a significance value of 0.007. significance of 0.007, which means the P value <0.05, then H0 is rejected, which means there is a significant difference in value. meaning there is a significant difference in value. In the ROA ratio, the Kruskal Wallis H value is 16,155 with a significance value of 0.001, which means that the H0 is rejected. significance of 0.001, which means the P value <0.05, then H0 is rejected. The Kruskal Wallis H value on the CAR ratio is 16,143 with a significance value of 0.001 which is means the P value <0.05, then H0 is rejected.

Based on the results of the non-Parametric Post Hoc test (Mann Whitney

U Test), it can be seen that in BMI and BMS there is no significant difference in the NPF ratio, as for the FDR ratio between BMI and BMS. BMI and BMS there is no significant difference. While on ROA and CAR ratios between BMI and BMS there is a significant difference. significant difference. At BMI and BIMB, it shows that in the NPF ratio, there is a significant difference. there is a significant difference, as for the FDR ratio at BMI and BIMB there is no significant difference. BIMB there is no significant difference. While the ratio of ROA and CAR ratios in BMI and BIMB show a significant difference. significant difference. BMI and BMMB show a significant difference in the ratio of NPF, FDR, and CAR. significant differences in the ratios of NPF, FDR, ROA, and CAR. BMS and BIMB show that there is a significant difference in the NPF ratio. There is a significant difference in the NPF ratio, as for the FDR and ROA ratios between BMS and BIMB. BMS and BIMB there is no significant difference. While on the CAR ratio, shows that there is a significant difference between BMS and BIMB. BMS and BIMB.

Previous research conducted by (Puspita & Saryadi, 2018) showed that there were no significant differences in ROA and CAR ratios, and there were significant differences in value in the NPF and FDR ratios. In contrast to the results of this study which show that there are significant differences in value between Malaysian and Indonesian Islamic banking in the NPF, FDR, ROA, and CAR ratios.

CONCLUSION

Bank Islam Malaysia Berhad is the most superior Islamic bank in implementing the three objectives of the maqashid syariah index. Bank Muamalat Malaysia Berhad is ranked second, followed by Bank Mega Syariah which is ranked third and Bank Muamalat Indonesia became the lowest rank in the application of MSI performance. Based on the results of statistical tests, there are significant differences between the performance of Islamic banking in Malaysia and Indonesia in terms of Maqashid Syariah Index and RGEC. This research can be a consideration for the government in supporting Islamic banking so that it has a standardised performance measurement model that is more relevant to the principles and objectives of Islamic banks so that this research can be considered as a benchmarking for Islamic banking performance to further realise the right competitive strategy for the Islamic banking industry by still considering the level of health of an Islamic bank financially in order to improve performance in the future and can be used as a preventive measure in order to minimise the risk of financial system failure. This research can also be an internal evaluation material for Islamic banks in maximising aspects of sharia, social, and financial performance as in the Maqashid Syariah Index and RGEC approaches. So that Islamic banking can further improve performance financially

and sharia so that it can increase public trust and stakeholders and can improve performance in the future. Future researchers are expected to conduct research on the suitability of Islamic bank performance measurement tools with more relevant and comprehensive variables and more samples and years used.

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