

The Performance of Islamic Banking Based on Sharia Maqashid Index (SMI)

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Abstract

Purpose – This study aims to determine the impact of the implementation of Good Corporate Governance on the Sharia Maqashid Index in Islamic banking in Indonesia.

Methodology - The sampling technique in this study was a saturated sample with a sample of 13 Islamic Commercial Banks in Indonesia. The method used in this research is explanatory method with a quantitative approach.

Findings - The results showed that Good Corporate Governance had a significant effect on the Sharia Maqashid Index. However, the Sharia Maqashid Index in Islamic Commercial Banks has not experienced a significant increase, so a strategy is needed to improve the performance of Islamic banking

Keywords: Sharia Maqashid Index, Good Corporate Governance, Islamic Bank Performance.

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1. INTRODUCTION

Assessment of the health level of a bank is important because it is a means of evaluating the conditions and problems faced by the bank and determining follow-up actions to overcome bank weaknesses or problems, either in the form of corrective actions by the bank or supervisory actions by the Financial Services Authority (Maramis, 2020). Banks with healthy conditions can be more effective in obtaining profitability. However, if the bank is in an unhealthy condition or even unhealthy the bank must immediately improve its condition in order to obtain the expected profitability.

Profitability is one of the methods used to assess the performance and soundness of a bank, both banking and non-banking. The higher the profitability of the Islamic bank, the better the financial performance. Return On Asset (ROA) is a ratio used to measure the level of profitability. Bank Indonesia, through Bank Indonesia Regulation No.13 / 1 / PBI / 2011, issued a policy on health assessments, namely that banks are required to conduct a soundness assessment using a risk-based bank rating, both individually and on a consolidated basis (Bank Indonesia, 2011). This regulation reinforces its application for Islamic banks through the issuance of the Financial Services Authority Circular Letter Number 10 / SEOJK.03 /2014 concerning the Rating of the Soundness of Sharia Commercial Banks and Sharia Business Units (see: <http://www.ojk.go.id/id/kanal/perbankan/regulasi/surat-edaran-ojk/Pages/surat-edaran-otoritas-jasa-keuangan-nomor-10-seojk-03-2014.aspx>).

Assessment with this risk approach is generally known as RGEC which stands for components that are factor in the assessment including Risk Profile, Good Corporate Governance, Earnings, and Capital as regulated in PBI No. 13/1 / PBI / 2011 Chapter IV Article 11 concerning the Mechanism of Consolidated Bank Soundness Level Assessment (Bank Indonesia, 2011).

A bank health assessment using the RGEC method is considered capable of providing a comprehensive picture of the health condition of banks (Amelia, 2018). The factors in RGEC assess banking to corporate governance which do not only consist of management aspects, but the quality of human resources, risks and legal aspects of the company to the company's ability to care and pay attention to the social environment around the company (Maheswari, 2016). As for the advantages of the RGEC method, namely being able to identify problems early, carry out appropriate and faster follow-up improvements, and implement Good Corporate Governance (GCG), and have better risk management so that banks are more resilient in facing crises (Kusumawardani, 2014).

One of the risks in the Risk Profile factor, namely the risk of financing proxied by Non Performing Financing (NPF) has a negative effect on Return On Assets (ROA) in research conducted by Astari, Yasa, and Sujana (2018). The higher the level of problem financing, the lower the profitability that the bank will get. This is in line with the research of Pasaribu, Kowanda, and Paramitha (2015), Akbar (2018), Dewi dan Yadnyana (2019), Munawaroh dan Azhari (2019) & Utami dan Amanah (2016) which show that there is a negative relationship between non-performing Finance (NPF) and Return on Assets (ROA). However, research conducted by Iskandar and Laila (2016), Setiawan (2017), Sitompul and Nasution (2019) show different results, namely that Non-Performing Financing (NPF) has no effect on Return on Assets (ROA).

Then the level of liquidity risk proxied by the Financing to Deposit Ratio (FDR) shows that the Financing to Deposit Ratio (FDR) has a positive effect on Return on Assets (ROA) in research conducted by Suwarno and Muthohar (2018). This is in line with research conducted by Agustini and Sulindawati (2020), Aryati and Andayani (2019), Munawaroh and Azhari (2019), Suwarno and Muthohar (2018), and Yusuf (2017) which ,show that there is a positive relationship between

Financing to Deposit Ratio (FDR) and Return On Asset (ROA). Meanwhile, research conducted by [Ibadil and Haryanto \(2014\)](#), [Amelia \(2015\)](#), and [Wirnati and Diyani \(2019\)](#) shows different results, namely FDR has no effect on ROA.

Furthermore, the level of operational cost efficiency or better known as the BOPO ratio is an indicator of the Earnings factor. Research conducted by [Munawaroh and Azhari \(2019\)](#) shows that BOPO has a negative effect on Return On Assets (ROA). The higher the BOPO level, [Pinasti and Mustikawati \(2018\)](#), [Kusumastuti and Alam \(2019\)](#), and [Sitompul and Nasution \(2019\)](#) which show that there is a negative relationship between BOPO and ROA. Meanwhile, research conducted by [Ibadil and Haryanto \(2014\)](#), [Amelia \(2015\)](#), and [Wirnati and Diyani \(2019\)](#) shows different results, namely FDR has no effect on ROA.

The use of performance measurement models based on conventional financial ratios such as RGEC is not suitable to be applied to Islamic banking because the purpose of Islamic banking is different from conventional banking ([Mohammed, 2015](#)). Basically, the purpose of sharia banking is not only as a commercial institution but also to achieve benefits in accordance with maqashid sharia, namely to achieve prosperity and avoid evil, so that the performance measurement model based on financial ratios makes it impossible for sharia banking stakeholders to see clearly the different objectives achieved by [Islamic banking and conventional banking](#).

[Dzuljastri \(2008\)](#) argues that the performance measurement model based on conventional financial ratios has several disadvantages, namely: 1) will make company managers act in the short term and do not pay attention to long-term plans; 2) can ignore aspects of non-financial measurement and fixed assets so that it will give a wrong view of company managers both at present and in the future; 3) In addition, measurement of company performance based on financial ratios is only based on past performance so that it will not be able to bring the company to achieve goals, whereas if the main focus of the company's activities has more value benefits not only shareholders but also users other interested.

Then another method is needed to measure the performance of Islamic banking, namely the method that is in accordance with the objectives of Islamic banking. According to [Antonio \(2012\)](#) maqashid sharia can be used as a strategic alternative approach to describe the good or bad performance of a company so that it can be implemented in the form of a comprehensive strategic policy.

[Abu Zahrah \(1997\)](#) argues that the existence of Islamic Shari'a is a blessing for humans, so that the objectives to be achieved in establishing Shariah law (Maqashid Sharia) include individual education (Tahdhib al Fard), creation of justice (iqamah al 'adl) and achievement welfare (jalb al maslahah). Furthermore, a measurement of Islamic banking performance that was developed based on the principle of Maqashid Shariah Abu Zahrah. The study resulted in a measurement of Islamic banking financial performance called the Sharia Maqashid Index (SMI).

Sharia Maqashid Index in Sharia Commercial Banks has not experienced a significant increase, so a strategy is needed to improve the performance of Islamic banking. Good Corporate Governance in Islamic banking is one of the factors that can affect the Sharia Maqashid Index. GCG is a governance mechanism an organization is good at managing organizational resources efficiently, effectively, economically and productively based on the principles of transparency, accountability, accountability, independence and fairness in order to achieve organizational goals ([Syakhroza, 2008](#)).

Implementation in the implementation of GCG in Islamic banking must meet compliance with sharia principles, this is in accordance with Bank Indonesia Regulation No.8 / 4 / PBI / 2006

concerning the implementation of Good Corporate Governance for Commercial Banks in Indonesia.

In theory, GCG is a concept that is applied to improve company performance through supervision and monitoring of management performance and to ensure management accountability based on the regulatory framework (Fauzi, 2016).

The assessment of Good Corporate Governance in public banks is carried out independently (self assessment) by comparing the fulfillment of each criterion or indicator with the condition of the bank based on relevant data and information, the assessment is guided by Bank Indonesia Regulation No.8 / 4 / PBI / 2006 concerning implementation GCG for commercial banks. In other words, the implementation of effective corporate governance in sharia banking will create good corporate governance that can improve company performance and can reduce risks that may be carried out by the board with its own favorable decisions and generally good corporate governance can increase investor confidence in investing which can affect the company's performance ".

2. LITERATURE REVIEW

2.1 Performance Banking

Bank Indonesia establishes rules for assessing the soundness level of a bank, namely the regulation on the soundness level of a bank using the RGEC method (Risk Profile, Good Corporate Governance, Earnings, and Capital) in accordance with Bank Indonesia Regulation No.13 / 1 / PBI / 2011. According to Bank Indonesia Regulation No. 13/1 / PBI / 2011 concerning the assessment system for the soundness of commercial banks, the assessment of the soundness of commercial banks includes an assessment of the following factors:

1. Risk Profile

Risk profile assessment is an assessment of the risks inherent in bank business activities, both quantifiable and non-quantifiable, which have the potential to affect the bank's financial position (Febrianto & Fitriana, 2020). The indicators used are the risk profile factor, namely the risk of financing which is proxied by Non-Performing Financing and liquidity risk which is proxied by the Financing to Deposit Ratio (FDR).

2. Good Corporate Governance

Good Corporate Governance for Islamic commercial banks is an assessment of the quality of bank management on the implementation of the five principles of Good Corporate Governance, namely transparency, accountability, responsibility, professionalism, and fairness (Hartanto, 2019). In a Bank Indonesia circular letter, it is stated that Islamic Commercial Banks must carry out periodic self-assessments which include 11 assessment factors for GCG implementation as applicable to Islamic Commercial Banks

3. Earnings

Rentability is an aspect used to measure a bank's ability to increase profits and is carried out in a period. The use of profitability is also to measure the level of business efficiency achieved by the bank concerned. A healthy bank is a bank that is measured in terms of profitability and will continue to increase above the predetermined standard (Khalil & Fuadi, 2016). The indicators used for the profitability factor, namely BOPO.

4. Capital

Capital is one of the things that is very important for a company. Likewise with banks, where the capital is used to protect the bank from possible risk of loss resulting from the movement

of bank assets, some of which come from third party loans (Mauliza & Daud, 2016). The indicators used in the capital factor are the Capital Adequacy Ratio (CAR)

2.2 Sharia Maqashid Index (SMI)

There are two main objectives of sharia accounting, namely: 1) as an instrument of accountability fulfilling obligations to Allah (hablun min'allah), individuals and community environment (hablun min'an- nas); 2) as an instrument to help create social and economic justice as desired in the Islamic Ekonomi. Abu Zahrah (1997) argues that the existence of Islamic Shari'a is a blessing for humans, so that the objectives to be achieved in the establishment of Sharia law (Maqashid Shariah) include:

1. Educating Individuals (Tahdzib al-Fard)
2. Enforcing Justice (Iqamah al-Adl)
3. Creating(BenefitJalb al-Maslahah)

Mohammed and Taib (2015) developed the theory of maqashid sharia Abu Zahrah into a model for measuring the performance of sharia banking based on maqashid sharia called the Sharia Maqashid Index (SMI). The steps taken in the measurement of Sharia Maqashid Index (SMI) Islamic banks Dzuljastri (2008), namely:

1. Calculating the performance ratio of each Islamic bank. The ratios are as follows:
 - a. First Objectives of Educating Individuals (Tahdzib al-Fard)
 - 1) Educational Grants / Total Costs (R1.1)
 - 2) Research Costs / Total Costs (R2.1)
 - 3) Training Costs / Total Costs (R3.1)
 - 4) Publication Costs / Total Costs (R4.1)
 - b. Second Objective: Upholding Justice (Iqamah al-Adl)
 - 1) PER / Net Investment Income (R1.2)
 - 2) Mudharabah Financing + Musyarakah / Total Financing (R2.2)
 - 3) Interest Free Income / Total Financing (R3.2)
 - c. Third Objective: Creating Benefits (Jalb al-Maslahah)
 - 1) Net Profit / Total Assets (R13)
 - 2) Zakat / Net Profit (R2.3)
2. Determine the rank of Islamic banks based on Performance Indicators (IK) as follows:
 - a. First Purpose : Educate Individuals (Tahdzib al-Fard)

$$IK (T1) = (W11 \times E11 \times R11) + (W11 \times E21 \times R21) + (W31 \times E31 \times R31) + (W41 \times E41 \times R41)$$

Description:

T1 : Purpose First

W11: Average weight of first goal

E11 : Average weight of first element first goal

E21 : Average weight of el emen second first goal

E31 : Average weight third element first goal

E41 : Average weight fourth element first goal

R11 : Performance ratio first element first goal

R21 : Performance ratio second element first goal

R31 : Performance ratio third element first goal

R41 : Performance ratio of the first four elements so that,

$IK (T1) = IK11 + IK21 + IK31 + IK41$

Description:

IK11 : W11 x E11 x R11

IK21 : W11 x E21 x R21

IK31 : W11 x E31 x R31

IK41 : W11 x E41 x R41

- b. Second Objective: Uphold Justice (Iqamah al-Adl)

IK (T2) = IK12 + IK22 + IK32 + IK42

Description:

IK12 : W22 x E12 x R12

IK22 : W22 x E22 x R22

IK32 : W22 x E32 x R32

- c. Third Purpose: Create (Benefit Jalb al-Maslahah)

IK (T3) = IK13 + IK23 + IK33 + IK43

Description:

IK13 : W33 x E13 x R13

IK23 : W33 x E23 x R23

IK33 : W33 x E33 x R33

Determine the Sharia Maqashid Index (SMI) on each Islamic bank by summing all the performance indicators of the three maqashid sharia objectives formulated:

$$\text{SMI} = \text{IK (T1)} + \text{IK (T2)} + \text{IK (T3)}$$

Description:

SMI : Sharia Maqashid Index (maqashid syariah performance)

IK (T1) : Performance Indicator First Objective: Educating Individuals (Tahdzib al-Fard)

IK (T2) : Performance Indicator Second Objective: Uphold Justice (Iqamah al-Adl)

IK (T3) : Performance Indicator Third Objective: Creating (Jalb al-Maslahah)

2.3 Good Corporate Governance (GCG)

Good Corporate Governance (GCG) is a governance mechanism an organization is good at managing organizational resources efficiently, effectively, economically and productively based on the principles of transparency, accountability, accountability, independence and fairness in order to achieve organizational goals (Syakhroza, 2008). Implementation in the implementation of GCG in Islamic banking must meet compliance with sharia principles. In theory, GCG is a concept that is applied to improve company performance through supervision and monitoring of management performance and to ensure management accountability based on the regulatory framework (Fauzi, 2016). GCG is needed to encourage the creation of an efficient, transparent and consistent market with laws and regulations. GCG needs to be supported by three interconnected pillars, namely the state and its instruments as regulators, the business world as market participants and the community using products and services in the business world. Based on Bank Indonesia Regulation No.8 / 4 / PBI / 2006 concerning the implementation of GCG for commercial banks, the elements of GCG in Islamic banks are the dimensions in the quality of their implementation as follows (Ferdyant, 2014):

- 1) Implementation of duties and responsibilities of the board of commissioners.
- 2) Implementation of duties and responsibilities of directors.
- 3) Completeness and implementation of committee duties.
- 4) Implementation of DPS duties and responsibilities.

- 5) The implementation of sharia principles in the activities of raising funds and channeling funds and services.
- 6) Handling conflicts of interest.
- 7) Application of the internal audit function.
- 8) Application of compliance function.
- 9) Application of the external audit function.
- 10) Transparency of financial and non-financial conditions, reports on the implementation of good corporate governance and internal reporting.
- 11) Maximum channeling of funds.

These dimensions have several indicators that can be used as measuring instruments. The value of each indicator is calculated by a scoring system, if the indicator referred to is disclosed in the Sharia Commercial Bank GCG report then given a value of 1 while if the indicator in question is not disclosed it will be given a value of 0. Then, based on the results of the analysis the GCG implementation rating for each indicator, as follows:

Table 1
Scale and Ranking of Conformity Rating Indicators

Ranking	Scale of compliance with indicators
1	Very suitable if it meets 87.5% up to 100% of the total indicators
2	Matches if it meets 62.5% to 87.4% of the total indicators
3	It is quite appropriate if it meets 37.5% to 62.4% of the total indicators
4	Less suitable if it meets 12.5% to 37.4% of the total indicators
5	Not suitable if it meets 0% to 12.4% of the total indicators

Source: Bank Indonesia Circular Number. 12/13/DPbS, 2010

After determining the rank for each indicator, it will be multiplied by the determined weight, as follows:

Table 2
Weight of the Dimensions of Good Corporate Governance

No	Factor	Weight (%)
1.	Implementation of duties and responsibilities of the board of commissioners.	12.50
2.	Implementation of duties and responsibilities of directors.	17.50
3.	Completeness and implementation of committee duties.	10.00
4.	Implementation of DPS duties and responsibilities.	10.00
5.	Implementation of sharia principles in the activities of raising funds and channeling funds and services.	5.00
6.	Handling conflicts of interest.	10.00
7.	Implementation of internal audit function.	5.00
8.	Implementation of compliance function.	5.00
9.	Application of the external audit function.	5.00
10.	Transparency of financial and non-financial conditions, reports on the implementation of good corporate governance and internal reporting.	5.00
11.	Maximum distribution of funds.	15.00
TOTAL		100.00

Source: Bank Indonesia Circular Number. 12/13/DPbS, 2010

Furthermore, the results of multiplication between ranks and weight values can be classified based on the composite predicate value of the quality of implementation Good Corporate Governance. The composite predicate values are as follows :

Table 3
Composite Predicate Value Composite

Value Composite	Predicate
<1.5	Very Good
Composite Value $1.5 \leq <2.5$	Good
$2.5 \leq <3.5$ Composite Value	Good enough
$3.5 \leq <4.5$ Composite Value	Poor
$4.5 \leq <5$ Composite Value	Not Good

Source: Bank Indonesia Circular Number. 12/13/DPbS, 2010

Then after classifying based on composite predicate values, results will be obtained which can be used to measure the implementation of Good Corporate Governance in Islamic Commercial Banks.

3. METHODOLOGY

Method used for data collection in this study uses explanatory methods with quantitative approaches. In addition, the research design used is causality. The object of research used is good corporate governanc (gcg) as an independent variable (x) and sharia maqashid index (smi) as the dependent variable (y). The population in this study is sharia commercial banks in indonesia. The sampling technique in this study is a saturated sample with a total sample of 13 sharia commercial banks in indonesia that are registered with ojk.

Data analysis techniques in this study using a test through the influence of the test panel data regression with t-test and test the coefficient of determination (r²).the research was tested using the classic assumption test, namely the multicolourity test and heteroscedasticity. The analysis tool used is evIEWS 9. The aim is to learn how the influence of several independent variables with the dependent variable.

4. RESULTS AND DISCUSSION

Based on the results of the analysis conducted by the author, the descriptive analysis and interpretation of the overall data from the research findings or field findings which include a general description of each research variable are as follows:

1. Overview of the Variables Sharia Maqashid Index (SMI)

Table 4
Sharia Maqashid Index (SMI)

Bank	Sharia Maqashid Index (SMI)				Ranking
	IK-T1	IK-T2	IK-T3	SMI	
A	0,007900	0,007600	0,007600	0,023400	13
B	0,003100	0,215200	0,120300	0,338300	1
C	0,003600	0,224300	0,086700	0,314600	4
D	0,002400	0,202600	0,103700	0,308200	6
E	0,000000	0,118600	0,097500	0,215800	11
F	0,005800	0,189800	0,097600	0,292800	8
G	0,001900	0,177500	0,115800	0,294900	7
H	0,000300	0,123000	0,098500	0,222000	10
I	0,002500	0,236700	0,098300	0,337400	2
J	0,002800	0,210300	0,101500	0,314500	5
K	0,001900	0,226500	0,099400	0,327500	3
		-			12
L	0,120900	0,022900	0,117600	0,215300	
M	0,062800	0,041529	0,128772	0,232901	9

Source: Islamic Banks Period 2017-2020

Based on the data in table 4, it can be seen that the best in implementing the first goal of educating individuals (Tahdzib al-Fard) is Bank L. This is because MSI has the highest educational and training grant value compared to other Islamic banks. Implementation of the second objective is to uphold justice (Iqamah al-Adl), Islamic banks have the highest value is Bank I. This is because Bank I gets the highest distribution function value when compared to other Islamic banks. The third objective is to create benefits (Jalb-al Maslahah), which has the highest value is Bank B. This is because Bank B is a sharia bank that gets the

highest profitability value compared to other Islamic banks. The results of the accumulation of the three maqashid syariah objectives were obtained by the SMI score. Based on the data in table 4, it shows that in general the highest SMI value for all purposes in the 2017-2020 period is Bank B.

This is because Bank B has a high value in achieving performance indicators for the second and third goals so that the acquisition of SMI scores becomes high. It can be concluded that the better the performance of Islamic banks in carrying out the objectives of maqashid sharia which is the main goal in achieving Islamic banks, the better the value of SMI.

2. Overview Variable Good Corporate Governance (GCG)

Table 5
Good Corporate Governance (GCG)

No	Islamic Banks Name	Year	Value Composition	Predicate
1	Bank A	2017	2.8	Good
		2018	1.7	Good
		2019	2.6	Good Enough
		2020	2.7	Good Enough
2	Bank B	2017	1.8	Good
		2018	1.8	Good
		2019	1.9	Good
		2020	2.1	Good
3	Bank C	2017	2.2	Good
		2018	2.2	Good
		2019	2.2	Good
		2020	2.5	Good Enough
4	Bank D	2017	1.7	Good
		2018	2.1	Good
		2019	2.2	Good
		2020	2.3	Good
5	Bank E	2017	2.2	Good
		2018	2.3	Good
		2019	2.4	Good
		2020	2.4	Good
6	Bank F	2017	1.7	Good
		2018	1.6	Good
		2019	1.7	Good
		2020	1.8	Good
7	Bank G	2017	1.8	Good
		2018	1.7	Good
		2019	1.8	Good
		2020	1.7	Good
8	Bank H	2017	1.3	Very Good
		2018	1.3	Very Good
		2019	1.3	Very Good
		2020	1.7	Good
9	Bank I	2017	1.4	Very Good
		2018	1.4	Very Good
		2019	1.4	Very Good
		2020	1.7	Good
10	Bank J	2017	1.8	Good

		2018	1.9	Good
		2019	2.0	Good
		2020	2.0	Good
		2017	1.8	Good
11	Bank K	2018	1.9	Good
		2019	2.0	Good
		2020	2.5	Good
		2017	1.4	Very Good
12	Bank L	2018	1.5	Very Good
		2019	1.7	Very Good
		2020	2.0	Good
		2017	1.9	Good
13	Bank M	2018	1.9	Good
		2019	1.9	Good
		2020	2.5	Good Enough

Source: Islamic Banks Period 2017-2020

Based on table 5 above, it can be seen that the implementation of Good Corporate Governance in Sharia Commercial Banks in Indonesia in 2017-2020 is categorized into 3 (three) categories namely very good, good and sufficient well. This can be proven from the composite value obtained by each Islamic bank. Islamic banks that have a very good category in the implementation of Good Corporate Governance are Bank H, Bank I and Bank L.

This is because the Islamic bank reveals every indicator that is used as an assessment for the implementation of Good Corporate Governance very well. Then all sharia commercial banks have good categories namely, Bank B, Bank C, Bank D, Bank F, Bank G, Bank H, Bank I, Bank J, Bank K, Bank L, and Bank M. Whereas those with good enough categories are Bank A, Bank C, Bank K and Bank M.

4.1 Determination of the Data Panel Regression Model

Widarjono (2009) states that there are several methods commonly used in estimating regression models with panel data, namely least square pooling (Common Effect), Fixed Effect approach and random effect approach (Random Effect) by doing the Chow, Hausman and Langrange Multiplier tests.

Chow Test

Table 6
Chow Test Result

Redundant Fixed Effects Tests			
Pool: UjiChow			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
			0.000
Cross-section F	8.893835	(12,38)	0
Cross-section Chi-square	68.86225	12	0

Source: Research Data

Based on table 6 above it can be seen that the chi-square value is 0.0000 which is smaller than value alpha that is equal to 0.05 ($F < 0.05$). From these results it can be concluded that H_0 is rejected and H_a is accepted which means that the right model for panel data regression is a model fixed effect and a Hausman test will be conducted to find the accuracy between fixed effects and random effects.

Hausman Test

Table 7
Hausman Test Result

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.048657	1	0.3178

Source Research Data

Based on table 7 above, it can be seen that the chi-square value is 0.3178 which value is greater than the value alpha of 0.05 ($F > 0.05$). From these results it can be concluded that the right model for panel data regression is a model random effect and tests will be carried out multiplier langrange. From a series of Chow tests and Hausman tests to determine the panel data regression model that is suitable for use, the two tests indicate that the regression fixed effect model is the best model used with the following estimation results

Table 8
Lagrange Multiplier Test Result

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Cross-section	Time	Both
Breusch-Pagan	31.72934 (0.0000)	1.216673 (0.2696)	32.0684 (0.0000)

Source: Research Data

Based on table 8 above it can be seen that the value of the lagrange multiplier is 0.0000 which is smaller from a value alpha of 0.05 ($F < 0.05$). From these results it can be concluded that the right model for panel data regression is a model random effect. From a series of chow tests, hausman tests and lagrange tests to determine the panel data regression model that is suitable for use, the three tests show that the regression random effect model is the best model used with the following estimation results:

Table 9
Random Effect Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.315636	0.069565	4.537288	0.0000
GCG?	-0.025793	0.034362	2.207501	0.0327
Random Effects				
(Cross)				
_A--C	-0.207305			
_B--C	0.064748			
_C--C	0.049819			
_D--C	0.037809			
_E--C	-0.037416			
_F--C	0.018533			
_G--C	0.025836			
_H--C	-0.052006			
_I--C	0.052867			
_J--C	0.043341			
_K--C	0.057906			
_L--C	-0.050837			
_M--C	-0.003295			
Effects Specification				
			S.D.	Rho
Cross-section random			0.079393	0.6788
Idiosyncratic random			0.054611	0.3212
Weighted Statistics				
R-squared	0.110134	Mean dependent var		0.0866
Adjusted R-squared	-0.008643	S.D. dependent var		51
S.E.of regression	0.054632	Sum squared resid		0.0543
F-statistic	0.562989	Durbin-Watson stat		98
Prob(F-statistic)	0.456575			0.1492
Unweighted Statistics				
R-squared	0.040663	Mean dependent var		0.2664
Sum squared resid	0.448111	Durbin-Watson stat		31
				0.7471
				33

Source: Research Data

The implementation of effective corporate governance in Islamic banking will create the implementation of good corporate governance that can improve company performance, and can reduce the risks that may be carried out by the board with decisions that benefit themselves and generally good corporate governance can increase investor confidence to invest their capital which can affect the company performance.

Theoretically, GCG is a concept that is applied to improve company performance through supervision and monitoring of management performance and to ensure management accountability based on a regulatory framework (Fauzi, 2016).

This research is in line with research by Darwis (2009) regarding the effect of Corporate Governance on company performance and the results of this study state that the implementation of Good Corporate Governance has an effect on company performance. In addition, the results of research conducted by James and Joseph (2015) regarding the mechanism of corporate governance and bank performance with a sample of 18 banks. The results of this study state that the implementation of Good Corporate Governance has an effect on banking performance.

3. CONCLUSION

Based on the results of the research and discussion, the following conclusions can be drawn:

- 1) Implementation of Good Corporate Governance in Islamic Commercial Banks for four years, 2017-2020 can be categorized into 3 (three) categories namely very good, good and quite good.
- 2) Sharia Maqashid Index in Sharia Commercial Banks for four years namely 2017-2020 experienced a fluctuating development with an index range between 0.215300-0.338300 and there are still some Islamic banks that do not disclose the allocation of funds for several indicators.
- 3) Good Corporate Governance (GCG) affect the performance of Islamic Banking based on the Sharia Maqashid Index (SMI). This shows that if Good Corporate Governance is implemented properly in accordance with predetermined regulations it can improve the performance of sharia commercial banks both in terms of management and financial aspects.

The effect of the implementation of Good Corporate Governance on the Performance of Islamic Banking based on the Sharia Maqashid Index is only 11.0134%. This indicates that Good Corporate Governance has not played an optimal role to improve the performance of Islamic commercial banks.

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