



ARTÍCULOS

UTOPIA Y PRAXIS LATINOAMERICANA. AÑO: 25, n° EXTRA 1, 2020, pp. 155-165
REVISTA INTERNACIONAL DE FILOSOFÍA Y TEORÍA SOCIAL
CESA-FCES-UNIVERSIDAD DEL ZULIA. MARACAIBO-VENEZUELA.
ISSN 1316-5216 / ISSN-e: 2477-9555

Reconstruction of Islamic Banking Performance Measurement Models: A Critical Thought

Reconstrucción de los modelos de medición del desempeño de la banca islámica: un pensamiento crítico

Satia Nur Maharani

satia.nur.fe@um.ac.id

University of Negeri Malang, Indonesia

Setya Ayu Rahmawati

University of Negeri Malang, Indonesia

Syihhabudin

University of Negeri Malang, Indonesia

Liem Gai Sin

University of Ma Chung, Indonesia

Este trabajo está depositado en Zenodo:
DOI: <http://doi.org/10.5281/zenodo.3774599>

ABSTRACT

This article presents critical thought related to the performance measurement of Islamic banks in terms of several perspectives, both legal, socio-cultural and expected measurement models. Performance assessment in conventional banks and sharia usually only are seen from the measurement of financial performance by using the CAMELS and RGEC ratios. Islamic banks in carrying out their duties must reevaluate the initial objectives. This is to ensure that they are not only profit-oriented. If the performance of Islamic and conventional banks is measured using the same indicators, there will be inappropriate values.

Keywords: Critical thought, performance measurement, sharia banks.

RESUMEN

Este artículo presenta un pensamiento crítico relacionado con la medición del desempeño de los bancos islámicos en términos de varias perspectivas, tanto legales, socioculturales como modelos de medición esperados. La evaluación del desempeño en los bancos convencionales y la sharia generalmente solo se ve a partir de la medición del desempeño financiero mediante el uso de los índices CAMELS y RGEC. Los bancos islámicos en el desempeño de sus funciones deben reevaluar los objetivos iniciales. Esto es para asegurar que no solo estén orientados a las ganancias. Si el desempeño de los bancos islámicos y los bancos convencionales se mide utilizando los mismos indicadores, habrá valores inapropiados.

Palabras clave: Bancos sharia, medición del desempeño, pensamiento crítico.

Recibido: 03-03-2020 • Aceptado: 24-04-2020



INTRODUCTION

Performance evaluation on Syariah financial institutions, especially Syariah banks, aims to measure the performance and health of banks based on the previously set targets. This is done as a control to improve future performance by identifying shortcomings of Syariah banks operation throughout the year. Building the right performance measurement suitable with the characteristics of a company is an important aspect, especially in a world without limits, to remain competitive and financially strong.

As a bank that operates based on Syariah values, there are logical consequences namely certain criteria that must be met in the operational process of banking (Dusuki dan Abozaid, 2007). There are at least three dimensions of performance that are important characteristics in the operational practice of Syariah banks. First, Syariah banks in carrying out their operation, as part of the economic facet, are profit oriented. However, profit must be achieved through operations that adhere to Syariah values.

Second, Syariah banks in carrying out their role and functions must uphold the principles of justice and brotherhood. Third, Syariah banks in distributing income and wealth must be equal. One of the core values that form the vision and mission of Syariah banks is that all resources essentially belong to Allah. Therefore, Syariah banks must be committed to this perspective by distributing resources equally to build a productive society.

Hence, it can be said that Syariah banks have a role not only as business entity, but also as social and da'wah entity through product development based on Syariah ethics and moral principles. Therefore, the performance of Syariah banks is not limited to the financial aspect, but also must be linked to the social and da'wah performance where the Syariah banks are located. This requires a performance measurement model that is able to measure both financial and non-financial performance of Syariah banks. Several performance stage and criteria that are in line with Syariah principles are crystallized in the formulation of a performance measurement that is able to control and evaluate Syariah banks to make sure they stay in line with these principles.

Performance measurement is closely related to corporate governance, in which one of the tools to measure the quality of corporate governance is through performance measurement. This means that performance measurement is an assessment, evaluation and consideration basis for improving the quality of Syariah bank governance. It is necessary to reconstruct performance measurements that are developed from the essence of Syariah banks value as local wisdom to be able to uncover the quality of Syariah bank governance in its role as a business, social and da'wah entity.

Regarding the measurement of Syariah banks health, BI established Bank Indonesia Regulation (PBI) No 91/1/PBI/2007 concerning the Health Evaluation System for Syariah Banks. BI emphasized that the financial health level of Syariah banks is determined by CAMELS factors, which involve quantitative assessment using Capital, Asset Quality, Earnings, Liquidity and Sensitivity to Market Risk (CAEL) ratios and qualitative assessments of management. Regarding qualitative assessments, BI reiterated that qualitative assessments are an assessment of the factors that support the results of quantitative assessments.

So, based on this article, management quality factor is positioned as a supporting factor in achieving financial performance. Therefore, financial aspects are at the core of operational objectives, which directs management to centralize their operational strategies only on achieving financial performance. While the non-financial aspects, especially the elaboration of Syariah ethics and morals which are important characteristics, are ignored.

Criticism of conventional financial performance measurement can be seen in the article by Triyuwono (2011) which states that the management behavior of Syariah banks that implement CAMELS and RGEC as a performance measurement tool, will be co-opted by values that focus on financial goals as top priority. Syariah banks will be reduced to material and individual oriented banks, which will lead to dysfunctional behavior of Syariah bank management as an authority in carrying out bank operations. Triyuwono's (2011) statement was corroborated by the results of Choudhury and Hussain (2005) research, which found dysfunctional behavior such as ignoring the provision of productive funding to small customers.

Khan (2010) in his study found deviation of Syariah principles in the diversification of Syariah banks products to achieve maximum profit. Syariah reputation is a major factor for customers to choose Syariah banks, therefore, concerns of customer distrust in Syariah banks grows as this dysfunctional behavior comes open. Meanwhile, Indriastuti (2015) stated that conventional performance measurement that has been implemented in Syariah banks is based on utilitarianism ethics value, which is very conflicting with the characteristics of Syariah banks. Therefore, it is necessary to build a model for measuring the financial performance of Syariah banks.

The main focus is how the measurement models would be able to represent the functions and responsibilities of Syariah banks as business, social and da'wah institutions. The performance measurement model should be able to measure material and non-material aspect.

Non-material aspect refers to what can be used as a tool to legitimize moral (spiritual) forces that have been marginalized in conventional accounting (Kamal et al., 2013).

Performance measurement in Syariah enterprise theory perspective

Syariah accounting is oriented to the interests of stakeholders rather than to the interests of stockholders. Triuwono (2006: 355) states that Syariah accounting is not only a form of management accountability to the owners of the company (stockholders), but also as accountability to stakeholders and Allah. This is because in the view of enterprise theory, the existence of a company does not only come from the contribution of the company's participants such as employees, creditors, the government, and the community. The existence of the company is also determined by the interaction of the company with the community as a consequence of the social contract carried out by the company with the community.

The development of accounting principles and techniques that could provide accountability and information needed by stakeholders could be realized through enterprise theory. Enterprise theory encompasses social aspects and accountability. Enterprise theory considers that accounting must serve not only the owner of the company, but also society in general (Harahap, 2008: 387). However, enterprise theory is still "secular" and has no concept of *tawhid* (Slamet in Triuwono, 2006: 356). The absence of the concept of *tawhid* in enterprise theory causes the theory to be inconsistent with Syariah principles. Therefore, the internalization of *tawhid* values is needed in enterprise theory. The internalization of the *tawhid* concept led to the emergence of legitimacy to include the concept of ownership in Islam, the concept of *zakat*, the concept of divine justice, and the concept of accountability (Triuwono, 2006: 356). Thus, Syariah enterprise theory was formed.

Syariah enterprise theory asserts that what underlies the determination of its concept is that Allah is the Creator and sole owner of all resources in the world. Allah as the main source of trust, therefore resources possessed by stakeholders is a mandate from Allah which within it contains a responsibility to use in the way and purpose as determined by the Giver of Trust (QS Al-Baqarah [2]: 254 and 267).

The contents of these verses provide an understanding that in each of the assets owned contains the rights of others, such as: the rights of the poor, neglected orphan, *Ibnu Sabil*, and others (Slamet in Triuwono, 2006: 356). The statement explained that in the wealth created by the operational activities of Syariah banks there are rights that should be distributed. Thus, is the view of syariah enterprise theory that wealth does not only applies to participants that contribute directly to the company, such as shareholders, creditors, employees, and the government but also to other parties that are not directly related to the company's operations as well as those who do not provide financial contributions and skills.

In principle, syariah enterprise theory provides a main form of accountability to Allah vertically which is then elaborated further on the form of horizontal accountability toward humanity and the natural environment (Triuwono, 2006: 358). Syariah enterprise theory views stakeholders as those who are given mandate by Allah to manage and distribute wealth to all beings on this earth.

Performance measurement in conventional perspective

Performance is a consequence and outcome from a determined goal, which has important purpose for planning, evaluating and strategic activities. W. Edwards Deming (1982) in his book titled "Quality, Productivity, and Competitive Position", emphasize the importance of performance measurement with his statement: "If you can't measure it, you can't manage it". Therefore, without evaluation, managers will not be able to know whether they have implemented the company's vision, mission and strategy correctly.

El-Hawary et al. (2007) states that there are several types of performance measurement models that are often used for Syariah banks including EVATM, Balanced Score Card (BSC), and CAMELS. Additionally, El-Hawary et al. (2007) explained that these performance measurement models did not fully take into account the unique characteristics of Syariah banks. This is proven by how these performance measurement systems still focus on the role of Syariah bank as a business organization.

Economic Value-Added (EVATM)

EVATM was first formulated by Stern Stewart Corporation which focuses on the measurement of managers performance in increasing shareholder value. EVATM is calculated by modifying the excess of net income after tax on weighted average costs (see Dierks and Patel (1997)). EVATM is recognized as the key to creating wealth for shareholders (Fortune, 1996).

Although EVATM is claimed to be one of the performance measurements that deserve to be analyzed, some have criticized this performance measurement. Biddle et al. (1998) stated that there is no evidence supporting that EVATM is related to the rate of return on equity and an increase in firm value. This performance measurement is only limited to showing an increase in net income. Another study conducted by Griffith (2006) found that EVATM cannot be used as performance predictor but only as a compensation measurement system model for management who attempted to increase shareholder value.

EVATM according to Adib and Khalid (2006) is a performance measurement that only emphasizes the financial dimension. This measurement only serves the interests of shareholders to maximize wealth and ignore the interests of other stakeholders. This of course is not in accordance with the Syariah perspective.

CAMELS

CAMELS method was adopted from bank regulators in North America in evaluating financial and managerial health in commercial financial institutions. CAMELS have six measurement indicators developed from the idea that each indicator represents the main element in bank's financial statements. The five indicators are Capital, Asset quality, Management, Earnings, and Liquidity

Hasbi dan Haruman (2011) explained that a bank's health assessment for capital indicator is measured by the capital adequacy ratio, asset quality is measured by the quality of productive assets ratio, earning is measured by bank profitability ratios and liquidity is measured from bank liquidity ratios. For management quality, the assessment is based on capital management, asset management, general management, profitability management, and liquidity management to support quantitative measurements.

CAMELS is not spared from evaluation and criticism especially when this performance measurement is implemented in Syariah financial institutions, especially Syariah banks. Triyuwono (2011) states that CAMELS based performance assessment system are dominated by financial aspects. This can be seen that from five factors that are established, the four factors that are assessed using financial ratios are considered the most important and main aspects. Only management uses a qualitative approach, and even then it is oriented towards explanations that have the capacity to support financial performance.

The dominance of quantitative assessments that uses financial ratios by relying on historical data on financial statements provides a limited view solely in term of profit reality without being able to photograph the reality of the process behind the profit creation (Triyuwono, 2003; Adib and Khalid, 2010). Meanwhile, Syariah banks operate based on Syariah values, which emphasize process as the main aspect compared to the results themselves. The assessment should not only be oriented to the reality of physical results (earnings) but also

the process that is laden with mental and social reality as well as spiritual reality in the creation and distribution of financial products. Hameed et al. (2004) asserted that CAMEL completely ignored non-financial valuations and did not prove to be a comprehensive performance measurement because it placed its focus on the short-term goals of the organization.

The Balanced-Score Card (BSC)

Balanced Score Card (BSC) is a performance measurement that is considered to have a multidimensional model. Developed by Robert Kaplan and David Norton in the early 1990s, BSC has significant measurement strengths especially in relation to organizational strategy with each BSC performance measurements. The performance measured in BSC is financial performance, customer performance, learning and growth, and internal business process performance (Kaplan and Norton, 1996). The relationship of each of these performance measurements is a cause and effect, with the basic logic as follows, *first*, to succeed financially; companies must satisfy customers so that they will always choose to buy their products. Furthermore, companies must always process efficiently to gain business advantage.

Second, in order to maintain the superiority of future business processes, the company must continuously learn to improve the quality of their internal processes.

Third, the company must carry out continuous study related to what the customer wants, and this must be internalized into the business process to improve customer satisfaction

Although the BSC is relatively better compared to other performance measurements, the BSC is still criticized. Maltz (2003) states that BSC is actually not appropriate to be called a multidimensional measurement. This is because BSC fails in: 1). Measuring employees and suppliers contributions that should help the company achieve its goals. 2). Identify the role of community and environment in which the company is located. 3). Measuring other stakeholders' contributions.

Neely et al. (2001) evaluated BSC from the failure of this performance measurement in investigating the role of employees, suppliers, work partners such as regulators, and the community which should have a major impact on the success of an organization's performance.

Smith (1998) also points out the failure of BSC in identifying the role of employees, especially when BSC is used to measure the performance of service companies.

In an Syariah perspective, BSC is unable to measure the performance of Syariah banks comprehensively. There are several other stakeholders in Syariah banks which are equally important to consider. For example, in the community's perspective, the performance of Syariah banks provide positive values such as fair credit distribution, handling of *zakat* funds and *sadaqah* that are in accordance with the rules, and so on. Other stakeholders that are important substances in Syariah Banks and are unable to be measured by BSC are accountability toward Allah, given that the role of Syariah banks as business, social and da'wah entities.

Moving on from various criticisms of financial health measurements that have been implemented in Syariah banks, several studies of performance measurement modification have been carried out as an effort to improve performance measurement for Syariah banks. Hameed et al. (2004) built a performance measurement for Syariah banks through modification of the Balanced Scorecard which is referred to as the Syariah index. This index consists of four indicators, namely one financial indicator and three disclosure indicators which is Syariah compliance disclosure, corporate governance disclosure and social or environmental disclosure. Although the Syariah index performance measurement is claimed to be more holistic than CAMEL and BSC, three of the four indicators are formulated using accounting information as the main data source and only one indicator that explains the process, namely the Syariah compliance disclosure indicator.

Triyuwono (2011) developed the concept of a Syariah bank health assessment system based on Syariah values called ANGELS. ANGELS which consists of *amanah* management, non-economic wealth, give out, earnings, capital and assets is formulated based on three aspects, which is process, results and stakeholders in the Syariah version. Accountability to Allah and the inclusion of recipients of *zakat*, *infaq* and *sadaqa*

stakeholders is one example of the concept offered by Triyuwono (2011). ANGELS performance measurement seems most appropriate with the characteristics inherent in Syariah banks, but unfortunately is still limited to the theoretical philosophical level and has not been grounded into empirical reality. Meaning that this concept is still limited to the conceptual level thus still does not have a concrete measurement formula that is ready to be implemented in the field.

DISCUSSION

In regards of the health of Syariah banks, Bank Indonesia has issued a Bank Indonesia Regulation (PBI) number 13/1/PBI/2011 dated January 5, 2011 concerning Assessment of Commercial Banks Health. The regulation stipulates that to measure the performance of Syariah banks one must use RGEC, which replace CAMEL, and consists of (1) risk profile, (2) Good corporate governance, (3) earnings, and (4) capital. The management proxy used by CAMEL as the only qualitative assessment is not to be used anymore. The stipulation of PBI number 13/1/PBI/2011 essentially did not bring progress but a decline. This is shown from the measurement of Syariah banking performance which is increasingly focused on aspects of business orientation alone. Meanwhile the characteristics of Syariah banks are supposed to be as business, social and da'wah entities. Hence, the role as social and da'wah entity are ultimately unable to be captured by RGEC or CAMEL performance measurement, in addition to the processes and results that should be in accordance with Syariah values that are also unable to be measured by RGEC and CAMEL.

The performance measurement of Syariah banks as determined by BI is more focused on financial aspects. Inadvertently, the PBI regulation number 13/1/PBI/2011 controls the management by giving pressure through financial performance indicators as the main benchmark in performance assessment. The regulation directs management behavior to carry out their functions and duties to prioritize financial achievement. This is contrary with the vision and mission of Syariah values in Syariah banks which emphasize on the process of profit creation, the process of social roles and the process of *da'wah*. Therefore, for a performance to be considered as successful, it is not enough to see the success of the financial aspects, but one must be more comprehensive than that. In this regard, building a model for measuring Syariah banks performance in legal perspectives must be carried out with several analytical consideration as follows:

First, law serves as a means to control, change or even create new behaviours. Law also plays a role in directing the behaviour of individuals, communities and organizations in carrying out their functions and duties. Sociologically, law ultimately guides humans to materialize concrete action in accordance with what is stipulated by the law. The same functions are done by Syariah banking laws and BI regulations to guide and direct the performance of Syariah bank management in accordance with what is stipulated in the regulation.

Constructing performance measurement model for Syariah banks provides new insights and perspectives for regulators regarding alternative methods of effective performance measurement for the characteristics of Syariah banks (Kamali, 2008). Not only does it provides changes in the level of perception but also changes in regulators' awareness to make improvements to Syariah banks performance assessment system.

The implementation of a concrete model for performance measurement based on Syariah values through legal provisions, both by laws and regulations stipulated by BI provides an increasingly integral scope of regulation. The regulations then directly controls behavior and even creates new behaviors for management to design and implement operational strategies that emphasize processes and results based on Syariah principles.

Second, the law's function as a means of controlling behavior as described above will encourage management to proceed in accordance with Syariah values. The pressure factor for performance achievement implemented through other laws and regulations assure management to not only focus its policy strategy on achieving financial performance. Aside from achieving financial performance, management also focuses on processes and results on financial and non- financial aspects based on Syariah values. Therefore, reconstruction of Syariah bank performance measurement model is very important. Performance measurement

models that are built from Syariah values will be able to grasp the process and result aspects that are more holistic and comprehensive in accordance with the role and identity of Syariah banks. Not only will it measure the process and result of the financial aspects but also social and *da'wah*.

Third, a strong legal basis can protect and guarantee the rights of Syariah bank customers and other stakeholders. Hence, the law is an instrument to serve the community in achieving prosperity. Islam as a vision and mission of Syariah banks sees prosperity not only in the material aspects but also in mental and spiritual aspects. Establishing laws and regulations on the performance of Syariah banks in accordance with Syariah values legitimizes the regulation as an instrument to achieve physical, mental and spiritual well-being (Mollah dan Zaman, 2005). These laws and regulations strengthen Syariahbanks to implement its commitment to provide holistic welfare, which is not limited to financial but also non-financial aspects. Processes and results of the business, social and *da'wah* aspects that are in accordance with Syariah values is one of the way to achieve physical, mental and spiritual well-being. Performance assessment is no longer only about the performance of Syariah banks in achieving physical welfare for stakeholders but also mental and spiritual well-being.

Culture transformation through Syariah Bank performance measurement model

Performance measurement of Islamic banks has cultural transformative power. This can be explained as follows. *First*, when examined carefully, Syariah bank performance measurement system should not be seen solely as a measurement tool. Along the line, this system will become a culture as a behavioral pattern that is carried out continuously. Performance measurement tools have transformative strength in organizational life. This system can influence management in managing the organization. If the Syariah bank performance measurement system only focuses on one dimension "the bottom line", which is the achievement of financial profit or earnings, then the management of Syariah banks in managing the organization and make operational decision will be oriented solely on maximum profit (Dusuki, 2007).

The above mentioned is the cause of reduction in the process and result dimensions in business, social and *da'wah* aspects based on Syariah values. This indicates that management may have not realize that what they been doing so far has violated the Syariah principles they adopted. This is due to the management position being under pressure by the Syariah bank performance measurement system that was never designed to account for performance holistically in accordance with Syariah principles.

Syariah based performance assessment model is a system based on Syariah values that focus on processes and results, in which the good and bad of Syariah banks management is measured by their process and result. Meaning that if a Syariah bank generates profit in a certain period, the bank cannot claim to have a good performance before the way they achieve this profit is truly in accordance with Syariah values. This kind of performance assessment model will directly transform and emphasize management performance to focus on processes and results on aspects of business, social and *da'wah*. Not only management behavior but also for customers, shareholders, regulators and other external parties. A process that provides multiplier impacts.

Second, the measurement of Syariah banks performance based on Syariah values leads management to implement brotherhood and justice through a transformation of viewpoints that there are no winners or losers in business activities. Justice as a social and cultural orientation, contributes to brotherhood and justice as well as implementing economic activities in the context of Syariah banks as an intermediary institution. Syariah banks through this performance measurement system are required to identify projects that serve people who have skills but do not have the capital to finance the project. Hence, the main orientation is on business prospects and not the amount of collateral they have.

When faced with the main function as an intermediary institution between parties that have a financial surplus with those who need funding, the spirit of brotherhood and justice is prioritized. One of way to show this is by identifying funding based on objective criteria such as prospects and skills and does not prioritize solely on the amount of collateral held by the prospective creditor.

Therefore, the measurement of Syariah banks performance based on Syariah values has an impact on the

active role of each Syariah bank team in developing a productive society. In accordance with the demands toward Syariah bank that income and wealth must be distributed equally, the distribution concentration must not only focus on certain entrepreneurs. This is in accordance with what is stated by Allah in Quran 02:29 as the basic value of Syariah banks that, source of income and wealth must be distributed equally because all resources are gifts from Allah for all humankind. Every economic user has the same opportunity to obtain financing based on business skills and prospects. Equitable economic improvement has a positive systemic impact on both direct business user and the environment associated with the project such as employees, suppliers and communities where businesses reside (Chapra, 2010).

Third, Omar et. al. (2008) stated performance measurement of Syariah banks has an impact on the internalization of Syariah ethical values that underlie the construction of the Syariah bank performance assessment system. These values are internalized in the strategic management system as a corporate culture in a behavior pattern that occur continuously. Meaning, performance assessment of Syariah banks guide and require Syariah banks to implement a strategic management system based on Syariah values. The management team systematically and flexibly leads toward the achievement of assessment objectives of Syariah banks which at the same time guarantee the practice of Syariah ethics. In the end, Syariah ethics is not implemented only as a symbol but as a substance and grounded in the day-to-day operations of the bank.

For example, the performance measurement of Syariah banks leads Syariah banks to ground Syariah values through innovations in both products and overall management innovations such as service management, marketing management, financial management and others. Innovation is an important aspect to respond to banking business competition and changes in the business environment and community conditions. In this regard, innovation is an important step for Syariah banks in responding to competition and change. It must be noted however that the values of Syariah ethics are a logical consequence for Syariah banks (Mohammed et al., 2008). Therefore, the obedience of Syariah banks in developing innovation must be in the frame of Syariah ethical values. In fact, this is a characteristic or uniqueness and competitiveness that conventional banks do not have.

Another example of the impact of performance measurement in building a positive culture is the internalization of Syariah ethical values in strategic management system on Syariah banks transparency aspects through accountability in the context of accountability toward Allah and stakeholders. Accountability toward Allah is manifested in the implementation of Allah's laws in practice. Accountability toward stakeholders is manifested in as a formal accountability in the form of financial statements.

Fourth, the real social impact of implementing Syariah bank performance measurement is the compliance of Syariah banks in distributing wider wealth compared to conventional banks. The factor of wealth distribution is included in the barometer of Syariah bank compliance with Syariah ethics. The ability of Syariah banks in distributing welfare is one of the indicators measured in Syariah banks performance measurement. Welfare according to Islam must be distributed fairly and transparently to those in need. Performance measurement sets out two indicators of welfare distribution, namely direct participants and indirect participants. Direct participants are parties who interact and contribute directly with Syariah banks in both financial and non-financial forms. Parties who interact directly in the financial context are shareholders, depositors, debitor, financing customers and others. Parties who interact directly in the non-financial context are management, employees, government and others. Indirect participants are parties who do not interact and contribute to Syariah banks but are entitled to the welfare section. They are in particular the poor both in the form of money, business financing without fees and returns, education, and others.

Performance measurement of Syariah banks makes the extent of wealth distribution as one of the indicators to the success of Syariah bank performance. This wealth distribution provides a much broader multiplier effect when compared to the shareholder-oriented wealth distribution ((Kuppusamy et al., 2010). All components, both those directly and indirectly related to the bank, feel the impact of the Syariah banks welfare. In the end, the welfare "cake" is not only "enjoyed" by shareholders but also all components that are related both directly and indirectly to Syariah banks.

CONCLUSION

So far, performance measurement of Syariah banks is still dominated by conventional financial performance indicators. The implication is that many stakeholders have difficulties in measuring the benefits of Syariah banking existence, especially in *da'wah* and social functions. This is because Syariah banks have very different success in their performance compared to conventional banks. Of course, the success of Syariah banking will be very different from conventional banking. If conventional measurement is used as a benchmark in Syariah banking, consequently, incorrect comparison will result between Syariah banking and conventional banking performance. Therefore, banking system becomes irrelevant and inappropriate to compare directly. The measurement of Syariah values attached to the performance of Syariah banking will not be able to be used as a benchmark with conventional banking. This is related to the noble intention of the objectives and establishment of Syariah banking, namely to provide better community life by applying the principles. Hence, it is necessary to develop performance measurement in accordance with Syariah values inherent in Syariah banks.

BIBLIOGRAPHY

- ADIB, N., NABIHA, S., & KHALID, A. (2010). "Performance Measurement System". In Islamic Bank: Some Issues And Considerations. *Jurnal Akuntansi Multiparadigma*. 1 (3), 457-465
- ATKINSON, A., WATERHOUSE, J., & WELLS, R., (1997). "A stakeholder approach to strategic performance measurement". *Sloan Management Review*, 38(3), 25-37.
- BIDDLE, G.C., BOWEN, R. M., & WALLACE J. S. (1998). "Economic Value Added: Some Empirical Evidence". *Managerial Finance*, 24(11), 60-71.
- CHAPRA, M.U. (1998). "Relevance and Importance of Islamic Economics. In M. Kahf (Ed.), *Lessons in Islamic Economics (Vol. 1, pp. 99-114)*". Jeddah: Islamic Research and Training Institute (IRTI). Seminar Proceedings No. 41.
- CHAPRA, M.U. (2008). *The Islamic Vision of Development in the Light of the Maqasid Al- Shariah*. London: The International Institute of Islamic Thought (IIIT), Occasional papers series 15.
- CHOUDHURY, M.A. & HUSSAIN, MD.M. (2005). "A Paradigm of Islamic Money And Banking". *International Journal of Social Economics*, 32(3), 203-217.
- DEMING, W.E. (1982). "Quality, Productivity And Competitive Position". MIT-Center For Advanced Engineering Studies: Cambridge Fortune. (1996). *Eli Lilly Is Making Shareholders Rich. How? By Linking Pay To EVA*, September, 115-116.
- DIERKS, P. A., & PATEL, A. (1997). "What Is EVA, And How Can It Help Your Company?" *Management Accounting*, 79(5), 52-59.
- DUSUKI, A., ABOZAIID, A. (2007), "A critical appraisal on the challenges of realizing maqasid Al- Shari'ah in Islamic banking and finance". *International Journal of Economics*, 2(2), 143- 165
- EL-HAWARY, D., GRAIS & IQBAL, Z. (2007). "Diversity In The Regulation Of Islamic Financial Institutions". *The Quarterly Review Of Economics And Finance*. 46 (5), 778-800
- GRIFFITH, J. M. (2006). "EVA And Stock Performance". *Journal Of Investing*, 15(2), 75-79

- HAMEED, S., ADE, M.I., B, W., M, A., Nazli, M.N., & Sigit, P. (2004). Alternative Disclosure And Performance Measures For Islamic Banks.Proceedings: Conference On Administrative Sciences. King Fahd University Of Petroleum & Minerals: Saudi Arabia
- HARAHAP, SOFYAN SYAFRI. (2008). Kerangka Teori & Tujuan Akuntansi Syariah. Jakarta: Pustaka Quantum
- HASBI, H., & HARUMAN, T. (2011). "Banking: According To Islamic Sharia Concepts And It Performance In Indonesia". International Review Of Business Research Papers, 7(1), 60 – 76.
- INDRIASTUTI, MAYA, IFADA, LULUK M. 2015. "Analisis Sistem Pengukuran Kinerja Perbankan Syariah". 2nd Conference in Business, Accounting, and Management, 2 (1). (Online), (<http://jurnal.unissula.ac.id/index.php/cbam/article/download/315/262>), diakses 15. Januari 2018.
- KAMAL, A. A., YUSOF, E. F. E., & KASHOOGIE, J. (2009). "Islamic Finance: Debt versus Equity Financing in the Light of Maqasid al-Shariah". Munich Personal RePEc Archive (MPRA), Paper no. 20722. Retrieved from <http://mpra.ub.uni-muenchen.de/20722/>
- KAMALI, M. H. (2008). Shari'ah Law: An Introduction. Oxford: Oneworld Publications.
- KAPLAN, R.S. & NORTON, D.P. (1996). "Using The Balanced Scorecard as a Strategic Management System". Harvard Business Review, 75-85
- KHAN, F. (2010). "How Islamic Is Islamic Banking?" Journal Of Economic Behavior And Organization. 76 (3), 805 - 820
- KUPPUSAMY, MUDIARASAN, SALEHA, ALI SALMAN DAN SAMUDHRAM, ANANDA. (2010). "Measurement of Islamic Banks Performance Using a Shariah Conformity and Profitability Model". Journal Review of Islamic Economics, 13 (2): 35–48
- MALTZ. (2003). "Beyond The Balanced Scorecard: Refining the Search for Organizational Success Measures". Long Range Planning, 36 (2), Pp 187 – 204 Smith, M. (1998). Measuring Organizational Effectiveness. Management Accounting, 76(3), 34- 36.
- MOHAMMED, DZULJASTRI DAN TAIB. (2008). The Performance Measures of Islamic Banking Based on the Maqashid Framework. Paper of Iium International Accounting Conference (INTAC IV) held at Putra Jaya Marroitt.
- MOLLAH, S. & DAN M. ZAMAN. (2015). "Shariah Supervision, corporate governance, and performance: Conventional vs islamic banks". Journal of Banking and Finance 58: 418-435.
- MUHAMMED, M.O. & RAZAK, DZULJASTRI ABDUL. 2008. The Performance Measures of Islamic Banking Based On The Maqosid Framework. Universities Sains: Malaysia.
- NEELY, A., ADAMS, C. & CROWE, P. (2001). "The Performance Prism In Practice.Measuring Business Excellence", 5 (2), 6 - 1 2.
- TRIYUWONO, I. (2011). ANGELS: "Sistem Penilaian Tingkat Kesehatan (TKS) Bank Syariah". Journal Akuntansi Multiparadigma, 2(1), 21 – 43 Smith, M (1998). Measuring Organizational Effectiveness. Management Accounting, 78(1), 34- 36.
- TRIYUWONO, I. (2006). Akuntansi Syariah (Perspektif, Metodologi, dan Teori) edisi II. Jakarta: PT. Rajagrafindo Persada.
- TRIYUWONO, I. (2011). ANGELS: "System Penilaian Tingkat Kesehatan (TKS) Bank Syariah". Journal Akuntansi Multiparadigma. Vol. 2. No. 1 p. 1-21

TRIYUWONO, I. (2003). "Sinergi Oposisi Biner: Formulasi Tujuan Dasar Laporan Keuangan Akuntansi Syariah". *Iqtisad Journal of Islamic Economy*.4 (1), 79 - 90

ZUBAIRU, UMARU M., ZUBAIRU OLALEKAN B. SAKARIYAU DAN CHETUBO K. DAUDA. (2012). "Evaluation of Social Reporting Practices of Islamic Banks in Saudi Arabia", *Electronic Journal of Business Ethics and Organization Studies*, ol 17 (1).

BIODATA

Satia Nur Maharani: In 2014, Satia Nur Maharani was the best graduate of the Doctoral Program in Brawijaya University Malang, Indonesia. The focus of her study is financial and investment behavior. Throughout 2011 to 2020, she always won research competition grants from the Ministry of Research and Technology / National Research and Innovation Agency of the Republic of Indonesia (Kemennistek / BRIN) and is currently trusted as one of the national-level research reviewers. He is also believed to be the Chair of the Accounting Department at the Faculty of Economics, State University of Malang.

Setya Ayu Rahmawati: Graduated from the Master of Accounting program at Brawijaya University in 2012, Setya Ayu Rahmawati, carried the theme of research on financial behavior. Her interest encourage her to consistently conduct research in the field of investment management, especially in relation to the usefulness of accounting information for investment decision making. The deepening of understanding in this field of science is supported by experience in teaching and practicing as well as managing a capital market study institute from 2014 to the present.

Syihhabudin: University of Negeri Malang, Indonesia.

Gai Sin, Liem: Is a director of Association of International Business and Professional Management. He is also Full lecturer at the School of Business at Ma Chung University and visiting professor in many universities in Indonesia and overseas. Liem Gai Sin is also the founder of IYC (International Youth Collaboration) and own logistic and export Import Company. He has been involved in many research projects, received several research grants, scholarship and educational awards. He has published many journal articles in IEEE, APBITM, JIBM and wrote a book chapter in *The Handbook of Experiential Learning in International Business* that is published by Palgrave Macmillan in 2014. He was also a columnist on *Entrepreneurship* magazine and was an external reviewer of AIB and APIBTM