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KETENTUAN DAN PEDOMAN PENULISAN (AUTHOR GUIDELINES)

NOTES FROM THE EDITOR'S DESK

Bismillah. Alhamdulillah, praise be to Allah. Welcome to our first issue for 2021 (Volume 10, Number 01, January – June 2021). While our work and live patterns have changed during this covid-19 outbreak, our optimism continues to grow as all nations work very hard to reduce the impact. We pray that all readers, authors, editors, reviewers, and their families are always in good health conditions as we see all nations continue to roll out vaccines for the virus. I would like to thank our reviewers, editors, and operational staff for continuing to provide such stellar support in these difficult times.

We continue to move the incoming manuscripts through review and publication processes as fast as possible while maintaining the quality. As usual, each manuscript sending to us will have to pass the initial review before continuing to a rigorous review process. We accept the manuscript heavily based on reviewers' recommendations. Some authors will have to go through several steps before the manuscript can be accepted for publication. Therefore, in this issue, we only accept eight manuscripts out of tens that have been submitted into our online system. The accepted manuscripts discuss various topics within the field of Islamic economics and finance.

This issue begins with an interesting article by Al Arif and Yati that compared the performance of Islamic banking using the Maqashid Index in three different countries: Indonesia, Pakistan, and Bangladesh. They selected data from 12 Islamic banks in those countries that were in the top four positions of each respective country. They produced the result by measuring the financial performance of Islamic banks using the Sharia Maqashid Index (SMI) method that was carried out in three stages: *tahdib al-fard* (educating individual), *iqamah al-'adl* (establishing justice), and *al-maslahah* (public interest). It found that a Bangladeshi bank received the highest score, and followed by two banks in Indonesia. The result marked an important conclusion that the maqashid index could be employed as a benchmark for Islamic banks in measuring their objectives and performances.

Our second article by Iskandar Budiman highlights the issue of conventional banks to sharia system based on newly implemented *Qanun* (Sharia Provincial Regulation) in Aceh. The *Qanun* has specifically regulated the operation of financial institutions in the province that have instilled in 2020. Interestingly, the author related the issue with the current pandemic issue that many areas are still facing, including the Aceh province. In finding the answer, the author collected the data from related literature such as the *Qanun* itself and banking regulator (OJK) and related previous research. The research finds that the growth of Islamic banking in Indonesia contributes to maintaining economic stability in the covid-19 situation.



In the third row, Ajuna and Amri discuss the women workers and their economic roles during the covid-19 outbreak from an Islamic perspective in Gorontalo province, Indonesia. Their study focuses on the case of female *Becak Motor* (*Bentor*) drivers who worked to support their families' economies in the pandemic era. Using a qualitative approach, they collected data from interviews with related parties and analyzed it using a phenomenological approach with a thematic study of the Qur'an and Hadith. This study revealed that the family's economic needs became the main driving factor for them to work. The Qur'an and Hadith allow women who want to work outside their houses but still follow religious instructions to protect themselves and their dignity.

Our fourth article discusses the alignment and misalignment of the Islamic economics curriculum with the Indonesian government policy. In this article, Hidayat, Samidi, and Nasution explore the equivalency of curriculum content of universities. It examines how this equivalency can benefit the universities that offer Islamic economics programs in implementing the new policy of the Indonesian Education and Culture Minister known as "*Merdeka Belajar: Kampus Merdeka*" (Independent learning policy or Liberating policy). This study also evaluates whether or not the guidelines on implementing Islamic economic community involvement projects developed by the National Committee of Islamic Economic and Finance (*Komite Nasional Ekonomi dan Keuangan Syariah - KNEKS*) and other stakeholders can support the new policy. Using the content analysis technique, this study reveals that ten universities selected for the sample are ready to implement the new policy. In addition, the guidelines on the implementation of Islamic economic community involvement projects developed by KNEKS are aligned with the new policy's guidelines on community involvement projects.

The discussion on covid-19 economic-related issues is probably an unending topic to be discussed currently. Tumewang has presented, in this issue, a brief description of how Islamic social funds support Sustainable Development Goals (SDGs) during this pandemic era. This paper aims to elaborate on the determinants of Islamic social funds to support Sustainable Development Goals (SDGs) program by looking at the intention of the society to donate through the e-payment platform. This study involves 212 users of digital social payments by distributing an online questionnaire. Data analysis was performed using a Structural Equation Model technique in AMOS. This study reveals that religiosity, trust, and perceived behavioral control have a positive and significant effect on the intention to donate through online platforms. Furthermore, when it comes to a specific categorized SDG program, the people sector is the highest priority, followed by Prosperity and Peace sectors.

Moreover, Nugroho et al. provide us with the findings of the performance of Islamic banking in Indonesia using the Islamic Performance Ratio (IPR) variable. Specifically, this study aims to examine the influence of Asset Growth and Non-Performing Financing (NPF) on the IPR with Financing to Deposit



Ratio (FDR) as the moderator. The findings show that the quality of financing has a negative but significant effect on the IPR. Meanwhile, asset growth does not have a significant direct effect on the IPR. When FDR was inserted as moderator, it showed a significant effect of asset growth on IPR. The theoretical implication of this research shows that Islamic banks' performance is shown from the growth of assets but must be supported by other variables such as the quality of financing (NPF) and must also be accompanied by good financing disbursement capability (FDR). In addition, the managerial implication of this research is that the measurement of indicators for Islamic banks should be equipped with performance indicators under the operational principles of Islamic banks, such as the Islamic Performance Ratio (IPR).

Perhaps, among topics that always interesting to discuss is salary. In this issue, we published a work of Rusyana and Witro that discusses Al-Mawardi thought on economic, particularly on educators' salaries. Al-Mawardi is one of the great thinkers of Islam in the Middle Ages. He was also a great sociologist, jurist, and *mohaddith* who lived during the era of the Abbasid Caliph. He noted that the human mind has an urgent role in improving people's welfare and carrying out economic and religious activities. In financing education, in particular, he insists that the state obligates to pay the educators, but the educators must also carry out their obligations as teachers accordingly. This paper aims to provide an understanding for educators that teaching (spreading knowledge) is not only be rewarded in this world but also the hereafter. This article is a qualitative study as the data were gathered through in-depth library research. They were presented in a narrative-descriptive method and analyzed using data analysis methods introduced by Miles and Huberman: data reduction, data presentation, and conclusion drawing. The results show that, according to al-Mawardi, the state must provide enormous support for education reflected in the provision of adequate educational facilities and a decent salary for educators. The state must always be ready to provide any support for educators. Even in al-Mawardi's view, the state must utilize the potential of existing natural resources to pay educators' salaries.

In the last part, we present another article that deals with Islam banking performance, authored by Safitri et al. They assess the role of liquidity and capital adequacy ratio (CAR) on Islamic bank's performance in Indonesia using financing risk as a mediator. They collected from 14 Islamic banks operating in Indonesia as of 2020. Based on Partial Least Squares – Structural Equation Modelling (PLS-SEM) with WarpPLS 7.0 application, they found that both variables, liquidity and CAR, significantly influence Islamic bank performance mediated by financing risk. Their finding implies that short-term financing is more profitable for an Islamic bank than a longer one. This result is consistent with the Commercial Loan Theory that suggested providing loans on a short-term basis to minimize the possibility of defaults that will impact the bank's performance.



SHARE invites participation and articles from both practitioners and academia. SHARE is designed to provide practical, pertinent knowledge on Islamic economics and finance issues. Our goal is to provide knowledge and value to practitioners and academia in the field of Islamic economics and finance. We welcome all types of research methodologies that are applicable to the current Islamic economics and finance domain. Applied manuscripts that support the practice of Islamic economics and finance are welcome as well. For questions or inquiries, please contact us at: jurnal.share@ar-raniry.ac.id.

Wassalam.

Azharsyah Ibrahim

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

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

Keywords: sharia maqashid index, Islamic banks, performance indicators.

JEL Classification: G21, G29

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

Kata Kunci: Literasi Keuangan Islam, Bank Syariah, Sektor Keuangan Islam.

INTRODUCTION

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

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

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



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

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

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



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

LITERATURE REVIEW

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

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

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

Maqashid Shariah Measurement by Mohammed et al. (2008)

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



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

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

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

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

Source: Mohammed et al. (2008).

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



Table 2. Average Weight for The Third Objective

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

Source: Mohammed et al. (2008)

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

Maqashid Sharia by Bedoui (2012)

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

Table 3. Maqashid Shariah Dimensions

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

Source: Bedoui (2012)



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

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

$$Ethical\ Performance = \frac{\sin(\frac{2\pi}{8})}{2} [\sum_1^7 p_i * p_{i+1}] + p_8 p_1$$

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

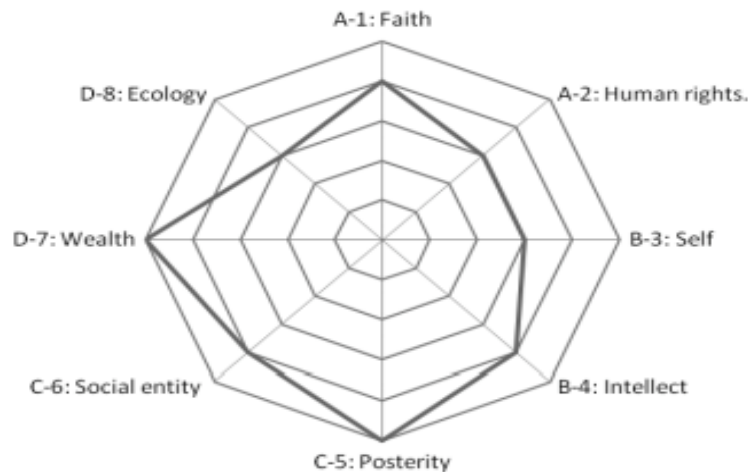


Figure 1. Maqashid Shariah Dimensions
Source: Bedoui (2012)

Shariah Maqashid by Asutay and Harningtyas (2015)

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



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

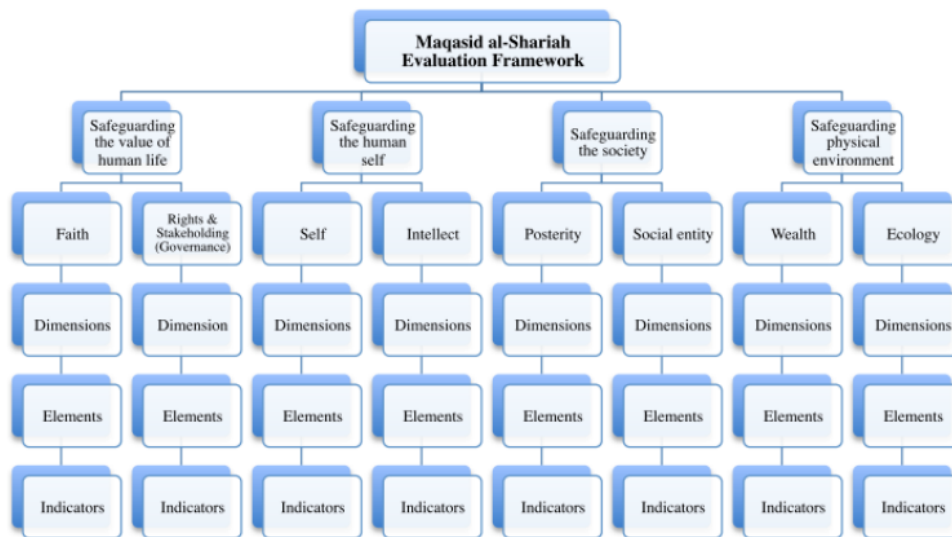


Figure 2. Maqashid Shariah Framework
Source: Asutay & Harningtyas (2015)

RESEARCH METHOD

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



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

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

RESULT AND DISCUSSION

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

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

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



Table 4. The Performance Ratio of First Objective

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

Source: Data Processing (2021)

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

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



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

Table 5. The Performance Ratio of Second Objective

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

Source: Data Processing (2021)

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

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



Table 6. The Performance Ratio of The Third Objective

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

Source: Data Processing (2021)

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

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

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

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



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

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

Table 7. The Performance Indicators of First Objectives

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

Source: Data Processing (2021)

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



Table 8. The Performance Indicator of Second Objective

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

Source: Data Processing (2021)

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

Table 9. The Performance Indicator of The Third Objective

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

Source: Data Processing (2021)



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

Shariah Maqashid Index in Bangladesh, Indonesia, and Pakistan

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

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

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

Source: Data Processing (2021)

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



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

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

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

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



The Performance Differences Between Bangladesh, Indonesia, and Pakistan

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

Table 11. One Way ANOVA Result

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

Source: Data processing (2021)

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

Table 12. Post Hoc Test

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

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



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

CONCLUSIONS

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

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

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



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

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CONVERTING CONVENTIONAL BANKS TO SHARIA BANKS IN ACEH: AN EFFORT TO MAINTAIN A STABLE ECONOMY IN THE COVID-19 OUTBREAK

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ABSTRACT – Based on Aceh *Qanun* (sharia law) No.11 of 2018 concerning Islamic Financial Institutions, it is required to carry out financial activities based on sharia principles. The decline of the global economy during the Covid-19 outbreak did not dampen the Aceh Government, which declared itself a special province practicing sharia values. Apart from aiming to make a purely Sharia-based region, the conversion of conventional banks to sharia banks is also to stabilize the economy. This study aims to analyze (1) the growth conditions of Islamic banking in Indonesia, (2) the legalization of the Aceh Government *Qanun* in determining financial institutions operating in Aceh, and (3) the resilience of Islamic banking in facing the global economic downturn during the Covid-19 pandemic. The analysis method used is literature and regulation review. The conclusion that the decentralization system implemented by the Indonesian Government in Islamic banking has not been able to maximize the growth of Islamic banking in Indonesia. Aceh Province, the only province in Indonesia that implements Sharia Law through special autonomy, has its own economic system. The Aceh government issued a *Qanun*, which obliged economic activities based on sharia principles. Based on *Qanun* No. 11 of 2018, the operation of Banks in Aceh must be in accord with Sharia. Therefore, entering 2020, the Islamic economy has been running almost perfectly in Aceh by changing conventional banking operations into Islamic banking. Furthermore, Islamic banking in Indonesia can still maintain stable growth when the Indonesian economy slides sharply in the second quarter of 2020 to minus 5.32 percent. This fact proves that increasing the growth of Islamic banking is an important thing to do. The Government should be serious and more consistent in maintaining economic stability and achieving the purposes (*maqashid*) of Sharia in human life.

Keywords: Sharia Banking, Aceh Province, Covid-19 Pandemic.

ABSTRAK – *Konversi Bank Konvensional Menjadi Bank Syariah di Aceh: Upaya Menjaga Stabilitas Perekonomian dalam Wabah Covid-19.* *Qanun (undang-undang syariat (Islam)) Aceh No 11 Tahun 2018 tentang Lembaga Keuangan Syariah, secara tegas telah mewajibkan lembaga keuangan yang beroperasi di Aceh untuk melaksanakan kegiatannya berdasarkan prinsip syariah. Penurunan ekonomi global di masa pandemi covid-19 tidak menyurutkan langkah Pemerintah Aceh dalam mengimplementasikan kebijakan mensyariatkan seluruh lembaga dan institusi yang berada di Aceh. Walaupun berada di dalam sebuah negara yang tidak menganut paham syariah, Provinsi Aceh telah menyatakan dirinya sebagai sebuah wilayah berkedaulatan syariah Islam. Selain bertujuan untuk menjadikan wilayah yang murni berbasis syariah Islam, konversi bank konvensional menjadi syariah juga bertujuan untuk menstabilkan perekonomian. Penelitian ini bertujuan untuk menganalisis (1) kondisi pertumbuhan perbankan syariah di Indonesia, (2) legalisasi Qanun Pemerintah Aceh dalam menentukan lembaga keuangan yang beroperasi di Aceh, dan (3) ketahanan perbankan syariah dalam menghadapi penurunan perekonomian global di masa pandemi Covid-19. Studi ini menggunakan metode kajian literatur dan analisis regulasi yang menghasilkan kesimpulan yaitu sistem desentralisasi yang dilakukan Pemerintah Indonesia pada perbankan syariah belum dapat memaksimalkan pertumbuhan perbankan syariah di Indonesia. Provinsi Aceh sebagai satu-satunya provinsi di Indonesia yang menjalankan Syariat Islam melalui otonomi khusus mempunyai sistem perekonomian tersendiri. Pemerintah Aceh mengeluarkan qanun yang mewajibkan seluruh kegiatan perekonomian harus berlandaskan prinsip syariah. Berdasarkan Qanun No. 11 Tahun 2018, setiap perbankan yang beroperasi di Aceh haruslah berbentuk syariah. Oleh sebab itu memasuki tahun 2020, perekonomian Islam hampir sempurna telah berjalan di Aceh salah satunya dengan berubahnya operasional perbankan konvensional menjadi perbankan syariah di Provinsi Aceh. Selanjutnya, Perbankan syariah di Indonesia masih mampu menjaga kestabilan pertumbuhannya di saat perekonomian Indonesia meluncur tajam di kuartal II 2020 hingga minus 5,32 persen. Hal ini membuktikan bahwa meningkatkan pertumbuhan perbankan syariah merupakan hal yang penting dilaksanakan, memerlukan keseriusan dan konsistensi terus menerus dari pemerintah demi menjaga kestabilan ekonomi makro dan akan tercapai maqashid syariah pada semua lini kehidupan.*

Kata Kunci: Perbankan Syariah, Provinsi Aceh, Pandemi Covid-19.

INTRODUCTION

Aceh is the only province in Indonesia with the privilege of special autonomy in implementing Islamic Sharia—starting from the enactment of Islamic Sharia law for civil cases until determining types of financial institutions operating in Aceh. *Qanun* (provincial sharia law) No.11 of 2018 concerning Sharia Financial Institutions, which is the follow-up of *Qanun* No. 8 of 2014 concerning the principles of Islamic Sharia explicitly requires that financial institutions operating in Aceh obliged to carry out their activities based on Sharia principles. Amid the exposure of the Covid-19 pandemic and the necessity to change the operations of conventional financial institutions into Islamic financial institutions, especially in the banking sector, it turned out to be well accepted.

It is evidenced by the readiness of commercial banks to convert the status of their (conventional) commercial bank offices to sharia-based banks, such as BRI, Mandiri, BNI, and conventional private banks operated in Aceh (Nadia, Ibrahim, & Jalilah, 2021). Global economic depression during the Covid-19 pandemic did not dampen the steps of the Aceh Government to requiring the implementation of Sharia law to all institutions in Aceh. Even though Aceh is in a country that does not adhere to Sharia, Aceh Province has declared itself an Islamic Sharia sovereign territory. Apart from aiming to make a purely based region based on Islamic Sharia, the conversion of conventional banks to Sharia ones also aims to stabilize the economy. Moreover, the impact of the ongoing covid-19 pandemic has also made Aceh's economy slow down (Bank Indonesia, 2020).

However, the dualism system in regulating the economic system in Indonesia, the conventional and Sharia system, becomes a barrier for the people, especially the Acehnese, to implement Islamic law in their economic life freely. Although Islamic banks also exist and are free to carry out their activities outside the Aceh Province, the growth of Islamic banking decreased (Ibrahim, 2014; Wardiah & Ibrahim, 2013; Nisak & Ibrahim, 2014). This is because the Government regulation that requires all banks operating in Indonesia to follow the system of Bank Indonesia as the central bank, which some of them still collide with Sharia systems.

Moreover, the limited facilities at Islamic banks, such as ATMs, debit machines that Islamic banks do not support for merchandise in shopping centers, make



people think twice about becoming customers of Islamic banks. In contrast, an economic system based on Islamic law is completely capable of changing the country's economic condition, which is currently below other countries in the Southeast Asian region such as Malaysia, the Philippines, and even Vietnam. Why? Because the principle of Islamic economics is to improve the welfare of society with a profit-sharing system, not to set interest without seeing the progress of the community.

The impact of the Covid-19 pandemic, which is currently attacking this country, has made several community businesses bankrupt. Business people must be harder to market their products amid the global economic downturn. This is not to mention the extra expenditure for daily expenses such as electricity and water bills, which afflicts most Indonesians since people carry out daily activities at home only. So that stimulus for business actors is urgently needed, such as providing Sharia financing, which is more pro-businessman. So, this study has several problems that arise to be analyzed to conclude the answer: how is the growth of Islamic banking in Indonesia? How is the legalization of the Aceh government's sharia law (*qanun*) in determining which financial institutions operate in Aceh? In addition, how is the resilience of Islamic banking to face the global economic downturn during the Covid-19 pandemic?

LITERATURE REVIEW

Islamic banks in Indonesia have not been efficient for five years (2012-2016), as seen from the range of banking efficiency ratios (Puteh, Rasyidin, and Mawaddah, 2018). The quantitative method is used to analyze the efficiency of Islamic Banking by calculating the comparison formula of Operating Expenses to Operating Income (BOPO), this inefficiency ranging from 89.73% to 94.16%. Bank Muamalat, which had a value of 94.16%, showing the highest average efficiency ratio compared to other Islamic banks. It was inversely proportional to Bank Mega Syariah, which has the lowest average efficiency ratio of 89.37%. Five other Islamic banks (Muamalat, Bank Syariah Mandiri, Bukopin Syariah, BRI Syariah, and Bank Mega Syariah) had high efficiency ratios exceeding 80%. This inefficiency was due to the high operational costs of the bank compared to the operating income of the bank. So based on the research, banks must be able to create good product innovations to increase fundraising from the public, such as competitive income, prizes, and other programs that can attract public interest to use Islamic banking services.



Beck, Demirgüç-Kunt, and Merrouche examined the differences between Islamic and conventional banks controlling for the time-variant state fixed effects; they found some significant differences in business orientation (Beck, Demirgüç-Kunt, and Merrouche, 2013). Their research found that Islamic banks had better capital, higher asset quality, and are less likely to be disintermediated during the crisis. However, they found evidence that Islamic banks were less cost-effective. Zahra, Ascarya, and Huda tried to analyze the influence of macro and microeconomic variables on the stability of multiple banking systems in Indonesia and compares the stability level of two banking systems using a comparison of two stability measurement models, namely the Z-score and the Banking Stability Index (Zahra, Ascarya, and Huda, 2018). When the components of the Z-score and BSI compilers are equated, the results show that Islamic banking was more stable than conventional banking.

Cham examined the determinants of growth rate in Islamic banking. The results that he found support the view that high oil prices, stable domestic prices, a more educated population, and the presence of larger capital resources had a positive effect on the growth of Islamic banking. However, instability was affecting the growth of Islamic banking. He found no clear conclusions about the impact of economic growth, the presence of a larger Muslim population, and the presence of Sharia in the country's legal system on the growth of Islamic banking. The main obstacles hindering Islamic banking regulations were regulations, taxes, and skilled labor (Cham, 2018).

Hamza (2013) examined the relationship between Sharia compliance, the form of Sharia supervision, and the effectiveness of Sharia governance. This paper compares two models of sharia governance frameworks; the first is the decentralized model in the Gulf Cooperation Council (GCC), and the second is the centralized model in Malaysia. Findings - Independence of the Sharia Board (SB) in its supervisory mission and consistency of Sharia decisions are key components of an efficient Sharia governance structure. The centralized system of Sharia government in Malaysia appears to be of benefit to the industry in terms of the effectiveness and credibility of Islamic banks. This study focuses exclusively on qualitative analysis of SB and Sharia governance in Islamic countries. Practical implications were that the centralized model is able to strengthen the position and independence of SB and can better examine the subject of differences between all SB in order to promote, in the long run, consistency of fatwas and interpretation between banks and regions.



Gheeraert and Weill (2015) had studied whether the development of Islamic banking affects macroeconomic efficiency. In doing so, they contribute to the analysis of the relationship between Islamic finance and economic growth by applying a stochastic frontier approach to estimating technical efficiency at the country level for a sample of 70 countries. Using a unique hand-gathered database covering Islamic banks worldwide over the period 2000 to 2005 identifies the evidence that the development of Islamic banking supports macroeconomic efficiency. In addition, there is a non-linear relationship between efficiency and development of Islamic banking, as measured by credit or deposits. Although increasing the development of Islamic banking increases efficiency to a certain point, the expansion of Islamic banking becomes detrimental to efficiency beyond this point.

Setyowati, Abubakar, and Rodliah (2017) examine Sharia Governance on Islamic Banking: Spiritual Rights Perspective on Consumer Protection in Indonesia. In Islamic banking institutions, the concept of governance is broader and more complex when compared to conventional banks. This is because 'Islam,' 'sharia,' and 'governance' s have a very close philosophical relationship. Thus, Islamic banking institutions that philosophically aim to apply sharia principles have juridical consequences must also apply sharia governance. These requirements are in line with the duties of every banking institution as stipulated in the law to apply the concept of corporate governance so that every banking operation runs soundly and in a stable manner. Regulations related to governance and the Islamic Banking Law that include implementing regulations have legally reinforced their applications in the Islamic banking industry in Indonesia. Sharia governance, when viewed from a banking perspective, is an obligation that should be carried out based on the provisions of laws and regulations. However, from a consumer protection perspective, it can be considered as a manifestation of the spiritual rights of Islamic banking customers. As a right, that spiritual right needs to be guaranteed protection from the implementation of sharia governance—attention to the protection of spiritual rights needed to build industry. With regard to governance, it requires fundamental legal guarantees supported by a stable and adequate legal environment. In improving the quality of sharia governance effectively, it is necessary to develop self-regulation for each Islamic banking institution.

Aliyu et al. (2017) reviewed the literature on the sustainability of Islamic banking and provided directions for future research. This article examines the views of scholars and practitioners on two perspectives of sustainability about



the objectives of Islamic banking and finance. The limited studies on the sustainability of Islamic banking were among the main issues presented in this article. This study highlights important issues regarding sustainability without in-depth empirical analysis. The need for long-term economic, social, and environmental sustainability is not a complex problem. Therefore, Islamic banks must strike a balance between institutional, social, and environmental sustainability to achieve the objectives of Sharia.

Simanjuntak (2015) evaluated the Implementation of the Decentralization Policies in Indonesia, and concluded that it had not been yet completed. Until 2015, its implementation had not been optimal or had not been successful. The essence of decentralization is "internalizing costs and benefits" for people and how to bring the Government closer to its people. That is the most important essence of the slogan "decentralization." However, the implementation of decentralization in Indonesia is still far from this expectation. This fact has shown that decentralization only benefits local elites and rulers, decentralization is a neoliberal octopus, decentralization of public services that lack character; decentralization without institutional efficiency, decentralization fosters corruption in the regions and pseudo fiscal decentralization (Ibrahim, 2011). This paper aims to provide an overview of implementing decentralization policies in Indonesia from 1999 to 2015. The method used was literature and regulatory studies with descriptive qualitative discussions.

Ben Bouheni, Ammi, and Levy (2016) examined Banking Governance. Islamic banking can use the same governance mechanisms as conventional banks, in addition to the Sharia board, sharia review unit, the Islamic International Rating Agency (IIRA) and, the Islamic Financial Services Board (IFSB) as the main body monitoring the Islamic banking industry. Unlike conventional banks, Islamic banks are based on the active participation of public policy institutions, supervisory authorities, and sharia authorities. Islamic banking refers to banking activities following Islamic law (Sharia) and guided by Islamic economics (Ibrahim & Fitria, 2012). In particular, Islamic law prohibits usury and interest payments (*Riba*); it also prohibits investing in businesses that are considered illegal. Islamic banking denotes banking activities, which are in accordance with Islamic law (Sharia) and guided by Islamic economics.

Wafa (2017) explained in his article "Banking Law in the Operational System of Conventional Banks and Sharia Banks" about the differences in regulations



and operations of two banking systems that run in Indonesia. The two banking systems running in Indonesia provide various choices for people to save and invest. The Indonesian Government also provides flexibility and protection for customers, both for conventional banking and Islamic banking. Conditionally, the new Islamic banking system in Indonesia has not been able to optimally raise funds and distribute financing to the public. Generally, it must be socialized for the people by the Government and by the legal institution of economic and finance via mass media or social media.

RESEARCH METHOD

This research was conducted using observational data from researchers' experiences as members of the Sharia Economic Community (MES) as the chief coordinator for Langsa City, Aceh. While the major of Banda Aceh from 2017 to 2022, namely Aminullah Usman, is currently the general chairman of MES from 2015 to present (2020).

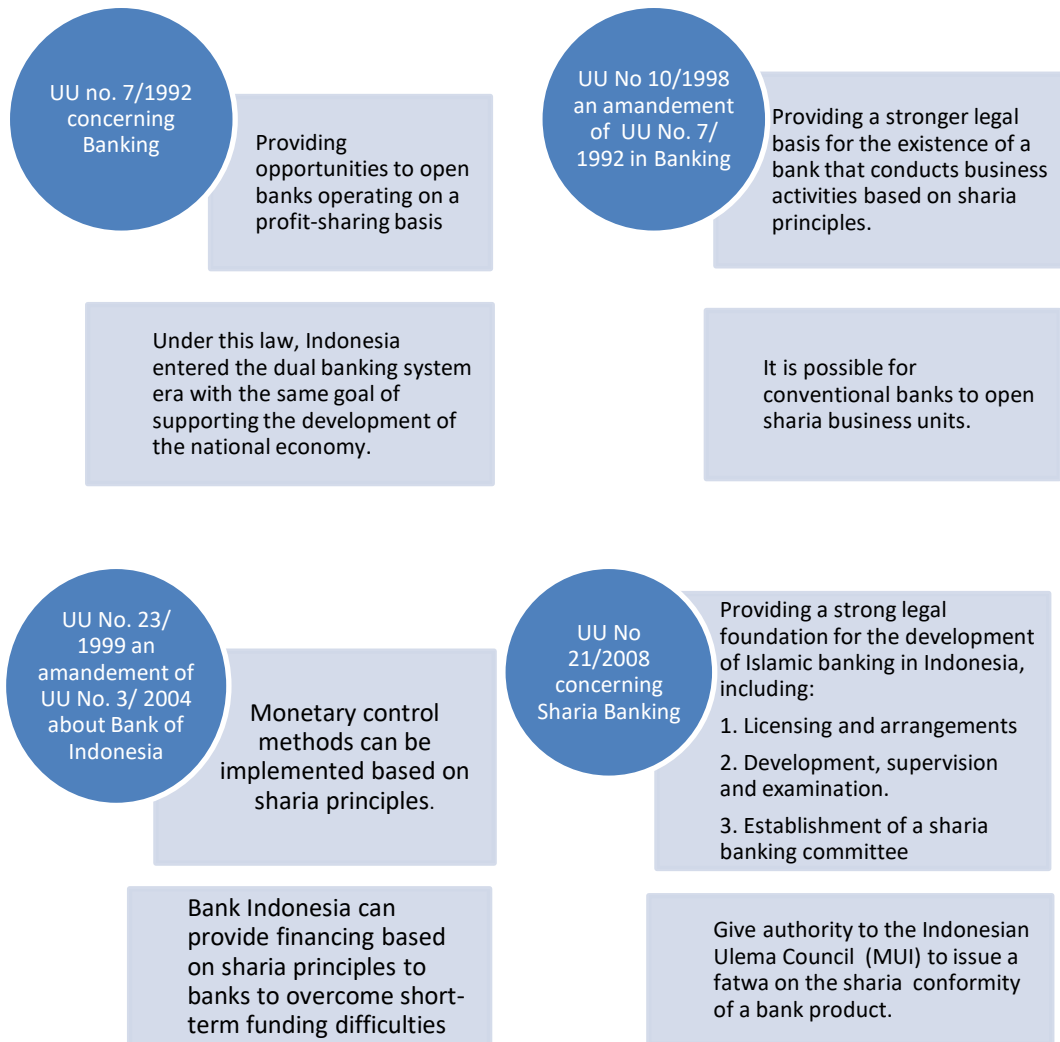
As part of MES, researchers are actively involved both directly and indirectly in realizing Aceh's *Qanun* No. 11 of 2018 concerning Sharia Financial Institutions, which is a follow-up of *Qanun* No. 8 of 2014 concerning the principles of Islamic Sharia. MES also has the main task in socializing every level of society for the change in financial companies, especially conventional banking to Islamic banking. So that the interaction of researchers with each social layer in the community in knowing the benefits and constraints of being a sharia bank customer can be known as an evaluation material and academic paper on the central Government (Aceh Province). This study uses literature and regulatory studies with descriptive qualitative discussions, as was done by Simanjuntak (2015).

RESULT AND DISCUSSION

Growing Conditions of Islamic Banking in Indonesia Among Dual Banking Systems

Regulation of the sharia banking system and its operations in Indonesia is based on several laws which continue to be refined over time and the development of Islamic banking itself, such as (Yumanita and Ascarya, 2005):





The change of law above is a positive implication of the growth of Islamic banking in Indonesia, which shows a positive trend every year. It could be seen in the latest data as in Table 1. From these data, it can be concluded that the Covid-19 pandemic that hit Indonesia from the beginning of 2020 did not reduce the growth of Islamic banking in Indonesia, only the total assets of Islamic Commercial Banks (BUS) and Sharia Business Units (UUS) on May decreased, but not significant. However, increasing the growth of Islamic banking in Indonesia is still far behind compared to Malaysia, with a Muslim population that is far less than Indonesia, which has the largest Muslim population in the world. As a comparison, as of December 2019, the total assets of Islamic banking in Malaysia were 835.19 billion ringgit or IDR 2,789 trillion



(Puspaningtyas, 2020), compared to the total assets of Islamic banking in Indonesia, which only reached IDR 524,564 billion. This is in line with Cham's research results that the presence of a large Muslim population is not the main determinant of the growth of Islamic banking.

Table 1. Sharia Banking Growth in Indonesia

Indicator	2016	2017	2018	2019	2020			
					Jan	Mar	April	May
Sharia Commercial Bank								
Total Assets (in billion Rupiah)	254,184	288,027	316,691	350,364	346,373	349,950	348,294	347,108
Number of Banks	13	13	14	14	14	14	14	14
Number of Offices	1,869	1,825	1,875	1,919	1,922	1,923	1,942	1,946
ATMs/ ADMs	3,127	2,585	2,791	2,827	2,825	2,827	2,830	2,835
Number of Employees	51,110	51,068	49,516	49,654	49,723	49,923	50,345	49,950
Total Asset of BUS & UUS (in billion)	356,504	424,181	477,327	524,564	515,324	522,560	521,230	517,250

Source: OJK (2020)

Legalization of Aceh Government's Law (*Qanun*) in Determining Financial Institutions Operating in Aceh

The implementation of governance in Indonesia is decentralized with Act No. 22 of 1999 concerning Regional Government, which previously was centralized. This change began with demands from several parts of Indonesia to separate from the Republic of Indonesia (Simanjuntak, 2015). However, from Simanjuntak's (2015) evaluation results, decentralization in Indonesia had not been maximized or still far from expectations due to the emergence of sharp gaps between regions. Likewise, the Islamic banking system in Indonesia also refers to the decentralized system, especially in Act No. 10 of 1998, one of which states the freedom of conventional banks in opening sharia business units. Meanwhile, the Financial Services Authority (OJK), namely the supervisory agency for the financial services industry in Indonesia with the Financial Services Authority Regulation No. 64 / POJK.03 / 2016 concerning Changes in Business Activities of Conventional Banks into Sharia Banks, carries out the implementation of the regulatory and supervisory functions of



Sharia bank. However, based on the results of research by Puteh, Rasyidin, and Mawaddah (2018), it is stated that Islamic banks in Indonesia were not efficient by research period in 5 years from 2012-2016 with Operational Costs to Operating Income (BOPO) as the comparison tool. From the results of this analysis, the inefficiency of Islamic banking in Indonesia had been strongly influenced by the decentralized system of Islamic banking governance. Hamza (2013) stated that the effectiveness of decentralized sharia governance applied to the Gulf Cooperation Council (GCC / The Gulf Cooperation Council) was less efficient in Sharia governance which was focused on the mission of monitoring and consistency of Sharia decisions which were the main components of the Sharia governance structure, efficient. This is in contrast to Malaysia that implemented a centralized system which was more beneficial in terms of the effectiveness and credibility of Islamic banks. The centralized model can strengthen the position and independence of the Sharia Board (SB) in examining differences between Islamic boards, especially in the long term, consistency of fatwas and interpretation between banks and regions.

In implementing its governance, Indonesia adheres to a regional autonomy system. The legal basis for implementing regional autonomy begins with Act No. 22 of 1999 concerning Regional Government, which was then revised by Act No. 32 of 2004. It was then revised back into Act No. 23 of 2014. From the observations of Simanjuntak (2015) in Act No. 23 of 2014, the term regional government authority had changed to regional government affairs, which means that there was more limited control over the regions in managing their territorial independence. However, in Aceh Province, one of the provinces granted special autonomy rights from the Indonesian Government based on the Law of the Republic of Indonesia No. 18 of 2001 concerning Special Autonomy for the Province of Aceh, a derivative of Act No. 22 of 1999. It has the authority, one of which is to have a *Qanun* (regional sharia regulation) as the implementer of laws in the Aceh Province in implementing special autonomy.

The implementation of the special autonomy privileges for Aceh Province is by issuing Regional Regulation No. 5 of 2000 concerning the Implementation of Islamic Sharia (Pemerintah Aceh, 2020). This regional regulation gave birth to several *qanuns* related to strengthening the implementation of Islamic law, such as *Qanun* No. 8 of 2014 concerning the Principles of Islamic Sharia, one of the articles regulating finance is section No. 21, which states that financial institutions operating in Aceh must be based on sharia principles. So that conventional financial institutions that are already operating must open a Sharia



Business Unit (UUS). The Aceh government's financial transactions must also use Sharia's principle or go through a Sharia Financial Institution process. So that the continuation of more detailed rules regarding Islamic Financial Institutions led the Aceh government to issue the *Qanun* No. 11 of 2018 concerning Sharia Financial Institutions. *Qanun* No. 11/2018 clearly states that financial institutions operating in Aceh must be based on Sharia principles, and the same is applied for the transactions carried out. One of the Islamic financial institutions that are regulated in operation in this *qanun* is a Sharia bank. In section No. 7, paragraph 2, Furthermore, Section 18 states that Sharia Banks operating in Aceh and related regulators are required to coordinate at least twice a year in maintaining the commitment of Islamic banks to fulfill the functions of Islamic Financial Institutions (LKS) in Aceh. Section 46 concerning the Aceh Sharia Council (DSA) states that the DSA functions as a representative for the National Sharia Council at the Aceh's level, consisting of five members, consisting of three permanent members and two ex-officio plenary members representing the OJK and BI. Ben Bouheni, Ammi, and Levy (2016) stated that the difference between conventional banks and Islamic banks is based on the active participation of public policy institutions, supervisory authorities, and sharia authorities. The activities of Islamic banking must be in accordance with Islamic law and under the Islamic economy.

In addition to the financial, operational system, especially banking in Aceh, Aceh Government also issued policies on customer protection, partners, LKS, and guarantees in Chapter VIII *Qanun* No. 11 of 2018, which states that protection for customers and partners of LKS that is not regulated by the OJK (Indonesian State financial guarantee authority) or other authorized institutions can be regulated by Aceh's Government. Wafa (2017) examined how two banking systems, namely conventional and Sharia, operated in Indonesia. In his research, he found positive things, including opening various options to the public in saving and investing. From his point of view, the Indonesian Government had provided sufficient flexibility and protection for customers. However, more specifically, Setyowati, Abubakar, and Rodliah (2017) seen consumer protection in Islamic banking as a manifestation of consumer rights, namely spiritual rights. Their research results suggested that Islamic banking institutions have broader and more complex governance than conventional banking. This is because there is a very close philosophical relationship between Islam, Sharia, and the Government. So that the management of Islamic banking and the protection of customers requires strong legal guarantees. The implementation of their research can be seen from the researcher's description



of the Aceh Government's *qanuns* that are consistent with the implementation of Islamic law, which is not found in central government regulations (Indonesia). Finally, from mid-2019 to 2020, all financial institutions and transactions in Aceh had transformed into Sharia. Conventional financial institutions have steadily activated their Sharia units and have not operationalized their conventional institutions. All agencies and institutions, both Government and private, also migrated financial transactions to Sharia. This proves that the economic centralization system implemented by the Government of Aceh, in particular, aims to make all financial institutions, including banks, succeed.

The resilience of Islamic Banking to Face a Decline of the Global Economy During the Covid-19 Pandemic

Currently, when the Covid-19 pandemic attacks the world, the resilience of the economies of all countries has been tested. The downturn in the economies of the world's countries has directly or indirectly impacted the resilience of Islamic banking assets. Previously, Gheeraert and Weill (2015) had evaluated the relationship between Islamic finance and economic growth. He found evidence that the development of Islamic banking supports macroeconomic efficiency, but the expansion of Islamic banking is detrimental beyond the point of efficiency. Likewise, Beck, Demirgüç-Kunt, and Merrouche (2013) found that Islamic banks had higher intermediation ratios and better capitalization during the crisis. However, they were still less efficient in terms of cost due to significant differences in business orientation between bank sharia and conventional banks.

Indonesia's economic growth in the second quarter of 2020 was minus to 5.32 percent, and it is the deepest since the first quarter of 1999. However, in Table 1 data, it can be seen that the total assets of Islamic commercial banks (BUS) and Islamic business units (UUS) increased from January to April 2020, only in May there was a decrease. However, it was not significant even though the covid-19 pandemic began to enter Indonesia in January. Starting from that month to May 2020, the Indonesian economy has continued to decline.

Meanwhile, the market share of Islamic banking in Indonesia during its establishment until early 2019 only touched 6 percent. It is inversely proportional to seeing the Malaysian state, which has reached 35 percent, even Oman, which just started sharia banking operations in early January 2013, has



touched 14 percent in early 2020. (Mihajat, 2020). The profitability of Islamic commercial banks compared to conventional commercial banks in Indonesia when economic conditions are declining shown in table 2 below (Badan Pusat Statistik, 2020; Otoritas Jasa Keuangan, 2020)

Table 2. Data of Economic Growth, Financial Ratio for Islamic Commercial Banks and Sharia Business Units, and Conventional Commercial Banks in Indonesia during 2020 (in percentage)

Period	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Economic growth		2.97			-5.32			-3.49			-2.19	
Islamic Commercial Bank												
ROA	2.44	2.32	2.35	2.15	2.00	1.95	2.01	2.03	2.02	1.97	1.86	1.81
Conventional Commercial Bank												
ROA	2.70	2.49	2.57	2.34	2.06	1.94	1.90	1.90	1.76	1.70	1.64	1.59

Source: OJK (2020)

Based on the data on Indonesia's economic growth throughout 2020, it can be seen that a sharp decline occurred in the second quarter, namely -5.32 percent. In the fourth quarter, the economy's condition improved, although it was still not stable. A decline in economic growth due to the Covid-19 pandemic also affected the bank's profitability (ROA) in Indonesia. Tabel 2 shows the profitability of banks also shown a scale of negative spread. From the two types of banking, conventional commercial banks and Islamic commercial banks, the table revealed that profitability of Islamic commercial banks was higher than its conventional counterparts.

The pandemic of Covid-19 has a direct impact on real sector activities; it also impacts the performance of Islamic banking, which operational activities rely on the real sector. According to the Head of the Sharia Banking Division of the National Committee for Sharia Economics and Finance (KNEKS), Yosita Nur Widiyanti, the real impact could be minimized through the official regulation issued by the Government, OJK (Financial Services Authority), BI (Bank Indonesia), and other authorities in dealing with Covid-19. The Sharia Financial Services Director of KNEKS, Taufik Hidayat, said that in terms of assets, financing and Third Party Funds (Dana Pihak Ketiga/DPK), Islamic banking experienced respectively growth up to 11.2 percent, 9.5 percent, 11.7 percent year on year (YoY). The NPF level has also decreased due to relaxation from the OJK and the relatively limited exposure of sharia banking to industrial



sectors such as transportation, accommodation, and restaurants. The growth of sharia banking is also supported by the conversion process for the implementation of the *Qanun* in Aceh, funds from the *Hajj* Financial Management Agency (BPKH), and the conversion effect of the Regional Development Banks (BPD) (Andika & Aldi, 2020)

In several phenomena discussed above, the condition of economic shock has appeared on the conventional commercial banks. Otherwise, the Islamic commercial banks stand up stronger and more stable. Even though its operational period is no longer than commercial banks in Indonesia, it continuously moves forward and tries to finance based on Islamic law. There is also the special autonomy of Islamic law's effect in Aceh to improve the performance of Islamic banking as the agency for maintaining economic stability by achieving the goals of *Maqashid Sharia* in all aspects of human life.

CONCLUSIONS

From all data description and analysis of research results based on a literature review and regulation approach with a qualitative descriptive discussion, the researchers have the conclusion that:

1. The growth of Islamic banking in Indonesia has experienced a positive upward trend every year. This has been seen from the sharia banking growth data accessed on the OJK website. However, when juxtaposed with the growth of Islamic banking from neighboring countries such as Malaysia, the growth of Islamic banking in Indonesia has not increased significantly. Even in the State of Oman, which recently operationalized its Islamic banking in 2013, it is much more developed when viewed from the market share of the two countries. Based on a literature review, the slow growth of Islamic banking in Indonesia could be due to the decentralization system implemented by the Indonesian Government on sharia governance and state financial transaction activities that do not involve Islamic banking. So that, the largest Muslim population in Indonesia does not have a major influence on the growth of Islamic banking.
2. Legalization of Aceh government law (*qanun*) in determining which financial institutions to operate in Aceh is based on Act No. 22 of 1999 concerning Regional Government as the gateway to implementing special autonomy for the Aceh region. As a derivative of this law, the Aceh Government issued the *Qanun* No.11 of 2018 concerning Sharia Financial



Institutions, explicitly stating that financial institutions operating in Aceh must be based on Sharia principles and the transactions carried out. From mid-2019 to 2020, all financial institutions and transactions in Aceh transformed into Sharia. The activities of Islamic banking must be following Islamic law and Islamic economics territories. Centralization system of economy that the Government of Aceh implemented, in particular, to ensure that all financial institutions, including banks, proved successful.

3. The resilience of Islamic banking in the face of a global economic downturn during the Covid-19 pandemic directly or indirectly impacts the assets of Islamic banking globally. However, in Indonesia, until May 2020, the decline in Islamic banking assets has not shown a significant negative impact. This means that Islamic banking in Indonesia can still maintain stable growth when the Indonesian economy slides sharply in the second quarter of 2020 to minus 5.32 percent. This proves that increasing the growth of Islamic banking is an important thing to do, it requires seriousness and continuous consistency from the Government in order to maintain the stability of the macroeconomic of the State. In the end, there will be *Maqashid Syariah* in all lines of the life of the Indonesian nation.

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WOMEN WORKERS AND THEIR ECONOMIC ROLES DURING COVID-19 OUTBREAK FROM AN ISLAMIC PERSPECTIVE: A CASE OF *BENTOR* DRIVERS IN GORONTALO, INDONESIA

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ABSTRACT – The objective of this research is to examine and reveal the impact of the adoption of Large-Scale Social Restrictions (*Pembatasan Sosial Berskala Besar - PSBB*) in Gorontalo province on the roles of women working as drivers of pedicab motorcycle (*Becak Motor – Bentor*) in addition to being a housewife. This study is qualitative research that gathered data through interviews with the drivers and related parties. Data were analyzed using a phenomenological approach with a thematic study of the Qur'an and Hadith. The results revealed that the family's economic needs became the main reason for women choosing to be *Bentor* drivers. The implementation of working hours and quantity controls, as well as the prevalence of staying at home, had decreased their income; however, their household duties were still performed, despite the worst economic conditions. Another fact is that the implementation of PSBB has succeeded in decreasing the introductory reproduction rate (R0) of the transmission of Covid-19. In addition, the Qur'an and Hadith allow women who want to work outside their houses but still follow religious instructions always to protect themselves and their dignity and not to ignore their household duties.

Keywords: Women Workers; *Bentor* Drivers; Covid-19, Islamic Perspective

ABSTRAK – *Pekerja Perempuan dan Peran Ekonomi Mereka pada Masa Covid-19 Ditinjau dari Perspektif Islam: Kajian pada Supir Bentor di Gorontalo, Indonesia.* Penelitian ini bertujuan menganalisa dampak penerapan Pembatasan Sosial Berskala Besar (PSBB) di Provinsi Gorontalo terhadap peran ganda perempuan berprofesi sebagai supir bentor selain sebagai ibu rumah tangga. Kajian ini merupakan penelitian kualitatif yang mengumpulkan data dari wawancara para supir bentor tersebut dan pihak-pihak terkait lainnya. Data dianalisis dengan pendekatan fenomenologi ditambah dengan kajian Tematik Alqur'an dan Hadis dalam menyusun bahasannya. Hasil penelitian menunjukkan bahwa alasan utama perempuan memilih berperan ganda adalah tuntutan ekonomi keluarga. Pemberlakuan aturan jam dan volume operasi serta adanya himbauan stay at home telah menurunkan pendapatan mereka, sementara tugas rumah tangganya berjalan normal meski kondisi ekonomi berada diposisi terburuk. Fakta lain adalah penerapan PSBB berhasil menurunkan tren angka reproduksi dasar (R0) penularan Covid-19. Sementara Alqur'an dan Hadis tidak melarang perempuan yang hendak bekerja di luar rumah namun dengan tetap mengikuti petunjuk agama untuk senantiasa menjaga diri dan kehormatan serta tidak menyalahgunakan urusan rumah tangganya.

Kata Kunci: *Pekerja Perempuan; Supir Bentor; Covid-19; Perspektif Islam.*

INTRODUCTION

In response to the Covid-19 outbreak, Indonesia's government, on 16 March 2020, insisted on not choosing an alternative lockdown as a solution. The government has only urged the public to adopt health protocols such as to use a mask and avoid the crowd, in addition to working; studying, and worshipping are carried out from home, including the approval of ministry-level policies to support the campaign according to their respective fields and authorities (Sekretariat Kabinet Republik Indonesia, 2020). Seeing the case of Covid-19 spread leading to an epidemic, the President of the Republic of Indonesia then released a Government Regulation covering the implementation of Large-Scale Social Restrictions (*Pembatasan Sosial Berskala Besar - PSBB*). It applies to all provinces or cities through a referral process to the Health Minister as stipulated in Government Regulation Number 21, 2020.

In Gorontalo province, an area known as "*Serambi Madinah*," when the Covid-19 Task Force announced the existence of the first positive patient on 10 April 2020, its Governor immediately suggested the implementation of PSBB by releasing Gorontalo Governor Regulation No. 15 of 2020 and Governor's Decree No. 152/33 / V/2020. Some of the points are restricted in the Decree that public activities are allowed only until 07.00 pm, closing traditional markets and limitations on public transport modes (Kompas, 2020). So far, the type of job involving many Gorontalo people is *bentor* driver, especially in the mid-to-low economic community. According to the Head of *Bentor* Drivers Association, up to August 2020, the number of drivers in Gorontalo reached 30,000 people. If each driver bears four people in their households, about 120,000 people depend on the *bentors'* income; this number is approaching 10 % of Gorontalo's population.

Based on preliminary research, the range of *bentor* drivers' income varied from less than IDR500,000 by 6%, IDR500,000 – IDR1,000,000 by 48%, IDR1,000,000 – IDR1,500,000 by 40%, and more than IDR2,000,000 by 6% (Mudana, 2016). Even though it is not too much, the range income of IDR1,000,000 – IDR1,500,000 has clearly created a new trend in Gorontalo: the emergence of many female *bentor* drivers, mixing with other male-dominated vehicles. This social phenomenon is considered outside the norm whose presence was observed, but still not further investigated.



There has been a long debate on gender equality regarding women's role in the public domain career. First, the theory of nature argues that given biological differences between men and women, different roles in society are necessary and natural (Rajab, 2009). Second, nurture theory only positions the different roles between men and women as a result of social construction so that the general understanding of role division is not standard and can be remodeled (Coleman & Hong, 2008). This theory brings the principle of perfect gender equality in social roles (Khuza'i, 2012). Third, equilibrium theory is regarded as a mediator of the two previous theories with the principle of compromise to create balance. A biological distinction is a fact that definitely involves differences in roles between men and women, but the distinction in roles can also be undermined by mutual consent in order to create peace between men and women (Aldianto, 2015; Rocca, Mielke, Vemuri, & Miller, 2014; Kamri, Ramlan, & Ibrahim, 2014). Those three theories are not yet entirely representative, and each one has the same side as Islamic teachings. It is possible that the concepts of Qur'an and Hadith will be in line with one of the three theories mentioned above or that they have their own concepts that are different from the three.

Several studies regarding the impact of covid-19 on the Indonesian economy have been conducted recently. For instance, the works entitled "The Economic Impact of The Covid-19 Outbreak: Evidence from Indonesia" by Albab Al Umar, Pitaloka, Hartati, and Fitria (2020); "Impact of Covid-19's Pandemic on The Economy of Indonesia" by Susilawati, Falefi, and Purwoko (2020); and "the Impact of the Covid-19 Pandemic on the Indonesian Economy by Nasution, Erlina, & Muda (2020). More specifically, the impact on specific regions and business fields has also been conducted, such as "the Socio-Economic Impacts of Covid-19 Pandemic: The Case of Bandung City by Supriatna (2020); and "The Impact of Covid-19 Pandemic on Business and Online Platform Existence by Taufik and Ayuningtyas (2020).

These studies, however, are limited to only providing an overview or mapping of the effects of a pandemic on general economic growth. Their findings provide an initial picture for other researchers to develop further studies on different occasions. Therefore, our study focuses on Gorontalo people's efforts in maintaining their families' economy during the PSBB time. In particular, we seek to understand the role of female *bentor* drivers in supporting their families' economy. In the last part, we compare the results with an Islamic perspective. This study focuses on seeking the answers to the following questions: what



reasons make housewives in Gorontalo choose to be *bentor* drivers? What is the impact of applying PSBB on their daily income? And, what is the Islamic perspective upon this phenomenon?

RESEARCH METHOD

This study is a qualitative research that explains the privileges of social influence that cannot be measured through a quantitative approach (Saryono, 2010; Ibrahim, 2020). Meanwhile, this research method is based on the post-positivism philosophy, used to examine the condition of natural objects, where the researchers are the key instrument, the triangulation collection technique, inductive data analysis, and research results emphasize meaning rather than generalization (Sugiyono, 2012). In gaining data, we interviewed and built an emotional relationship with the respondents. We also explored the problem using in-depth observation.

In addition, we also employed a phenomenological approach to understand and interpret the informant's experiences related to research phenomena (Ghony & Almanshur, 2012). There are three concepts of phenomenology: each symptom that appears consists of a series of participants that surround it; it is the root of qualitative research, and the problem in question is caused by the subject's views (Sujarweni, 2015). In this study, the researchers dug up any information regarding the imposition of large-scale social restrictions due to efforts to eradicate Covid-19 transmission, which ultimately affects the income of the dual role of women whose jobs are *bentor* drivers.

This research is undertaken in the "*Bumi Serambi Madinah*" which is designated for Gorontalo Province. *Bentor* is a typical vehicle that is commonly used as reliable transportation in this area. Gorontalo province, during the pandemic period, had implemented large-scale social restrictions for three periods. It has been chosen as one of the three initial areas for implementing the new normal in Indonesia by the Covid-19 Task Force. The informants in this study are the housewives who also work as *bentor* drivers in Gorontalo. In addition, the thematic study method of Qur'an and Hadith was also used by tracing the related verses or hadiths and then drawing a conclusion from the verses and hadiths.



RESULT AND DISCUSSION

Overview of the Research Location

Some sources explain that the name of Gorontalo came from the word *Hulontalangi (Lembah Mulia)*, which was also a kingdom. Gorontalo is also derived from the word "*Hulondalo*" as the Dutch call Gorontalo (Apriyanto, 2006). Gorontalo since 400 years ago has become an old city in Sulawesi besides Makassar, Pare-pare, and Manado (Batubara, 2016). Along with the emergence of regional expansion concerning regional autonomy in the reformation era, this province was formed based on 22 December 2000 through Law Number 38 of 2000, and thus, became the 32nd Province in Indonesia (Amin, 2013). The area of Gorontalo province is 11,257.07 km², while the 2019 population projection figure is 1,202,631 million people with a growth rate of 1.45% (BPS, 2020)

"*Serambi Madinah*" is inseparable from the history of the decisive role of Gorontalo in the spread of Islam in Eastern Indonesia. The spread of religion that developed in Gorontalo also opened Gorontalo into a center of education and trade. One version of the local history states that the Gorontalo plain stood the Limboto kingdom, preceding the Gorontalo kingdom. Due to one and other things, there was a civil war between the two from 1485 AD to 1672 AD. The civil war was finally successfully resolved through peace negotiations in 1673 AD Popa (representing Limboto), and Eyato (representing Gorontalo) became the main actors in the incident. Eyato, who was originally a Khatibida'a (great preacher) after being successful as a diplomat and negotiator, was then crowned as the King of Gorontalo. Of course, not only because of that, but mainly because he was intelligent, his knowledge of religion was broad and deep. The leadership relay then shifted to Sultan Botutihe, where Islamic values at that time were further strengthened. So that the customary philosophy of "*Adati hula-hula to syaraa, syaraa hula-hula to Qur'ani*," which translates to "*Adat is based on sharia, sharia is based on the Qur'an*" (Christianto, 2009).

Islamic values, which have long been a pillar of government, have brought Gorontalo to be the center of Islamic culture in eastern Indonesia as proclaimed by then Indonesian Minister of Religion, Said Agil Al-Munawar, in 2002. Currently, Gorontalo's nickname is "*Serambi Madinah*," a special designation due to its role in promoting Islamic values since the beginning of its heyday (Botutihe, 2003). Apart from that, it is also because of its people's traditional philosophy and religious life. Therefore, the nickname cannot be separated



from the Gorontalo community, which is predominantly Muslim. Even *Serambi Madinah* has become a tourism brand that has started to be recognized by the public.

Becak Motor (Bentor)

Becak Motor or abbreviated as "*Bentor*" is paratransit that was first discovered in Gorontalo and is even very easy to find in remote areas of Gorontalo villages. This Gorontalo's *bentor* is quite similar to a rickshaw however is powered by a modified motorcycle, and that the two passengers sit in front. Although *bentor* is not yet worthy of being public transportation, it is still the leading transportation choice due to its high accessibility and mobility. In addition, it has been entrenched among the community and even able to contribute to employment (Moha, 2014). The founder of *bentor* is Ferry Hasan, a workshop owner who experienced an economic crisis in 1998. Inspired by the rickshaw, he modified a motorcycle and created *bentor* (Terrajana, Syam, Basri Amin, Jamil Massa, 2011).

This modification was unlawful as it is not in line with the regulation of Road Traffic and Transportation, Number 22/2009. Therefore, the province traffic and transportation authority, DLLAJR, has not issued their operating licenses. Nonetheless, these types of vehicles were increasing day by day and jammed the roads in Gorontalo Province. The potential for *bentor* as transportation in an urban and rural area in some cities in Indonesia shows significant improvement. It happens because of the increasing need for facilities freight and also service areas transportation that cannot be served by other means of transportation. The existence of *bentor* as local transportation reduces unemployment both in urban and rural areas because many unemployed people use these means as an alternative job. When viewed from the results of the frequency survey, the use of *bentor* is frequent and based on comfort and security levels. Most respondents declared safe and comfortable using motorized rickshaw transport in urban and rural areas (Mudana & Heriwibowo, 2018).

Findings

The role of women in boosting their families' economy is now no longer a hot topic due to the necessities of life. It is increasingly complex in the modern era and needs a solution more than just debating the issue of equality itself (Kartika



Qori & Kanada Rabial, 2017; Zuhdi, 2018). From the results of the study, the researchers got several facts which are presented in Table 1.

Table 1. The identity of the respondents and their role in the family economy

No	Name & Age	Family Characteristics	Income
1	RL (40)	Her husband is a construction worker, and they have to support one child whose child had died before	Income before PSBB IDR200,000 per day. After PSBB IDR0
2	SI (30)	Her husband is a brick-maker, and they have to support their twins in high school.	Income before PSBB IDR150,000 per day. After PSBB IDR50,000
3	MM (32)	She is a widow who has to support her two small children alone.	Income before PSBB IDR200,000 per day. After PSBB IDR100,000
4	SH (53)	Her husband is a palm sugar farmer, and they have to support the family in her old age in modest conditions. Some of their children are married but remain in need.	Income before PSBB IDR25,000 per day. After PSBB IDR25,000

Source: Data Processed (2020)

It is clear that the decline of their family income is the impact of PSBB, and it mostly impacts the families that do not have any permanent jobs. In the next session, the researcher discusses the reason for being a *bentor* driver, the contribution to support the family, impact on household tasks, and impact on family

Reason for choosing to be Bentor Driver

The respondents in this study simultaneously answered that the economic factors that pushed them to finally decided to take the profession that was viewed belong to men. Several reasons have been acquired to be justification for the women in Gorontalo to be a *bentor* driver. First, to support the inadequate income of the husband. SI, a respondent, stated that:

“saya menjadi supir bentor karena kurangnya penghasilan suami sebagai pembuat batu bata”. (I became a *bentor* driver because of my husband's lack of income as a brick-maker)

Second, to fulfill responsibility for the family as a single parent. This reason was mentioned by MM:



“*saya suami so tinggal sendiri sedang ada anak yang harus mo kase makan*”. (My husband has left the children and me while there are children needs to feed)

Third, to be just a part-time job, as mentioned by SH:

“*Saya tidak turus-turus mencari panumpang, Cuma kalau ka pasar saya jaga tarima tumpangan*”. (I don't routinely drive *bentor*, but if I go to the market, I will look for passengers).

Impact of female Bentor Driver on Household Tasks

Women are indeed unique creatures that Allah created. Women can do several jobs simultaneously, and therefore, it supports women's dual role in living and their function as a housewife. They can allocate time wisely, both for the family and work. According to the respondents:

“*Saya telah mengatur waktu saya sedemikian rupa agar profesi supir bentor tidak sama sekali menghalangi tugas rumah tangga memasak.*” (I have managed my time so that the driver's career doesn't hinder my household duties)

At first, they also have an obstacle in time allocation, but it is getting easier day by day,

“*Awalnya kehidupan tidak normal ini sangat mengganggu saya, namun setelah saya menerapkan istirahat cukup dan menghargai waktu maka semua berjalan dengan lancar. Saya bangun sebelum subuh untuk menyiapkan sarapan pagi dan makan siang untuk suami dan anak-anak, siangnya saya istirahat dan lepas magrib kembali saya narik bentor lagi*” (This new normal life really bothered me at first, but after I applied enough rest and enjoyed the time, everything went smoothly. I wake up before dawn to prepare breakfast and lunch for my husband and children; I rest in the afternoon and work again in the evening)

Based on their experiences, most respondents admitted that being a *bentor* driver was actually not an easy decision for a woman in Gorontalo. This is relevant to the common stigma--which may be driven by religious or social norms--that women's responsibility is to take care of domestic duties (Pieters & Klasen, 2020). Performing two roles at once to run well requires more effort. Although it is very prone to sacrifice one of them, it is a life risk that must be



faced. However, the opportunity to get through it well is very wide open; some can play both roles equally.

Impact of PSBB on Female Bentor Driver in the Family Economy

Working as a female *Bentor* for the women in Gorontalo undoubtedly has contributed to boosting up family income. Some of them see this as an effort in helping the husband gaining additional income for the family:

“Pas kita so bawa bentor paitua so tabantu sadiki kasiang. Jadi so lumayan no itu penghasilan”. (After I became a *bentor* driver, I can reduce my husband's burden.)

However, as it is supposed only to support the family, for those who are a single worker, the income from this job was not enough although they have worked all day long, a respondent (MM) stated that:

“Untung ada keluarga yang ikhlas babantu biar cuma kase makan tu ade, sala-sala so nyak ada paitua.” (Fortunately, there are families who are willing to help, even though they only feed children, I am a single parent)

For some of them, the job as *bentor* driver can reduce their transportation cost fo going somewhere, as it was stated by SH:

“Saya bawa bentor hanya misalnya mo pigi babalanja ka pasar, ke kios atau ngantar anak kemana bagitu. Supaya tidak kaluar ongkos transportasi.” (I drive the *bentor* only to go shopping at market or drive the children to somewhere, so that I no longer need to pay transportation costs)

Impact of PSBB on Female Bentor Driver

The Large-Scale Social Restrictions (PSBB) application in Gorontalo took place on 4 May 2020, and it was extended up to three periods to prevent the Covid-19 transmission. Ever since, much has changed in Gorontalo residents living habits, including *bentor* drivers' income. Each respondent experiences different (PSBB) impacts. Respondent SI, for instance, revealed that:

“Sebelum PSBB itu tak ada samua sekolah dorang so kase balajar online, sementara dorang yang setiap hari saya antar jemput di sekolah. Nah skarang dorang so di rumah, baru saya mo dapa uang



dari mana? Bulum lagi orang so tako deng corona, jadi dorang basambunyi di rumah. Sementara ini pemerintah menerapkan PSBB jadi jadwal saya menarik bentor terganggu skali dengan ada jam-jam malam yang pemerintah tetapkan". (Before the PSBB was implemented, not all schools implemented online learning only, while those were students whom I used to pick up every day at school. Now they just stay at home, and my income automatically decreased. Also the instructions to stay at home made many people afraid to travel. On the other hand Gorontalo Government also banned activities after 7 pm which bothered my routine in driving *bentor*)

Furthermore, respondent SI added that her income decreased by 75% from the previous average of IDR150,000 to IDR25,000.

"Pokoknya pas itu JT beken gempar pertama skali so samua orang tako, depe dua hari kasana so nyanda ada orang dijalan kong kita pe penumpang dari mana? Kasiang kita skarang tinggal jaga dapa 50.000 perhari. Untung kwak ini bentor kita pe kaka punya, jadi dia kasiang baku mangarti dengan kita pe hidup ini kasiang". (Anyway, after the first patient was confirmed from the *Tablig Jamaah*, everyone was scared, two days later, the streets were quiet. Finally the passengers dropped dramatically. Now every day I can only get IDR50,000. Fortunately, this *bentor* belongs to my brother, so he can understand the situation of me and my family).

In order to avoid the continuing declining incomes, she tried to create a new market system through her cell phone by accepting the transfer of goods, services, and courier services. This idea is apparently worked, and her income increased 25%.

Another respondent, RL, experienced a similar case as she was no longer able to help her husband to earn a living:

"Kita uwty pas itu so rame corona dong bahas kit ape bentor so jaga rusak, karna kita pe uang storan so jaga abis kase bae bentor mending kita so jual jo itu bentor. Eh pas kita somo ba beli baru uang li kita so abis for batalangi ini hidup. Pas PSBB kita so nya ada bentor, kit ape laki le olo so kurang orang bapangge ba karja. Skrang torang hanya di rumah mar Alhamdulillah ada sodara yang jaga ba kase makan pa kitape anak". (Unfortunately, when the covid-19 was widely spread and discussed among many people in Gorontalo, my *bentor* was broken several times. So that, most of my income as a driver was allocated to repair the *bentor*. I intended to buy a new *bentor*; however,



my money was not enough anymore. After the PSBB was implemented, my *bentor* was severely broken, my husband also did not get any job; fortunately, our neighbors helped us a lot).

She added that during PSBB, a *bentor* was only allowed to carry one passenger only though compared to the normal situation that was usually up to three passengers at a time.

Women Workers in Islamic Perspective

The Prophet's described women's creation came from Adam's rib. If they are forced to change, they will be broken. If left alone, they stay bent as narrated by Imam Bukhari in the authentic hadith book number 5186 (Al-Bukhari, 2002). The Prophet also described women as one of the two weak parties, praying to God to defend their rights (Al-Nasa'i, 2001). However, family insistence and guidance finally made them strong in heart and compassion.

Nevertheless, as a woman, whether she chooses to be active in the domestic or participate in working in the public domain, she can still adjust to the rules outlined in Islamic teachings. Among them, the most important things are as follow:

1. Leave the house after getting permission from and have discussed with the husband or guardian based on QS. Al-Ahzab (33): 33 and HR. Bukhari Number 865 (Al-Bukhari, 2002).
2. Maintain dignity with modest clothes. It should cover their private parts and do not sexually attract the attention of the opposite gender, as mentioned in the QS. An-Nur (24): 31 and HR. Muslim Number 2128 (Al-Naisaburi, 2006)
3. Maintain self and family dignity by measuring the type of work according to their nature as a woman and job's safety; and
4. Prioritize family affairs in the role of wife and mother for their children over other matters based on HR. Bukhari Number 893 (Al-Bukhari, 2002)

The aforementioned review indicates the limitations that must be considered in regulating the activities and movements of women's lives; of course, this is not in the context of discrimination against women's rights but instead leads to preventive measures to protect women's dignity. In Islamic history, the role of reliable women cannot be denied. Since the time of the Prophet Muhammad to the *Khulafaurrasyidin* and even to the Umayyad and Abbasid caliphates,



several female figures have played essential roles in the public domain (Mazaya, 2014). Women in Islam get a place to take part as their wishes, and there is absolutely no specific prohibition from the text of the verses of the Qur'an or the Hadith of the Prophet to take part in the public domain (Ibrahim, 2015). However, they have to maintain the norms and corridors explained in the Qur'an and Hadith (Nisak & Ibrahim, 2014).

Discussion

Women who work as *bentor* drivers are not common in Gorontalo. This kind of job is viewed as belonging to men. However, due to the economic pressure, the view has to be changed. Allah SWT has provided a vast and airy nature as a field to earn a living, of course, by working and being patient for the test of the Creator as in QS. Al-Baqarah (2): 177. This *ayat* is the basic that motivates them to choose to keep working when other people choose to stay at home.

The fact showed that Gorontalo Province was the last area infected by the Covid-19 outbreak in Indonesia. The first case was confirmed on 9 April 2020, which was experienced by residents of Tumbihe Village, Bone Bolango Regency. When this study was conducted, the covid-19 outbreak continues.

1. Implementation of PSBB

Gorontalo is one of the provinces where the Indonesian Minister of Health granted the proposal to implement the Large-Scale Social Limitation (PSBB) through the decree number HK.01.07/Menkes/279/2020 dated 28 April 2020 (Ministry of Health of the Republic of Indonesia, 2020). Since it was first applied on 4 May 2020, it is proven that the PSBB application has succeeded in reducing the rate (R0) of Covid-19 transmission from 2.74 to 2.12. This number had continued to decline to 1.5 when PSBB extended to the second phase. For this reason, the government then extended the PSBB from 3 to 14 June 2020 (Kompas, 2020). After the period, Gorontalo became one of four provinces in Indonesia that would apply the new life order called as new normal (Bialangi, n.d.)

Community movements in all sectors were restricted during the PSBB period. Consequently, the province's economy is suffering. It impacts all sectors, including micro, small-medium enterprises (MSME) (Wardiah & Ibrahim, 2013). Concerning the *bentor* driver, it is impacted their movement as it only



allowed to carry only one passenger in one trip. It causes them a higher fixed cost.

However, Islam asked people to obey *Ulil Amri* (government) as it was stated in the Qur'an and Hadith, such as QS. An-Nisa (4): 59. The social restrictions imposed are viewed as a collective effort to prevent a more significant danger that harms the existence of human beings. This statement is consistent with Prophet's advice which at that time was advised to stay away from people tainted like animals as HR. Ahmad Number 9722 (Hanbal, 1997). Obeying this PSBB, theologically, is a form of obedience to leaders who then, as a form of concrete efforts to suppress the spread of Covid-19, the plague that hit the community. Of course, with arrangements that still consider the survival of all levels of society.

2. Women and Family Division

Islam divides roles between a man and his wife. It also makes the role complementary in many cases. The right of a party confers an obligation on the other and vice versa. This shows how far Islam respects women in the community of mankind and makes their impact a must-be-felt in society. Men are not given absolute power in their homes. Women also enjoy some power that can check that of the man despite the appellation given to man by Allah (*qawwamun*), which is the poles. This is epitomized in the life of the Prophet with his wives. He used to help them carry out house works and give them the honor that is rightly due. Marriage contract gives both the husband and wife the ability to satisfy their human desire and gain blessings of almighty Allah, and have children that would help when the parents become old and help in the flow of future generation in a regulated manner. For the success of this contract, the parties have duties to abide by, which the Islamic family highlighted, such as duties of husband, duties of wife, and the duties compulsory on both of them.

It is not strange that many women used to work to support their families, but not as freely as now, where even women can replace men's role. Except within the family system, women can do both their public and domestic tasks without men (Budiman, 1985). These housewives are encouraged to work despite the heavy burden of performing this activity or even seemingly impossible.

3. Women's role in the family economy and housewives' duties



Change in family structure and function is currently a subject of much interest to students of the family. Familial change cannot be fully understood without considering the economic role of women. There is a good deal of evidence to support the view that the impetus for these social role changes may be dissatisfaction with and the consequent attempt to reinterpret economic roles, particularly the economic roles of women. Certainly, some of the most distinguishing characteristics of the present social movement are deeply rooted in economic concerns: redistribution of responsibility for household tasks between spouses, the issue of paid versus unpaid productive roles for wives, the interest in day-care as a substitute for home care of children are all expressions of points of view about how economic roles of women may be carried out.

Viewed from a structure-function conceptual framework, change in the family as a social system may result from the need to support change in the family as an economic system. It is a central premise of this paper that the impact of these changes cannot be fully assessed apart from their impact on the economic welfare of families (Fakih, 2001). Nevertheless, the measurement of the economic activity of wives has received little attention, particularly as it is viewed from a lifespan perspective. This may be due to the lack of an adequate conceptual framework for organizing data about the complex set of factors related to the economic role behavior of wives. In his review article on the state of family theory development Broderick reports negligible advancement in this area (Astute, 2007).

A complex range of economic and social factors has driven the changes in women's participation in the paid workforce and help to explain the features of their involvement in paid work. Among the economic factors that have been identified in the now extensive literature on the topic of changing' participation rates of women are the need to supplement the family income and changes in the employment and wage-earning opportunities available to women (Solihatin, 2017).

The family is an institution of society, and every institution needs to have order and discipline, without which it cannot run or even survive. The institution of the family is run with the mutual collaboration and cooperation of husband and wife. In the classical view, the Islamic scheme for a family's management is that the woman should be relieved from all other responsibilities to focus on the family's internal discipline and stability (Zuhdi, 2018). At the same time, the man should take the burden of meeting economic needs. The woman's food,



clothing, and shelter are counted among the family's economic needs; if both partners are well-off, a servant or helper for household chores is also included in these needs. The man has to arrange for the expenses of healthcare as well. This is the legal position of Islam on the responsibilities of the husband. In addition, as encouraged in Islam, good moral conduct demands that a man treat his wife as well as he can and do everything possible for her comfort and happiness (Jasruddin & Quraisy, 2017).

Although women have not been born responsible for family finances and primarily tasked with domestic matters, they also have the right to do other things (Al-Naisaburi, 2006). Islamic history shows that, along with paying their duty to family and home, Muslim women have rendered great services outside their homes as well (Al-Thabrani, 1983). They have also been involved in economic activities according to the situations in which they found themselves.

CONCLUSIONS

Generally, the situation where both husband-and-wife works to meet the family's needs is generally seen in the working middle class. However, a highly educated, professionally trained, and skilled woman may find herself in a difficult situation that demands her to work and earn. If she adopts a lawful occupation, she has every right to do this. However, when a situation demands that a wife support her husband in earning for the family. Likewise, being a *bentor* driver for Gorontalo women was also due to the economic pressure of the family.

The economic conditions they experienced worsened after the government implemented the PSBB in Gorontalo area and urged all citizens to stay at home. Consequently, the economy weakened, and the driver's income dropped dramatically due to the decreased number of passengers. The actions of women in Gorontalo are not against Islamic teaching. Many studies show that Islam is not the culprit in preventing women from being active in the labor market, but rather the cultural attitude shapes labor force participation decisions.

1. Women can adopt any occupation or business according to their situation and circumstances, abilities, and inclinations. They can seek jobs as well as invest in trade, industry, or agriculture. They can manage and supervise the ventures in which they invest or which they own. They can even create new opportunities for themselves. However, this must be done in accordance with Islamic teachings. Thus, finances are necessary, but a woman should



not engage herself in economic activities at the cost of the family system and discipline. She should not give herself up to economic struggle at the cost of the warmth of relations.

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THE ALIGNMENT AND MISALIGNMENT OF THE ISLAMIC ECONOMICS CURRICULUM WITH THE INDONESIAN GOVERNMENT POLICY

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ABSTRACT – The purpose of this paper is to explore the equivalency of curriculum content of universities. It examines how this equivalency can benefit the universities that offer Islamic economics programs in implementing the new policy of the Indonesian Education and Culture Minister, especially for point No. 4, known as "Merdeka Belajar: Kampus Merdeka" (Independent learning policy or Liberating policy). This study also evaluates whether or not the guidelines on implementing Islamic economic community involvement projects developed by the National Committee for Islamic Economy and Finance (Komite Nasional Ekonomi dan Keuangan Syariah - KNEKS) and other stakeholders can support the new policy, especially for point No. 4. This study uses content analysis from the curriculum of the ten selected universities in Indonesia that participated in developing the framework on minimum standardization across Islamic economics undergraduate programs led by KNEKS. The results of the study reveal that the ten universities are ready to implement the new policy of the Indonesian Education and Culture Minister, especially for point No. 4 known as "Merdeka Belajar: Kampus Merdeka" (Independent learning policy or Liberating policy) since a significant number of course equivalents were found across the ten universities. In addition, the guidelines on the implementation of Islamic economic community involvement projects developed by KNEKS are aligned with the new policy's guidelines on community involvement projects. The paper is expected to benefit several stakeholders, such as universities that offer Islamic economics programs, by providing them with guidelines on implementing the new policy. The student can use this study as a reference for them in conducting community involvement projects, internships, and student exchange programs.

Keywords: *Islamic Economics, Education, Independent Learning*

ABSTRAK – *Keselarasan dan Ketidakeselarasan Kurikulum Ekonomi Islam dengan Kebijakan Pemerintah di Indonesia.* Tujuan dari penelitian ini adalah untuk mengeksplorasi ekuivalensi dari isi kurikulum universitas dan melihat bagaimana ekuivalensi ini dapat memberikan bermanfaat bagi universitas yang menawarkan program ekonomi Islam dalam menerapkan kebijakan baru Menteri Pendidikan dan Kebudayaan Indonesia khususnya untuk poin No. 4 yang dikenal sebagai "Merdeka Belajar: Kampus Merdeka" (Kebijakan belajar mandiri atau Kebijakan Pembebasan). Studi ini juga mengevaluasi apakah Panduan Pelaksanaan Kuliah Kerja Nyata (KKN) Tematik Ekonomi Syariah yang dikembangkan oleh Komite Nasional Ekonomi dan Keuangan Syariah (KNEKS) dan pemangku kepentingan lainnya dapat mendukung kebijakan baru terutama untuk poin No. 4 atau tidak. Penelitian ini menggunakan analisis isi dari kurikulum sepuluh universitas terpilih di Indonesia yang ikut berpartisipasi dalam mengembangkan Kerangka Acuan Akademik Program Studi S1 Ekonomi Syariah yang dipimpin oleh KNEKS. Hasil penelitian memperlihatkan bahwa 10 universitas siap untuk menerapkan kebijakan baru Menteri Pendidikan dan Kebudayaan Indonesia khususnya untuk poin No. 4 yang dikenal sebagai "Merdeka Belajar: Kampus Merdeka" (kebijakan belajar mandiri atau kebijakan Pembebasan) karena ditemukan banyak mata kuliah yang memiliki ekuivalensi diantara 10 universitas. Selain itu, Panduan Pelaksanaan KKN Tematik Ekonomi Syariah yang dikembangkan oleh KNEKS ditemukan selaras dengan panduan kebijakan baru terkait program membangun desa/Kuliah Kerja Nyata Tematik. Artikel ini diharapkan bermanfaat bagi beberapa pemangku kepentingan seperti universitas yang menawarkan program ekonomi syariah dengan memberi mereka pedoman tentang bagaimana menerapkan kebijakan baru. Mahasiswa dapat menggunakan studi ini sebagai referensi bagi mereka dalam melakukan proyek pembangunan desa, magang, dan program pertukaran pelajar.

Kata Kunci: *Ekonomi Syariah, Pendidikan, Islamic Economics, Education, Merdeka Belajar*

INTRODUCTION

Islamic economy has become a global phenomenon in the last decade. According to the State of Global Islamic Economy Indicators (GIEI), the size of the global Islamic economy reached USD 2.2 Trillion in 2018, and it is estimated to reach USD 3.2 Trillion by 2024 (Dinar Standard and Salam Gateway, 2020). Despite the remarkable figure, the global Islamic economy is still facing many challenges that must be overcome in order to sustain its growth. One of the challenges is an insufficient number of qualified human resources (Hidayat, 2015a). Actually, many countries worldwide have established Islamic economics and finance programs across their higher learning institutions. According to the latest Islamic Finance Development Indicators (IFDI), there are 972 Islamic economics and finance education providers worldwide, with 379 of them being degree providers. Indonesia, Malaysia, and the UK are the top three countries by number of Islamic economics and finance degree providers in 2019 (ICD and Refinitiv, 2020).

However, many education providers across the globe seem still unable to solve the issue. It has been mentioned in the literature that the shortage of skilled Islamic economists and Islamic finance professionals has been becoming an issue within the global Islamic economy (Alim, 2014; Amalia, 2014; Beik, 2013; Huda et al., 2016). It is also found in several countries that there is a mismatch between the skills needed by the industry and the skills of Islamic economics and finance graduates obtained during their studies (Redha, 2014; Hidayat, 2015b; Huda et al., 2016). Therefore, education, especially its academic curriculum, needs to be reviewed and adjusted to overcome the above issue. Abdullah (2013) argued that the above mismatch is caused by the lack of collaboration, especially in curriculum development, between degree providers and industry players. In fact, this has caused low absorption of Islamic economics and finance graduates in the labor market. For example, in Indonesia, the country with the biggest number of Islamic economics and finance degree providers, the absorption rate of the graduates within the Islamic financial industry stood below 40 % (Huda et al., 2016). Meanwhile, most Islamic economics and finance programs offered by Islamic higher education also face the problem of limited budget and facilities from the government, which result in difficulty having qualified researchers and conducting scientific activities (Sa'adi, 2011).



In fact, the low absorption rate of university graduates due to skill mismatch applies in many academic programs across Indonesia. As a result, the Minister of Education and Culture of Indonesia, His Excellency Mr. Nadiem Anwar Makarim, has recently launched a new directive policy call "*Merdeka Belajar: Kampus Merdeka*," which can be unofficially translated as "Independent Learning Policy" or "Liberating Policy" aimed to link and match between the industry's needs and the skills of higher learning institutions' graduates. The new policy also intends to create graduates that understand not only the theory in class but also how to apply it in the real-life situation by becoming problem solvers in society. There are four main points of the new policy (Kemendikbud, 2020a):

1. Autonomy for higher learning institutions with A and B accreditation from the National Accreditation Agency (BAN-PT) to open new academic programs.
2. Easing of the processes for the state-own universities to be more autonomous by becoming a legal based entity (PTN-BH)
3. New accreditation system for the academic programs.
4. Liberating students to replace three semesters of their total semesters during their undergraduate degree with several independent learning methods such as taking courses from other academic programs within their university (one semester), internship, community involvement project, student exchange program, and other forms of independent learning (max two semesters).

From the above 4 points of the policy, points No. 1-3 are very much institutional centered, while point No. 4 is very much student-centered. Although all the points are very important, point No. 4 is very much related to the link and match goal and the goal to create problem solvers in society. In addition, point No. 4 also gets mixed public reactions after the launch of the policy. Some stakeholders positively react to it while others question it. The above situation also applies to universities that offer Islamic economics programs.

Interestingly, about two months before the new policy was launched, in December 2019, the National Committee for Islamic Finance (KNKS), which was later renamed in February 2020 to National Committee for Islamic Economy and Finance (KNEKS), issued two documents, namely (1) the framework on minimum standardization across Islamic economics



undergraduate programs (Kerangka Acuan Akademik Program Studi S1 Ekonomi Syariah) and (2) the guidelines on the implementation of Islamic economic community involvement projects (Panduan Pelaksanaan KKN Tematik Ekonomi Syariah) (KNEKSa, 2019; KNEKSb, 2019). Both documents are parts of the implementation of the Masterplan of the Indonesian Islamic Economy 2019-2024 (MEKSI), which was published by the National Development Planning Agency (Bappenas) and launched by KNEKS's chairman and the President of the Republic of Indonesia, His Excellency Mr. Joko Widodo in May 2019.

The first document was prepared in collaboration with industry stakeholders, including ten renowned universities that offer Islamic economics undergraduate programs. MEKSI states the importance of curriculum standardization, especially for Islamic economics undergraduate programs to ensure similarities in terms of learning outcomes, courses offered, course syllabi, textbooks, and teaching methods used by universities that offer the program across Indonesia (Bappenas, 2019). The second document was prepared in collaboration with academicians from the Department of Islamic Economics, IPB University. This is the implementation of one fundamental strategy in MEKSI, which is strengthening public literacy (Bappenas, 2019). Through well-structured and guided community involvement project, the students of the Islamic economics undergraduate program are expected not only to implement the theories that they have learned in class but also to help the community in solving their problems through the implementation of Islamic economic and financial tools. The program is also expected to increase public literacy levels in the Islamic economy in general.

There are several previous studies that discussed designing the curriculum of Islamic Economics in Indonesia, such as the studies done by Kasri (2010), (Furqani, 2012), Darmadji and Andriansyah (2013), Amalia (2014), Zarkasyi et al. (2016), Suryanti, Ibrahim, & Ayumiati, (2019). However, none of the studies discuss curriculum alignment with new government policy related to higher education known as "*Kebijakan Merdeka Belajar: Kampus Merdeka*" or independent learning in higher education. Therefore, this study aims to fill the gaps.

Based on the above background, the study has the following objectives:



1. To explore the equivalency of curriculum content of ten universities in Indonesia and examine how this equivalency can benefit the universities that offer Islamic economics program in implementing the new policy of Indonesian Education and Culture Minister, especially for point No. 4 known as "*Merdeka Belajar: Kampus Merdeka*"
2. To evaluate whether the guidelines on the implementation of Islamic economic community involvement projects developed by the National Committee for Islamic Economy and Finance (KNEKS) and other stakeholders can support the new policy, especially for point No. 4 or not.

The paper is expected to benefit several stakeholders, such as universities that offer Islamic economics programs, by providing them with the guidelines on how to implement the new policy. The student can use this study as a reference for them in conducting community involvement projects, internships, and student exchange programs.

LITERATURE REVIEW

The Theory of Curriculum Alignment

Education in Islamic economics is part of Islamic education where it has a paradigm that proposes an ideal image of man within the conceptual framework (Sutomo, 2014). Numerous scholars have explained the definition of Islamic economics. According to Ahmad (2001), Islamic economics is a social science that studies economic problems and man's behavior from an Islamic perspective. Mannan (1992) agreed that Islamic economic relate the economic problem with Islamic values. Etzioni (1988) added that Qur'an and Sunnah are sources use to establish Islamic law related to economics. From these various definitions, it can be concluded that Islamic economics is a study that attempts to looking, reviewing, researching, and finally solving the economic problems in Islamic ways (based on the teachings of Islam) (Buarque, 1993; Kamri, Ramlan, & Ibrahim, 2014).

The idea of Islamic economics was developed from theory into practice. Since 1976, scientific study and empirical research on Islamic economics continue to be made and disseminated to various countries. The movement of the Islamic economy academically started from the establishment of the First International Conference on Islamic Economics in Jeddah. In 1977, the Second Conference on Islam and New Order of International Economics in London. The following



year, the third Conference entitled The Monetary and Fiscal Economics of Islam was held in Mecca in 1978 and was followed by the same seminar in Islamabad in 1981. In Baden-Baden, West Germany, the development of the Islamic economy was marked by the International Conference on Islamic banking and Strategy for Economic Collaboration in 1982. A year later, in 1983, Islamabad became the host for the second time for International Conference on Islamic Economics.

In line with the existence of several workshops, seminars, and conferences in Islamic Economics, some countries have established Islamic banks and non-financial institutions to support their economics. The development of these institutions needs more human capital to support the free *riba*, *gharar* and *maysir* transactions. These conditions have triggered the importance of education in the field of Islamic economics, where they turned it into a study program in some universities in the Muslim world.

According to Kayed (2008), the first universities that took the lead in teaching and promoting Islamic economics were Al-Azhar University in 1961 and King Abdulaziz University in 1976. At the time, very few other universities showed real interest in developing Islamic economics studies. Then in 1983, the International Islamic University of Malaysia (IIUM) established Kulliyah of Economics and Management, which offered three Departments of Islamic Economics. In the same year, International Islamic University Islamabad Pakistan also established the International Institute of Islamic Economics (Zarkasyi et al., 2016). Meanwhile, since the 2000s number of state and private universities in Indonesia also offered Islamic economics studies (Wahyudin et al., 2017). In the United States, the world's most prominent universities, namely Harvard University, are very strong in sharing information about education in Islamic economics. In Europe, the United Kingdom, as the pioneer, takes part in offering programs of Islamic economics.

In Indonesia, the need for human capital in the Islamic economy sector, especially in Islamic finance industries, gets many people's attention, both from academic and practitioner sides. The development of education in Islamic economics has been supported by the existence of Islamic banks and non-financial institutions. Two years earlier, from the establishment of the first Islamic banks in Indonesia called Bank Muamalat in 1992, IAIN North Sumatra established the Economic Research Forum and the Islamic Bank (FKEBI) in 1990. Thus, Islamic financial and non-financial institutions, such as Islamic



Insurance, Islamic stocks, Zakat and Waqf Institutions, Islamic rural banks, and other institutions trigger the establishment of education in Islamic economics in other universities around Indonesia where it could provide human capital sources for those industries.

Currently, the universities that offer Islamic economics study programs are divided into two types, namely Islamic universities (PTA) under the auspices of the Ministry of Religious Affairs (IHE) and public universities (PTU) under the auspices of the Ministry of National Education. Both categories have specific characteristics in building the curriculum and learning material, as well as producing graduated students. According to Amalia (2014), around 45 higher academic institutions have offered courses in the field of Islamic economics, Islamic banking, finance, and Islamic business law in 2014. Islamic economic studies have developed not only on the undergraduate level but also master's and doctoral levels, among others Islamic State Universities (UIN, IAIN, and other PTA) and public universities (UNAIR, UI, IPB, UNIBRAW, UGM, and other PTU).

According to Bappenas (2019), the availability of skilled human resources urgently is needed in order to support the rapid development of the Islamic economy and finance sector in Indonesia to become a global hub in 2024. In addition, the number of human capitals with integrated skills also should be able to fulfill the needs of these sectors. Therefore, there should be a collaboration between industries and education sectors to generate experts and professional staff who possess a background and proper competencies both in the field of sharia and economics that might address the necessity of the industries to design as well as innovate their products.

Previous Studies on Curriculum Design of Islamic Economics

Discussing theories of curriculum design requires first the meaning of curriculum. The definition of curriculum design has been developed by many previous scholars and resulted in so many concepts. Druzhinina et al., (2018) mentioned about the meaning curriculum design from the perspective of teacher and students where they think that curriculum design is merely just a documented requirement for curriculum which is related to specific area of knowledge. Pinar (2006) agreed that some scientists perceived curriculum design as an administrative requirement or considered as quality assurances in higher education. It contains several values and principles regarding learning,



knowledge, and disciplines, as well as the cultural and political goals of higher education. However, the previous research that focus on education in Islamic economics is very limited.

Zarkasyi et al. (2016) conducted a study about the curriculum design of Islamic Economics for postgraduate studies by comparing the data between universities in Indonesia, Malaysia, Turkey, and Pakistan. The study found that curriculum design in most of the Islamic economics department that includes their vision, mission, and objective where epistemological aspects are clearly stated. However, not all department in this study takes the epistemological aspects into serious consideration as their vision and mission of the program of integration and Islamization.

Darmadji and Andriansyah (2013) conducted a study about the curriculum design for Islamic Economics in Indonesian in the context of the ASEAN Economic Community. The study found that the curriculum in the two departments was prepared mainly to achieve national goals in higher education standards and had not been prepared for the regional level yet. Therefore, the research suggested additional content in the courses of the curriculum to meet the need of human resources challenges in the ASEAN Economic Community context.

Amalia (2014) conducted a study about the evaluation model of education in Islamic economics and finance adopted in Indonesia and the United Kingdom. The study found that the education model for undergraduate and postgraduate in Indonesia is in line with the epistemology of Islamic economics and finance as a science and discipline while the industrial need is not taken into account. On the other hand, the education model in any level of degree developed in the United Kingdom in line with the need for industries. Therefore, the problem of link and match between education and the need of industry has been experienced not only in Indonesia and United Kingdom but also in another part of the world that is undertaking Islamic economy and finance programs in their respective countries.

Another previous study has been conducted by Belabas et al. (2015), who discussed the design of Islamic finance higher educational programs. The data were taken from the Islamic Economics Institute (IEI) of King Abdulaziz University. The data were analyzed using an evaluative, analytical framework. The study found that the concept of globalization has not been implemented in



the study program where there is low compromising of the local needs. This study gave a contribution to the field of Islamic financial education from the context of GCC higher education.

From the foregoing, it can be observed that existing literature is majorly on Islamic finance and Islamic economics and finance in postgraduate studies, while education in Islamic economics has not been exposed in detail by previous researchers. The study conducted by Zarkasyi et al. (2016) and Darmadji and Andriansyah (2013) stated that the education in Islamic economics had not been prepared for the regional level, and some departments are not taking serious consideration to integrating Islamization into the study program. Siddiqi (1997) added that the present state of teaching Economics at the university level in Muslim countries tends to neglect the main objective of developing the discipline to achieve the objective of shari'ah. In addition, Kasri (2010) also added that the teaching of Islamic economics should focus on its relevance to the actual working of economics and in harmony transform the Islamic principles into Islamic economies. Therefore, there is a need to enrich the study on education in Islamic economics to support the sustainability of both education and industry practitioners.

The New Policy of Indonesian Education Minister and Culture

In a competitive and globalizing world, student competencies have to be more in line and along with the times to face the changes of social, cultural, work environment, and rapid technological advancements. In addition, link and match are not only with the industry and the workplace but also with a rapidly changing future. Therefore, higher education has to be able to design and implement innovative learning processes so that students can achieve optimally and relevantly the learning outcomes, including aspects of attitude, knowledge, and skills.

According to Kemendikbud (2020b), the aim of the new policy (*Merdeka Belajar: Kampus Merdeka*), the rights of three semesters learning outside the study program is to improve graduate competencies, both soft skills, and hard skills. It is also designed to prepare graduates as the nation's future leaders who are competitive and have personality. Experiential learning programs with flexible pathways are expected to be able to facilitate students to develop their potential according to their passion and talent. The higher education institutions in Indonesia are expected to develop and facilitate the implementation of the



Merdeka Belajar: Kampus Merdeka program by creating academic guides. Programs that are implemented should be prepared and agreed upon between universities and partners. The independent learning program can be in the form of a national program prepared by the Ministry or the programs prepared by universities that are registered with PDDikti (Higher Education Database).

The new policy states that there are eight (8) forms of learning activities in the independent learning program are; 1) student exchange; 2) internship; 3) teaching assistance in the education unit; 4) research project; 5) humanitarian project; 6) entrepreneurial activities; 7) independent project; and 8) community involvement project. In April 2020, the Ministry of Education and Culture of Indonesia had published guidelines on the implementation of an independent learning policy. There are some forms of learning activities that can be done within the framework of learning exchange are as follows; 1) students exchange between study programs at the same university; 2) students exchange in the same study program at different university; 3) students exchange between study programs at different university. Furthermore, learning activities in this program can be carried out face to face or online. Online learning with the provisions of the courses offered must be recognized by the Ministry of Education and Culture.

Apart from the student exchange program, the discussion also will focus on the community involvement project (KKNT). KKNT Program is a form of education that provides students with learning experiences to live in the community outside the campus and, together with the community, identify the potentials of villages or regions and deal with the problems. In addition, the students are expected to be able to develop the potentials of villages or regions and formulate solutions to problems they have faced. Thus, this learning activity can sharpen the soft skills of partnership, teamwork between interdisciplinary science (cross competence), and student leadership in managing the development programs in rural areas.

According to Kemendikbud (2020b), most of the universities in Indonesia have been implemented the KKNT program with small credit hours that cannot be recognized under the new policy (*Merdeka Belajar: Kampus Merdeka*), which required 20 to 40 credit hours or equivalent with 6 to 12 months. The KKNT program also requires students to be able to fulfill several requirements such as; 1) students have completed the learning process up to the sixth semester; 2) activities are carried out in groups, the number of people in a group depends on



village needs, and are multidisciplinary (from different study programs/faculties/clusters); 3) participants are required to stay in the community or live in the specified location; 4) participants are in good health physically or mentally and not pregnant (for women); 5) a minimum GPA of 2.00 up to the fifth semester; 6) and other provisions that the university can arrange.

RESEARCH METHOD

This study uses the qualitative method. The qualitative method through content analysis was deemed necessary for this study because it has been used by relevant previous studies (Darmadji and Andriansyah, 2013; and Zarkasyi et al., 2016). In addition, qualitative content analysis is commonly used for analyzing and interpreting qualitative data (Schreier, 2012). It is one of the research methods that depicts a systematic and objective way to describe and quantify phenomena (Downe-Wamboldt, 1992; Schreier, 2012). The data was collected from the results of content analysis of curriculum from ten prominent universities in Indonesia that were involved in developing a framework on minimum standardization across Islamic economics undergraduate programs.

The method of collecting data focused on examining the equivalency in curriculum content of ten universities in Indonesia and how this equivalency can benefit the universities that offer Islamic economics programs in implementing the new policy (*Merdeka Belajar: Kampus Merdeka*), particularly point No. 4. In addition, a review of the guidelines on Islamic economic community involvement projects developed by the National Committee for Islamic Economy and Finance (KNEKS) and other stakeholders were done to check whether it is suitable for the policy implementation or not. The data are observed and analyzed by researchers, and the results are presented with clear explanations.

RESULT AND DISCUSSION

The result of content analysis of curriculum employed in ten renowned universities in Indonesia revealed that those ten universities could implement the new policy of the Indonesian Education and Culture Minister, especially for point No. 4 known as "*Merdeka Belajar: Kampus Merdeka*." Table 1 summarizes the examination of equivalency in curriculum content of ten universities (refer to Appendix 1). It can be noticed that these ten universities



are using different course names in their curriculum and there are at least twenty-four courses which can be interchanged among the ten universities which offer Islamic economics program.

Among them, it is found that at least eight courses are exactly the same across ten different universities, namely Introduction to Accounting, Fiqh Muamalat, Ushul Fiqh dan Qawa'id Fiqhiyyah, History of Civilization and Islamic Economic Thought, Statistics for Economics and Business, Econometrics, Research Methodology, and Entrepreneurship. Seven courses are found to be precisely the same in nine universities, namely Introduction to Microeconomics, Islamic Microeconomics, Introduction to Macroeconomics, Islamic Macroeconomics, Mathematics for Economics, Islamic Development Economics, and Islamic Public Finance while only one course, Introduction to Islamic Economics, is the same across eight universities.

Five courses have been found to have equivalency among seven universities which are Islamic Accounting, Islamic Monetary Economics, Indonesian Economics, Verses and Hadiths on Economy, and Central Banking. Meanwhile, Financial Management and Islamic Financial Management courses are offered across five universities, while Monetary Economics is only available in four universities.

Table 1 in the appendix evidenced that ten (10) universities can carry out *Merdeka Belajar: Kampus Merdeka*, particularly in the form of student exchange in their Islamic economics program. The university can refer to table 1 and determine the courses that the students can take from the Islamic economics program at other universities.

In implementing the new policy, particularly the students exchange program in the same study program at different universities, the universities and students are expected to follow the guideline on the implementation of *Merdeka Belajar: Kampus Merdeka*. The mechanism to implement this program is deliberated in the guideline refer to Table 2.

The above explanation of feasibility in implementing the new policy of *Merdeka Belajar*, particularly about the student exchange program, has been contradicted with a previous study conducted by Amalia (2014) where it is found that the current curriculum has not yet incorporated industrial needs in which student exchange program as part of experiential learning programs



facilitates students to develop their potential according to their passion and talent.

Table 2. Mechanism of the student exchange program in the same study program at different universities

The Role Involved	Description of Responsibility
Study Program	<ul style="list-style-type: none"> • Develop or adjust a curriculum that facilitates students to take courses in the same study program at other universities. • Making agreements with partner universities including learning processes, semester credit recognition and assessment, and financing schemes. • Cooperation can be done in the form of bilateral, consortium (study program associations), clusters (based on accreditation), or zoning (by region). • Set the quota of participants who take courses offered in the form of learning in the same study program at other universities. • Set the number of courses that can be taken from the same study program at other universities. • Report activities to the Higher Education Database (PDDikti).
Students	<ul style="list-style-type: none"> • Obtain approval from Academic Supervisors. • Participate in activities in the same study program at other universities in accordance with the academic guidelines set by university. • Registered as a course participant in the same study program at another university.

Source: Kemendikbud (2020b)

In addition, the result also contradicted with studies done by Belabas et al. (2015), where the exchange student program in the current curriculum has not yet incorporated the concept of globalization. Furthermore, this study also assesses whether the guidelines on the implementation of Islamic economic community involvement projects developed by the National Committee for Islamic Economy and Finance (KNEKS) and other stakeholders can support the new policy or not.

Table 3. The objective of the community involvement project (KKNT)

No.	KKNT (Islamic Economics)	KKNT (<i>Merdeka Belajar: Kampus Merdeka</i>)
1	Students are able to study and solve problems in the village based on knowledge about Islamic economics	Students are able to see the potential of the village, identify problems and find solutions to increase their potential and become an independent village.
2	Students are able to think and work skills interdisciplinary and across sectors	Students are able to collaborate to compile and make a Medium-Term



	Village Development Plan (RPJMDes), a Village Development Activity Plan (RKPDDes), and other strategic programs in the village with Academic Supervisor, Village Government, Community Self-Help Movement (PSM), Village Community Empowerment Cadres (KPMDe), local village facilitators, and community elements.
3	Students have concern and responsibility for community issues for the advancement of rural communities. Students can apply their knowledge collaboratively with the Village Government and elements of the community to develop the village.
4	Students are able to identify, plan, implement and evaluate Islamic Economics KKNT programs. Students are able to utilize the science, technology, and skills they have in their preferred field.
5	Students have high concern and commitment, are skilled at communicating, and collaborate in efforts to overcome economic and social problems that exist in society.
6	Students are able to collaborate and develop networks with stakeholders in solving community problems, especially economic and social problems.
7	Students have a sense of care and empathy for the conditions faced by the community.

The result indicated that there are similarities between the guidelines on the implementation of Islamic economic community involvement projects developed by the National Committee for Islamic Economy and Finance (KNEKS) and the guideline on the implementation of *Merdeka Belajar: Kampus Merdeka*, particularly on community involvement project (KKNT). This result supports a previous study conducted by Kasri (2010) where the community involvement project (KKNT) as part of experiential learning programs aims to enrich the sustainability of Islamic Economics education and industry needs. The resemblances of those guidelines can be seen from the objectives of KKNT illustrated in the guidelines and the program of KKNT in both guidelines, as display in Tables 3 and 4.

Table 4. The program of community involvement project (KKNT)

No.	KKNT (Islamic Economics)	KKNT (<i>Merdeka Belajar: Kampus Merdeka</i>)
1	MSMEs Halal Product strengthening program (eg. assistance in halal product diversification, branding, sales digitalization, financial bookkeeping, halal product certification, financing, and export-oriented)	Village Development and Empowerment Holistic Program



2	Village-owned business entity, Islamic cooperatives (BMT) strengthening program (eg. assistance in capacity and product diversification)	The Village Development and Empowerment Program which based on village opportunities/conditions in the form of a village mid-term development/competency package
3	Islamic economic and financial literacy strengthening program (e.g., training on the basic principles of Islamic economics, Islamic financial institutions, and its products and services, family financial management, halal and healthy lifestyle)	Increased capacity of community entrepreneurship, MSMEs, and Village-owned business entity
4	Masjid economic strengthening program (eg. assistance in management activities and funds)	Social problem-solving programs (e.g., lack of health workers in the village, inadequate sanitation development)
5	Zakat management strengthening program (eg. assistance in zakat fund governance, and study of zakat village index)	Programs that produce a real impact at the end of the activity (e.g., more adequate village irrigation, village cooperatives generate more profits)
6	Waqf management strengthening program (eg. assistance in waqf asset management, and product diversification)	

CONCLUSION AND RECOMMENDATIONS

The findings of this paper show that ten universities that offer Islamic economics undergraduate programs are ready to implement the new policy of *Merdeka Belajar: Kampus Merdeka*, particularly student exchange program in the same study program at different universities. This is reflected in the discovery of as many as twenty-four courses that have equivalency across ten universities. In order to move a step further in implementing student exchange programs, it is important for these universities to establish partnerships, particularly on the implementation of credit transfer, monitoring, assessment, and evaluation of the program. The learning process in the implementation of the student exchange program is also important to be highlighted. The learning activities not only can be conducted face to face but also online learning.

This study suggested that the universities in Indonesia that offer Islamic economics undergraduate programs adopt the framework on minimum standardization across Islamic economics undergraduate programs developed in collaboration with industry stakeholders, including ten renowned universities and KNEKS. This framework will guide the universities to develop and adjust their curriculum that enables students to take courses in the same Islamic economics program at other universities.



Furthermore, the findings also reveal that there are similarities in the guideline on the implementation of Islamic economic community involvement projects developed by KNEKS with the new policy's guidelines on community involvement projects, especially in terms of its objectives as well as programs. Thus, this paper also recommends that the universities which offer Islamic economics program in Indonesia to adopt the guideline on the implementation of Islamic economic community involvement projects as a complementary guideline in implementing the new policy introduced by Indonesian Ministry of Education and Culture.

There are some limitations of this study, mainly using data of curriculum from ten renowned universities while there are about 858 academic programs related to Islamic Economics in Indonesia (PD Dikti, 2021). In addition, this study only evaluates the alignment of the Islamic Economics curriculum with the new government policy known as *Merdeka Belajar: Kampus Merdeka*, not with other related policies. For further study, researchers suggest including more samples of universities in Indonesia and evaluate the alignment of curriculum with other related policies to give wider scopes and insights.

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<http://www.knks.go.id>



Appendix 1

Table 1. Examining the equivalency in curriculum content of ten (10) universities

No	A University	B University	C University	D University	E University	F University	G University	H University	I University	J University
1	Microeconomics I	Microeconomics I	Microeconomic Theory	Introduction to Microeconomics	Introduction to Microeconomics	Microeconomic Theory 1	Introduction to Microeconomic Theory	Introduction to Microeconomics		Introduction to Microeconomics
2	Islamic Microeconomics	Islamic Microeconomics	Islamic Microeconomics	Islamic Microeconomics	Islamic Microeconomics	Islamic Microeconomics	Islamic Microeconomics		Islamic Microeconomics	Islamic Microeconomic Theory
3	Macroeconomics I	Macroeconomics I	Macroeconomics Theory	Introduction to Macroeconomics	Introduction to Macroeconomics	Macroeconomics Theory 1	Introduction to Macroeconomic Theory	Introduction to Macroeconomics		Introduction to Macroeconomics
4	Islamic Macroeconomics	Islamic Macroeconomics	Islamic Macroeconomics	Islamic Macroeconomics	Islamic Macroeconomics	Islamic Macroeconomics	Islamic Macroeconomics		Islamic Macroeconomics	Islamic Macroeconomic Theory
5	Introduction of Accounting	Principles of Accounting I	Introduction of Accounting	Introduction of Accounting	Basic Financial Accounting	Financial Accounting	Introduction of Accounting	Introduction of Accounting	Introduction of Accounting	Introduction of Accounting
6	Islamic Accounting			Islamic Accounting	Islamic Financial Accounting	Islamic Accounting	Islamic Financial Accounting		Islamic Accounting	Islamic Accounting
7	Fiqh Muamalat	Islamic Jurisprudence I	Fiqh Muamalat	Fiqh Muamalat	Fiqh Muamalat	Fiqh Muamalat	Fiqh Muamalat 1	Fiqh Muamalat	Contemporary muamalat fiqh	Fiqh Muamalat



No	A University	B University	C University	D University	E University	F University	G University	H University	I University	J University
8	Ushul Fiqh dan Qawa'id Fiqhiyyah	Foundation of Islamic Jurisprudence I	Ushul Fiqh dan Qawa'id Fiqhiyyah	Ushul Fiqh	Introduction to Ushul Fiqh	Ushul Fiqh	Ushul Fiqh	Fiqh and Ushul Fiqh	Ushul Fiqh Muamalat	Ushul Fiqh
9	History of Civilization and Islamic Economic Thought	History of Islamic Economics Thought	Economic Thought and System	History of Sharia economic	History of Civilization and Islamic Economic Thinking	History of Islamic Economic Thought	History of Islamic Economic Thought	History of Islamic Economic Thought	History of Islamic Economic Thought	History of Islamic Economic Thought
10	Statistics for Economics and Business	Statistics for Economics and Business	Statistics	Statistics for Economics	Statistics for Economics and Business	Statistics and data analysis	Islamic Economic and Financial Statistics	Descriptive statistics / Inductive Statistics	Statistics	Introduction to Economic Statistics
11	Mathematics for Economics and Business	Mathematics for Economics	Mathematics	Mathematics for Economics	Mathematics for Economics	Mathematics and logical thinking	Islamic Mathematics and Economics	Mathematics for Economics	Economics and Business Mathematics	
12	Financial Econometrics	Econometrics I	Econometrics	Econometrics	Econometrics	Introduction to Econometrics for Islamic economics	Applied Econometrics	Basic Econometrics	Econometrics	Introduction to Econometrics
13	Monetary Economics	Monetary Economics				Monetary and central economy			Monetary Economics	
14	Islamic Monetary Economics	Islamic Monetary system		Islamic Monetary Economics	Islamic Monetary Economics		Islamic Monetary Economics I	Islamic Monetary Economics and Central Bank		Monetary Economics from



No	A University	B University	C University	D University	E University	F University	G University	H University	I University	J University
										an Islamic perspective
15	Research Methodology	Research Methodology	Islamic Economic Research	Sharia Economics research	Research Methodology for Islamic Economics, Finance and Business	Sharia Economic Research Methodology	Research Methodology	Research Methodology	Economic and Business Research Methodology	Research Methodology
16	Islamic Development Economics	Development Economics		Islamic Development Economics	Islamic Development Economics	Islamic Development Economics	Islamic Development Economics	Islamic Development Economics	Islamic Development Economics	Islamic Development Economics
17	Indonesian Economics	Indonesian Economics		Indonesian Economics	Indonesian Economics			Indonesian Economics	Indonesian Economics	Indonesian Economics
18		Foundation of Islamic Economics		Introduction to Islamic Economics	Islamic Economics and Business	Islamic Economics Philosophy	Introduction to Islamic Economics	Islamic Economics	Islamic Economics	Islamic Economics
19		Verses and Hadiths on Economy	Verses and Hadiths on Economy	Verses and Hadiths on Economy	Fiqh Iqtishad		Alquran and Hadith Economics	Verses and Hadiths on Economy	Verses and Hadiths on Economy	
20	Islamic Entrepreneurship	Entrepreneurship	Islamic Entrepreneurship	Sharia Entrepreneurship and Business	Creative Economy and Islamic Entrepreneurship	Sharia entrepreneurship and creative economy	Islamic Entrepreneurship and Business	Entrepreneurship	Entrepreneurship	Islamic Management and Entrepreneurship



No	A University	B University	C University	D University	E University	F University	G University	H University	I University	J University
21	Financial Management	Financial Management			Financial Management			Financial Management	Financial Management	
22	Islamic Financial Management			Sharia Financial Management	Islamic Financial Management		Islamic Financial Management 1			Islamic Financial Management
23	Central Banking	Central Banking		Central Banking	Central Banking	Monetary and central economy		Islamic Monetary Economics and Central Bank	Central Banking	
24	Islamic Public Finance	Islamic Public Finance	Islamic Public Finance	Islamic Public Finance	Islamic Public Finance		Islamic Public Finance	Islamic Public Finance	Islamic Public Finance	Islamic Public Finance



HOW ISLAMIC SOCIAL FUNDS SUPPORT SUSTAINABLE DEVELOPMENT GOALS DURING COVID OUTBREAK? THE ROLE OF RELIGIOSITY, TRUST, AND PERCEIVED BEHAVIORAL CONTROL

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ABSTRACT – Islamic social fund is proliferating in this most populous Muslim country, particularly in the time of this pandemic. During early 2020, there was a substantial growth of the collection of Islamic social funds for nearly 70% compared to the last year's figure, which is mainly driven by the digitalization of social fund payment. This paper aims to elaborate on the determinants of Islamic social funds to support Sustainable Development Goals (SDGs) program by looking at the intention of the society to donate through the e-payment platform. This study involves 212 users of digital social payments by distributing an online questionnaire. Data analysis was performed using a Structural Equation Model technique in AMOS. This study reveals that religiosity, trust, and perceived behavioral control have a positive and significant effect on the intention to donate through online platforms. Furthermore, when it comes to a specific categorized SDG program, the people sector is the highest priority, followed by Prosperity and Peace sectors.

Keywords: Islamic social fund; e-payment, pandemic; Theory of Planned Behavior

ABSTRAK – *Bagaimana Dana Sosial Islam mendukung Sustainable Development Goals dalam Masa Covid-19? Analisis Peran Religiositas, Kepercayaan, dan Persepsi Kontrol Perilaku.* Dana sosial Islam berkembang pesat di negara berpenduduk Muslim terbesar ini terutama di saat pandemi. Selama awal tahun 2020, terjadi pertumbuhan tajam atas dana sosial Islam yang berhasil dikumpulkan yaitu sebanyak 70% dibandingkan dengan tahun lalu. Hal ini utamanya didorong oleh digitalisasi pembayaran dana sosial. Penelitian ini bertujuan untuk mengelaborasi determinan pembayaran dana sosial Islam dalam mendukung program SDGs dengan melihat niat masyarakat untuk berdonasi melalui platform pembayaran elektronik. Penelitian ini melibatkan 212 pengguna pembayaran sosial digital dengan menyebarkan kuesioner online. Analisis data dilakukan dengan teknik Structural Equation Model (SEM) di AMOS. Hasil penelitian ini menunjukkan bahwa religiusitas, kepercayaan, dan persepsi tentang control perilaku berpengaruh signifikan positif terhadap niat berdonasi melalui platform online. Terlebih, jika kita teliti terkait program SDG, sektor yang erat berkaitan langsung dengan 'People' menempati posisi teratas, diikuti oleh sektor 'Prosperity' dan 'Peace'.

Kata Kunci: Dana sosial Islam; Pembayaran elektronik; pandemi; Theory of Planned Behavior

INTRODUCTION

Sustainable Development Goals (SDGs) are currently the main objective of the United National Development Program (UNDP) for the betterment of the world, which concern to end poverty, protect the planet and ascertain all people to enjoy peace and prosperity (UNDP, 2019). Since January 2016, SDG, which replaced Multinational Development Goals (MDGs), has been committed to implementing SDGs through 170 countries until 2030. From the SDGs viewpoint, it is derived into a seven-teen point (UNDP, 2019) that consist of no poverty, zero hunger, good health and well-being, quality education, gender equality, clean water sanitation, affordable and clean energy, decent work, and economic growth, industry, innovation and infrastructure, reduced inequalities, sustainable cities and communities, responsible consumption and production, climate action, life below water, life on land, peace, justice and strong institutions, and the last is a partnership for the goal.

However, the noble missions of UNDP seem impossible to attain if there has been a lack of funds collection from the donors. Based on the Funding Compendium Report (UNDP, 2017), to perform the SDGs program, UNDP must ideally spend USD 5-7 trillion per year. In fact, UNDP is in difficulty collecting that amount of funds (Ibrahim, 2018). Recent data exhibits that in 2017, UNDP's donor that consists of fifty-three country and non-government organizations can only finance the SGDs program, amounting to USD 612 million. Surely, this data indicated that UNPD must look for a new funding source to finance the SDGs program.

With the emergence of the Halal industry globally, Islamic scholars attempt to not only mainstream Islamic finance but also put great attention to resolve the world's current problems such as poverty, health, sanitation, and the like by utilizing the *maqashid shariah* perspective. Fakhrunnas & Tumewang (2018) claims that Islamic Finance and SDGs have a meeting point of alignment to the *maqashid sharia*, which aims to establish human well-being and justice. Chapra (2008) also highlights that Imam Al-Ghazali has grouped *maqashid shariah* into five elements: the protection of religion, life, intellect, lineage, and wealth. Secondly, Islamic Finance has social finance program through *zakat*, *waqf*, and *sadaqah*. Islam insists that this platform must manage professionally to address social problem which includes dignifying poor and destitute people under poverty line (Kamri, Ramlan, & Ibrahim, 2014).



In the Indonesian case, Islamic social finance bodies are struggling as well to address a social problem which in line with SDGs mission as above-mentioned. One of the well-known Islamic social funds body is Badan Amil Zakat Nasional (BAZNAS) which manage zakat and *Sadaqah* funds. According to the BAZNAS activities report (2019), BAZNAS has been performing economic development programs that focus on economic development, microfinance, and agriculture economic empowerment (Latief, 2019).

Furthermore, BAZNAS also concerns with social issues such as disaster management, education empowerment, the establishment of a hospital for poor people, and the like. Statistik Zakat Nasional (2019) reports the amount of money collection and disbursement performed by BAZNAS to finance philanthropy activities. It shows that in 2018 BAZNAS successfully collected IDR 195 billion, and IDR 175 billion was distributed to the society in need through several programs.

Apart from BAZNAS, Islamic social funds in Indonesia are also managed by registered Non-Government Organizations (NGOs). For instances are *Dompot Dhuafa*, *Rumah Zakat*, *Rumah Yatim*, *Darut Tauhid*, *LazizNU*, *LazizMU* and others. Those NGOs commit to performing philanthropy activities that concern social empowerment. Surely, the higher number of NGOs will provide more sources of funds to finance philanthropy activities. In the financial technology era, the new platform of Islamic social funds appears in public. *Kitabisa.com*, one of Indonesia's prominent social crowdfunding platforms, becomes the new model of philanthropy activities. This phenomenon was then followed by the old player, including BAZNAS and others, to adapt to the new platform, which aims to benefit from technology development.

According to the report released by Badan Amil Zakat Nasional (BAZNAS), from January to May 2020, Islamic social funds, including Zakat, Infaq Sadaqah (ZIS), and other social-religious funds has been collected for more than IDR 211 billion (or equivalent with USD 15 Million). This figure grew significantly for nearly 70%, compared to the last year's figure. The digitalization of social fund payment mainly drives this substantial growth. Specifically for zakat, there is a noticeable growth of zakat digital collection for around 25% compared to the last year. In line with that, the total *muzakki* (zakat payer) also rose up to 176%.



The rise of new technology development presents the new hope of increasing Islamic social funds collection and disbursement where it may enhance fund management, transparency, work efficiency, trust, and intention of the current society to donate. According to the previous researches, Asmalia et al. (2018) claimed that knowledge, religiosity, trust, attitude, norm, and perception hold a pivotal role in the intention of Islamic society to donate. Salma Al Azizah et al. (2018) conclude that technology development will improve Islamic social funds collection and distribution. From the collection side, technology development will ease donations performed by the donors. Then the Islamic social funds' management will obtain the fund rapidly. From the distribution side, the Islamic social funds' receivers will gain the main faster than before, and the receivers may spend it to fulfill their daily need either for consumptive or productive expenditure.

This paper aims to elaborate on the determinants of Islamic social funds during the Covid-19 pandemic and to link it with the preference of the SDGs program by looking at the intention of the society to donate through the e-payment platform. This paper will consist of, after introduction, literature review and methodology in the second and third part respectively, result and discussion in the fourth part, and the last part will explain the conclusion and recommendation.

LITERATURE REVIEW

Defining human behavior is no easy task to explain. Ajzen (1998) elaborates on several determinants which play an important role in human behavior. From that attempt, social attitude and personality traits were predicted to be the main factor that influences the human behavior. Ajzen (1991) concludes that under the Theory of Planned Behavior (TPB), human behavior will be able to be predicted towards human intention. The intention is believed to be an antecedent that directly leads to behavior.

Moreover, three elements affect the intention: attitude toward the behavior, subjective norm, and perceived behavioral control. Therefore, this research employs TPB suggested by Ajzen (1991) by adjusting each element of intention determinants to the applied condition. Certainly, the applied condition will refer to the research topic that concerns society's intention to pay Islamic social funds through e-payment.



Religiosity and Intention

According to Souiden & Rani (2015), the terms "Religiosity" and "Religion" are often used interchangeably to define the same concept; that is, an individual's veneration, devotion, and conviction towards a divinity. Religiosity is an important component because consumers' behaviors can be predicted by their commitment to adhere to the rules and regulations of their own religion (Moschis & Ong, 2011; Akmal, Musa, & Ibrahim, 2020). Religious commitment plays an important role in people's lives by shaping their beliefs, knowledge, and attitudes. In the social studies context, religiosity is usually measured using the *Spiritual Well-Being Scale (SWB)* proposed by Paloutzian et al. (1978) and Ellison (1983), which presents a self-assessment about an individual's relationship with God.

These religious commitments and beliefs influence the feelings and attitudes of people towards their consumption in every aspect of life, including the selection of financing facilities. Furthermore, it is the religion which specifies prohibited and non-prohibited things which influence customer's financial decision. Nevertheless, the consumers' commitment level might differ from one individual to another based on their educational background, age, and ethnicity (Assadi, 2003; Mcdaniel & Burnett, 1990). Above all, several studies have shown that people's intentions are shaped by their religious beliefs (Barro & McCleary, 2003; Lehrer, 2004).

H1: Religiosity has a positive relationship with the intention of donors to pay Islamic social funds through e-payment

Trust and Intention

Trust is a person's belief that the other party will fulfill his or her need in the future (Flavián et al., 2005). A majority of studies consider trust a multi-dimensional construct (Butler, 1991), usually measured by benevolence, integrity, ability, and predictability (Dietz & Den Hartog, 2006). In the framework of Islamic economics, Amin et al. (2013) define trust as "a moral obligation of every individual in the performance of his or her duties in society." Sauer (2002) maintains that in the banking system, honesty, trustworthiness, moral values, and equality among customers are symbols of trust to develop the relationship between the financial service providers and their customers. This discussion suggests that religiosity affects trust; the religious Muslim will tend



to trust the ZISWAF institutions that claim to run following the Sharia values. As proved by the existing literature, including Hoq (2009) and Amin et al. (2013), trust is widely acknowledged as a behavioral intention driver.

H2: Trust has a positive relationship with the intention of donors to pay Islamic social funds through e-payment

Attitude and Intention

Attitude could be described as a tendency to respond to a particular object (Fishbein & Ajzen, 1975) consistently. Fishbein and Ajzen (1975) is the earliest study introduced attitude in TRA, which is then followed by Davis (1989), who stated that it is a construct in TAM affecting intention, which ultimately affects individual behavior. In line with that, Ajzen & Fishbein (2005) argues that attitudes toward behavior are determined by beliefs about the consequences of a behavior (behavioral beliefs).

These beliefs are usually measured by individual subjective assessments of the world around them, individual understanding of themselves and their environment, and a connection of certain behaviors with various benefits or losses that might be obtained if the individual does it or not (Ajzen & Fishbein, 2005). Therefore, this study could be described as positive or negative feelings of customers in using IB services. Previous studies (Lai and Li, 2005; Cheng et al., 2006; Suh and Han, 2002; Lee, 2009; Chiou and Shen, 2012) provide empirical evidence that attitude influences customers' intentions to use digital service in the context of the banking industry.

H3: Attitude has a positive relationship with the intention of donors to pay Islamic social funds through e-payment

Subjective Norms towards Intention

Subjective norm is defined as social pressure to motivate people to perform or not to perform a certain activity (Ajzen, 1991). Hence, the subjective norm will directly refer to certain parties (references) that influence a person's view about something called perception or normative belief. The parties may consist of parents, spouse, friend, lecturer, co-worker, experts, etc. For instance, if a certain party believes in doing something or not doing something, the person will do as his/her belief. As Rifai et al. (2008) explained, subjective norms are



formed because of the normative beliefs and motivations of the referees that consumers believe in. Therefore, the assessment of subjective norms is intended to determine whether the social environment affects consumer behavior.

According to the previous research, Asmalia et al. (2018) found that subjective norm has a positive relationship to people's intention to pay zakat. This finding was studied from 304 respondents from a public university in Indonesia by adopting SEM to analyze the data. Under the Theory of Reasoned Action (TRA), the subjective norm has a positive relationship to the perceived intention of the people to pay waqf (Allah Pitchay et al., 2015). By adopting the same method, Allah Pitchay et al. (2015) has 380 respondents who are an employee in the Malaysian public and private company. Moreover, those researches also confirm that the people will influence the perspective of a certain party that surrounds him/her.

H4: Subjective norm has a positive relationship with the intention of donors to pay Islamic social funds through e-payment

Perceived Behavior Control towards Intention

Ajzen (1991) asserts that the central factor for the people to perform his/her behavior is intention. In the TPB, perceived behavioral control is one of the determinants to influence intention. This determinant also differentiates between the Theory of TRA and TPB, in which the same scholar proposes both theories. Ajzen then defines that perceived behavioral control concerns the people's perception when they are performing the activity or interest. This perception of the people may feel difficult or easy when conducting the behavior or interest (Ajzen, 1991). Some scholars also refer to self-efficacy, which is defined as an individual's belief that he/she will successfully master the skills needed to complete certain tasks (Bandura, 1977; Pajares, 1996).

Asmalia et al. (2018) studied the potential of zakat for supporting SDGs in Indonesia, and it was found that perceived behavioral control has a positive-significant relationship to the people's intention to pay zakat. Haji-Othman et al. (2018) notice that, moderated by religiosity, perceived behavioral control influenced people's intention to pay zakat based on their observation in zakat payer in Malaysia. Regarding giving cash waqf, perceived behavioral control



shows a significant relationship to the intention to pay cash waqf among young intellectuals in Malaysia (Osman, 2014).

H5: Perceived behavioral control has a positive relationship with the intention of donors to pay Islamic social funds through e-payment

RESEARCH METHOD

This research uses quantitative research methods with a data collection model through structured questionnaires distributed to the respondents. In selecting the respondents, this study uses a purposive sampling technique with the criteria (i) Muslim and (ii) he/she has paid zakat or any social fund through an online platform. The questionnaires are distributed online to respondents who meet predetermined criteria. There are 212 users of digital social payments selected for this study. According to Hair et al. (2009), the sample size in s study should have a minimum of five times the number of questions or statements to be analyzed. As there are only 19 statements in this study, it has reached the minimum sample of 95 respondents, as Hair et al. (2009) required.

The questionnaire consists of four parts. The first part contains a screening question. The second section contains questions related to respondents' demographic data. The third section contains statements related to each dimension of the TPB included in the research indicator (see Table 1), using the Likert scale with five choices of strongly disagreeing (option 1) to strongly agree (option 5). The final section contains questions related to the SDGs sectors prioritized to be financed from the zakah funds.

Table 1. Variables and Statements

Item Variable
Religiosity (R)
I perform 5-times prayer
I perform fasting during the month of <i>Ramadhan</i>
I pay zakat <i>fitriah</i> every year
I only eat halal food
Trust (TR)
I believe that ZISWAF institution can manage ZISWAF fund through e-payment honestly
I believe that ZISWAF institution can manage ZISWAF fund through e-payment accountably
I believe that the ZISWAF institution can distribute the ZISWAF fund through e-payment to the appropriate party



Item Variable
I believe that the digitalization of ZISWAF can enhance the performance of the ZISWAF institution
Attitude (AT)
Digitalization of ZISWAF is a good decision
Digitalization of ZISWAF is a wise decision
Digitalization of ZISWAF is a positive move
Subjective Norm (SN)
Most people whose opinion I value would recommend me to pay ZISWAF through e-payment
Most people who are important to me think that I should pay ZISWAF through e-payment
People who are close to me think that I should pay ZISWAF through e-payment
Perceived Behavioral Control (PBC)
For me, learning the use of e-payment for ZISWAF is easy
For me, paying ZISWAF through e-payment is easy
For me, paying ZISWAF through e-payment is clear and understandable
Behavioral Intention (BI)
I intend to pay ZISWAF through e-payment
I intend to pay ZISWAF through e-payment regularly

Source: Asmalia and Kasri (2018)

Data analysis was performed using a Structural Equation Model (SEM) technique in AMOS. The advantage of this technique is the ability to use abnormal data and explain the differences between target constructs (Ringle et al., 2015). AMOS uses a two-step process in which the first measurement model is analyzed to check the reliability and validity of the data, and the second one is an assessment of the structural model carried out for path analysis and hypothesis test.

RESULT AND DISCUSSION

In selecting the sample, we used the convenience and purposive sampling methods. First, convenience sampling is used to select those who are easy to reach from the population. Then a purposive sampling method is used to select those who met the criteria (as we mentioned in the questionnaire). The number of respondents in this study is 212 people who have experienced paying Islamic social donations through electronic platforms such as ATM, Mobile Banking, Internet Banking, Kitabisa.com, etc. The characteristics of the respondents in this study are quite varied with the scattered demographics and various Digital Banking (DB) providers in various durations of using a digital payment of social funds. This research data shows a good sampling with respondents scattered in various cities in Indonesia.



Table 2. Descriptive Statistics

Variable	Description	N	(%)
Gender	Male	56	26.4%
	Female	156	73.6%
Age	≤ 20	160	75.47%
	21 – 30	45	21.23%
	31 – 40	5	2.36%
	≥ 41	2	0.94%
Educational Level	High school/equivalent	82	36.68%
	D3/S1	127	69.91%
	S2/S3	3	1.42%
Occupation	Student	143	67.45%
	Private Employee	51	24.06%
	Government Employee	4	6.60%
	Entrepreneur	14	24.06%
Monthly Income	< Rp.1.500.000	84	39.62%
	Rp.1.500.001- Rp.3.000.000	55	25.94%
	Rp.3.000.001- Rp.5.000.000	34	16.04%
	Rp.5.000.001- Rp.10.000.000	33	15.57%
	> Rp.10.000.000	6	2.83%

Source: Data Processed (2021)

This section shows the descriptive statistic based on the respondents filling the questionnaire through an online submission form. Based on the data exhibited in Table 2, Female respondent reaches 73.6% of total respondents which are equal to 156 people, and the remaining 26.4% is male which is equal to 56 people. From the age, 75.47% is dominated by those under 20 years old. Further, people under 30 and 40 who participated in this questionnaire are around 21% and 2% of total respondents, respectively. Lastly, less than 1% (merely two people) aged more than 40 years old.

Only three (1.42%) have obtained their master's degree in this sample regarding educational background. Meanwhile, most of the samples have earned their bachelor's degree by around 60% of the total respondents. The rest of 38% is only holding their high school degree. It is in line with the other category of respondent's demography which is occupancy. The majority of the sample is a student, which constitutes 67.45% of the total respondents. It is then followed by those working in the private company as an employee by 55 respondents.



According to the monthly income, most of the sample, nearly 40% of the sample, earned less than IDR 1,500,000. It is followed by approximately 26% of total respondents generating income between IDR 1,500,001 to IDR 3,000,000. Lastly, it is only six respondents having a monthly income of more than IDR 10,000,000.

Measurement Model and Assessment of Structural Model

Before conducting hypothesis testing and model testing, it is necessary to test the reliability and validity of the instrument to obtain reliable and valid data (Cooper & Schindler, 2011). All variable items in this study are reliable and valid with a Cronbach Alpha value (CA) ≥ 0.70 , Composite Reliability (CR) ≥ 0.70 , Average Variance Extracted (AVE) ≥ 0.50 , and factor loading ≥ 0.60 except St8 items are discarded because they do not meet the requirements. The results of these tests are summarized in Table 3.

Table 3. Measurement Model

Variable	Label	Standardized loadings	C.R	AVE
Religiosity	R1	0,856	0,947	0,818
	R2	0,877		
	R3	0,917		
	R4	0,956		
Trust	TR1	0,924	0,943	0,805
	TR2	0,918		
	TR3	0,913		
	TR4	0,833		
Attitude	AT1	0,876	0,860	0,674
	AT2	0,865		
	AT3	0,709		
Subjective Norm	SN1	0,766	0,886	0,722
	SN2	0,879		
	SN3	0,89		
Perceived Behavior	PB1	0,928	0,935	0,828
	PB2	0,95		
	PB3	0,85		
Intention	INT1	0,947	0,910	0,835
	INT2	0,879		

Source: Data Processed (2021)

Further, the structural model was conducted by examining fit indices and variance-explained estimates. Goodness of fit indices for the structural model disclosed χ^2/df was 1.746, CFI = 0.969, GFI = 0.886, NFI = 0.932, TLI = 0.962 and RMSEA = 0.059, indicative of a reasonable fit. Table 3 and Figure 1



present the standardized path coefficient of the structural model. The relationship between religiosity and the intention of donors to pay Islamic social funds through e-payment is put forward in H1. The SEM approach revealed that religiosity positively affects intention to do this ($\beta_1 = 0.674$, $P < 0.05$), and therefore H1 is supported. It is in accordance with several previous studies that found religiosity as one of the crucial factors for the compliance of *muzakki* (zakat payers) to pay zakat (Azman & Bidin, 2015; Idris et al., 2012; Khraim, 2010; Yughi, 2019).

Further, H2 postulated that trust positively affected the intention of donors to pay Islamic social funds through e-payment. The strength of the impact between them in this respect was positive and significant at $\beta_2 = 0.201$, with $P < 0.05$, indicating support for H2. This result is in line with the research conducted by Ahmad Mukhlis & Irfan Syauqi Beik (2013), Firdaus et al. (2012), Indahsari (2013). They claimed that society's trust in how Islamic social funds would be managed and distributed significantly affects the intention of society to entrust the payment of zakat through certain zakat institutions.

Afterward, H5, the relationship between perceived behavior and intention of donors to pay Islamic social funds through e-payment is supported. The results showed $\beta_5 = 0.212$ at $P < 0.05$. It supports the findings of Andam & Osman (2019), Heikal & Falahuddin (2014), Huda & Ghofur (2016), Yusfiarto et al. (2020). They revealed that perception about behavioral control could influence an individual to pay zakat.

The subsequent hypothesis, H3, and H4 are not supported. First, the effect of attitude on the intention of donors to pay Islamic social funds through e-payment is postulated in H3 was found negative and not significant at $P > 0.05$ and $\beta_3 = -0.061$. Next, examining the linkages between subjective norm and intention of donors to pay Islamic social funds through e-payment (H4) is also not supported. The SEM results revealed that subjective norm affects intention positively but not significantly ($\beta_4 = 0.029$, $P < 0.05$).



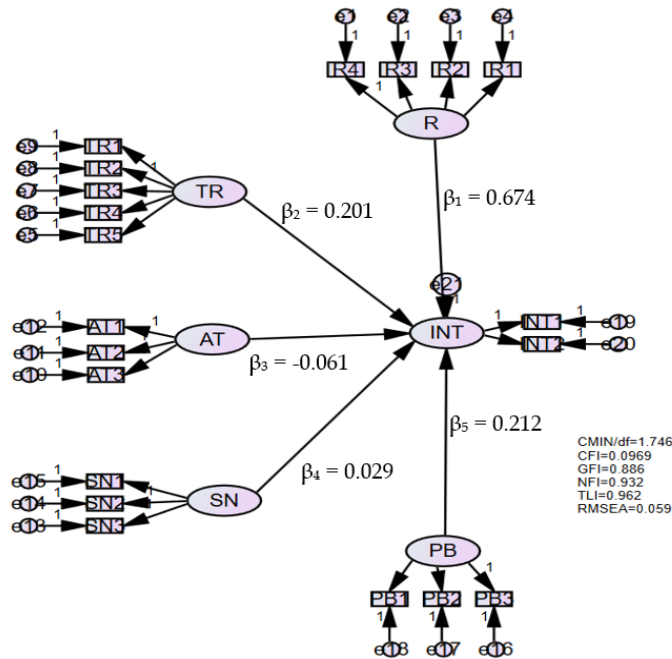


Figure 1. Structural Model
Source: Data Processed (2021)

Exploratory Analysis

This section allows the researchers to conduct an exploratory study to figure out a link between the donation's determinants and SDG preference of Muslims in making a donation payment through an online platform. Based on the findings of this study, when Muslims donate during the pandemic, their preferred purpose, in general, is helping sick people, building facility care, and building a mosque/Islamic Centre. Thus, it reflects the real phenomena during the Covid-19 pandemic; that society is becoming more religious and more aware of health issues and the growing empathy of others in need, particularly those affected by Covid-19.

In addition to that, the People sector is the highest priority for nearly 80%, followed by Prosperity and Peace sectors when it comes to a specific categorized SDG program. This result is understandable and representative of the main concerns of our society during this pandemic. The people sector includes the noble mission of eradicating poverty, hunger, healthy and



prosperous life, quality education, gender equality, clean water, and proper sanitation.

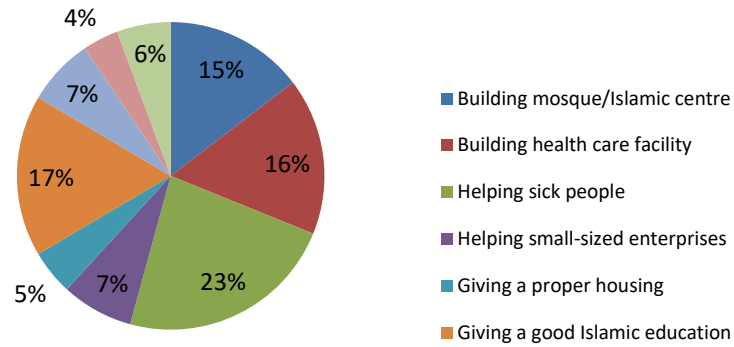


Figure 2. Preferred General ZISWAF Program
Source: Data Processed (2021)

The growing awareness of the 'People' sector is inevitably happening as this pandemic teaches us the importance of acquiring an essential quality of life, not only for ourselves but also for our surroundings. Only by caring for each other's life, could we survive and get rid of this pandemic. Being healthy alone is not enough as we are highly connected and affected by our surroundings. Nonetheless, Planet is still the least sector gaining attention, even in this pandemic (only one respondent accounts for less than 0.01% of total respondents). In other words, climate change and other environmental issues would still be the biggest challenge to tackle as it still needs more efforts to be prioritized by society.

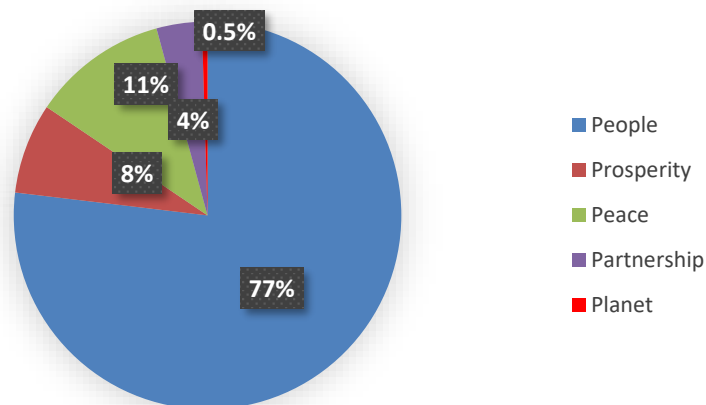


Figure 3. Preferred SDG Sector
Source: Data Processed (2021)



CONCLUSION

This research presents compelling insight from managerial and theoretical settings regarding the intention of donors to pay Islamic social funds through e-payment. Concerning managerial implication, this research provides pivotal information for Islamic social funds through e-payment agencies in terms of motivational strategies they can consider to promote the involvement of the general public and intended donor. During the Covid-19 pandemic, the donors to pay Islamic social funds through e-payment is still exist even though economic crisis. It indicates positive for the agencies because pandemic does not influence public trust to persist using Islamic social funds through e-payment. It also pointed to the need to place greater attention to existing and prospective donor's religiosity, perceived behavioral control, and to provide prominent knowledge regarding the value and urgency of becoming a donor. As part of their round strategy, Islamic social funds through e-payment agencies should expand the awareness of the public and potential donors about how their donors are helpful for human life during and post-crisis periods.

For the study's theoretical implications, the suggested conceptual framework contributes to the literature by presenting further confirmation of the TPB model in donors' intention to pay Islamic social funds through e-payment during the Covid-19 pandemic in developing nations. This research proposed improvements in the field of donor information in the social context of Indonesia. Indeed, the addition of religiosity as a new predictor in the presented model and the recognition of significant statistical results were tested via the SEM approach. More specifically, this study also showed that intention is influenced by perceived behavior and trust. It also needs to note that the explanatory power of structural relationships is also a meaningful contribution. The other surprising finding is that a negative yet insignificant effect of attitude towards intention. It may be explained by the fact that people have struggled with this tough situation during the pandemic and triggered to help each other in a fast way, no matter how bad or good their attitude toward e-payment. The sense of urgency accelerates the need to help others.

Along with that, the subjective norm is also found to have an insignificant effect on intention. It shows that for those who are familiar with e-payment, there is no effect of their peers in deciding whether to pay Islamic social funds through e-payment or not. In consequence, this particular discovery expands the body of knowledge in social research settings.



This research has several limitations that offer possibilities for improvement to further research. First, the sample size needs to be increased to improve the generalizability of this same focus. In addition, there is another potential variable that should be investigated in the model, which is knowledge. Finally, an examination of gender and age as moderating factors may be helpful to refer to different reactions to each of those variables.

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WHAT DETERMINES ISLAMIC PERFORMANCE RATIO OF ISLAMIC BANKING IN INDONESIA: AN ANALYSIS USING FINANCING DEPOSIT TO RATIO AS MODERATOR

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ABSTRACT – The measurement of Islamic banking performance should differ from the indicators used in their conventional counterparts. Therefore, this study analyzes the performance of Islamic banking in Indonesia using the Islamic Performance Ratio (IPR) variable. Specifically, this study aims to examine the influence of Asset Growth and Non-Performing Financing (NPF) on the IPR using Financing to Deposit Ratio (FDR) as moderator. Data for this study were gathered from seven Islamic Commercial Banks from 2012 to 2018 with 49 observations. They were analyzed using the quantitative approach by employing SPSS software. The findings show that the quality of financing has a negative but significant effect on the IPR. Meanwhile, asset growth does not have a significant direct effect on the IPR. When FDR was inserted as moderator, it showed a significant effect of asset growth on IPR. The theoretical implication of this research shows that Islamic banks' performance is shown from the growth of assets but must be supported by other variables such as the quality of financing (NPF) and must also be accompanied by good financing disbursement capability (FDR). In addition, the managerial implication of this research is that the measurement of indicators for Islamic banks should be equipped with performance indicators under the operational principles of Islamic banks, such as the Islamic Performance Ratio (IPR).

Keywords: Islamic Performance Ratio (IPR), Asset Growth, Non-Performing Financing (NPF), Islamic Banking

ABSTRAK – *Determinan Apa yang Mempengaruhi Islamic Performance Ratio Perbankan Syariah di Indonesia: Suatu Analisis Menggunakan Financing to Deposit Ratio sebagai Moderator.*

Pengukuran kinerja perbankan syariah seharusnya menggunakan parameter yang berbeda dari perbankan konvensional. Oleh karena itu, artikel bertujuan untuk menganalisis kinerja perbankan syariah di Indonesia menggunakan variabel Islamic Performance Ratio (IPR). Secara khusus, artikel ini bermaksud untuk menguji pengaruh variabel pertumbuhan aset dan pembiayaan bermasalah (NPF) terhadap IPR dengan menggunakan Financing to Deposit Ratio (FDR) sebagai variabel moderator. Data-data untuk kajian dikumpulkan dari tujuh bank umum syariah dari 2012 sampai 2018 dengan 49 observasi yang kemudian dianalisis secara kuantitatif dengan software SPSS. Hasil kajian menunjukkan bahwa kualitas pembiayaan memiliki pengaruh negatif tapi signifikan terhadap IPR. Sedangkan pertumbuhan aset tidak berpengaruh signifikan secara langsung terhadap IPR. Ketika FDR dimasukkan sebagai moderasi, pertumbuhan berpengaruh secara signifikan terhadap IPR. Implikasi teoritikal dari penelitian ini menunjukkan bahwa kinerja bank syariah tidak hanya ditunjukkan dari pertumbuhan aset saja, akan tetapi harus didukung dengan variabel lainnya seperti kualitas pembiayaan (NPF) dan juga harus disertai dengan kemampuan penyaluran pembiayaan yang baik (FDR). Selain itu, implikasi manajerial dari penelitian ini adalah pengukuran indikator dari bank syariah sebaiknya dilengkapi dengan indikator kinerja yang sesuai dengan prinsip operasional dari bank syariah seperti Islamic Performance Ratio (IPR).

Kata Kunci: Islamic Performance Ratio (IPR), Pertumbuhan Aset, Non-Performing Financing (NPF), Bank Syariah

INTRODUCTION

The existence of Islamic banks operating since 1992 must contribute to improving the welfare of the people in Indonesia. The size of this contribution can be shown by the performance of Islamic banks, where the better the performance of these Islamic banks, the more brazen the role of Islamic banks will be in improving people's welfare. As banks that carry out their activities based on sharia principles, Islamic banks have performance indicators that should be different from their conventional counterparts. Islamic bank performance indicators cover not only financial aspects but also social aspects, justice aspects, and spiritual aspects. Therefore, a measurement based on the Islamic Performance Ratio (IPR) is needed to complement the performance measurement of existing Islamic banks.

The phenomenon of growth in third party funds (DPK), financing, and assets in the Islamic banking industry in the 2016-2018 period is as follows:

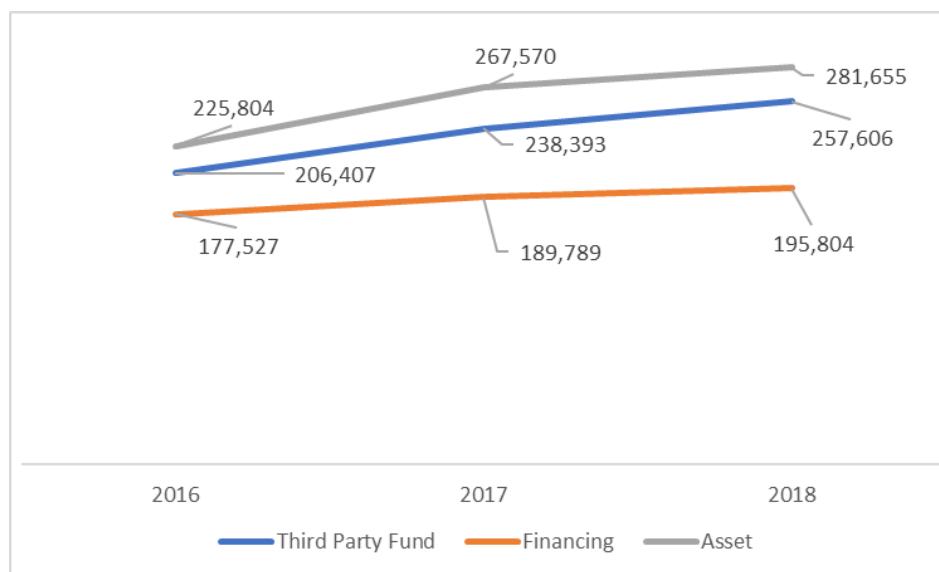


Figure 1. Growth Third Party Fund, Financing, and Assets (2016-2018)
Source: OJK (2021)

Referring to Figure 1, the growth in deposits, financing, and assets from Islamic banks has increased. Where if analyzed using the compound annual growth rate (CAGR), it can be seen that DPK grew 7.67%, financing 3.32%, and assets grew 7.65%. Based on these data, it can be concluded that Islamic banks' asset growth is generated from deposit growth. The growth of Islamic bank assets shows that Islamic banks' management can manage the assets to increase



income and profits, which has implications for increased assets (Lepetit et al., 2008). According to Nugroho (2020) and Nugroho & Ghazali et al. (2020), the primary source of increasing the banking industry's assets is raising funds from the public. However, if these funds are not channeled by the bank in loans or become productive assets, these assets become idle assets and do not generate income and can even increase the burden of funds for the bank. Therefore, the research gap in this study is that the distribution of financing has not supported the growth of Islamic bank assets. The impact of asset growth has not been able to improve the performance of Islamic banks optimally.

Furthermore, as banks with different goals from conventional banks, Islamic banks should maintain trust in the public, shown by their excellent performance. There are several alternatives to measure Islamic banks' performance besides using profitability indicators and using various financial indicators with Islamic perspective aspects (Sudrajat, 2016). According to Yusnita (2019), it is essential to measure Islamic commercial banks' performance based on conventional Islamic principles. There are differences in conventional banks' and Islamic banks' principles in carrying out their business activities (Nugroho & Harnovinsah, 2020). Several performance ratios measured in Islamic financial performance include profit sharing ratio, zakat performing ratio, equitable distribution ratio, directors-employees welfare ratio, Islamic investment and non-Islamic investment ratio, Islamic income and non-Islamic income ratio (Mutia et al., 2018).

The increased performance is supported by Islamic banks' main activities, one of the asset growth indicators. In Islamic banks, the main activity is channeling financing. The appropriate distribution of Islamic bank financing to the public will generate optimum income when accompanied by good risk mitigation (Nugroho et al., 2018). Appropriate risk mitigation Islamic banks will improve financing quality to avoid future losses (Hafsa & Astrom, 2013). Thus, the increase in income received by Islamic banks will have implications for an increase in assets. Furthermore, the increase in Islamic banks' assets will have implications for all Islamic banks' welfare. Some of the ratios that differentiate Islamic banks' performance from conventional banks used in this study are profit-sharing ratios, zakat performing ratios, and equitable distribution ratios.

Based on this phenomenon, the problem formulations in this study are: (i) Does Non-Performing Financing (NPF) affect the Islamic Performance Ratio (IPR);



(ii) Does the growth of assets affect the Islamic Performance Ratio (IPR); (iii) Does FDR moderate the effect of asset growth on IPR.

The novel discussions in this research are to measure the performance of Islamic banks from the perspective of the various Islamic banking principles of conventional banks. The measurement of the performance of Islamic banks includes several aspects, including zakat, profit-sharing contracts (mudaraba and musharakah), and fairness in income distribution.

This study aims to analyze the factors that influence Islamic banking's performance based on the perspective of the distribution of financing, quality of financing, and size of assets. Therefore, the benefit of this research for Islamic banking practitioners is as a treasure trove of their knowledge in managing Islamic banks to have optimal performance under Islamic principles. The next researcher can also be used as a reference in conducting research related to Islamic banking performance.

LITERATURE REVIEW

Organizations or companies that managed based on Islamic teachings have different values and principles than other organizations. Therefore, Islamic banks managed based on sharia principles must be managed differently compared to conventional banks. The Tawhid String Relationship Theory (TSR) and Sharia Enterprises Theory (SET) are the underlying theories. Furthermore, the two theories have a close relationship where TSR is the foundation of the SET theory. The TSR theory states that all human activities, including financial and business transactions, must be based on Islamic laws, namely the Al-Qur'an, the hadiths, and other sources of Islamic law such as Ijma and Qiyas (Nugroho, Meiwanto Doktoralina, Indriawati, Safira, & Yahaya, 2020). Referring to the TSR theory, in the SET theory, Allah is the mandate for the management of Islamic banks to manage these Islamic banks following sharia principles and provide benefits to humankind following Q.S. Al-Anbiya Verse 107 whose interpretation is (And we did not send you) O Muhammad! (But to become mercy) which is a blessing (for the universe) of humans and jinn through your apostolate. Thus, Islamic banks must have implications for the progress of financial aspects, social aspects, spiritual aspects, and environmental aspects (Ibrahim & Fitria, 2012).



Moreover, the purpose of the existence of Islamic banks is to provide benefits to all humanity. Therefore, Islamic banking operations' principles include the 4Ps: Prophet, Profit, People, Planet (Gusliana Mais et al., 2017; Elkamiliati & Ibrahim, 2014). Following the 4P principles, the basis for Islamic banks' business activities is the Al-Qur'an and hadiths. Therefore, the objectives of an Islamic bank or known as Maqasid Sharia, according to Arafah & Nugroho (2016), include: (i) Maintaining religion, (ii) Maintaining the soul, (iii) Maintaining mind, (iv) Maintaining descendants, (v) maintaining a property, (vi) Protecting the environment. Also, Islamic banks have differences from conventional banks. The priority of achieving performance is profit, but Islamic banks must also contribute to poverty alleviation, increase access to health, and increase the community's education level (Al-jarhi, 2017; Zulkhibri, 2016; Aulia, Ibrahim, & Tarigan, 2020). Islamic banks must also be concerned about environmental sustainability to maintain the next generation and natural disasters that threaten human life (Sairally, 2013). Therefore, the performance of Islamic banks cannot be measured by the achievement of company profits only. However, it must improve with some ratio performance that is following the principles of sharia. The ratios include profit-sharing ratios, zakat performing ratios, and equitable distribution ratios (Nugroho et al., 2020; Ibrahim & Kamri, 2016).

Assets are rights that can be used to run the company. Furthermore, assets' definition is the total asset consisting of current assets, long-term investments, fixed assets, intangible assets, deferred tax assets, and other assets (Gupta, 1969). Every company has assets used to carry out its business activities related to generating profits (Fairfield & Yohn, 2001). Asset growth can be used as a measurement basis for achieving its financial success performance (Maggina & Angelos Tsaklanganos, 2012). Therefore, one measure of a company's success is the growth of its assets, which can be expressed as a percentage. The greater the profit earned, the more efficient the management will be in managing the assets it owns. This result is supported by Nurlaela et al. (2019), which state that total asset turnover positively affects financial performance. Suppose the activity at the company shows the level of effectiveness that is in the company. Therefore, companies that can manage their assets effectively will get high profits as well.

Banks are intermediary financial institutions that are generally established to have the authority to collect funds in deposits and distribute them to the public in the form of credit or other forms to improve the people's economic welfare



(Muniarty et al., 2020). Whereas in Islamic banks, the collection and distribution of credit use a sharia contract, which in general uses a sale and purchase agreement (Murabaha) and cooperation (Mudarabah) (Ihwanudin et al., 2020). The term credit in Islamic banks is commonly referred to as financing. Furthermore, the financial condition is a factor that is the most crucial measure in determining whether a company can maintain the going concern of business activities (Nugroho et al., 2018; Suryo et al., 2019; Utami & Nugroho, 2019). According to Soekapdjo et al. (2018), the Financing to Deposit Ratio (FDR) is used to measure the composition of the amount of financing provided and compared with the number of third-party funds collected by Islamic banks. A high FDR will illustrate good fund disbursement capabilities, and if the FDR decreases, it is shown that financing channels will experience a decrease. This fact is supported by Fakhruddin & Purwanti's (2015) research, which states that FDR positively affects ROA, which means the higher the FDR, significantly increasing Islamic banks' performance.

According to Bank Indonesia, total credit or financing, namely the sum of credits or financing classified into several categories. In general, this category consists of performing financing and non-performing financing (NPF). Furthermore, non-performing financing consists of substandard, doubtful, and bad loans. The NPF ratio calculation, namely total credit or financing, is divided by the total NPF. A high NPF ratio will lead to high costs, which will potentially lead to bank losses. The higher NPF will lead to potential losses for Islamic banks in the future. Nugroho et al. (2018) revealed that NPF has a negative relationship between profitability and performance. When the NPF increases, the profitability will decrease. Therefore, Bank Indonesia, as a central bank, limits the NPF number. The max number of NPF of Islamic banking to a maximum of 5%. This regulation aims to mitigate risks so that the non-performing financing at the bank does not increase to lead to bank bankruptcy (Fadhila et al., 2015; Ibrahim & Rahmati, 2017; Muarif, Ibrahim, & Amri, 2021).

Based on a background study and literature review, the conceptual research framework in this study is as follows:



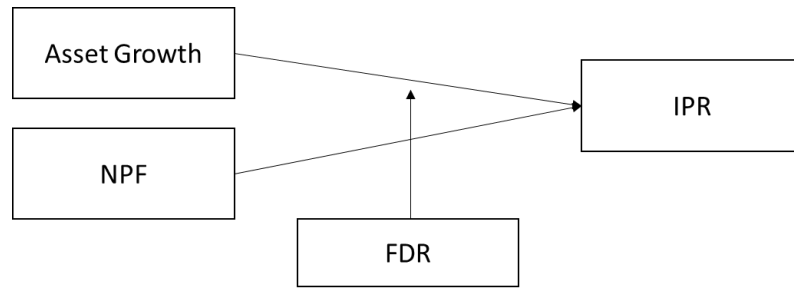


Figure 2. Research Conceptual Framework

Referring to figure 2, the development of the hypothesis in this study includes: The quality of financing (NPF) is also the focus of all stakeholders of Islamic banks as the NPF is one of the key financial indicators that can determine Islamic banks' sustainability. The higher the NPF, the higher the risk of credit or Islamic financing (Purbaningsih, 2014; Nisak & Ibrahim, 2014). If the financing risk cannot be adequately mitigated, then there is a possibility that the Islamic bank will go bankrupt (Sistiyarini & Supriyono, 2017; Nadia, Ibrahim, & Jalilah, 2019). Based on the facts above, the first hypothesis is proposed as the following:

H1: NPF affects IPR

The asset is the leading resource for Islamic banks to generate income. The better Islamic banks manage their assets, the more likely it is that Islamic banks will get optimal profits (Farook et al., 2012; MacMillan & Hambrick, 1986). Optimal profit can improve Islamic banks' social function, namely the payment of zakat from Islamic banks set aside from total income (Raquib, 2011). Based on the above studies, the second hypothesis is proposed:

H2: Asset growth affects the IPR

Optimal asset growth can improve Islamic banks' performance (Tarek Al-Kayed et al., 2014). However, the growth of assets from Islamic banks comes from the collection of third-party funds. Furthermore, the third-party funds cannot be idle and should be disbursed to the public so that Islamic banks can obtain optimal margin income and revenue sharing (Rachmadita, 2013). Therefore, asset growth must be accompanied by optimal FDR (Rengasamy, 2019). Thus, the third hypothesis in this study is proposed.

H3: FDR is moderate, the effect of asset growth on IPR



RESEARCH METHOD

This research uses descriptive quantitative and causal explanatory methods of testing one variable that causes changes in other variables or not (Sekaran & Bougie, 2016). The design of this study begins with research issues in the form of a phenomenon. The issues are then formulated into research questions. The research object is the variable that is analyzed or measured in the study. Furthermore, the objects in this study are (i) Islamic Performance Ratio (IPR); (ii) Financing to Deposit Ratio (FDR); (iii) Asset Growth; (iv) Quality of financing or Non-Performing Financing (NPF). The operationalization of the variables in this study consisted of four (4) variables, as follows:

- According to Nugroho et al. (2020), Islamic Performance Ratio (IPR) is a ratio to measure Islamic banks' performance measurement different from conventional banks. The formula is as follows:

$$IPR = Profit\ sharing\ ratio + Zakat\ Performance\ Ratio + Equitable\ Ratio$$

- According to Soekapdjo et al. (2019), FDR is the ratio of banks, both Islamic banks and conventional banks, to channel the funds they have collected. The ratio representing a bank's ability to channel financing is the FDR at Islamic banks or LDR at conventional banks. The formula is as follows:

$$FDR\ or\ LDR = \frac{Financing\ Outstanding}{Total\ Third\ Party\ Funds}$$

- According to Nugroho et al. (2018), Non-Performing Financing (NPF) represents bad financing in this study, which is the ratio of non-performing financing compared to the total financing distribution. Furthermore, the formula for the NPF proxy used in this study is as follows:

$$NPF = \frac{Bad\ Debt\ Outstanding}{Total\ Financing\ Outstanding}$$

- According to Nugroho & Husnadi (2014), Asset growth in this study is the growth of assets compared to the previous year's asset position. The formula for proxies for asset growth is as follows:

$$\Delta\ Asset = \frac{Asset\ t}{Asset\ t - 1}$$



This study utilizes panel data and employing a regression model. Therefore the classic assumption tests that underlie the use of regression analysis are first carried out. Ghazali (2016) suggests that a classic assumption test is carried out to analyze whether the panel data regression results are bias or not. The number of samples in this study amounted to seven Islamic commercial banks with complete financial information following the research needs from 2012 to 2018. Therefore, the total research observations amounted to 49 samples.

RESULT AND DISCUSSION

Before the panel data regression test is carried out, it is necessary to ensure that there are no problems with the classical test results, which include:

- Normality test

In this study, the level of significance was used $\alpha=0,05$. Decision-making considerations in the normality test are based on the probability figures from the Jarque-Bera test. It has the following conditions: (i) If the probability value $p \geq 0,05$, then the assumption of normality is fulfilled; (ii) If probability $p < 0,05$, then the assumption of normality is not fulfilled. Based on Figure 3 below, it is known that the probability value of the Jarque-Bera statistic is 0,057. Because the probability value p is 0,971 greater than the significance level, namely 0.05, the assumption of normality is fulfilled.

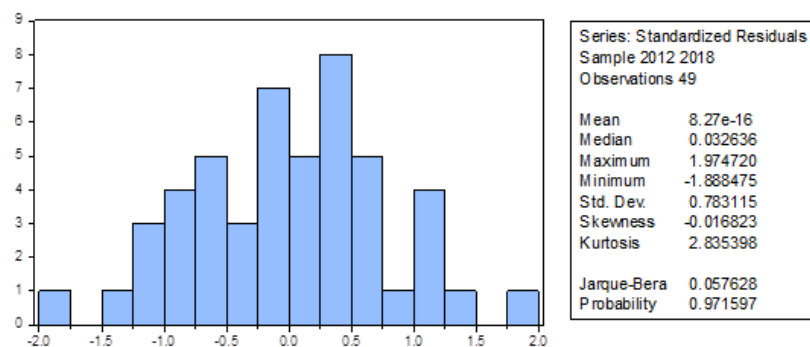


Figure 3. Normality Test with Jarque-Bera Test

Source: Eviews 9 software results

- Multicollinearity test

Symptoms of multicollinearity can be seen from the VIF value. Ghazali (2013) states that if the VIF value is > 10 , this indicates multicollinearity. The multicollinearity test results are presented in the following table:



Table 4. Multicollinearity Test

Variance Inflation Factors
 Date: 03/20/21 Time: 21:38
 Sample: 49
 Included observations: 49

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.349196	16.89921	N.A.
NPF	0.011687	4.136170	1.087229
ASSETGROWTH	0.006965	12.20316	1.184248
FDR	0.069561	3.610342	1.104004

Source: Eviews 9 software results

Based on Table 4, the multicollinearity test results show no multicollinearity symptoms between the independent variables. This conclusion is because the VIF value is not more than 10.

▪ Autocorrelation test

Assumptions regarding independence from residuals (non-autocorrelation) can be tested using the Durbin-Watson test. The statistical value of the Durbin-Watson test ranges between 0 and 4. A statistical value from the Durbin-Watson test that is smaller than one or greater than 3 indicates autocorrelation. According to Table 5 below, the value of the Durbin-Watson statistic is 1.689. Therefore, the Durbin-Watson statistic value lies between 1 and 3, namely $1 < 1.689 < 3$, so the non-autocorrelation assumption is fulfilled. In other words, there was no high autocorrelation symptom at the residuals.

Tabel 5. Autocorrelation Test with the Durbin-Watson Test

Log-likelihood	-67.74618	Hannan-Quinn criter.	2.987008
	13.01121	Durbin-Watson stat	1.689838
	0.000003		

Source: Eviews 9 software results

▪ Heteroscedasticity Test

Nevertheless, to test whether heteroscedasticity occurs or not, the Breusch-Pagan test can be used to prove it. Table 6 below shows the results of heteroscedasticity testing using the Breusch-Pagan test.



Table 6. Heteroscedasticity Test with the Breusch-Pagan Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	4.519673	Prob. F(3,45)	0.0075
Obs*R-squared	11.34568	Prob. Chi-Square(3)	0.0700
Scaled explained SS	10.41898	Prob. Chi-Square(3)	0.0853

Source: Eviews 9 software results

Based on the Breusch-Pagan test results in Table 4.4, it is known that the value of Prob on the Obs * R-squared line $0.070 > 0.05$, which means there is no heteroscedasticity.

Furthermore, the Chow test is carried out to decide whether the model used is Common Effect or Fixed Effect, with the decision criteria, namely if the cross-section Prob score is $F > 0.05$, then the Common Effect model will be used. However, if the Cross-Section F Prob score is < 0.05 , the Fixed Effect Model will be used. Table 7 presents the results of the chow test as follows:

Table 7. Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.284083	(6,39)	0.2871
Cross-section Chi-square	8.833665	6	0.1832

Source: Eviews 9 software results

Based on the chow test results in Table 7, the Cross-Section F prob score is $0.183 > 0.05$, so the Common Effect model will be used.

Hypothesis testing is done through simultaneous influence testing (F-test), partial effect testing (t-test), and determination coefficient analysis. The statistical values of the coefficient of determination, F-test, and t-test are presented in Table 8.



Table 8. Statistical values of the coefficient of determination, F-test, and t-test

Dependent Variable: IPR
Method: Panel Least Squares
Date: 03/20/21 Time: 21:55
Sample: 2012 2018
Periods included: 7
Cross-sections included: 7
Total panel (balanced) observations: 49

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.977655	0.388241	5.093891	0.0000
NPF	-0.250664	0.086476	-2.898647	0.0058
ASSETGROWTH	0.209006	0.076978	2.715128	0.0594
FDR_ASSETGROWTH	0.232434	0.040750	5.703858	0.0000
R-squared	0.654028	Mean dependent var		3.663878
Adjusted R-squared	0.630963	S.D. dependent var		1.331390
S.E. of regression	0.808798	Akaike info criterion		2.491573
Sum squared resid	29.43695	Schwarz criterion		2.646007
Log-likelihood	-57.04353	Hannan-Quinn criter.		2.550165
F-statistic	28.35610	Durbin-Watson stat		2.133997
Prob(F-statistic)	0.000000			

Source: Eviews 9 software results

The F-test aims to test the effect of the independent variables together or simultaneously on the dependent variable. Based on Table 8, it is known that the Prob value. (F-statistics), which is $0.000000 < 0.05$, it can be concluded that all independent variables, namely the quality of financing (NPF), asset growth, which is moderated by the simultaneous variable distribution of financing (FDR), have a significant effect on the Islamic Performance Ratio variable. Based on Table 8, the multiple linear regression equation is obtained as follows:

$$Y = 1.977 - 0.250X_1 + 0.209X_2 + 0.232 X_3 + e$$

Furthermore, when analyzed from each variable, the quality of financing (NPF) has a negative and significant effect on the Islamic Performance Ratio (IPR) because the Prob value is < 0.05 . The asset growth variable has an insignificant effect on IPR with a Prob value > 0.05 . However, the asset growth variable, moderated by the distribution of financing (FDR), positive and significant affects the IPR due to the Prob < 0.05 .

Following these statistical results, it is known that the quality of financing has an essential role in maintaining the income of Islamic banks. Therefore, every



increase in non-performing financing will impact the decline in Islamic banks' performance (IPR). This study's results can be likened to the effect of financing quality (NPL) on profitability in conventional banks, represented by the indicator return on assets (ROA). Some of the previous studies stated that the quality of financing had a significant impact on the performance decline in conventional banks and Islamic banks, including Dewi et al. (2015), Indah & Arief (2016), Pravasanti (2018). Low quality of non-performing financing will increase the risk and high costs incurred for write-offs. Besides, there is a fee to collect the bad debt. The increase in these costs will have an impact on reducing the income of Islamic banks. The decline in income will have implications for the decline in Islamic banks' performance (Nugroho et al., 2017).

Asset growth does not have a significant effect on the performance of Islamic banks (IPR). The reason is that there is a potential for asset growth that has not been supported by the main business activity in the form of distribution of financing that can generate income but comes from increased liabilities in the form of third-party funds (Greenbaum & Thakor, 1987; Khan et al., 2017). If the source of these assets' growth comes from funds and Islamic banks cannot channel these funds optimally to the public. Therefore, assets' growth cannot generate income optimally and must bear the cost of funds from customer savings. These conditions' impact on Islamic banks' performance can decline (DeYoung & Rice, 2004).

Furthermore, if asset growth is supported by the distribution of financing (FDR), then the impact of IPR will be significant. Therefore, based on this study's statistical processing results, the FDR variable strengthens the relationship between the asset growth variable and the IPR. Distribution of financing is the main business activity for Islamic banks because it provides margin income and profit-sharing income following the financing contracts with Islamic bank customers (Izhar & Asutay, 2007). Apart from financing, there is another income source for Islamic banks, namely fee-based income (Hardianto & Wulandari, 2016). However, the portion of fee-based income in banks is still smaller than that of lending. The portion of the fee-based income from total banking income does not, on average, exceed 40%. Sources of fee-based income in Islamic banks can be divided into two categories: disbursement of financing in administrative fees and, second, non-disbursement of financing. Fee income base that comes from non-disbursement financing activities



includes (i) Remittance Fee; (ii) ATM Fee; (iii) Treasury Fee; (iv) Trade Product Fee; (v) Cash Management Fee.

Additionally, referring to the results of this study, Islamic banks must maintain their financing quality. If the Islamic bank cannot carry out a proper financial feasibility analysis to approve the financing, then there is a potential for financing to customers that can be problematic later (Muniarty et al., 2020; Zhu et al., 2019). As banks that carry out their business activities based on sharia principles, Islamic banks must educate their customers regarding the Islamic religion's teachings. Thus, customers are aware that being a customer of a sharia bank must understand the teachings of the Islamic religion to not act for personal gain that can harm other sharia bank customers (Kashif et al., 2016; Mahliza et al., 2020). Based on this study's results, Islamic banks' income still depends on loans extended to the community. Therefore, the loan quality should be the concern of Islamic bank management to manage it properly.

Also, Islamic banks must be able to optimize fee-based income through technology-based products and services. Quality technology-based products and services can increase fee-based income. The advantage of fee-based income opinion is that the income is obtained from a risk-free activity (Stiroh, 2004). Thus, Islamic banks must implement digital banking to anticipate the challenges and needs of facing the VUCA era (Vulnerability, Uncertainty, Complexity, and Ambiguity) and the Industrial Revolution's challenges 4.0.

CONCLUSION

Islamic banks are a financial solution for society's welfare through their function as a financial institution that mobilizes public funds in a country. Therefore, Islamic banks' performance indicators are essential to provide confidence and trust to the public as Islamic banks' business partners. Islamic Performance Ratio (IPR) is an indicator that can represent the performance of Islamic banks. The higher the IPR, the better the performance of Islamic banks. Based on this study's results, the quality of financing (NPF) has a negative and significant effect on IPR.

Meanwhile, asset growth has an insignificant effect on the IPR. However, the distribution of financing (FDR) is a moderating variable that strengthens asset growth on IPR to be positive and significant. Therefore, Islamic banks must focus on running the core business by distributing funds (financing) to the



customer and maintaining its quality to generate optimal profits. Optimal profit from Islamic banks will have an impact on increasing the IPR of these Islamic banks. However, Islamic banks must increase their fee base income through innovative digital-based products and services to face market needs and desires in the era of industrial revolution 4.0. The theoretical implication of this research shows that Islamic banks' performance is shown from the growth of assets but must be supported by other variables such as the quality of financing (NPF) and must also be accompanied by good financing disbursement capability (FDR). In addition, the managerial implication of this research is that the measurement of indicators for Islamic banks should be equipped with performance indicators that follow the operating principles of Islamic banks, such as the Islamic Performance Ratio (IPR).

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ECONOMIC THOUGHT OF AL-MAWARDI: ANALYSIS OF EDUCATOR SALARY POSITION

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ABSTRACT – Al-Mawardi is one of the great thinkers of Islam in the Middle Ages. He believes that to achieve prosperity in a country, the human mind has an integral role in improving people's welfare and carrying out economic and religious activities. Every government endeavor is expected to align toward specific goals and objectives, particularly in financing education. It is the state that governs the educators' rights and also ensures that educators carry out their teaching obligations. Educators must prioritize student learning and achievement goals. This paper discusses al-Mawardi's economic thinking and focuses on the role of educator's salary. This paper aims to encourage educators that teaching is not just only a job but also has ramifications in the afterlife. Research for this article used a blend of qualitative interviews, as well as contemporary literature review. The data is presented in a narrative-descriptive manner and was analyzed using the Miles and Huberman data reduction method. The results show that, according to al-Mawardi, the state must provide substantial support for education which includes: the provision of adequate educational facilities and a commensurate salary for educators—even utilizing natural resources or other creative methods to pay educators' salaries.

Keywords: Al-Mawardi, Economic Thought, Educator Salaries

ABSTRAK – *Pemikiran Ekonomi Al-Mawardi: Analisis terhadap Gaji Pendidik.* Al-Mawardi merupakan salah satu pemikir besar Islam yang hidup di abad pertengahan. Dia melihat agar tercapainya kesejahteraan dalam suatu negara, akal manusia memiliki peran yang urgen sehingga dapat meningkatkan kesejahteraan masyarakat, menjalankan kegiatan ekonomi dan agama. Setiap implementasi yang dilakukan pemerintah diharapkan sesuai dengan sasaran dan tujuan. Khusus dalam pembiayaan pendidikan, bukan hanya negara yang harus memberikan hak pendidik, tetapi pendidik juga harus menjalankan kewajiban sebagai pengajar. Bukan hanya agar kewajibannya terlaksana, namun pendidik harus mengutamakan apakah murid mendapatkan ilmu atau tidak. Tulisan ini membahas mengenai pemikiran ekonomi al-Mawardi yang difokuskan kepada kedudukan gaji yang diterima pendidik. Tulisan ini bertujuan untuk memberikan pemahaman kepada pendidik, bahwa mengajarkan suatu ilmu bukan hanya untuk mendapatkan kehidupan dunia, namun juga dapat bermanfaat dan berguna di akhirat. Artikel ini menggunakan penelitian yang menggunakan pendekatan kualitatif. Artikel ini bersifat penelitian pustaka. Data disajikan dengan naratif-deskriptif dan dianalisis dengan metode analisis data yang diperkenalkan Miles dan Huberman yaitu reduksi data, penyajian data, dan penarikan kesimpulan. Hasil penelitian menunjukkan, menurut al-Mawardi, negara harus memberikan dukungan yang sangat besar terhadap pendidikan. Dukungan yang besar tersebut tercermin dalam bentuk penyediaan sarana pendidikan yang memadai dan gaji yang layak untuk pendidik. Negara harus selalu siap menyediakan gaji untuk pendidik. Bahkan dalam pandangan al-Mawardi, negara harus memanfaatkan potensi sumber daya alam yang ada untuk membayar gaji pendidik.

Kata Kunci: Al-Mawardi, Pemikiran Ekonomi, Gaji Pendidik

INTRODUCTION

History is one of the natural laboratories of life because it provides a portrait of human life in the past. Every era has a generation, and every generation has an era. Whatever humans have done in the past will affect humans who live in the future. This fact could be a good thing that will later develop into something useful. It could also become something negative that serves as a lesson not repeated (Tilopa, 2017, p. 154). Conventional economic systems (Capitalism and Socialism) have failed to provide social welfare and community justice. However, Islamic systems provide equality and justice in every aspect of society. All aspects of human life, both world's life and the hereafter, have been regulated in Islam. The failure of the conventional systems provides an opportunity for an Islamic economic system to replace the two economic systems (Nurrohman & Nurhaeti, 2019, p. 226).

When viewed in Islamic history, Islamic economic thought cannot be separated from the development of Islam itself. Likewise, with the beginning of the emergence of Islamic economics, which began when the Prophet s.a.w., issued policies regarding various matters related to *muamalah*. The issue of *muamalah* is the Prophet's concern because the economy is a buffer or something that can affect a person's faith. Likewise, with the *Khulafaur Rashidin* who had much *ijtihad* regarding economic problems that continued to develop and did not occur when the Prophet was still alive (Amri, 2016, p. 9).

The development of the Islamic economy after the Prophet Muhammad and *Khulafaur Rasyidin*, if divided, can be grouped into three periods, among others: first, the Islamic economy in the early Islamic period until 1058 AD (Sutopo, 2013, p. 50); second, Islamic economics in the second period from 1058 to 1446 AD; and third, Islamic economics in the third period from 1446 to 1931 AD (Amri, 2016, p. 9). Lots of works on Islamic economics were born in the first period, some of them: *al-Dwawin min Kitab al-Khajar wa Sina atal-Kitabah* by Quddamah bin Ja'far, *Kitab al-Kharaj* by Abu Yusuf (Yulianti, 2010, p. 4), *Kitab al-Kharaj* by Yahya bin Adam, *Kitab al-Amwal* by Abu 'Ubaid bin Sallam, and *al-Ahkam al-Sultaniyyah* by al-Mawardi (Hakim, 2016, p. 152).

One of the early Islamic economic thinkers was al-Mawardi. He is one of the great thinkers of Islam. He views Islam as a perfect (comprehensive) religion that contains various principles or regulations relating to all aspects of human



life, such as morals, politics, social, ethics, and economics (Sudirwan, 2020, p. 3). In creating political stability in a country, al-Mawardi emphasized that every individual, society, and government must have good character. Al-Mawardi also saw the state as having a significant role in guarding each individual, society, and the government itself in meeting material and spiritual needs in achieving growth and realizing economic resilience (Al-Mawardi, 1978).

According to al-Mawardi, the source of strength in the state is human reason. Humans who live in this world must conceptualize the afterlife as real life. Additionally, humans should not forget about earthly life because the world is a place of charity. Al-Mawardi believes that to achieve prosperity in a country, the human mind has an integral role in improving people's welfare and carrying out economic and religious activities (Stianto & Syamsuri, 2019, p. 191; Al-Mawardi, 1987).

Government funding is usually derived from taxes collected from the public. Muslims must be aware that some government levies on society, such as taxes, zakat, and the like, will essentially return to the community itself. In this case, the income generated from taxes and zakat is used to finance public education, state security, public health, infrastructure, etc. It is reasonable for the public to bear all government costs because the funds collected are used for public interests, and the community is the direct beneficiary (Kazwaini, 2017, pp. 83–84).

Every government program is expected to align with specific goals and objectives, particularly in educational financing. The state provides rights to educators, but educators must also carry out their obligations to their students. The educator must educate every student that is mandated to him. In holding the mandate, educators must be sincere in carrying it out. Not only to fulfill their obligations but also to ensure students gain knowledge and life skills. Teaching can become an eternal reward that brings blessings in this life and in the life to come.

This paper discusses al-Mawardi's economic thinking, which is focused on the salary received by educators. On the one hand, the salary received by educators is an obligation, but on the other hand, educators must also carry out their educational duties. This paper focuses on educators who routinely do not fulfill their teaching duties while still receiving their salary. This paper also aims to



provide an understanding to educators that teaching is not just an occupation but also an investment towards eternity.

LITERATURE REVIEW

This literature review covered contemporary Muslim economists and the educational ideology of al-Mawardi. According to al-Mawardi, society as an economic actor in conducting business activities must be guided by religious ethics (*adab al-din*) and world ethics (*adab al-dunya*) (Jaelani 2016; Kamri, Ramlan, & Ibrahim, 2014). This condition applies to all muamalah activities. Al-Mawardi stated that a teacher guiding their students must have an attitude of *tawadhu'*, not being greedy for wealth, but far from being arrogant, sincere, and must work hard to achieve glory in the sight of Allah s.w.t. (Nudin 2017). Similar research was also carried out by Ridwan (2017) that found that al-Mawardi's educational thinking concentrated on the character of an educator. He must have good qualities such as not being greedy for wealth, possess sincerity, and *tawadhu'*. Educators must also have a confirming background and mastery of the knowledge they want to teach to their students.

Hakim (2016) conducted a comparative study between the economic thinking of Yahya bin Adam and al-Mawardi about *kharaj*. This research is unique in its emphasis on al-Mawardi's economic and educational thinking. This study is an interdisciplinary study that combines economic and educational ideology. The results of this study could be valuable and relevant to our present topic. Al-Mawardi's ideas about education and economy are complex and intertwined, thus resulting in a very comprehensive thought.

RESEARCH METHOD

This research used qualitative methods and a formal literature review to be qualified as library research. The data for this study was obtained from relevant books, journals, and other academic materials and supporting documents. After the materials were collected, they were read and analyzed to obtain the research data. The data were then grouped and compiled according to the research questions. This data is presented in a narrative-descriptive manner using the data analysis method introduced by Miles and Huberman, namely data reduction, data presentation, and conclusion drawing (Miles & Huberman, 1984, pp. 21–24).



RESULT AND DISCUSSION

Biography of Al-Mawardi

Al-Mawardi has a full name, namely Abu al-Hasan Ali bin Muhammad bin Habib al-Mawardi al-Bashri (Nudin, 2017, p. 38; Syam, 2017, p. 486). He was born in Basrah in 364 H/ 975 AD and died in 450 H/ 1058 AD in Baghdad (Amin, 2016, p. 121; Marlow, 2007, p. 181). Some mention and add the name al-Mawardi with al-Baghdady behind him because he died in Baghdad. His quality of religious insight and high moral integrity made al-Mawardi a respected and distinguished figure in contemporary society (Sukardi, 2017, p. 177). Al-Mawardi was a jurist, political thinker, and hadith expert. In the 10th century, al-Mawardi was a prominent figure of the Shafi'i School. Besides, he was also a high-ranking official in the Abbasid dynasty (Syam, 2017, p. 486).

In undergoing the educational process, al-Mawardi initially studied at Basrah. Because at that time, Basrah was one of the centers of Islamic science and education. Al-Mawardi was not satisfied there because he still felt he lacked knowledge. He had wandered to several different regions but found himself in Baghdad, continuing his studies at the University of al-Za'farani. After graduating, he continued to live and teach at that university. He also wrote many books spanning various academic fields (El-Ashker & Wilson, 2006, p. 233).

Al-Mawardi's Works

Al-Mawardi learned from many teachers, studied law from Abu al-Qasim 'Abdul Wahid al-Saimari; studied literature and grammar from 'Abdullah al-Bafi and Shaykh Abdul Hamid al-Isfarayini. It did not take a long time for al-Mawardi to master various religious sciences such as jurisprudence, hadith, philosophy, politics, grammar, ethics, and Arabic literature. He frequently moved from one teacher to another to acquire more knowledge; he was never satisfied. Al-Mawardi has one monumental work, *al-Ahkam al-Sulthaniyyah*, which discusses politics, economics, and education (Diana, 2017, p. 16). Apart from that he also wrote other books such as *Qawanin al-Wizarah wa Siyasat al-Mulk* (1978), *Adab al-Wazir*, *al-Hawy al-Kabir*, *Tashil al-Nazhar wa-Ta'jil al-Zhafar fi Akhlaq al-Malik wa-Siyasah al-Mulk* (1987), *Adab al-Dunya wa al-Din*, *al-Nukat wa al-'Uyum fi Tafsir al-Mawardi* (2006), dan *al-Rutbah fi Talab al-Hisbah* (2002).



Al-Mawardi's Life Journey

During his lifetime, al-Mawardi developed a perspective of Islam from three distinct regions that were hostile towards the other. In Andalusia, there were the Umayyads, in Egypt, controlled by Fathimiyah, and Khurasan became the Abbasids' territory where al-Mawardi lived. At that time, the Abbasid dynasty entered the third and fourth period, along with the political order of the Abbasid dynasty, which experienced a sharp decline because of the dominant power of the Sunni Seljuk dynasty and the Shia Buwaihi dynasty. The Abbasid dynasty struggled through multiple government crises, such as fraud in the state administration, nepotism, corruption, and graft. The decline of the Abbasid dynasty was not only due to external pressures but also because of from within. For example, the caliphs lived a life of leisure, drank liquor, liked singing, dancing, and various otherworldly pleasures. Al-Mas'udi writes a statement that the caliphs were protected by Allah alone, and ma'shum should avoid that type of revelry: singing, drinking alcohol, and elicit relationships (Muttaqin & Nurrohman, 2020, p. 5).

Al-Mawardi's Economic Thought

State and Economic Activity

Al-Mawardi's position towards the State's role is to supervise public spending in infrastructure and development standards. Al-Mawardi emphatically believed that imamah (religious-political leadership) implementation is necessary for maintaining society. Thus, spiritual and material goals can increase growth and maintain economic stability, which will be of benefit to all society. Furthermore, he maintained that to realize economic development and general welfare, the state must provide the necessary infrastructure. He emphasized that if life in the city is not possible due to the unavailability of clean water sources or damaged city walls, the state should repair it, and if the state does not have funds, then the state must try to get it. The state may use the funds from the *baitul mal* or may impose taxes on persons with sufficient wealth (Firmansyah, 2018, p. 115).

Furthermore, Al-Mawardi also discussed political ethics to create social welfare. In creating balance and social integrity, al-Mawardi emphasizes the morals possessed by each individual to achieve and realize happiness in this world and the afterlife (Jaelani, 2016b, p. 1). In addressing the economy's welfare and equal distribution to all people, the state (ruler) has a significant



duty and responsibility. The government controls the resources of state income, such as *zakat*, *kharaj*, *ghanimah*, *usyr*, and *jizyah*, must be able to carry out its responsibility to support the needs of the people. However, if there is still a deficit in the state budget, the state is allowed to impose new taxes or make loans to the public. In this case, al-Mawardi said that the public must submit to the government if it properly performs its duties. This obligation applies to both just and unjust rulers (Amri, 2016, p. 12).

Tax

Al-Mawardi also paid attention to tax issues. Taxes were a trending topic at that time. Al-Mawardi explained that *kharaj* is a levy that must be paid for land captured and taken from infidels, which then required those infidels to cultivate it (Al-Mawardi, 1989). Al-Mawardi agreed that the *kharaj* issued by the community varies according to the land's capabilities and conditions, such as the type of plants, soil fertility, and irrigation systems. Al-Mawardi suggested in determining *kharaj*, using one of the methods that had been applied in Islamic history, among others: 1) *Misahah*, namely the determination of *kharaj* in terms of the size of land owned by the community; 2) *Kharaj* based on the size/plot of land planted with plants only; 3) *Musaqah*, namely the method of determining *kharaj* as seen from the amount of production (Firmansyah, 2018, p. 116). Al-Mawardi is an expert on Islamic economics; he explained in Islam, taxes are divided into several types, namely:

- 1) *Zakat*, namely property tax which is determined and required directly by Allah s.w.t. Al-Mawardi agrees that all zakat ought to be received by the state and must be spent on those entitled to receive it (Islahi, 1998, p. 233);
- 2) *Jizyah*, which is a tax imposed on non-Muslims who live in an Islamic state under the rules and regulations of the Islamic government, or other languages, is called *kafir zimmi*;
- 3) *Al-Kharaj*, namely the land tax, applies to land that the Muslims acquired through warfare, which the infidel owner cultivates. The owner pays land and building taxes to the Islamic government as a reward. This form is what is meant by "conquest based on peace," where the landowner is allowed to live and work on his land as long as he pays the taxes set by the government, but will be exempt from taxes when he converts to Islam (Sadr, 2016, p. 99);
- 4) *Usyr*, namely customs (export or import tax) or trade tax;



- 5) Machete booty tax; and
- 6) Mining products tax (Kazwaini, 2017, pp. 84–85).

Baitul mal

Al-Mawardi believed that the state needed a permanent financial institution (*baitul mal*) to manage state expenditures for the needs of people living in the country. Furthermore, al-Mawardi saw *baitul mal* as responsible for meeting public needs. Through *baitul mal*, each state's income is regulated and spent according to the pre-determined allocation (Firmansyah, 2018, p. 116).

Al-Mawardi also agrees with utilizing public loans. According to him, there are distinct differences between financing interests, financing state orders, and financing the general welfare of the community. Therefore, public loans for investment and trade, namely for goods and services that the state has contracted, are foundational. There ought to be state oversight and debt repayments at a fixed remuneration, such as the cost of weapons, salaries of soldiers, the salaries of educators, or scholars who teach the community. Military spending on salaries must remain, regardless of whether there are funds or not. If there are no funds in state financial institutions, the state must take a loan to the public to fulfill state debt obligations (Amri, 2016, p. 114). Al-Mawardi distinguishes the State's responsibility towards the *baitul mal* as a financial institution. The responsibility for the assets stored in the *baitul mal* is mandated, which will later be distributed to those responsible for the assets obtained from tax revenue (Firmansyah, 2018, p. 116).

Fiscal policy

Fiscal policy is typically implemented through the State Budget (APBN). It also sets the agenda for macroeconomic policy. In the Islamic economic system, fiscal policy has an important role compared to monetary policy (Ibrahim, 2011). This condition is reflected in the obligation to pay zakat and the prohibition of practicing usury. In the Islamic concept of economics, fiscal policy aims to realize the welfare of all society by balancing spiritual and material values equally based on the distribution of wealth (Zulkadri, 2018). Transparency in reporting state revenues and expenditures is extremely important. An example of this can be seen in the Table 1.



Table 1. Al-Mawardi Fiscal Policy

No.	Income	Spending
1.	Unauthorized Income a. Zakat b. <i>Ghanimah</i> c. <i>Fay'</i>	As a mandate for particular purposes that the Sharia has established
2.	Official Income a. <i>Jizyah</i> b. <i>Kharaj</i> c. <i>'Usyr</i> (Customs) d. Natural wealth e. Other income such as grants, waqf, illegal assets, inheritance without heirs	a. Routine expenses Such as salaries for soldiers, teachers, priests, and defense costs. b. Expenditures for the benefit and development
3	Debt	Cover the budget deficit on routine expenditures
4	Tax	Cover the budget deficit at development costs

Source: (Zulkadri, 2018, pp. 235–236)

Position of Educator Salaries According to Al-Mawardi

Most of al-Mawardi's thoughts about education are concentrated on the ethics of teachers and students in the teaching and learning process. Teachers are at the forefront of the education sector. The technique of a teacher and the teacher's mastery of the material will positively affect the success of education. There are democratic principles that govern the learning dynamic between teachers and students.

A teacher must also like his job as an educator. If a teacher excels in their work, the community will show appreciation with respect and complements. Al-Mawardi says that a teacher has the most important job because he wants to serve Allah s.w.t. with all their knowledge. Furthermore, al-Mawardi said that with the morals possessed by a person, it would become an act that makes Allah pleased with him and opens the way for rewards for a teacher for educating and teaching knowledge to his students. However, a teacher will not get the reward and pleasure of Allah when the task he performs is intended to become earthly or worldly life (Ridwan, 2017, p. 283).

Al-Mawardi said that a teacher must be sincere and *tawadhu'* (Al-Mawardi, 1995, p. 8; Ridwan, 2017, p. 282). Teachers can have various motivations which compel them toward this work, such as meeting parents' expectations, receiving encouragement from friends, gaining respected social status, and even economic motivations.



Al-Mawardi mentioned the duties of the State to include the maintaining of faith, administer justice, protecting life and property, building peace and security, defending territory, managing financial affairs, and supervising public affairs so that a country may prosper (Islahi, 2014, p. 47). However, this goal cannot be achieved without harmonizing people's lives, especially economically. This duty requires leadership, namely a leader who acts as a substitute and successor to the prophetic function in maintaining religious life, regulating social life, and being obeyed by the community (Jaelani, 2016, p. 2).

Historically, the government's focus on scientific advancement during the time of al-Mawardi was quite considerable. The government supported and financed various sectors, such as religious facilities, luxury buildings, health facilities, places for scientific development (research and translation), and educational facilities. In the realm of education, the state provided salaries to scholars and scientists to pass on their knowledge. Additionally, the government provided rewards to scientists and scholars who published significant works and findings on science (Yulianti, 2010, p. 9). Al-Ghazali also argued that public expenditures must be issued and supported by the government in the education sector (Firmansyah, 2018, p. 121). So, debt is not wrong if used to enhance the state's welfare. This condition can be attained by balancing political and economic power to make the community obtain a living wage and provide the community with educational opportunities (Stianto & Syamsuri, 2019, p. 192).

Al-Mawardi strongly criticized educators or teachers who take positions based on economic motivation. Teaching, research, and the pursuit of knowledge are intrinsically valuable. It cannot be quantified monetarily. Al-Mawardi also viewed scientific research as one of the most satisfying endeavors humans experience. Therefore, anyone who desires to teach must have a pure heart and sincere intentions (Al-Mawardi, 1994, p. 4).

That is why in teaching and educating, an educator must expect the pleasure and reward of Allah alone. If the goal is merely financial gain, then the teacher will quickly become disappointed. He/she will complain that their salary from the government is too little. This kind of attitude will not be rewarded by Allah s.w.t. Moreover, the teacher's job performance will worsen. This will create conflict with leadership and other teachers over promotions, time off, benefits, and administrative matters. The teacher will forget their obligation to their pupils resulting in a decline in the value of the education itself (Ridwan, 2017, p. 283). Therefore, if government pays more attention to education, an educator



does not need to worry about salary to be received. Every teacher must be sincere in transferring every knowledge to his students.

Regarding sincerity, al-Mawardi pressed educators not to focus too much on salaries (Al-Mawardi, 1994). Because with sincerity, an educator should cleanse himself from things that are *syubhat*. Therefore, an educator must be satisfied with their achievements and become student-centered. Educators must realize that heavenly reward is far better than worldly gain, and eternal glory outweighs worldly disgrace (Darmono, 2014, p. 10).

To support and finance education, al-Mawardi advocated that the state must manage the natural resources from Allah s.w.t. and return the proceeds to the people in the form of quality education but could also be in the form of subsidies for goods needed by the community. This policy is in line with the basic theory that economic and educational progress should not neglect the regional varieties that exist throughout the country (Zulkadri, 2018, pp. 239–240).

CONCLUSIONS

According to al-Mawardi, the state ought to strongly support education. This generous support is reflected in the provision of adequate educational facilities and a decent salary for educators. Even in al-Mawardi's view, the state has the potential of utilizing existing natural resources to pay educators' salaries. If natural resources do not exist, the state must find alternative methods (taxes or debt financing) to cover educators' salaries. As al-Mawardi describes, education requires that educators be sincere and not focus on the material (salary). Teachers should become student-centered, willing to sacrifice personal gain in order for students to find knowledge, which is only worldly. The guiding value of sincerity in education will receive an eternal reward and gain glory in the sight of Allah s.w.t.

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DO LIQUIDITY AND CAPITAL ADEQUACY RATIO MATTER FOR ISLAMIC BANKS PERFORMANCE IN INDONESIA? AN ANALYSIS USING FINANCING RISK AS MEDIATOR

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ABSTRACT – This study is driven by the inconsistent findings of previous research on assessing the determinants of banks' performance. In addition, financing risk has been indicated as a significant variable in mediating the related research but failed to incorporate in previous research. Therefore, this study aims to assess the role of liquidity and Capital Adequacy Ratio (CAR) on Islamic bank's performance in Indonesia using financing risk as a mediator. Data were collected from 14 samples operating in Indonesia in the period 2013-2019. They were then analyzed using Partial Least Squares – Structural Equation Modelling (PLS-SEM) with Warp PLS 7.0 as a tool of analysis. The results show that variable liquidity (FDR) significantly influences Bank Performance mediated by Financing Risk (NPF). Meanwhile, variable CAR shows no significant influence on Bank Performance even when it was mediated by the Financing Risk variable (NPF). This finding implies that providing short-term financing is more profitable for an Islamic bank than a longer one. This finding is in line with the Commercial Loan Theory, which states that it is better to provide loans in the short term to minimize the possibility of defaults that will impact the bank's performance.

Keywords: Islamic Banking, Commercial Loan Theory, Liquidity, Non-Performing Financing.

ABSTRAK – *Apakah Likuiditas dan Rasio Kecukupan Modal mempengaruhi Kinerja Bank Syariah di Indonesia? Suatu Analisis menggunakan Risiko Pembiayaan sebagai Mediator.* Penelitian ini didorong oleh tidak konsistennya temuan penelitian sebelumnya dalam menilai determinan kinerja bank. Selain itu, risiko pembiayaan telah terindikasi sebagai variabel yang signifikan dalam memediasi pengaruh beberapa variabel penilaian kinerja bank syariah, tetapi tidak diakomodir dalam penelitian-penelitian sebelumnya. Oleh karena itu, penelitian ini bertujuan untuk menilai peran variabel likuiditas dan CAR terhadap kinerja bank syariah di Indonesia dengan menggunakan risiko pembiayaan sebagai mediator. Data penelitian dikumpulkan dari 14 bank syariah yang beroperasi di Indonesia. Analisis data dilakukan dengan menggunakan PLS-SEM dengan WarpPLS 7.0. Hasil penelitian menunjukkan bahwa likuiditas berpengaruh terhadap kinerja bank bank syariah dengan dimediasi oleh risiko pembiayaan (NPF). Sedangkan variabel CAR tidak menunjukkan pengaruh yang signifikan terhadap kinerja bank syariah walaupun dimediasi oleh NPF. Penelitian mempunyai implikasi bahwa memberikan pembiayaan jangka pendek lebih menguntungkan bagi bank syariah dari pada pembiayaan jangka panjang. Hal ini sejalan dengan Commercial Loan Theory yang menyebutkan bahwa memberikan pinjaman dalam jangka pendek lebih menguntungkan karena dapat meminimalisir terjadinya wanprestasi yang berdampak pada peningkatan kinerja bank.

Kata Kunci: Bank Syariah, Teori Commercial Loan, Likuiditas, Risiko Kredit



INTRODUCTION

Liquidity management is the ability of a company to meet its financial obligations, which must be fulfilled immediately. According to Modigliani (1944), liquidity is the ability of a bank to meet the needs of funds (cash flow). The functions of liquidity are: carrying out business transactions, overcoming urgent funding needs, satisfying customer demand for loans, and providing flexibility in seizing investment opportunities. It has four objectives: to maintain the bank's liquidity position so that it is always in the position determined by the monetary authority; to manage liquid assets so that they always meet all cash flow needs, including unexpected needs, such as sudden withdrawals of several demand deposits or time deposits that have not yet matured; to minimize idle funds (idle funds), and to maintain the liquidity position and cash flow projection so that it is always in a safe position. Furthermore, liquidity management is part of a larger financial industry risk management framework related to all financial institutions, both conventional and Sharia. Failure in risk management has dire consequences, including bank collapse and, in turn, instability in the financial system. In many cases, most bank failures were caused by difficulties managing their liquidity problems (Iqbal, 2012).

In the banking industry, liquidity played an essential role in boosting banks' performance. Previous studies revealed a significant correlation between the two variables. Ruziqa and School (2013), for instance, showed that liquidity had a significant effect on a performance component, i.e., return on assets (ROA). In addition, Akinwumi et al. (2017) exposed that liquidity has a significant effect on improving the financial performance of banks in Nigeria. Moreover, Wood and Skinner (2018) disclosed that liquidity and other bank-specific factors, such as capital adequacy and bad credit, have a significant positive effect on bank performance through variable return on assets (ROA) in Barbados. Research targeting an Islamic bank conducted by Djelassi & Boukhatem (2020) also affirmed the influence of liquidity on the bank's performance.

However, previous research found inconsistent findings concerning liquidity as the variable in enhancing the banking's performance. Zaineldeen (2018), for instance, examined the relationship between liquidity and profitability in the Palestinian banking sector that contribute to the development of its financial



sector. He tested the relationship between liquidity and bank performance through the profitability factor from 2010-2016. The result showed a negative relationship between the tested variables. In addition, Akter and Mahmud (2014) explored the relationship between liquidity (represented by current ratio) and profitability (represented by return on assets) in the banking industry in Bangladesh. They concluded no significant relationship between liquidity and profitability in banks of different sectors in Bangladesh. Moreover, Mohanty and Krishnankutty (2018) studied the performance factors responsible for driving the return on assets (ROA) of 46 banks in India using a data panel from 1999-2015. They found that the loan to deposit ratio (liquidity) negatively affects return on assets (performance).

In addition to liquidity, capital ratio is also used commonly in measuring banks' performance. The ratio is usually measured using Capital Adequacy Ratio (CAR). CAR is the ratio of a bank's capital in relation to its risk-weighted assets and current liabilities. It is decided by central banks and bank regulators to prevent commercial banks from taking excess leverage and becoming insolvent in the process. CAR is critical to ensure that banks have enough cushion to absorb a reasonable amount of losses before becoming insolvent. CAR is used by regulators to determine capital adequacy for banks and to run stress tests. Since the 1998 crisis, CAR has become the primary reference in determining bank performance. Starting from 2010, the minimum capital for commercial banks (including the regional development bank - BPD) in Indonesia to be IDR100 billion with a minimum CAR of 8%. CAR shows how far the decline in bank assets can still be covered by the available bank' equity (Taswan, 2010; Mailinda, Ibrahim, & Zainul, 2018; Muarif, Ibrahim, & Amri, 2021). The higher the CAR, the more capital the bank has to cover the decline in assets. With the inability to provide such a minimum percentage, the bank will potentially face the credit risk or Islamic banking known as financing risk.

Credit risk is a risk that promises cash flows from loan income and other securities owned by financial institutions that may not be fully repaid. Credit risk dominates in the composition of the capital adequacy ratio, where 70% of capital is allocated for financing risk and 30% for market risk and operational risk. Thus, credit risk is the leading cause of bank failure and the most visible risk to bank managers (Garr, 2013). This study tries to connect the application of liquidity and capital adequacy ratio (CAR) to bank performance through other variables, which are considered to be the basis for overcoming the gap in liquidity effect on bank performance. The variable proposed to mediate or



mediate between the variable liquidity and bank performance is the financing risk, a term similar to credit risk in the conventional banking system.

LITERATURE REVIEW

Liquidity Management Theories

Liquidity management theories are a set of theories relating to the banking management system, particularly funds and its sources of funds, to maintain a liquidity position and meet all liquidity needs in the bank's daily operations. According to Slovin and Suskha (1983) and Modigliani (2008), several theories of liquidity management are known in the banking world. The following sections will discuss such theories:

Commercial loan theory

This theory assumes that banks are only allowed to provide loans with short-term commercial papers that can be disbursed themselves (self-liquidating). This theory is also known as the productive theory of credit, often called the real bills doctrine introduced in the 18th century. This theory was quite dominant until the 1920s. In principle, this theory focuses on the asset side of the bank's balance sheet in meeting the bank's liquidity needs. According to this theory, bank liquidity can be guaranteed if the bank's productive assets consisting of short-term credit are disbursed in business activities running normally. Moreover, if the bank concerned will provide more extended credit, the data source should be taken from bank capital and long-term sources of funds.

Shiftability Theory

This theory assumes that a bank's liquidity depends on its ability to transfer its assets to other people at predictable prices. In the 1920s, banks developed liquidity theory to react to the many weaknesses in the commercial loan theory, namely the doctrine of asset shiftability. According to this theory, banks can immediately meet their liquidity needs by providing shiftable loans or call loans, which must be paid with one or several days' notice with securities as collateral. Therefore, if a bank needs liquidity at any one time, this need can be met by invoicing the borrower or debtor.



Anticipated Income Theory

It is also called the theory of expected income. According to this theory, it is correct for a bank to provide long-term loans and non-commercial loans. In the 1930s and 1940s, banks developed a new theory called the anticipated income theory. This theory states that banks should be able to provide long-term credit where repayment, namely principal loan installments plus interest, can be expected and scheduled for future payments according to a predetermined time period.

Liability Management Theory

This theory sees the structure of bank assets as having a prominent role in providing liquidity for banks. This theory also goes beyond the one-dimensional approach and states that banks can also use their assets for liquidity purposes.

Financing Risk

Financing risk appears when a financial institution is expecting a payment that has been contractually agreed between the institution and the counterparty and the obligors are unable – or in other words defaults – to fulfill their obligations. Financing risk also initiated when there is a change or underestimation in the rating of the counterparty. Islamic financial products are exposed to financing risk because of the emphasis on lending in the *Murabaha*, leasing in the *Ijarah*, promising to deliver or to buy in *Istisna* and *Salam*, and investing in business performance in the *Musharakah* and *Mudarabah* contracts. Financial problems related to either the individual counterparties (i.e., health problems) or to more general economic situations (i.e., market recession) may be some of the reasons for the obligors to default (Akkizidis et al., 2008).

Capital Adequacy Ratio

According to Bank Indonesia, each bank provides a minimum capital of 8% of risk-weighted assets proxied by CAR (Capital Adequacy Ratio). With this capital, it will also affect the amount of credit extended. In addition, the amount of non-performing loans or NPF (Non-Performing Financing) affects lending. NPF reflects financing risk; the higher the NPF level, the greater the bank's risk. The level of return on assets (ROA) can also affect lending (Shehu, 2016).



Islamic Banking Performance

Performance is an important thing that must be achieved by every company anywhere because performance is a reflection of the company's ability to manage and allocate its resources. In Indonesia, the financial performance measurement of Islamic banks is regulated by Bank Indonesia through its Regulation No. 9/1/PBI/2007. Bank' performance is essential for all stakeholders as they share different interests. It is a clue for them to measure how well the banks' management has performed in ensuring the company has been running well.

The profit or financial performance became one of the many indicators of performance. Most profit-oriented organizations used the reasonable goal approach—particularly financial performance—to measure the companies' performance. Within this context, the accounting-based assessments and market-based measures were considered appropriate. Profitability is the accounting-based measurement most often used, while stock market returns are broadly accepted as the market-based measurement (Glunk and Wilderom in Ibrahim, 2015).

Bank's performance is usually measured through many determinants: capital, asset quality, management, profitability, liquidity, and sensitivity to market risk. In addition, it is also influenced by other factors, such as the condition of the banking industry and the national economy. In Indonesia, measurement of performance is regulated in PBI number 13/1/PBI/2011 article 2 that stated that banks operating in Indonesia are required to assess their performances using a method called RGEC (risk-profile, Good Corporate Governance, Earning, and Rentability). The method replaced the old so-called CAMELS method (Capital, Asset, Management, Earning, and Sensitivity).

Hypothesis Development

The variable performance in this study is assessed through Return on Assets (ROA). Return on assets (ROA) indicates how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea of how efficient a company's management is at using its assets to generate earnings (Idowu et al., 2002). Return on Assets (ROA) is a type of return on investment (ROI) metric that measures the profitability of a business concerning its total assets. This ratio indicates how well a company performs by comparing the



profit (net income) it generates to the capital invested in assets. The higher the return, the more productive and efficient management is in utilizing economic resources.

The liquidity variable is measured by the Financing to Deposit Ratio (FDR). The FDR is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. The FDR is expressed as a percentage. If the ratio is too high, the bank may not have enough liquidity to cover unforeseen fund requirements. Conversely, if the ratio is too low, the bank may not be earning as much as it could be. Numerous studies have found the significant positive impact of liquidity on variables of bank performances. Njuguna and Tabhita (2015), for instance, found that company liquidity is the primary determinant of company financial performance (profitability). Similar results have been found by Musiega, Olwney, Mukanzi, and Mutna, 2017; and Suyanto (2021).

Several studies have found that the capital adequacy ratio (CAR) has a significant but negative effect on bank performance. A study by Ismaulina and Zulfadhli (2017), for instance, found that CAR has a negative but significant effect on a bank's performance variable, the ROA. A similar finding was also revealed by Hersugondo, Anjani, and Pamungkas (2021) and Juwita, Raga, Prasetyo, and Rimawan (2018).

There is limited empirical research that examines the factors that influence financing risk. Bank risk is closely related to economic conditions and business turnover. When economic conditions experience a downturn/sluggishness, problem loans will also increase in number. When the economy is booming (booming economics), it will increase the volume of cash held by businesses or households. Consequently, it will increase people's purchasing power so that repaying loans increases, reducing financing risk. Thus, Financing Risk can mediate the effect of liquidity on bank performance.

The liquidity ratio aims to assess its financial capacity to meet its short-term obligations and financial payment commitments. The higher the liquidity ratio, the better it is for investors. Companies with a high liquidity ratio will attract investors and impact share prices, which tend to rise due to high credit and liquidity risk; therefore, management efficiency affects the bank's performance (Petria et al., 2015).



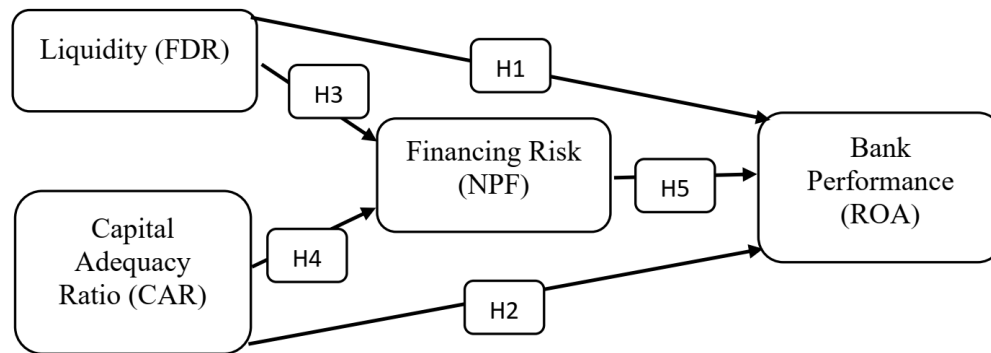


Figure 1. Conceptual Framework

Based on the aforementioned explanation, the following hypotheses are proposed:

H1: Liquidity (FDR) has a significant effect on Bank Performance (ROA)

H2: Capital Adequacy (CAR) has a significant impact on Bank Performance (ROA)

H3: Liquidity (FDR) has a significant effect on Bank performance (ROA) mediated by Financing Risk (NPF)

H4: Capital Adequacy (CAR) has a significant effect on Bank Performance (ROA) mediated by Financing Risk (NPF)

H5: Financing Risk (NPF) has a significant effect on Bank Performance (ROA)

RESEARCH METHOD

The object of this research is Islamic banking companies operating in Indonesia for the period 2013 to 2019. The type of data in this documentary is data in financial reports of Islamic banks in Indonesia for 2013-2019. The data source is secondary data, namely data obtained from other parties; in this case, the data source is the Indonesia Financial Services Authority (*Otoritas Jasa Keuangan – OJK*). The object of this study is all Islamic banks operating in Indonesia for the 2013-2019 period.

Data is analyzed using Partial Least Squares (PLS) - Structural Equation Modeling (SEM) with the WarpPLS 7.0 application. PLS-SEM has several advantages: SEM-PLS works efficiently with small sample sizes and complex models; and the assumption of data distribution in SEM-PLS is relatively loose



compared to other methods such as CB (Covariance-based)-SEM (Sholihin and Ratmono, 2013). Regression Equations are as follow:

$$ROA = \gamma + \beta_1 FDR + \beta_2 CAR + \beta_3 NPF + \varepsilon_1 \dots \dots \dots (1)$$

$$NPF = \gamma + \beta_1 FDR + \beta_2 CAR + \varepsilon_2 \dots \dots \dots (2)$$

RESULT AND DISCUSSION

Research Model Evaluation Analysis

The evaluation analysis of the research model described earlier includes two stages: evaluation of the measurement model and evaluation of the structural model. Model evaluation analysis is using the PLS-SEM method with the application of Warp PLS version 7.0. The algorithm method used in this study for the outer model uses PLS mode A because all constructs in this study use reflective indicators. The inner model uses linear because it is assumed that all relationships between constructs in the model are linear for the resampling method using Stable. Selecting Stable based on the resampling method results in the stability of the estimated path coefficient or produces a smaller P-value than other methods (Sholihin and Ratmono, 2013).

Structural Model Evaluation

The evaluation of the structural model (inner model) aims to predict the relationship between variables by seeing how much variance can be explained and knowing the significant P-value (Latan and Ghazali, 2016). Thus, the structural model's evaluation can answer hypothesis testing in this study, namely hypotheses 1, 2, and 5. As for hypothesis 3 and 4 (the effect of mediation) will be tested through mediation testing in the following analysis. Before evaluating the relationship between constructs, it evaluates the goodness of fit of this research model, which can be seen in the output in Table 1.

Based on Table 1, it can be seen that this research model has a good fit, where the P-value for APC < 0.05, ARS and AAR < 0.1, with an APC value = 0.196, ARS value = 0.103 and AARS value = 0.70. Likewise, the resulting AVIF and AFVIF values are < 3.3, which means no multicollinearity problem exists between indicators and exogenous variables. The resulting GoF is 0.321 > 0.1, which means that the model's fit is very good. For SPR and RSCR, it produces



a value equal to 1 while SSR has a value of $0.8 > 0.7$ which means there is no causality problem in the model (Latan and Ghazali, 2016).

Table 1. The goodness of Fit Model Structural

Criteria	Parameter
Average path coefficient (APC)	0.196/ P<0.03
Average R-squared (ARS)	0.103/ P<0.1
Average adjusted R-squared (AARS)	0.070/ P<0.1
Average block VIF (AVIF)	1.035
Average full collinearity VIF (AFVIF)	1.040
Tenenhaus GoF (GoF)	0.321
Sympson's paradox ratio (SPR)	1.000
R-squared contribution ratio (RSCR)	1
Statistical suppression ratio (SSR)	0,8

Source: Data Processed (2020)

Testing hypotheses 3 and 4 requires a mediation testing method. In this study, the mediation test used the Variance Accounted For (VAF) method. According to Hair et al. (2013), the procedure for testing mediation using the VAF method is as follows:

1. Testing the direct effect of exogenous variables on endogenous without including the mediating variable.
2. If the direct effect above is significant, then test the indirect effect of exogenous variables on endogenous by including the mediating variable.
3. If the indirect effect above is significant, then calculate the value of the VAF and determine the mediation effect with the following criteria:
 - a. $VAF > 80\%$ means that there is full mediation.
 - b. $20\% < VAF < 80\%$ means that there is partial mediation
 - c. $VAF < 20\%$ means no mediating effect in the model.

The VAF is calculated by dividing the indirect effect by the total effect (direct effect plus indirect effect). Based on Table 2, it can be seen that FDR has a significant direct effect with a p-value < 0.006 on ROA, and thus Hypothesis 1 is accepted. Meanwhile, CAR does not significantly directly affect ROA with a p-value of 0.133, so Hypothesis 2 is rejected.



Table 2. The direct effect of the FDR, CAR variables on ROA

Description Path	Path Coefficient	P-value
FDR--> ROA	0.292	0.006
CAR--> ROA	0.181	0.133

Source: Data Processed (2020)

Based on this fact, it can be concluded that NPF can mediate only the FDR variable in indirectly affecting ROA. Thus, from these results, NPF does not mediate the indirect effect of CAR on ROA, so thus it rejects Hypothesis 4. The next step is to calculate the VAF value, which can be presented in Table 3.

Table 3. Calculation of VAF for the effect of FDR on ROA through NPF mediation.

Description	Path Coefficient
Indirect effect	0.035
Direct effect	0.029
Total effect	0.252
VAF (indirect effect/total effect)	0.316

Source: Data Processed (2020)

Based on Table 3, it is obtained that the VAF value is 0.316 or 31.6%. This value can fulfill the requirements of VAF, namely $20\% < VAF < 80\%$, which means that there is partial mediation, thus showing NPF as a partial mediator of the indirect effect of FDR on ROA.

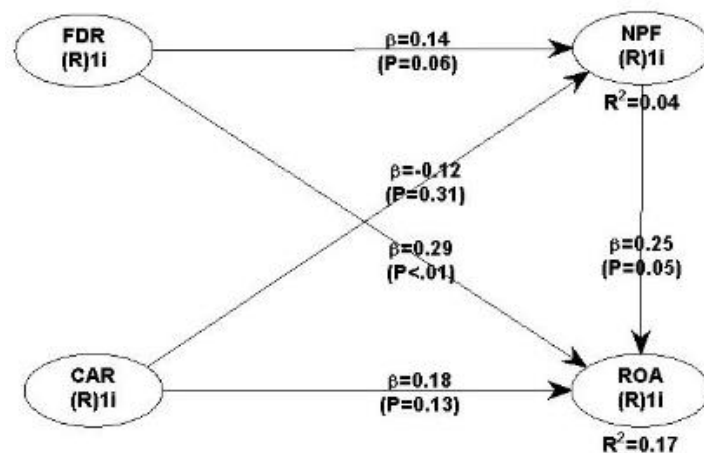


Figure 2. Research Model Based on Results



These results support or accept hypothesis 3, which states that the effect of Liquidity (FDR) on Bank Performance (ROA) is mediated by Financing Risk (NPF). These findings indicate that an increase in bank performance is influenced by liquidity. However, to be more successful and improve bank performance, it is necessary to decide on financing a project to minimize financing risk. In addition, Figure 2 shows that NPF has a coefficient value of 0.25 and a p-value of 0.05 on ROA, which means that financing risk has a significant direct effect on bank performance. Thus, it proposed to accept Hypothesis 5.

Discussion

Based on the research results, the effect of liquidity on bank performance with a coefficient of 0.29 and a P-value of $P < 0.1$, it can be concluded that this hypothesis is accepted. Furthermore, the indirect effect through financing risk on bank performance shows a coefficient value of 0.14 and a p-value of 0.006, which means that credit risk can partially mediate the relationship between liquidity effect on bank performance. This fact is in line with research conducted by Amelia (2015) that found that there was a positive relationship between liquidity and performance. It implies that the company needs to focus on positive liquidity management with company performance. Based on the findings, the relationship between the effect of liquidity on performance and is in line with Commercial loan theory and shiftability theory. The doctrine of anticipated income that banks can carry out the intermediation function are banks that can collect deposits and then distribute them in a balanced form of credit. This finding also shows the role of liquidity, which means that liquidity is increasing, the source of funds owned by the bank is more productive so that the bank's profit can increase.

Furthermore, the effect of capital adequacy on bank performance with a coefficient value of 0.18 and a P-value of 0.13, this hypothesis is rejected. Likewise, as a mediator for the effect of the relationship between capital adequacy and bank performance, financing risk cannot mediate with a coefficient value of -0.12 and a p-value of 0.31, so it can be concluded that capital adequacy cannot be mediated by financing risk. At times of high liquidity caused by high financing, while the funds raised are small, it can cause capital adequacy to decrease. Bank management is responsible for ensuring that



bank capital is always sufficient to support operations and plan bank capital requirements to support business development. (Anshika, 2016).

Henceforth, financing risk as a mediator in this study succeeds in showing that liquidity can be partially mediated on bank performance. Financing risk on bank performance shows a coefficient value of 0.25 and a p-value of 0.05, which means that financing risk significantly affects bank performance. These results support previous studies, such as studies of Wahyudi et al. (2020), Safitri and Kadarningsih (2020), and Safitri and Taolin (2020).

CONCLUSION

This study aims to tests the effect of liquidity and capital adequacy on bank performance empirically through financing risk. Liquidity management theory deals with managing bank funds and sources of funds to maintain a liquidity position and meet all liquidity needs in the bank's daily operations. The study was conducted on Islamic banking companies listed on the IDX, with up to 14 Islamic banking companies, with a time frame of 2013-2019. The results reveal that liquidity has a significant effect on bank performance. The findings have also proven that financing risk is able to mediate the indirect effect of liquidity on bank performance. Ben et al. (2017) explained that liquidity has a positive direction on bank performance. Next, in their research, Elamer et al. (2019) also explained that the quality of a bank can be seen from its operational governance and how liquidity plays a role in it. This means that the Commercial Loan theory proves that bank liquidity, according to this theory, will be guaranteed if the bank's productive assets consisting of short-term credit are disbursed in business activities that are running normally. However, on the other hand, capital adequacy does not significantly affect bank performance and financing risk, which does not mediate the effect of capital adequacy on bank performance. In line with this, it can be explained that capital is the main thing, so lending is one thing that becomes the benchmark for improving bank performance. Similarly, Chen (2017) states that the Capital Adequacy Ratio or CAR of a bank will be influenced by two main factors: the amount of capital owned by the bank and the amount of Risk-Weighted Assets (RWA) managed by the bank.

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