

SHARIA BANK CORPORATE GOVERNANCE BASED ON MAQASHID SHARIA

Syahraini¹, Saparudin Siregar², Sugianto³

^{1,2,3}North Sumatra State Islamic University, Medan

Correspondence Author: Syharaini@gmail.com, Syahraini95@yahoo.com

Abstract

This study aims to determine the effect of Good Corporate Governance as measured by the number of sharia supervisory boards, sharia supervisory board meetings, the number of boards of directors, board of directors meetings, the number of commissioners, board of commissioners meetings on the performance of maqashid sharia. The results of this study indicate that the variable meeting the board of directors has a significant effect on the performance of maqashid sharia. While the variable number of sharia supervisory board, sharia supervisory board meeting, number of board of directors, number of board of commissioners and board of commissioners meeting on maqashid sharia performance.

Keywords: Good Corporate Governance, Sharia Supervisory Board, Maqashid Sharia, Sharia Commercial Bank

1. INTRODUCTION

Syariah banking or Islamic Banking is a system of banking which was developed based on sharia (law) Islam. The effort to establish this system is based on the prohibition in Islam to collect or borrow with interest or what is known as *usury* as well as prohibitions in investment for businesses that are categorized as *haram* (eg. businesses related to the production of *haram* food/beverages, non-Islamic media businesses, etc.), where this cannot be guaranteed by the conventional banking system.

Some of the principles/laws adopted by the Islamic banking system include:

1. Payments on loans with a value different from the loan value with a predetermined value are not allowed.
2. The lender must share the profits and losses as a result of the business results of the institution that borrows funds.
3. Islam does not allow "making money from money". Money is only a medium of exchange and not a commodity because it has no intrinsic value.
4. The element of *Gharar* (uncertainty, speculation) is not allowed. Both parties must know well the results they will get from a transaction.
5. Investments can only be given to businesses that are not forbidden in Islam. Liquor businesses, for example, may not be funded by Islamic banking.

Islamic banking products

Some of the service products provided by sharia-based banks include:

Services for borrowers

1. *Mudharabah*, is an agreement between a capital provider and an entrepreneur. Each profit earned will be divided according to a certain agreed ratio. The risk of loss is fully borne by the Bank except for losses caused by mismanagement, negligence and irregularities on the part of the customer such as fraud, fraud and abuse.
2. *Musyarakah* (Joint Venture), this concept is applied to the partnership or joint venture model. Profits earned will be divided in an agreed ratio while losses will be divided based on the ratio of equity owned by each party. The basic difference with *mudharabah* is that in this concept there is management intervention, while *mudharabah* does not.

3. Murabahah, namely the distribution of funds in the form of buying and selling. The bank will buy the goods needed by the service user and then resell it to the service user at an increased price according to the profit margin set by the bank, and the service user can pay the goods in installments. The amount of the flat installment is according to the contract at the beginning and the amount of the installment of the principal price plus the agreed margin. Example: house price, 500 million, bank margin/bank profit 100 million, then what the borrowing customer pays is 600 million and is paid in installments over the time agreed in advance between the Bank and the Customer.
4. Takaful (Islamic insurance)

Services for depositors

Wadi'ah (custodial service), is a depository service where the depositor can withdraw the funds at any time. With the wadi'ah system, the Bank is not obligated, but allowed, to give bonuses to customers.

Mudhorobah Deposits, customers deposit funds in the Bank within a certain period of time. Profits from investments in customer funds made by the bank will be shared between the bank and the customer with a certain profit-sharing ratio.

2. LITERATURE REVIEW

Islamic banking principles

Sharia principles are the rules of agreements based on Islamic law between banks and other parties for depositing funds and/or financing business activities, or other activities in accordance with sharia. Some of the principles/laws adopted by the Islamic banking system include:

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3. Islam does not allow "making money from money". Money is only a medium of exchange and not a commodity because it has no intrinsic value.
4. The element of Gharar (uncertainty, speculation) is not allowed. Both parties must know well the results they will get from a transaction.
5. Investments can only be given to businesses that are not forbidden in Islam. Liquor businesses, for example, may not be funded by Islamic banking.

The principles of Islamic banking will ultimately bring benefits to the people because it promises a balance of the economic system Comment: This is very unfortunate because of the lack of knowledge about these principles so that there are still many people who do not trust and do not feel easy to use the facilities contained in the principles of Sharia Bank. In sharia banking, various kinds of transactions have been arranged that are not detrimental to both parties. Because if someone is harmed and harmed, then it has violated the teachings of Islam itself. Sharia banking principles. Some of the service products provided by sharia-based banks include:

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3. Murabaha, namely the distribution of funds in the form of buying and selling. The bank will buy the goods needed by the service user and then resell it to the service user at an increased price according to the profit margin set by the bank, and the service user can pay the goods in installments. The amount of flat installments according to the contract at the beginning and the amount of installments = cost of goods plus the agreed margin. Example: house price, 500 million, bank margin/bank profit 100 million, then what the borrowing customer pays is 600 million and is paid in installments over the time agreed in advance between the Bank and the Customer. (Islamic insurance)

Services for depositors

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3. METHOD

This study uses quantitative research methods. Research with a quantitative approach emphasizes analysis on numerical data (numbers) that are processed by statistical methods.

Quantitative research is research that works with numbers, whose data is in the form of numbers (scores or values, devices, or frequencies), which are analyzed using statistics to answer specific research questions or hypotheses, and to predict other variables.

4. RESULTS AND DISCUSSION

Fund Management Challenges

There is no doubt about the growth rate of Islamic banking at the global level. Assets of Islamic financial institutions in the world are estimated at 250 billion US dollars, growing on average more than 15 percent per year. In Indonesia, the volume of Islamic banking business over the last five years has grown an average of 60 percent per year. In 2005, Indonesian Islamic banking posted a profit of Rp 238.6 billion, an increase of 47 percent from the previous year. Even so, Indonesia, which has a very broad market potential for Islamic banking, is still far behind Malaysia.

Last year, Malaysia's Islamic banking made a profit of more than one billion ringgit (272 million US dollars). At the end of March 2006, Islamic banking assets in this neighboring country almost reached 12 percent of the total national banking assets. Meanwhile, in Indonesia, Islamic banking assets for the March 2006 period only accounted for 1.40 percent of total banking assets. Bank Indonesia predicts that the acceleration of Islamic banking growth in Indonesia will only start this year.

The implementation of office channeling policies, accelerating government support in the form of managing hajj accounts that will be entrusted to Islamic banking, as well as the presence of new investors will encourage sharia business growth. Sharia banking consultant, Adiwarmarman Azwar Karim, is of the opinion that the development of sharia banking will include the issuance of sharia-based bonds or sukuk prepared by the government.

A number of foreign banks in Indonesia, such as Citibank and HSBC, are even preparing to welcome the issuance of sukuk by opening a sharia business unit. Meanwhile, a number of investors from the Gulf countries are also preparing to buy banks in Indonesia to be converted into Islamic banks. The criteria for the selected banks are generally relatively small assets, between Rp 500 billion and Rp 2 trillion. After being converted, these banks are attempted to syndicate large project financing, involving global financial institutions.

The existence of Islamic banking in Indonesia was pioneered by the establishment of Bank Muamalat Indonesia which was initiated by the Indonesian Ulema Council (MUI) with the aim of accommodating various aspirations and opinions in the community, especially the Islamic community, which many argue that bank interest is haram because it includes usury and also to adopt the principle of prudence. be careful. When viewed in terms of economy and business value, this is a big breakthrough because 80% of Indonesia's population is Muslim, of course this is a very potential business. Although some Muslims think that bank interest is not usury but benefit, because the interest given or taken by the bank is small so it will not be harmed or wronged by each other, but still for Muslims the establishment of Islamic banks is a big progress.

However, the Islamic banking system in Indonesia is still not perfect or there are still shortcomings, namely that it is still based on Bank Indonesia, ideally the Indonesian government should establish a special Islamic financial institution at the level of Bank Indonesia, namely Bank Indonesia Syariah.

According to the results of several studies related to Good Corporate Governance, namely research by Kholid & Bachtiar (2015) which measures GCG as represented by the number of members of the board of commissioners, the number of sharia supervisory boards and the number of audit committee members on the performance of sharia maqashid in sharia banks and the results are only the number of members of the board of commissioners who have a significant positive effect on the performance of maqashid sharia Islamic banks in Indonesia. Research from Hisamuddin & Tirta (2012) which proves that Good Corporate Governance consisting of the board of directors, board of commissioners, independent board of commissioners, sharia supervisory board, and audit committee has a positive effect on financial performance. This research is important to do because providing maqashid sharia performance is a form of renewal effort in measuring the performance of the banking sector, especially Islamic banking which is not fully capable of measuring its performance using conventional banking performance measurements which are only oriented to commercial specs. Meanwhile, Islamic banking has an economic function and a social function that is expected to be able to contribute to efforts to provide social welfare and justice in society. Therefore, this study looks at Meanwhile, Islamic banking has an economic function and a social function that is expected to be able to contribute to efforts to provide social welfare and justice in society. Therefore, this study looks at Meanwhile, Islamic banking has an economic function and a social function that is expected to be able to contribute to efforts to provide social welfare and justice in society. Therefore, this study looks at.

Good Corporate Governance

The definition of Corporate Governance in the Forum for Corporate Governance in Indonesia (FCGI) is a set of regulations that regulate the relationship between shareholders, management, creditors, government, employees, as well as internal and external stakeholders related to their rights and obligations (Prasinta, 2012).). Meanwhile, according to Setiawan (2009) Good Corporate Governance is a unified regulation in which it regulates the interrelated parties in the company with each party having rights and obligations.

Sharia Maqashid Performance

In terminology, maqashid sharia is a general goal when Allah establishes his laws or laws that exist in the Qur'an for all his people and in the form of sunnah carried out by the Prophet Muhammad. daily activities. One of them is helping in achieving the goals of Islamic banks. The achievement of the objectives of sharia can be done by maintaining religion so that in measuring the performance of sharia banking it is in accordance with the objectives of sharia. The Maqashid Syariah Index is one of the performance measurements in accordance with Islamic sharia.

Maqashid syariah or referred to as sharia goals in accordance with the opinion of Abu Zahrah regarding three important aspects, namely educating individuals, establishing justice, and public interest. Based on the concept of Sekaran (2000) in the research, the Maqashid Syariah Index contains behavioral characteristics that are measured and derived in a concept, which is symbolized by (C). Then this concept is lowered back into several dimensions that will be easier to understand and measure, which is symbolized by (D). These dimensions are then lowered back into elements to make the size clearer, which is symbolized by (E) (Mohammed & Razak, 2008). The sharia supervisory board is a board tasked with providing advice and advice to the board of directors as well as supervising bank activities in accordance with sharia principles. The number of DPS members is at least 2 (two) people or at most 50% (fifty percent) of the total number of directors. DPS consists of people who have the ability, both in the field of muamalat law, economics and banking law, as well as other skills relevant to daily tasks. Members of each DPS also have integrity, competence and financial reputation (Faozan, 2013)

Research conducted by Kholid & Bachtiar (2015) states that the number of sharia supervisory boards does not affect the performance of sharia maqashid, this can occur because there are sharia supervisory boards that hold concurrent positions in other financial institutions, so that with the existence of these dual positions, members of the supervisory board Sharia has not been able to carry out its responsibilities effectively because it can reduce the level of supervision carried out. In contrast to the results of research conducted (Ningrum, Fachrurrozie, & Jayanto, 2013) it is evident that the size of the number of members of the sharia supervisory board has an effect on ISR (Islamic Social Reporting) in Islamic banking in Indonesia. The more sharia supervisory boards with various perspectives and experiences can result in better corporate governance and corporate reporting. So based on the description above, the following hypothesis is formulated:

H1: The number of sharia supervisory boards has a positive effect on the performance of sharia maqashid sharia children in Indonesia.

Sharia Supervisory Board Meeting

The main role of the sharia supervisory board is to oversee the company's daily operational activities in accordance with sharia principles. Thus, the sharia supervisory board is one of the most important parts of Islamic financial institutions. In carrying out its duties, the sharia supervisory board holds regular meetings which must be held at least 1 (one) time in 1 (one) month. In making the decision of the meeting based on deliberation for consensus and the results of the meeting must be stated in the minutes of the meeting which is a joint decision of all members of the sharia supervisory board.

5. CONCLUSIONS AND SUGGESTIONS

Based on the explanation above, it can be concluded that in general organizational governance in Islamic banking has not been able to encourage the performance of Islamic banks with a better Islamic maqashid performance approach. Islamic bank organizational governance which is represented in the form of the number of sharia supervisory boards, sharia supervisory board

meetings, number of boards of directors, number of commissioners and board of commissioners meetings has no effect on the performance of maqashid sharia in Islamic commercial banks in Indonesia. actually able to give effect to the performance of maqashid sharia. This means that the supervisory function carried out by the board of commissioners and the sharia supervisory board has not been able to make a positive contribution to improving the performance of maqashid sharia. This finding is certainly a material for evaluation where the number of members and the frequency of meetings conducted by both the board of commissioners and the sharia supervisory board are only a formality to comply with applicable regulations and have not touched the substance expected from the existence of these functions. Therefore, the Financial Services Authority (OJK) as the technical regulator that regulates and supervises the performance of the directors, commissioners, and the sharia supervisory board in sharia banking needs to formulate a comprehensive evaluation framework related to the implementation of the monitoring and supervisory function in sharia banking by compiling technical competency requirements for candidates for the board of commissioners and sharia supervisory board and asking them formally to follow the coaching process on a regular and ongoing basis so that their competence is always updated and evaluated systematically. This is expected to be able to ensure that these functions can run properly in accordance with the ideals of the establishment of Islamic banking.

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