PERFORMANCE ASSESSMENT OF ISLAMIC BANKS IN THE LEADERSHIP VALUE OF THE PROPHET MUHAMMAD: A CONCEPTUAL FRAMEWORK

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Abstract: This paper aims to describe a conceptual framework that will be used as an alternative assessment of the performance of Islamic banks. Motivated from the review of the literature conducted, researchers found so many statements from research results which revealed that the performance assessment used by Islamic banks is still dominated to financial goals, especially in profitability and financial health by financial aspects and not by Islamic values. The operational concept of Islamic bank is different from a conventional bank, but in its application, especially in Indonesia, the performance assessment instruments used in assessing the performance of a Sharia bank are not much different from the performance assessment of a conventional bank. Performance assessment for financial institutions in Indonesia, both banks and non-banks, is regulated by Bank Indonesia through the Otoritas Jasa Perbankan (OJK). Based on the data analysis of the results of a literature review that has been done, the researcher will compile a design model of Islamic banking performance assessment based on the characteristics of the leadership of the Prophet, namely the value of shiddiq, tabligh, Amanah, and fathanah. The design of this model is still in the form of a conceptual framework, using the author's grounded theory will make it the basis for further research.

Keywords: Social Oriented, Shiddiq, Tabligh, Amanah, Fathanah
Introduction

Provisions regarding performance assessment set by the OJK for Islamic banks, have not yet fully demonstrated the assessment of the achievement of social objectives and functions stated in the Law on Islamic Banking. In the Islamic concept, Islamic banks have a role to develop human resources and contribute funds for the maintenance and development of the environment (Antonio et al., 2013), while the goal is profit oriented and social oriented (Adnan, M. A., & Muhamad, 2007). Efforts to evaluate the performance of Islamic banks that are used, are still not adjusted to the operational uniqueness of Islamic banks, which should prioritize Islamic principles. The main difference from conventional banking and Islamic banks is in their operations. Sharia Supervisory Board (Antonio, 2001). In accordance with its definition, Islamic banks are financial institutions whose principal business is to provide financing and other services, in the payment cycle, and the circulation of money whose operations are adjusted to Islamic principles. While in conventional banking system, the operation uses the principle (1) The determination of interest at a certain level for each bank product, such as savings, deposits, loan products or credits offered and (2) determination of fee-based in nominal form or percentage for other bank services. Thus, the performance assessment used should not be the same.

The subject in this paper is related to the performance assessment of Islamic banking. The uniqueness of Islamic banks is the profit sharing principle of each contract conducted to acquire assets and debts (Ahmed, 2002). But in practice, the commitment of Islamic banks to the application of the principle of profit sharing is only about 5% of total operations (F. Khan, 2010). Currently, Islamic banking performance assessment is still using conventional performance assessment. The performance assessment refers to the regulation of OJK No.8/POJK.03/2014 tentang Sistem Penilaian Tingkat Kesehatan Bank Umum Syariah (on Health Level Assessment System of Commercial Islamic Banks), the factors are: Risk profile, Good Corporate Governance; Earnings and Capital (RGEC), whereas for sharia business units only risk profile factors. When traced to each assessment factor, almost entirely refers to the operational interests and business sustainability of Islamic Banks. At risk measurement, there is only one element of judgment on Sharia Compliance. If only measured by financial ratios, Islamic banking that impressed on profit-oriented is not based on social objectives (Mohammad & Shahwan, 2013).

In Islamic institutions, all development and regulation must be managed by themselves based on the Oneness of Allah, which at the end of the goal is to achieve the pleasure of Allah. In Islamic institutions, the whole development and arrangement must be managed by itself based on the oneness of God, the ultimate goal is to reach for Allah (Salleh, 1999). However, if you look at the indicators of performance assessment of Islamic banking as explained earlier, focus more on profit oriented that is commonly used by conventional banking, while Islamic banking must also have a social orientation (Adnan, M. A., & Muhamad, 2007). Islamic banks to promote the economic development and well-being of all creatures, including human well-being through social justice (Mergaliyev et al., 2019). Hamidi's findings on the social performance of Islamic banks in Indonesia revealed that the social performance of Islamic banks is still low and provided recommendations by regulators and banking practitioners to take action to overcome this (Hamidi et al., 2019). One form of Islamic bank attention to the customer, with the religious approach in interacting with its customers (Siregar, 2013).
Based on the description above, the author tries to construct the concept of assessment of Islamic banking performance in accordance with the true Islamic values, referring to the characteristics of the Prophet's leadership, the namely is shiddiq, tabligh, amanah and fathnah.

**Literature Review**

Based on operational basis, Islamic banks are distinguished from Commercial Islamic Banks (*Bank Umum Syariah*), Sharia Business Units (*Unit Usaha Syariah*) and Bank Pembiayaan Rakyat Syariah (BPRS). Performance assessment for the three forms of bank business are also regulated by Bank Indonesia, which is adjusted to the operational characteristics and functions of each. Bank Indonesia Regulation Article 3 No. 9/1/2007, health level assessment of Islamic banks includes quantitative and qualitative assessments. Quantitative assessments were conducted for financial factors, namely: capital, asset quality, capability, liquidity and Sensitivity risk of market (CAELS), and qualitative assessments are management factors (Bank Indonesia, 2013).

A quantitative assessment was done to assess the position of financial ability and measure the progress of financial ratios and financial projections of the bank. A quantitative assessment will be count and the rating is made to determine the bank's performance of financial aspects. Ratings that use financial factors consisting of the CAELS ratio, will be differentiated over three tiers, are the main ratio, supporting ratio and observation ratio. “The main ratio is the ratio that has high impact to the Bank's health level, while the supporting ratio is the ratio that directly affects the main ratio and the observation ratio is the additional ratio used in the analysis and Judgement”. Assessment of management factors is done by analyzing and considering the supporting indicators and elements of judgment, the point is to assess the ability managerial the manager of the bank in its business (Bank Indonesia, 2012).

So many studies on banking performance assessment, including for conventional banking performance assessment, such as Sharia Maqashid index developed by uses the concept of Abu Zahra (Mohammed & Taib, 2015), with three indicators i.e. educating individuals, enforcing justice and welfare. There is also an MSI that uses ABU Najjar concept developed by Bedoui (2012), with four objectives, namely securing the value of human life, securing human beings, securing the community, securing the environment (Bedoui, 2012). These four objectives are outlined into eight elements: faith, human rights, disclosure of Islamic Index, securing oneself, intelligence, heredity, social entity, property and ecology. There is also an Islamic bank performance assessment model that is developed by Pulic (2000), VAIC™ to assess the performance of Intellectual Capital (IC) in the company Conventional (private sector, motive profit, non-sharia). The account used in calculating IC performance with VAIC™ is an account used in conventional companies. Until now, there are no instruments (a type of VAIC ™) that can be used to assess IC performance in Islamic banking (Ulum, 2013). Hameed’s research on Alternative Disclosure and Measures Performance for Islamic Bank's devised an alternative performance assessment for Islamic banking, Islamicity Indices, consisting of Islamicity Disclosure Index and Islamicity Performance Index. This index aims to assist stakeholders in assessing the performance of Islamic banks (Ibrahim et al., 2004).

Performance assessment models developed by Indonesian researchers are ANGELS (Amanah management, Non-economic wealth, Give out, earnings, capital and assets, liquidity and...
sensitivity to market, and socioeconomic wealth) based on differences in responsibility principles inherent in Sharia Banks (Triyuwono, 2011) and IMAN (Ibadah, Muamalah, Amanah and Ihsan) built using the paradigm of Islam to uncover the phenomenon of Kauniyah (derived from nature and human life) and the phenomenon of Cauliyah (sourced from God through Revelation and hadiths) (Niswatin et al., 2015).

This paper aims to construct the concept of Islamic banking performance assessment which is referenced from the values of the Prophet's leadership. Leadership is a concept of management in the life of an organization that has a very strategic position and is the central point of administration of the entire process of administrative activities (Mubasyaroh, 2018) Rasulullah had exercised the reign of his time with a very wise, leadership management that he had fulfilled all the elements in the management theory. Rasulullah has the ability to convey vision and have a concept that is able to change of human life and change himself (Lapidus, 2002). The approach taken in realizing the unity of the ummah with a persuasive approach, diplomacy, consensus dialogue, and reconciliation is not by way of a security approach or acts of violence, intimidation, and coercion (Sakdiah, 2016).

Method
The methods used in this study are as follows: (1) drafting an instrument draft; (2) data collection; and (3) data analysis. First, draft the instrument: This research uses a qualitative study paradigm, which is grounded theory. Grounded theory is a qualitative research method introduced by Barney Glaser and Anslem Strauss in 1967 in their work titled The Discovery of Grounded Theory (Ayu & Budiasih, 2013). Research using grounded theory aims to construct theoretical concepts developed, based on empirical data in the field, either to discover a completely new concept, or to enrich existing concepts (Creswell, 2016). Secondly, data collection. The process of collecting data in this study is interviews and secondary data collection. Interviews with informant, Islamic bank leaders in Medan City, academics and Islamic economist. The collection of secondary data is to examine the Islamic literature, especially the Qur'an, Al-Hadith, and Islamic scholarly works of both books and journals. Third, data analysis. The technique used to analysis data is qualitative data analysis, with content analysis using the Nvivo program.

Discussion

Performance assessment of Islamic banking in Medan
Interviews with Islamic bank leaders in Medan City, Bank Sumut Syariah and Bank Syariah Mandiri Medan Branch, it is known that the performance assessment is in accordance with the provisions of Bank Indonesia through OJK regulation which uses: (1) CAMELS adjusted to the calculation of profit shared ratio; (2) At the level of the branch office used the Balance Scorecard Approach, which are measured in four perspectives; financial perspective, customer perspective, internal process perspective, and learning and growth perspective. The assessment of sharia compliance was conducted by the Sharia Supervisory Board (Dewan Pengawas Syariah) in accordance with the regulations of the National Sharia Council of Indonesian Ulema (Dewan Syariah Nasional Majelis Ulama Indonesia) (Pimpinan-Bank-Syariah, 2019).
The assessment of Sharia compliance at Bank Sumut Syariah and Bank Syariah Mandiri has been implemented in accordance with the operational standards of the procedures established as the basis of operational implementation. Its means, that the assessment of the Sharia compliance performance is separate with performance assessments measured at the bank's health level. The bank's health level assessment focuses more on the financial aspect, in each of the working units usually using a KPI (key performance indicator) and this indicator is based on the model Balance scorecard (Pimpinan-Bank-Syariah, 2019). The performance assessment model of the balance scorecard was the model that Kaplan and Norton introduced in 1990. Balance Scorecard is a contemporary performance appraisal model, and covers internal and external aspects, as it not only refers to the financial aspect, but if traced from any measurement indicator, each perspective is measured at the value of Success in managing finances, and the certainty in business continuity.

The values of the Prophet’s leadership as a basis for Islamic Banking performance assessment

Shiddiq. In terms of honesty, Rasulullah SAW has given many examples in each of his attitude and activities. Abdullah bin Mas'ud R.A said, Rasulullah SAW spoke:

“Let you be honest, because honesty leads to goodness, and goodness leads to heaven. And someone who is always honest and continues to try to maintain honesty, until it is noted in the sight of God that he is an honest person. Do not ever lie. Because, lying will lead to immoral acts, and immoral behavior will lead to hell. Indeed, a person who is lying and continues to want to be lied to God will be noted as a liar”. (The hadith was narrated by Imam Bukhari, Muslim, Abu Dawud, and Tirmidzi)

The meaning of this hadith reveals that honest attitude is a virtue, which leads to good. In the business concept, honesty relates to transparency in the disclosure of business information, accountable in carrying out the principles adopted, and responsible for the activities implemented and reported. The Bank as the organizer and the community fundraisers, has an obligation to be responsible for every operational activity, conceptually, this is in accordance with the pattern of good governance, as a reference in conducting effective and efficient business activities. The concept of good governance is one measure of performance that must be obeyed to realize good management. In assessing the performance of Islamic banks at this time the element of good governance has been established as one indicator of performance assessment.

Tabligh. Rasulullah has the character of tabligh, as the leader of Muslims and the message of God, he has the ability to master a variety of important information. Every message received from God through the angel Gabriel, he conveyed completely without any increase or decrease. The nature of the tabligh which is applied in the leadership of the Prophet in the field of trade is the key to success in his business and is trusted by various groups of people, buyers, and investors who entrust the property managed by the Prophet.

Tabligh can be interpreted competently in communication and negotiation (Alhasyir & Kamaluddin, 2013). The openness attitude (transparency) of information is conveyed honestly and as is, giving confidence and trust in whoever interacts with him. Rasulullah is present to
improve the system of the muamalah, justice and maintain economic stability for the welfare of society, Allah says in Surah Al Hadid (57:25) which means:

“Certainly We sent Our apostles with clear arguments, and sent down with them the Book and the balance that men may conduct themselves with equity; and We have made the iron, wherein is great violence and advantages to men, and that Allah may know who helps Him and His apostles in the secret; surely Allah is Strong, Mighty.”

The verse reveals that there are three "keywords" that are entrusted to the prophets of God and the Prophet Muhammad SAW, is the Book, Balance and Iron. The Book is Al Quran, contains God's revelation as a guide in any activity including muamalah and the economic system that is applied in human life. The Balance can be interpreted as balance and fairness which is the hope of everyone to respect and appreciate each other. The iron is Sturdy and strong, is a symbol of strength and power, if used wisely, with law enforcement and the rules and sourced from the Qur'an, will ensure a fair and prosperous society.

Amanah. Amanah is interpreted that, whatever entrusted to the Prophet from all aspects of life, economics, politics and religion will be enforceable and accountable. Allah says in QS Al Anfaal (8:27) it means: “O you who believe! be not unfaithful to Allah and the Apostle (Muhammad), nor be unfaithful to your trusts while you know.”

The concept of amanah in maintaining the rights of fellow human beings, reflected by Islamic bank functions as a fundraiser and fund management community. The nature of Amanah if implemented in practice, will form a credible and responsible personal (Harahap, 2016). Islamic Public finance system (in this research is Islamic Bank), public money is seen as Amanah in the hands of the ruler (Islamic Bank Management), and should be directed to the layers of weak communities and poor people, thus providing Protection, public welfare, and equitable distribution of income for the community (Wibisana, 2016). Raising funds and managing Community funds is part of the trust given to Islamic Bank. Trust the people to save funds to Islamic banks to be managed, should be held to the owner. In a broad sense, the owner is the community (investors, debtors, creditors, and employees) and God as the owner of the highest power. How Islamic bank able to maintain a balance between the interests of the parties, in this case is profit oriented (the ability of healthy financial management) and social oriented that can provide benefits to the people.

Fathonah. One of the advantages of Rasulullah in carrying out leadership is his intelligence (fathanah). Intelligence is a balance between the values of Shiddiq, Tabligh, and Amanah, as exemplified by the Rasulullah in managing business (Zahroh & HR, 2015). Intelligent is the ability to think rationally and can make the right decision. At the beginning of the spread of Islam, the prophet needed a wise strategy to deal with the community's rejection of dakwah. The main objective of the Prophet's da'wah is not to master the leadership of the country, but the principle is to invite them to the truth, goodness, and beauty in Islamic appeal (A. W. Khan, 2002).

Fathonah is a trait that the prophet has in managing his business, visible from his ability to build strategies and develop business. Muhammad called the foundation stone or embryo on modern principles (Alhasyir & Kamaluddin, 2013). He was oriented to customer satisfaction
customer satisfaction), excellent service, competence, efficiency, competitive advantage, and this can only be achieved from smart thinking ability. When he became head of state, law enforcement actually enforced on businesses naughty. He also introduced the principle of 'Facta Sur Servanda' which we know as the main principle in civil law and Covenant law. That the parties have the highest authority to conduct transactions, which are built on the basis of mutual agreement (Alhasyir & Kamaluddin, 2013)

In the management of Islamic banks, to be able to grow and develop a competition in the economy and financial system, it is inseparable from the ability of human resources involved in the operations of Islamic banks. The importance of Islamic banks having human resources who have knowledge, skills and mastery of good technology, as well as mastery of the ability to implement Islamic principles in carrying out Islamic bank operations. Intelligence is related to competencies that can be seen from the performance, work, experience, education, years of service and training that are followed (Endraswati, 2015).

**Draft Framework for The Next Research**

Based on the analysis, the assessment of performance of Islamic banking would be more appropriate and effective if it is judged based on the values of the Prophet Leadership.

**Conclusion**

Assessment of performance of Islamic banking in Indonesia is still using conventional banking performance assessment, which is set by OJK. Performance assessment used by Islamic banks is still dominated by financial aspects and not in accordance with Islamic values, because it is still dominant to financial goals, especially on profitability and financial health. The operational concept of Islamic bank is different from a conventional bank, but in its application, especially in Indonesia the performance assessment instruments used in assessing the performance of an Islamic Bank, are not much different from the performance assessment of a conventional bank. Performance assessment for financial institutions in Indonesia, both banks and non-banks, is regulated by OJK.

Based on the data analysis of the results, of a literature review that has been done, the researcher will compile a design model of Islamic banking performance assessment, based on the characteristics of the leadership of the Prophet, is the value of shiddiq, tabligh, amanah, and fathannah. The design of this model is still in the form of a conceptual framework, using grounded theory, and then the researcher will use it as a basis for further research.
References


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