



ANALYSIS OF SHARIAH BANKING PERFORMANCE IN REGIONAL DEVELOPMENT BANKS IN 2022-2023: SHARIA MAQASHID INDEX AND SUSTAINABLE FINANCE PERSPECTIVE

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ABSTRACT

This study aims to: (1) assess the performance of Islamic Commercial Banks (BUS) and Sharia Business Units (UUS) within Regional Development Banks (BPD) in Indonesia during 2022–2023 through the lens of the Sharia Maqasid Index (SMI); (2) evaluate their performance from the perspective of Sustainable Finance; and (3) compare the performance of BUS and UUS based on both analytical frameworks. A quantitative-descriptive method was employed, utilizing a document study approach. Data were collected from the annual reports of BUS and UUS at BPDs during the 2022–2023 period and analyzed using SMI indicators and Sustainable Finance principles. A weighted scoring and ranking technique based on Simple Additive Weighting (SAW) was applied to measure performance. The findings reveal that BUS and UUS experienced significant improvement in SMI performance, particularly in the dimensions of education (tahdzīb al-fard) and socio-economic contribution (jalb al-maṣlaḥah). Banks such as NTB Syariah and Aceh Syariah excelled in maqāṣid-based financing and zakat distribution, while UUS in Central Java and Nagari demonstrated strength in educational initiatives and social justice. In terms of Sustainable Finance, all banks fulfilled the four key indicators—sustainable development, green economy, social responsibility, and separate sustainability reporting. However, most reports remained descriptive and lacked impact-based metrics. Overall, BUS exhibited stronger performance than UUS in integrating both maqāṣid principles and sustainability practices. These results highlight the need to strengthen performance evaluation frameworks grounded in Sharia values and sustainability to support the transformation of Islamic regional banks into inclusive and impactful institutions.

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1. INTRODUCTION

Sharia Banking at Regional Development Banks (BPD)—both Sharia Commercial Banks (BUS) and Sharia Business Units (UUS)—has a strategic role in strengthening economic growth at the regional level—based on sharia principles. The existence of Sharia Banking at BPD is not only a complement, but also a catalyst for the creation of a more inclusive, equitable, and ethical financial ecosystem (Purwantika & Mauluddi, 2023). Sharia Banking at BPD is an option for people who want halal financial transactions that

are in accordance with their beliefs—at least for the Muslim community (Syahrizal, 2022). Collaborative networks such as wadiah, murābahah, mudk̄lārahah, musyārahah, salam, istishna', ijarah, and qard contracts, not only meet the financing needs of the community, but also encourage the growth of a more stable and sustainable real sector (Aprianto, 2017; Kholil et al., 2024).

BPD with UUS and BUS can contribute to regional economic stability by providing financing that is more resilient to global economic fluctuations. Instead of speculating and offering high-risk transactions, financial products and services offered by Islamic Banking at BPD tend to be more stable and focused on the real sector. This helps reduce economic volatility in the region, in turn accentuating sustainable economic growth (L. P. Sari & Tanjung, 2020).

Several studies have shown that the growth of assets of Islamic Business Units (UUS) and Islamic Commercial Banks (BUS) at Regional Development Banks (BPD) is able to support regional economic growth based on sharia. The existence of UUS and BUS at BPD has a strategic role, not only as a complement, but as the main driver in supporting regional economic development.

First, increasing financial access in the region. As part of BPD which has a wide network, UUS and BUS have the advantage of reaching people in remote areas that have not been served by conventional financial institutions. By providing sharia-based financial services, UUS and BUS contribute to broader financial inclusion, enabling people in various regions to engage in productive economic activities (Nengsih, 2015).

Second, encouraging ethical and sustainable investment. UUS and BUS encourage investment based on sharia values, which emphasize ethics and sustainability (Apriyanti, 2019).

Third, supporting economic growth based on local wisdom. The existence of UUS and BUS in BPD allows integration between sharia principles and local wisdom in financial practices. They can develop products that are in accordance with the culture and economic needs of the region, such as financing the agricultural, fisheries, or creative industry sectors based on local potential.

Fourth, strengthening regional economic stability. UUS and BUS in BPD contribute to regional economic stability through financing that is more resilient to global economic fluctuations. Sharia principles that avoid speculation and high-risk transactions make the financial services they offer more stable and focused on the real sector (Muheramtohad, 2017).

Fifth, building customer trust and loyalty. The sharia principles applied by UUS and BUS strengthen customer trust, especially in areas with a Muslim majority population. This trust plays an important role in building customer loyalty, which ultimately strengthens the stability and growth of UUS and BUS businesses in BPD (L. P. Sari & Tanjung, 2020).

However, behind the achievements of UUS and BUS in BPD as explained, according to Anton Sudrajat and Amirus Sodik, the measurement of sharia banking performance—both UUS and BUS in BPD—generally still refers to the methods applied to conventional banking. One method that is often used is the CAMELS ratio (Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk). Although this method provides an overview of the health of the bank, there are a number of significant weaknesses when applied to sharia banking (Sudrajat & Sodik, 2016).

In the application of SMI (Sharia Maqasid Index), aspects such as justice, transparency, community economic empowerment, and social responsibility are important parts of the assessment, which are expected to reflect the core values of Islamic banking (Antonio et al., 2020). In response to these criticisms, Islamic scholars such as Al-Yasa' Abu Bakar have expanded this concept to seven, by adding *ḥifẓ al-ummāh* (protecting society and maintaining national integration) and *ḥifẓ al-bi'ah* (protecting the environment) (Nasution & Nasution, 2022, p. 25; Syam et al., 2024; Dalimunthe et al., 2024).

In classical *maqāṣid al-syarī'ah*, the aim is preservation or protection (*ḥifẓiyyah*), while in contemporary *maqāṣid al-syarī'ah* studies, it is not only about preserving or protecting but also about development (*tanmiyyah*), sustainability and consideration of human rights (Auda, 2022). Sustainable Finance based on *maqāṣid al-syarī'ah* is a relevant benchmark to assess the extent to which UUS and BUS in BPD contribute to sustainable development and are responsible for environmental and social impacts. Thus, the Sharia Maqashid Index and Sustainable Finance together become relevant and critical tools in measuring and assessing the performance of UUS and BUS in BPD, ensuring that their operations are not only profitable but also provide long-term benefits to society and the environment in accordance with sharia values—this study will focus on the performance of UUS and BUS in BPD from 2022 to 2023.

2. RESEARCH METHOD

This research is a quantitative-descriptive research. This method allows to describe the events and relationships between observed variables. The population in this study were BUS and UUS of Regional Development Banks in Indonesia. The sampling technique used was purposive sampling with the judgment sampling method, which is a non-random sample selection carried out based on certain considerations

according to the objectives or problems of the research. The population elements selected as samples are limited to elements that can provide relevant information based on these considerations.

In other words, judgment sampling is a type of purposive sampling in which researchers select samples based on an assessment of certain characteristics of sample members that are relevant to the research objectives. The secondary data used in this study is time series data, which is data that is arranged chronologically based on time on a particular variable. Time series data is used to analyze the effect of changes in a certain time span, with variations in variables that occur between times. Data collection was carried out through literature studies, namely by studying various literature, books, journals, and articles that are relevant to the data needed. In addition, data collection techniques also include documentation and tracing of annual reports of BUS and UUS Regional Development Banks in Indonesia for the 2022-2023 period which is the object of the research.

3. RESULTS AND ANALYSIS

Comparison of the Performance of Islamic Commercial Banks (BUS) at Regional Development Banks in Indonesia in 2022-2023 based on the Sharia Maqasid Index

The concept of *tahdzib al-fard* or individual education is a main pillar in the Sharia Maqasid Index which emphasizes the importance of holistic human development, both from intellectual, spiritual, and moral aspects. In the context of Islamic financial institutions, especially in Islamic Commercial Banks (BUS) operating under the Regional Development Bank (BPD), the commitment to individual education is reflected through the allocation of funds for educational activities, research, training, and educational publicity. These four elements not only reflect the social responsibility of the institution, but also indicate the extent to which the principles of *maqashid al-shariah* are internalized in their managerial practices and budget policies.

Based on the results of calculations and analysis of the four main indicators in the *tahdzib al-fard* dimension (education, research, training, and publicity), there are variations in the level of achievement between Islamic Commercial Banks (BUS) at Regional Development Banks (BPD) for 2022 and 2023. Within the framework of *maqashid sharia*, economic justice is not only assessed in terms of profit, but also from how the profit is distributed fairly, the extent to which the bank contributes to society, and the commitment to the use of *sharia-compliant* products as a whole. Within the framework of *maqashid al-syariah*, the *Jalb al-Maslahah* aspect emphasizes the importance of the contribution of Islamic banks to economic and social welfare.

Evaluation of the indicators of the net profit ratio, *zakat*, and real sector investment provides an overview of the extent to which Islamic banks owned by local governments have realized this principle in real terms. The performance ranking of Islamic Commercial Banks (BUS) at Regional Development Banks (BPD) in maintaining national integrity (*himayatul ummah*) during 2022 to 2023 can be analyzed based on two main indicators, namely social assistance and local cultural development, considering that there was no national defense financing recorded at all banks in both years. Based on the analysis of the two main indicators—green financing and green collaboration—the performance ranking of Islamic Commercial Banks (BUS) at Regional Development Banks (BPD) in terms of *himāyat al-bī'ah* in 2022–2023 can be compiled as follows.

The performance of all BUS at BPD in maintaining the environment is still very low, marked by the absence of green financing and a collaboration ratio that is far below 0.001. However, the dynamics of the rankings show that BUS Jabar Banten and Aceh have a relatively more active role in green collaboration, with the highest achievements in 2023 and 2022 respectively. Meanwhile, NTB and Riau Kepri show efforts that are still limited and fluctuating. This finding emphasizes the importance of increasing awareness, strategy, and real action from BUS at BPD so that they can contribute more to supporting the environmental sustainability agenda in a more structured and systematic way.

In conclusion, based on the results of the analysis of the five main dimensions of SMI, namely *tahdzib al-fard*, *iqamatul 'adalah*, *jalb al-maslahah*, *himayatul ummah*, and *himayatul bi'ah*, there is a significant difference in performance between Sharia Commercial Banks (BUS) at Regional Development Banks (BPD) during the 2022-2023 period. Each bank shows its own strengths and weaknesses in realizing *sharia* principles comprehensively, but in general the pattern of consistency and progressiveness is an important indicator in assessing the achievement of *maqashid* in aggregate.

Evaluation of the five dimensions of *maqashid sharia* shows that Bank NTB Syariah is the bank that excels in realizing *sharia* objectives comprehensively, with consistent and progressive performance in almost all aspects. Bank Aceh Syariah is in second place with its main strength in the social and *zakat* aspects, but faces challenges in maintaining performance in several other dimensions.

Bank Riau Kepri Syariah is in third place with significant improvements in several dimensions, but still has a large gap in the aspect of social and environmental responsibility. On the other hand, Bank Jabar Banten Syariah is the bank with the greatest challenges in realizing maqashid sharia comprehensively, considering the low contribution in various main dimensions that are the pillars of sharia banking that is just, beneficial, and oriented towards sustainable development.

Comparison of the Performance of Sharia Business Units (UUS) at Regional Development Banks in Indonesia in 2022-2023 Sharia Maqasid Indeks

As previously explained, one of the important dimensions in measuring the performance of the Sharia Business Unit (UUS) at the Regional Development Bank (BPD) through the Sharia Maqasid Index approach is the aspect of tahdzib al-fard or individual education. This dimension emphasizes the importance of developing the quality of sharia banking personnel, not only in technical and professional aspects, but also in moral, intellectual, and spiritual aspects in accordance with Islamic values.

In the performance evaluation framework, tahdzib al-fard is measured through several main ratios, namely budget allocation and activities related to education, research, training, and educational publicity. These four components reflect the extent to which UUS is committed to increasing the intellectual and spiritual capacity of employees and the community. Therefore, analysis of the realization and proportion of financing in these areas during 2022 to 2023 is very important to assess the extent to which UUS contributes to sharia objectives (maqasid al-shariah).

In the analysis of the tahdzib al-fard dimension, which includes indicators of education, research, training, and educational publicity, it can be seen that the Sharia Business Units in BPD showed varying performance throughout 2022 to 2023. In general, not all UUS have a balanced contribution in the four indicators, especially in the research aspect for which no special allocation was found in the five UUS analyzed. This shows that research activities have not been a primary concern in the development of human resources within the scope of the BPD sharia unit.

Central Java UUS is the most superior sharia business unit in implementing the tahdzib al-fard dimension based on the Sharia Maqasid Index approach for the 2022-2023 period, followed by South Sumatra and Babel UUS, North Sumatra, Bank Nagari, and finally DKI Jakarta. Fair return ratio, functional distribution, and interest-free products. These three indicators provide an overview of how the principle of justice is upheld in sharia banking operations, both in terms of profit sharing, allocation of social funds, and product conformity with sharia principles.

The jalb al-maslahah dimension reflects the contribution of UUS to the public welfare, which is indicated by the net profit ratio (asset management efficiency), zakat ratio (social commitment to wealth distribution), and real sector investment ratio (support for real economic development). These three indicators reflect the balance between profitability, social responsibility, and contribution to the real economy.

Based on the overall analysis of the three main dimensions in the Sharia Maqasid Index, namely tahdzib al-fard, iqamatul 'adalah, and jalb al-maslahah, it can be seen that the performance of Sharia Business Units (UUS) at Regional Development Banks in Indonesia during the period 2022 to 2023 still shows quite significant variations between one unit and another. Not all UUS are able to implement the three dimensions of maqashid sharia in a balanced and sustainable manner.

Although there is an increase in the amount of real sector investment in several UUS in BPD in Indonesia, the ratio of real sector investment to total fund distribution remains relatively small. This shows that although the real sector is one of the main focuses, its contribution to total fund distribution is still limited, and there is still a lot of potential to increase fund distribution to the real sector in the future.

Each unit has its own strengths and weaknesses in implementing sharia values in its operational and strategic activities. Strengthening maqashid sharia in UUS BPD in Indonesia still faces challenges, both in terms of consistency between years, equality between indicators, and integration between dimensions. There is an urgent need for each UUS to develop a more focused and measurable strategy in realizing sharia objectives as a whole, not just as a symbol of formality, but as a core part of sustainable financial and social performance.

Comparison of BUS and UUS Performance at Regional Development Banks in Indonesia in 2022-2023 based on Sustainable Finance

Analysis of the performance of Islamic Commercial Banks (BUS) and Islamic Business Units (UUS) at Regional Development Banks (BPD) in Indonesia in 2022-2023 from a Sustainable Finance perspective shows that all regional Islamic entities have demonstrated strong compliance with the principles of sustainable finance. The four main indicators, namely the implementation of sustainable development, the application of green economy principles, social responsibility reporting, and the preparation of sustainability

reports separate from the annual report, have been successfully met by all banks analyzed. The recorded score of 100% across all entities indicates the fulfillment of the minimum standards of OJK regulations regarding sustainable finance, while also reflecting a high level of administrative compliance.

This condition reflects an increasingly mature institutional awareness in integrating Environmental, Social, and Governance (ESG) principles into the governance system of regional Islamic banking. Both BUS such as Bank Aceh Syariah, Riau Kepri Syariah, NTB Syariah, and Jabar Banten Syariah, as well as UUS such as Bank DKI, Bank Jateng, Bank Sumut, Bank Nagari, and Bank Sumsel Babel, have shown structural readiness in facing global sustainability challenges, while also responding to local demands related to social inclusion, environmental conservation, and economic efficiency.

However, if examined more deeply, especially as explained in the Sharia Maqasid Index approach, the sustainability achievements shown are still normative and declarative, not fully rooted in quantitative and impact-based aspects. Success in fulfilling indicators reflects more on the existence of documents and policies, not on real achievements of measurable socio-ecological transformation. In other words, the sustainability adopted is still dominant in the form of institutional commitments and reporting, not touching on practices that show concrete contributions to the energy transition, carbon emission reduction, natural resource conservation, or improving the welfare of vulnerable communities.

In the future, BUS and UUS in BPD need to move from procedural compliance to strengthening substance, namely the integration of impact data in sustainability reporting, the use of measurable key performance indicators (KPIs) for green and social projects, and community involvement in the program benefit evaluation process. This includes increasing the portion of green financing, developing inclusive products for vulnerable MSMEs, and implementing the principles of distributive justice in the sharia business model.

Expanding the bank's internal capacity, including human resource training in environmental and social risk assessment, and the development of sharia financial products that explicitly support sustainable development goals, is urgent. With this approach, the principles of maqashid sharia and sustainable finance can be brought together more substantively in a clear, measurable, and impactful operational framework. Finally, strengthening the commitment of BUS and UUS in BPD to the sustainability agenda must continue to be encouraged not only through regulatory compliance, but also through value awareness. When sustainability is considered an integral part of the mission and institutional identity of sharia banks, the transformation towards an inclusive, fair, and long-term financial system can truly be realized. Going forward, the challenge is not only to maintain this achievement, but also to improve the quality and depth of sustainability practices, so that its impact can be felt more widely by all levels of society, especially those who have been marginalized in the conventional economic system.

Thus, sustainability in the context of Islamic banking is no longer merely a strategic jargon or complement to annual reports, but rather a real commitment to supporting a balanced civilization between economy, society and environment, in accordance with the spirit of Islam as rahmatan lil 'alamin. With this strengthening, sustainability does not just stop as a policy discourse or reporting obligation, but truly becomes a strategic instrument in forming a sharia financial system that is fair, inclusive, and resilient to social and ecological crises. Therefore, the transformation towards high-impact sustainable sharia finance can only be achieved if the principles of maqashid sharia and ESG do not run alone, but are integrated in a harmonious strategic and operational framework.

4. CONCLUSION

The performance of Islamic Commercial Banks (BUS) and Islamic Business Units (UUS) at Regional Development Banks (BPD) in Indonesia in 2022-2023 from the perspective of the Sharia Maqasid Index shows a significant increase, both institutionally and operationally. In the BUS group, the increase can be seen from the improvement in the scores of the tahdzib al-fard (education and training) and jalb al-maslahah (real economic contribution) dimensions. Bank NTB Syariah and Bank Aceh Syariah show consistency in maqashid-based financing and contributions to the socio-economy of the community. This improvement is also marked by an increase in commitment to zakat distribution and the implementation of interest-free products. In the UUS group, although there are variations between units, they generally show a positive direction. The performance of BUS and UUS at BPD in 2022-2023 from the perspective of Sustainable Finance also shows significant improvements in terms of fulfilling the principles of sustainability. All entities analyzed - both BUS (NTB Syariah, Aceh Syariah, Riau Kepri Syariah, and Jabar Banten Syariah) and UUS (Central Java, Nagari, North Sumatra, South Sumatra Babel, and DKI Jakarta) - managed to meet the four main indicators, namely sustainable development, green economy, social responsibility, and preparation of sustainability reports separately. Comparison of the performance of Islamic Commercial

Banks (BUS) and Islamic Business Units (UUS) at Regional Development Banks (BPD) in 2022–2023 based on the aggregate perspective of the Sharia Maqasid Index and Sustainable Finance shows variations in the level of achievement that illustrates different institutional readiness in integrating sharia principles and sustainability. In the BUS category, Bank NTB Syariah is ranked first with the highest achievement consistently across all maqashid dimensions and sustainability indicators. This bank stands out in the aspects of education, social contribution, economic justice, and comprehensive sustainability reporting. Bank Aceh Syariah is in second place, excelling in zakat distribution and human resource development, although it still needs strengthening in terms of publication and recording of social impacts. Bank Riau Kepri Syariah is in third place with administrative excellence in the sustainability aspect, but its contribution to the maqashid aspect is still uneven.

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