MISYKAT AL-ANWAR: JURNAL KAJIAN ISLAM DAN MASYARAKAT
https://jurnal.umj.ac.id/index.php/MaA16/index
VOLUME 5, NO 1, 2022

Dimensions of Performance Value Of Sharia Micro Finance Institution

Ahmad Subagyo
Sekolah Tinggi Ilmu Ekonomi GICI
bagyo1972@gmail.com

Armanto Witjaksono
Universitas Bina Nusantara
armanto@binus.ac.id

ABSTRACT

The performance appraisal of financial institutions is generally measured by using financial ratio indicators. Sharia microfinance institutions are institutions that have been developed by both the Government and the society which have economic and social functions. Social functions that are grown from belief values will have a long-term impacts, both consistency and sustainability. Exploring social values based on Sharia principles is needed to make the operational basis for Islamic microfinance institutions more measurable, both in financial performance and social performance. There are three principles in evaluating the performance of Islamic microfinance institutions, namely (1) the principle of fairness, (2) the principle of honesty, and (3) the principle of partnership. These three principles are the basis for operationalizing LKMS, both in product development, services and corporate governance.

Keywords : *Dimension of Sharia Financial Principle, Micro Finance, Fairness, Honesty, and Partnership.*

ABSTRAK

Penilaian kinerja lembaga keuangan umumnya diukur dengan menggunakan indikator rasio keuangan. Lembaga keuangan mikro syariah adalah lembaga yang dikembangkan baik oleh Pemerintah maupun masyarakat yang memiliki fungsi ekonomi dan sosial. Fungsi sosial yang ditumbuhkan dari nilai-nilai keyakinan akan berdampak jangka panjang, baik konsistensi maupun keberlanjutan. Penggalian nilai-nilai sosial berdasarkan prinsip syariah diperlukan agar basis operasional lembaga keuangan mikro syariah lebih terukur, baik dalam kinerja keuangan maupun kinerja sosial. Ada tiga prinsip dalam menilai kinerja lembaga keuangan mikro syariah, yaitu (1) prinsip keadilan, (2) prinsip kejujuran, dan (3) prinsip kemitraan. Ketiga prinsip tersebut menjadi dasar operasionalisasi LKMS, baik dalam pengembangan produk, layanan maupun tata kelola perusahaan.

Kata Kunci : *Dimensi Prinsip Keuangan Syariah, Keuangan Mikro, Kewajaran, Kejujuran, dan Kemitraan.*

INTRODUCTION

The most recent management process is controlling. In practice, supervision is translated into various actions, including (1) measurement, (2) assessment, (3) examination, and (4) auditing. Management activities, starting from planning-organizing-direction, can be assessed for their effectiveness and efficiency from the results of assessment activities carried out using certain methods and approaches.

Sharia financial principles applied in Islamic financial institutions can be measured using an economic approach and Sharia compliance. The economic approach is to measure the level of growth and business sustainability, while the Sharia principle is to assess the level of compliance with Sharia principles.

This article will discuss what factors are the variables of Islamic financial management performance which will be reviewed from the aspect of Sharia.

FINDING

Economy Performance in Sharia Finance

Economic aspects in human life are everything that includes the production, distribution, exchange, and consumption of goods and services (Lekachman, 2003) (Bahasa, 1995). With such a definition, the economic aspect in Islamic law[3] be a part of *muamalah* (Afif & Kamil, 2003) (Yafie, 2003) because basically everything which includes the production, distribution, exchange, and consumption of goods and services has been regulated in Islamic law, then the matters covered in this economy which is guided by Islamic law, is called an Islamic economy, or an economy based on Islam sharia[5] or widely known as sharia economics.

The term "Economy" which is used in the term "Islamic Economics" still refers to the term "Conventional Economics". According to (Rahardjo, 1999) the term "Islamic economy" contains at least three possible meanings. First, economics which is based on Islamic law. This raises the impression that Islam has its own economics. Second, the Islamic economy or the economy of Muslims. This possibility is based on the reality of the economic development offered by Islamic countries, as seen in the OKI's efforts to fight for an Islamic economic system, whether in Muslim majority or minority countries. Third, the Islamic economic system. Thus, the content of Conventional Economics, which breaks down into branch sciences and various specializations, is broadly adopted into Islamic Economic. (Chapra U. , 2001) calls Islamic Economics a science with an Islamic perspective.

Conventional Economics has dominated modern economic thought since more than a century ago, while Islamic Economics has only been revived three or four decades ago. The framework of economic thought of experts in Islamic Economics today still refers to Conventional Economics. Therefore, the study of Islamic Economics today also discusses Microeconomics and Macroeconomics as the main branches of economics. Of course, the discussion is adjusted to Islamic values. The impact of this adoption, the framework and operational elaboration of Islamic Economics was adapted to conventional economics. Because the operationalization of organized economics will form an economic system, the Islamic economic system that is being formed today also adapts to the conventional economic system. The term "conventional" means what is generally followed or accepted by society for a long time (Hornby, 1995).

The dominance of the conventional economic system as one of the main currents of globalization today includes creating a global economic activity called the financial market. (Colander, 2004) defines the financial market as a market in which financial assets and financial guarantees are traded. According to him, examples of this financial market are the stock market, bond market, and banking activities It can be said that there is no country in the world that is not affected by financial market activity. The fluctuations that occur inflation affect world economic conditions. The proof is the global economic crisis that has hit the world since last September 2008. This crisis was preceded by the drop in stock values in the United States financial market due to the subprime mortgage incident. The turmoil in the United States financial market immediately spread to all other financial markets in the world, including Indonesia. The Composite Stock Price Index (IHSG), which had broken the 2,700 mark and the Jakarta Islamic Index (JII) broke the 500 marked at the end of

2007, because of the crisis at the close of November 21, 2008, the JCI slumped to 1,146.28, as well as the JII slumped to 179,355 (www.metrotvnews.com).

Financial markets are driven by financial intermediary institutions (financial intermediaries). (Samuelson & Nordhaus, 2010) defines financial intermediary as an institution that receives funds from investors or savers and lends the money to borrowers. This institution includes depository institutions such as banking institutions and non-depository institutions such as money market institutions, capital market institutions, insurance companies, and so on. (Allen, 1997) calls financial intermediary institutions the institutions or professionals that drive financial markets. One such institution is a bank.

(Samuelson & Nordhaus, 2010) and (Colander, 2004) include the banking sector in the Macroeconomics discussion. This is because the influence of the banking sector has a wide impact, so that policies from the government and the state are needed in its management. Banking activities play an important role in the dynamics of the country's economy. According to the Law of the Republic of Indonesia (RI Law) number 10 of 1998 concerning amendments to the Republic of Indonesia Law no. 7 of 1992 concerning banking, Article I number 1, bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and or other forms in order to improve the standard of living of the people at large. Bank is a financial institution that receives, stores, transfers, pays, exchanges, lends, invests, or protects money for the benefit of its consumers.

One method of analyzing the health of banking operations is to test capital adequacy, asset quality, management quality, earnings performance, liquidity, and sensitivity to market risks held by banks. These six determinants of health level are often expressed by the acronym CAMELS including: Capital adequacy, Asset quality, Management quality, Earnings performance, Liquidity position, and Sensitivity to market risk. Please see (Rose, 2002)

CAMELS system has been implemented in several countries to check the soundness of their banking operations, including United States, South Korea, Indonesia, and Malaysia. However, according (Muljawan, 2005) and (Zaher & Hassan, 2001) the formulation on the description of the six factors of CAMELS component differs from country to country. Likewise, CAMELS formulation in conventional banking is different from Islamic banking. These differences are caused by the differences in policies and characteristics of central banks and banks in each country. Therefore, CAMELS is dynamic. The description and formulation can be modified while still applying the prudential banking principle.

DISCUSSION

Dimensions of Sharia Performance Values

The concept of Islamic microfinance is built on the principles of Islamic finance. The principles of Islamic finance as part of the Islamic economy have been widely discussed by various Muslim thinkers from the early days of Islam to the present. Refer to (Siddiqi, Muslim Economic Thinking, a survey of contemporary literature, 1981) Islamic thinkers are divided into 4 (four) phases, namely the first phase from the beginning of Islam to 1058 AD; second phase 1058-1446; third phase from the year 1446 – 1932; and the phase from 1932 – now. Among the thinkers who carried out the economic discussion in the first phase were: Zaid ibn Ali (699-738 AD), Abu Hanifa (699-767M), al-Awza'I (707-774), Malik ibn Anas (712-796), Abu Yusuf (731-796),. Muhammad ibn Hasan al-shaibani (750-804), Abu Ubaid al-Qasim Ibn Sallam (- 838 M), Haris ibn Asad al-Muhasibi (- 859), Junaid al-Baghdadi (- 910), Ibn Miskawih (- 1030 M), and al-Mawardi (- 1058 M). Those who included in the second phase are: Al-Ghazali (1055-1111

M), Ibn Taimiyah (1263-1328 M), Ibn Kdun (1332-1404 M). Those who included in the third phase are: Shah Waliyullah (1703-1762M), Muhammad Iqbal (1873-1938 M) and the phase thereafter from 1932 – nor, among others Yusuf Qardhawi, Muhammad A. Mannan, Khursid Ahmad, M. Nejatullah Siddiqie, etc.

(Zamir & Abbas, 2007) ekspose fundamental questions when a system to be built is based on Islam, which is related to what will be produced (goods or services), how, who will run it, how a decision is made, who has authority in making decisions and how Islamic institutions can solve various problems of modern society. However, long before these questions are answered, there should be a foundation that can be used as the right footing in constructing the basics of Islamic microfinance finance institutions that have developed today as a result of human engineering have various weaknesses because they are built only on the philosophy of "humanity", while the element of "spirituality - which has a divine tendency" is not used as a basis, which is common because of microfinance which is developed rapidly at the beginning of its growth developed in the capitalistic tradition. Other scientists have criticized the weakness of the socio-economic development theory which has been the reference in the practice of economic development. They argue that the most basic weakness of the paradigm of economic theory is its neglect of the dimensions of moral, social values and ethics (Chapra M. U., 1992). Realizing these fundamental weaknesses, they not only suggested that an interdisciplinary approach be used in studying economic phenomena, but also suggested a holistic approach. This approach integrates human material and spiritual needs.

Discussing the ideal microfinance model from an Islamic perspective requires a study of the principles of Islamic economics which include, (1) the principle of justice (Sadr, 2008) (Iqbal & Mirakhor, 2006) (Chapra U. , 2001) (Mannan., 1980), (2) the principle of transparency & fairness (Khan, 1991) (Kamali, 2005) (Marthan, 1999) (Qardawi, 1997) (Azis) and the principle of partnership (Siddiqi, Partnership and Profit Sharing in Islamic Law, 1985) (Ghazali, Omar, & Ghazali, 2005) (Nyazee, 2006) , and then continued with a discussion of the principles of microfinance which have become the basis of practice in the world of microfinance. The principles of microfinance are, among others:

(1) Scale and depth of financing outreach (Robinson, 2001) page 59, (2) sustainability (Robinson, 2001) page 75, (3) social intermediatory (Ledgerwood, 1998), (4) financial intermediatory. Please be informed that according to (Ledgerwood, 1998) Microfinance independence can be realized if it does not depend on donor agencies, but is able to raise funds (in the form of savings) from the community as a source of financing (funding) for the institution

Principle of Justice

The study of the concept of justice is carried out to study in depth the values contained in different understandings (schools) which are caused by different backgrounds of beliefs and thoughts. Furthermore, because microfinance that is practiced today is born from these different backgrounds, it is necessary to understand the meaning of justice, which in turn will give birth to the same conception and practice and implementation.

Principle of Honest

Honesty is the pinnacle of the morality of faith and the most prominent character of believers. This principle becomes the basis for Islamic microfinance actors in carrying out their vision and mission. The virtue of "honesty" in a Muslim can be seen from the hadith narrated by at-Tirmidhi, "Tradesmen who are honest and can be trusted (fully) are with the prophets, people who confirm the message of the prophet and the martyrs“ Refer to (Qardhawi, 2001) the form of dishonesty is promotional and advertising activities that exaggerate the real situation. With advertising and promotion, people are encouraged to buy things that are not really necessary and there is no ability to buy them. The alternative of debt becomes an option, on debt brings anxiety and discomfort.

The value that follows this principle is trust, because being honest, the impact is trustworthy. Shari'ah microfinance institutions absolutely have and uphold this principle. Amanah is the most important element of social capital in Islam and is the foundation of an individual's relationship with Allah SWT and with other people in society Appication in Islamic Finance are explained by (Iqbal & Mirakhor, 2006) that complying with contractual conditions and always keeping promises with other members of society. The Qur'an explains that carrying out obligations in accordance with the contract (covenant) is an order to those who believe. Keeping promises and articles of the contract that have been made, and maintaining an attitude of trust, are seen as important characteristics of true believers.

Keeping trust and promises are two of the main characteristics of believers (Q.S. Al-Mu'minun:1-8) Believers are commanded to keep their promises according to the covenants promised (Q.S. Al-Ma'idah : 1). They are asked to keep their promises because they will be held accountable for the promises they have made (Q.S. Al-Isra' : 34). Every transaction that is carried out for a certain time should be written in an agreement. So that each party can know their rights and obligations (Q.S. Al-Baqarah : 282). In essence, the moral values instilled by Islam have become general guidelines for society universally. For those who adhere to these values, they will have long-term luck, because they are credible and transparent

Payandeh in Zabir dan Abbas (2008:47) quoted a short hadith, Rasulullah SAW:

> “Unbelievable people have no faith, and people who break their promises have no religion“
>
> "Keeping promises is a sign of faith”

"There are three things that must be obeyed by everyone: treat parents well, regardless of whether they believe in or not; keep the promise whether the promise was given to a Muslim or a non-Muslim, and return what was entrusted, regardless of the person who entrusted a Muslim or a non-Muslim ".

"Keep things that are entrusted to you and never betray even those who have betrayed you".

Finally, Rasulullah SAW. Specify the main characteristics of the hypocrites, as follows:

"Three attitudes, if found in a Muslim, then he is a hypocrite even though he performs prayers, goes to Umrah and Hajj, and declares 'I am a Muslim', namely when speaking he lies, when he promises he denies, and when given trust he betrayed".

Islamic microfinance institutions as a business and social entity should hold the values of honesty and trust in carrying out their vision and mission. Honesty and trust in Islamic microfinance is reflected in the way they advertise and promote, convey the contents of the agreement (contract) openly to members, customers and other parties in every transaction, hold fast to each other's contract as promised, provide correct information to members, partners, counter parts, and other authorized parties.

Partnership

Islam teaches to help each other in kindness and piety (Q.S. Al-Ma'idah : 2) , the dimension of "*ta'awwun*" is not only in the social field, but all aspects are included in the field of "*mu'amalah*". In essence the goodness of "birr" exists in all aspects of human life, if man himself is aware of it. One form of kindness recommended in the field of *mu'amalah* is cooperation. Cooperation or in other terms the partnership in mu'amalah has been widely discussed in *fiqh mu'amalah.*

The fuqaha divided the forms of cooperation into four types, namely (1) syirkah abdan, (2) syirkah mufawadhah, (3) syirkah w Tujuh, and (4) syirkah 'inan (Suhendi, 2008).

A collaboration will be well established, if the parties working together place the other party in the same position (equality). In Islam, equality is the substance of justice, because justice requires equality between humans in all fields (Q.S. al-Hujurat: 13). Justice does not mean absolute equality, but there is equality between rights and obligations (Qaradawi, 1988). When there is a financial institution that deals with its customers (members), both in commercial transactions and in kindness (*tabarru* '), each party should know its rights and obligations clearly. Moreover, microfinance that serves the poor, who in fact many do not understand the law, then microfinance institutions must be able to provide explanations as clearly as possible to them, so that no one feels wronged by other parties.

All parties must receive the same service without discriminating between rich and poor, men - women, rural or urban people, relatives or non-brothers, Muslim or non- Muslim (Al-Haritsi, 2006). Positioning the poor as business partners in making the economy independent is the best and right choice. When the poor are made the object of "social-philanthropic funds", then they have essentially lost their freedom and choice, and have put them in a "hands down" position. In addition to their religious views, they are "humiliated" or we insult them by being "given" instead of being "lifted" and we are equated with "Islamic microfinance" as partners in carrying out productive economic activities. So that finally they can be independent and independent.

The partnership relationship between Islamic microfinance institutions and the poor can be manifested in a variety of contract options that are shared. However, organizations that are built to operationalize microfinance services should also use the principle of partnership. The principle of partnership in the Mahmud Syaltut language is *Syirkah Ta'awwuniyah.* The form of an "institution/business entity" that approaches this principle is a cooperative.

CLOSING

The values inherent in Islamic microfinance institutions are essentially the orientation of the Sharia principles themselves. So that when there is a Sharia microfinance institution that is far away and shunned by the user community, it indicates that the values developed within the organization / institution are further away from Sharia.

Assessment and measurement using quantitative parameters will be a challenge for other academics to develop. So that the assessment of the performance of Islamic financial management is truly in accordance with *maqoshid al Sharia* and continues to uphold sound business principles by applying the principle of prudence (prudential system).

The three principles in Islamic finance, namely justice, honesty and partnerships can be derived into indicators for measuring the performance of Islamic microfinance. The health level assessment parameters that are currently being developed by the Financial Services Authority in Indonesia can include these values in Islamic financial principles in assessing the performance of Islamic microfinance institutions in Indonesia.

BIBLIOGRAPHY

Afif, W., & Kamil, H. (2003). *Pengantar Fiqih Mu'amalat: Mengenal Sistem Ekonomi Islam.* Banten: MUI Banten.

Al-Haritsi, D. J. (2006). *Fikih Ekonomi Umar bin Al-Khathab.* Pustaka Al-Kautsar.

Allen, L. (1997). *Capital Markets and Institutions: A Global View.* New York: John Wiley and Sons, .

Azis, A. (n.d.). *Mausu'ah al- Adab al-Islamiyyah.*

Bahasa, T. P. (1995). *Kamus Besar Bahasa Indonesia.* Jakarta: Balai Pustaka.

Chapra, M. U. (1992). *Islam and the Economic Challenge .* Riyadh: The International institute of Islamic thought.

Chapra, U. (2001). *Masa Depan Ilmu Ekonomi Sebuah Tinjauan Islam.* Jakarta: Gema Insani Press dan Tazkia Cendekia.

Colander, D. (2004). *Economics.* New York: McGraw Hill/Irwin.

Faridl, M. (1993). *Pokok-pokok Ajaran Islam.* Bandung: Pustaka.

Ghazali, S., Omar, S., & Ghazali, A. (2005). *An Introduction to Islamic Economics & Finance.* Cert Publications Sdn Bhd .

Hornby, A. S. (1995). *Oxford Advanced Learner's Dictionary of Current English.* Oxford: Oxford University Press.

Iqbal, Z., & Mirakhor, A. (2006). *An introduction to islamic finance theory and practice .* Wiley.

Islami, D. Q. (1997). *Yusuf Qardhawi.* Gema Insani Press.

Kamali, M. H. (2005). *Equity and Fairness in Islam.* Islamic Texts Society .

Khan, M. A. (1991). Distributive Justice and Need Fulfilment in an Islamic Economy. *Journal of King Abdulaziz University: Islamic Economics*, 95-114.

Ledgerwood, J. (1998). *Microfinance Handbook : An Institutional and Financial Perspective.* The World Bank.

Lekachman, R. (2003). Economics: Introduction. In Redmond:, *Microsoft Encarta Encyclopedia deluxe 2004.* Microsoft Corporation.

Mannan., M. A. (1980). *Islamic Economics: Theory and Practice: A Comparative Study.* Idarah-i Adabiyat-i .

Marthan, S. S. (1999). *al-Madkhal li al-fikr al-Iqtishad fi al-Islam.* Al-Risalah.

Moore, P. (1997). *Islamic Finance : A Partneship for Growth.* Euromoney Publications.

Muljawan, D. (2005). A Design for Islamic Banking Rating System: An Integrated Approach. *International Conference on Islamic Economics and Finance Proceedings.* Jakarta: BI-IRTI-IDB-IAIE-UI .

Nabhani, T. A. (Beirut). *An Nizham Al Iqtishadiy Fil Islam.* 1990: Darul Ummah,.

Nyazee, I. A. (2006). *PARTNERSHIP: Islamic Law of Business .* The Other Press.

Qaradawi, Y. (1988). *Al-Fatwa Bayna Al-Indibat Wa-Al-Tasayyub.* Dar Al-Sahwah.

Qardawi, Y. (1997). *Daurul Qiyam wal Akhlaq fil Iqtishadil Islami).* Gema Insani Press.

Qardhawi, Y. (2001). *Daurul qiyan wal akhlaq fil iqti-shodiq Islam.* Jakarta: Robbani Press.

Rahardjo, D. (1999). *Islam dan Transformasi Sosial Ekonomi.* Yogyakarta: Pustaka Pelajar.

Robinson, M. (2001). *The Microfinance Revolution: Sustainable Finance for the Poor2001.* Washington DC: The World Bank,.

Rose, P. S. (2002). *Commercial Bank Management.* McGraw-Hill/Irwin.

Sadr, M. B. (2008). *Iqtishaduna.* Jakarta: Zahra.

Samuelson, P. A., & Nordhaus, W. D. (2010). *Economics.* McGraw-Hill.

Siddiqi, M. N. (1981). *Muslim Economic Thinking, a survey of contemporary literature.* Jeddah: ICRI Economics King Abdul Azis University.

Siddiqi, M. N. (1985). *Partnership and Profit Sharing in Islamic Law.* The Islamic Foundation.

Suhendi, H. (2008). *Fiqih Muamalah.* Jakarta: Rajawali Press.

Yafie, A. (2003). *Fiqih Perdagangan Bebas .* Jakarta: Teraju.

Zaher, T. S., & Hassan, M. K. (2001). A Comparative Literature Survey of Islamic Finance and Banking. *Financial Markets, Institutions & Instruments*, 155-199.

Zamir, I., & Abbas, M. (2007). *An Introduction to Islamic Finance, Teory and Practice.* Singapore: John Willey & Sons.