

Performance Measurement for Islamic Bank and Financial Institution

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Abstract: There are many contemporary discussion of performance measurement, but it has been traditionally means to assess financial goals only so it is not suited to Islamic businesses context. This paper will recommend holistic Islamic performance measurement in completing contemporary techniques. Islamic principles is rich in these precept but there have not been formally applied to measure performance which is covering both worldly and hereafter welfare. This study seeks to fill the gaps of Islamic measurement for bank and financial institution by exploring *shari'a* (Islamic legal system) teachings. By deriving from the main (*um*) *as-Sunnah*; this study tried to use Islam-Iman-Ihsan trilogy as tool to explain performance. Based on these trilogy, we found layers of Islamic Performance, starting from the most outward level, let say is *Islam* as representation of profit oriented/individual welfare and then followed by the level of faith or *Iman* to represent social economic welfare and the last is the most inward level of *Ihsan* to figure spiritual welfare. By these measurement, we know that Islam was considering not only individual welfare but also social as well as spiritual welfare in continuum so we could balancing our worldly and hereafter welfare.

Key words: Islamic performance • Measurement • Trilogy • Islam-Iman-Ihsan

INTRODUCTION

The idea of performance measurement in Islamic area has been widely discussed in regards of the Islamic Banking and Financial Industry (IBFI) growth. However, the measurement of performance of IBFI still refer to conventional instruments which is focusing on financial attributes only and ignoring another attributes. Therefore, the scale of measurement which is based on Islamic values need to be designed to develop the IBFI.

Islam through its *shari'a* organize people to reach prosperity both worldly and hereafter life. The values of the Islamic *shari'a* is the basis of ethics that requires prosperous man in all aspects, namely physically, mentally and spiritually. Three kinds of welfare, in accordance with the nature of the human which includes the physical, mental and spiritual [1] so that partial fulfillment of the only one part is meant as ignoring the welfare of other parts that cause disharmony. Financial attributes is a common and most valid instrument to measure performance all of bank and financial industry [2]. The domination of financial attributes is quite visible in CAMELS instrument (Capital, Asset, Management, Earnings, Liquidity and Sensitivity) and non-financial aspects have less portion. These financial attributes can be accepted on capitalistic scheme which have orientation

to prosper capital owner or shareholder only. Basically, capitalistic economy is developed from utility and materiality ethics, so that the main purpose of company invention concentrated in the material aspect (financial) for shareholder's interests. Based on this framework, social responsibility activity is treated as an expense in the income statement.

Islam has different principle about the source of wealth. Since Islam assumes that Allah is our truly wealth holder so we think that how to achieve the wealth is only tool or the way to pick up the wealth. Meanwhile, orientation of wealth in Islam is for offering of Allah, not shareholder. So, it can be understood why Islam recognized both financial and spiritual wealth, because Allah need no any financial benefit from mankind.

Islam has viewed financial perspective only as partial purpose, if the objectives is oriented on financial or *al-dunya* aspects only. The Islamic worldview doesn't recognize the dichotomy of *al-dunya* and *al-akhirah* [3]. Islam has fundamental principle that the welfare of worldly life should followed by the welfare of hereafter life. Thus, every business activity including IBFI, should be referring to the welfare of hereafter life. Therefore, it's important to have performance assessment system which is derived from Islamic ethic that corresponding for IBFI context.

Assessment model for IBFI has been developed from various perspectives. Spiritual assessment has been developed by [4] with the *Amanah* Management, Non-economic Wealth, Give-out, Earnings Capital Asset's Quality, Liquidity and Socio-economic Wealth; was abbreviated by ANGELS. Eventhough it is still in the early stage, it is commendable as an assessment for Islamic bank which is based on Islam *shari'a's* values. In conventional scheme, the measurement of business entity performance has focused on financial performance which is indicated for gaining profits. So, bank performance, both individual and social, still focused on financial attributes measurement. Furthermore, Alsaadi [5] reported that CSR activities are considered as means of testing the quality of financial reporting and is not intended solely for the social awareness purpose.

From *shari'a's* Islam persepective, welfare or prosperity can not be delight in the individual level (IBFI unit). *Islam never inquire for treasure (wealth and prosper) to be centered among the rich from among you*"[6]. But it must be distributed extensively related to person's duty to prosper the earth [7]. We could say that social welfare is IBFI's responsibility so we need to assess IBFI performance from social responsibility view. Haniffa [8] has initiated an Islamic Social Reporting Index (ISR) that suggest to have spiritual aspect in social responsibility report to fullfil moslem's spiritual expectation in decision making (personal interest) and to fullfil the obligation to society (morally) and Allah (spiritually). Indeed, Haniffa [9] tried to inject Islamic values on her concept of social responsibility, while Triyuwono ([10] seeks to integrate spiritual values on his concept of financial performance. In fact, business unit could portray as an individual, social as well as spiritual side, so it's important to compile the performance based on those three category. This was meant to identified those three different realities being unified as whole.

The mindset above came from comprehension that development of knowledge has changed from materialistic orientation to profit balance, social and spiritual concern [11]. Spiritual perspective admittedly significant in Islamic worldview. Islam was requiring every person to accomplish their prosperity in holicitic way (*al-falah*). So, the discussion about performance in Islam is closed to responsibility matter. Nasr [12] illustrated that human state is contained of body, soul and spirit. There is no way can integrate the body without the soul. That is why when the soul departs, the body falls apart. Spirit is soul for the body and as the key of identity as creation of Allah. Hence, that is not Islamic perspectives if leave one of those dimension.

MATERIAL AND METHODS

Contemporary Measurement of Performance: Previous researches about performance were more focused on financial performance measurement. Islam never criticize the urge of profit achievement as long as in *halal* (legally legitimate) ways. Islam perceives that the urge of gaining profit or wealth as a natural tendency (*firah*). Islam even push every people to make effort for gaining wealth [13] so they would be spared from 'cap in hand' action [14, 15]. Each person have to effort in every aspect, is just similar with the fulfillment of responsibility to prosper themselves. More over, Islam teach us that there are other people's rights in every assets we have. So, each person have to pay *zakat* in order to control economic activity.

Another aspect related to wealth in which become the main concern for Islam is person have to realize that money or wealth is not the main source of blissfulness. The real contentment comes from people who change their *al-dunya* to hereafter life orientation. Moslems are directed not focusing only to make a supreme effort to gain of temporary wealth, but also were motivated to achieve the eternal hereafter life welfare; balancing welfare in physic and mental. Meanwhile, modern worldview placing the financial achievement as a central of happiness and putting soul (spiritually) in *status-quo*. This study suggests the performance's measurement should not only stopped in the level of material or social but also has to affect the soul/spritual welfare. By stressing in spiritual welfare, the orientation to achieve the glory (*al-falah*) could be manifested.

Trilogy Islam-Iman-Ihsan as an Operationalization of Tauhid Reality: Development of knowledge can not be separated for the perception about reality. Different from Western knowledge that only recognize of physical reality, Islamic knowledge put *Tauhid* (unity) paradigm as a central element of knowledge which is known as epistemology [16]. Simply said, Allah is a truly and oneness reality, whilst others are creation reality which not a single part. Perhaps, the reality has layers or hierarchies which is started from physical reality then followed by mentally and spiritually reality which is can only be felt by non-physical tools. Although the reality looks likely separated to each other, those realities actually close together in one unity, convergent (leveling and directed to one point), well arranged and hierarchically obey to the rules of Allah [17] and can be obtained from the lowest untill the highest levels.

Confession that there are layers or hierarchies on realities has implied in understanding that there are hierarchies in any aspects of life. These understanding has become a philosophical foundation in labeling the levels or layers on the domains of consciousness, belief, happiness and knowledge. In line with those, we can use to attaches label toward religious level by using the doctrine of trilogy Islam-Iman-Ihsan which is mentioned *as-Sunnah*. However, it is not easy to distinguish bottleneck among one layer to other layer. Moreover, those layers are identical to pathways from outer side into the central side and vice versa. Ibn Taimiyah mentioned that trilogy of Islam-Iman-Ihsan are three elements of religion which can be used to measure religious level which is started from Islam, then followed by Iman and end with Ihsan [18]. Those *Hadith* provides idea or philosophical issue to measure the level of behavior in qualitative hierarchy.

At technical stage, it can be described that Islam talks about outer, Iman reflects hearth aspect and Ihsan covers both outer and the inner [19]. In term of social-economy context which relates to performance, Islam stage reflects life (material) performance, Iman is manifestation of social and Ihsan represents spiritual performance. As outer layer or stage, level of Islam teach us visible ritual and formal worship as simultaneously worship and done together in Moslem community. These uniformity will form together identity and then shaping communal effect.

At Islam stage, therefore be required a guidance to maintain the harmony between community. Islam has *Qur'an* and *hadith* as common guidance (*sharia*). These *sharia* is generally reasonable or rational so it is easy to understand and put into practice. The generality and rationality of *sharia* were intended to ease into practice to reach togetherness and harmonization within the community [20]. *Sharia* has role to enforce and encourage faith and belief. With the grace of a special reason, humanity which is able to capture the “good” and what is “bad”, although not entirely [21]. Thus, performance at Islam level is externally, which is enforced by something external (*Qur'an* and *hadith* as guidance), rational and material. Through this explanation, it is easily understood that something rational and material could represent an outer layer. Meanwhile, the duty of ratio is close to calculating and counting. Thus, it can be said that financial attribute is one of indicators of outer level, referred to as Islam level of performance measurement.

Next level is namely the level of faith (*Iman*). In general, faith is understood as the belief that it is located in the heart. Abdullah bin Salam [22] emphasizes that

Iman talk about an inner, a level higher than the level of Islam. Nasr [23] clarified the nature of Islam and Iman level through the term of exoteric and esoteric symbols. Both are like body and soul, at first glance seem separate, but inseparable. The body is like a vehicle for the soul, without which he would never reach its destination. Classification of faith designate non-physical object, because instrument to use in believing is heart only, so that the implementation of worship at faith level is rely on the heart (inner). Unlike ritual or practice at Islam level which is general and uniform, ritual at faith level is quite unique and not in uniform.

In the inner area (hearth), Allah develops compassion, which is love at level of faith has thrill to do good. At this level, person behavior is affected by a number of ethical of faith. Love is the foundation of a more universal ethics. Islam gives points which is somebody does not have (perfect) faith until he loves his brother like he loves himself [24]. Affection have force the mindset to love and care to each other.

The highest level is level of *Ihsan*. As previous explanation that Islam is a physical practice, faith is the spiritual practice, whilst Ihsan cover both by offering respectfully for Allah only. The benevolence is referred to as *ihsan* if intended for Allah. Manifestation of the proximity of a slave by virtue yielded *Ihsan* that born because of the loyalty and loving Allah. Individuals have exceeded external motivation (ruled by *shari'a*) and because of love human beings. Loving Allah is measurement tool of unconditional love. This kind of love will enable someone to gain truly happiness as existence of spiritual power. Then will is enables individual to relativize any love and beyond the duality of passive-active or all commonly used as binary opposition to explain reality [25]. This step would enables people in transcend humanity. Caliph Ali ibn Abi Talib call as an unrestrained worship.

Loving Allah as according to Al-Ghazali means finding and knowing His [26] and His creating will faithfully; so that a *Muhsin* can reach the degree of happiness (*sa'adah*). The kind of happiness was attained only by knowing the truth. A level of true love expressed concern. Audifax [27] illustrated as heterogeneous concerns, which is willingness to ensure the welfare of the earth (fellow and nature) is responsibility of and reflect the degree of servitude (*maqam*) complete faith (*insan al-kamil*) as, “No one believes until he loves for others as he loves himself”. Every heart, according to its nature can interact with Allah because only heart be close to Allah

even is closer than the jugular vein [28]. Al-Ghazali [29] states that essentially only the heart is able to feel happy when close to Allah and being good when it frees from anything except Allah. That is the true happiness. Ibn Qayyim said that the first principle of religion is to know Allah and then is making submission [30]. Knowing Allah is thus the main principal of religious (*faith*) [31]. Therefore, the power of knowledge and the love of Allah is a measure by the degree of perfection of a lover.

The perfect lover would expressed sincerity. This principle then whipped up the spirit of command manifest *Muhsin* in the welfare of all beings [32]. Thus, evidence of the love of God will be implemented in the form of devotion to the interests of humanity. These illustrations give directions that the level of Ihsan, the individual feels the love of God in the form of winnings, which is the happiness of the soul (spiritual) that represent the orientation act only addressed to God alone. Individual motivation has changed the direction of the back for personal well-being and prosperity of mankind will be devoted only to God. In this scheme, we can conclude that the love of God manifested in the form of bliss (spiritual) and sincere performance measurement is an indicator of the level of Ihsan.

Method: This research applies holistic method, which is integrate (rational) and spiritual (based on Islam). From the philosophical perspective, critical reflection (rational) refers to systematic thinking processes in order to obtain knowledge and method (merriam-webster.com). Knowledge on the basis of rational can be established through active reflection from past and present experiences [33]. Meanwhile, spiritual reflection on this research is an analysis which emphasized on the application of Iman and Islam principles. More precisely, this study was applying the values of *Qur'an* and *Hadith* as a guidance in understanding the layers of reality. Fook [34] described critical reflection as a method or process to explain and develop experience where politics and power are dominant. Critical reflection (rational) in the paper refers to his stages namely first is description of research idea, two is analysis and deconstruction of research findings, three is develop theory based on analysis results. Spiritual reflection in the current research is used as refer to *Qur'an* and *hadith* in order to elaborate and expand the findings. Therefore, stages of the research are exploring the layers of performance measurement, exploring of Islamic principles' and incorporating trilogy of Islam-Iman-Ihsan into performance measurement.

RESULT AND DISCUSSION

Result: Islamic business and financial institution performance measurement instruments will be designed in order to develop a measurement in *Tauhid* worldview. This indicates that Islam does not separate the matter of worship (*ibadah*) from business (*muamalah*) circumstance. Both *ibadah* and *muamalah* should be treated as worship, as explanation of *tauhid*. As explained earlier that Islam level associated with something physical (rational) so that the rational dimensions can be used as measurement attribute. The role of ratio as physical device are logic, mathematic and systematic. It is precise if using quantitative to represent outer performance. A mathematical dimension marks an economic activity. Islam explains various economic reality in *muamalah* scheme; once again as *muamalah* within the framework of worship. The Qur'an gives direction in conducting of this kind of business or muamalah. Qur'an uses many terms of trade such as profit and loss, loan-alms, debts, or commerce. In fact, some business principle are used to describe the human relationship with Allah, which Allah invites people to transact with Him.

Al-Badr [35] introduced the use of the term timing as well as possible as human capital in developing commerce with God. He was named the timing/capital in terms of sales, purchasing, commerce and loans. In addition, many financial metaphor in the Quran were used that Allah is the ideal merchant, who put the whole universe in His calculations, all are calculated and measured [36] by using the term of economy such as calculation, payment and wages, profits and losses, debts and guarantees in which teach us the term of cost-benefit ratio. Reward and punishment scheme is thus a tool needed on the implementation of Islamic worship level (beginning level). This device is needed to make discipline behavior. So, the implementation of a *shari'a* (law/regulation) what so ever including Islamic law, it is always in need of reward and punishment as reflect an initial stage. These illustration gives an understanding that performance measurement instruments based on financial attributes (material) level of performance levels represent Islam as the outer most level. Ratio, as manufacturers of figures and calculations is the instrumental analysis of profit and loss. Discussion of profit or loss is always related to the context of the material. The good performance was marked by bgains (material), otherwise poor performance was followed by a loss conditions. Individual or business unit experienced a significant gain self-managed welfare (business units) while the loss means failure of self-welfare (business unit).

Profit and loss (in material contexts) is a measure of the closest symbol (marking) of individual welfare. In this case, Islam teaches a phase of love, starting from loving our selves is characterized by concern for the self-welfare. Islam ordered every individual or self-welfare so he does not become a beggar or a burden to others. This effort by Islam is valued as level of external jihad [37]. Financial analysis is close to the profit calculation effort. Calculation of profit is the comparison between income and expenses. Efforts to improve profit are marked by increased revenue and cost efficiency. Thus, financial analysis ratios are identical with profitability and cost ratios (efficiency and effectiveness) so that the assessment of performance at this level was based on the achievement of profit (materially prosperous). However, the achievement of material prosperity (profit) should not be ruled out from lawful principle in achieving profit. 'Halal' (legally legitimate) aspect is the main requirement in the achievement of revenues or profits of Islamic banks. On the basis of this legal requirement, then the Islamic bank must be ensured to operate with anti-usury (*riba*) system, anti-gambling and uncertainties. Therefore, at this level of performance that is measured by the level of material prosperity that must meet *halal* (legally legitimate) criteria.

Both of these aspects, material well-being and *halal* (legally legitimate), are two conditions that must be met in order to achieve the blessing. Blessing on the property creates a sense of pleasure in consuming the possessions. This favor is reflected in the form of felling enough, not greedy and not wasteful. Blessing is a kind of welfare at the non-digits level. Health and safety of the owner of the property is a concrete example of a blessing in treasure. Acquired nominal assets are not reduced because of having to pay the cost of treatment if the illness of the property owner. So, blessings are qualitatively enhanced the welfare of nominal welfare. With the blessing, the quality of assets can be maintained and the quantity is not reduced. There is a kind of circulation that connects the property with the health of the human body and also a blessing. *Halal* (legally legitimate) perspective is thus an Islamic way to develop the concept of stability and continuity of wealth. If the conventional concept introduces a way to develop the property with the concept of time value of money Islam offers the concept of blessing which starts from the aspect of *halal* (legally legitimate) by clearing financial transactions and investments from interest-free (*riba*) and speculative-free (*gharar*). Islam promises that non-usury (*riba*) transactions and non-speculative (*gharar*) is secure

from loss [38]. Islam regards financial stability will only be achieved with the concept of *halal* (legally legitimate) and anti-usury (*riba*). God has been guaranteed that the usury (*riba*) system will not be lasting, even perish. The world economic crisis is a concrete example of the collapse of the capitalist economy that implements usury (*riba*) system. Similarly, if the IBFI expects stability then it must avoid the inclusion of the element of usury (*riba*) in Islamic business transactions.

The next phase is the Faith level. This level is a level of transformation from the Islamic level to the level of faith, when personal welfare motivation touch social dimension. This means that social care can be used as one of the performance measurement indicators at the faith level. Perfect faith serves on generating social care. Hasan [39] pointed out that each individual sees him self has the responsibility and obligation to his society. Only faith that can be mover of social sense; a sense of loves others and the desire to share or to makes others happy. The essence concern with sharing. Sharing is the interaction of take and give. Psychological concepts bring the term of give to philanthropic or altruistic activity, namely the act of birth on the basis of care, attention and love of others. Social concerns spawned a desire to put the welfare of others at least equal to the personal well-being. The difference lies in the foundation or altruistic motivation. Unlike the concept of altruistic, social awareness Islam is a faith dimension commitments. So, the back support is faith. Islam asserts that people who do not feel concerned about the other person cannot bear the human dignity [40].

Social awareness which is come from faith, cultivate the genuine social concern. Social care is not a strategy of obtaining the material (property) more as a form of awareness on the concept of altruistic. Love of others at this level is more a reflection of consciousness of faith or willingness to implement faith. Benefits are in the form of feelings of pleasure or happiness in the dimensions of faith (non-quantitative) as well as material benefits. Level of faith is a feeling that the level of benefit obtained is a feeling of happiness in dimension. Namely happiness arising from feeling superior, "it's better to give than to receive", a subjective sense without reference to material objects. The bounding feeling to the spiritual object as an intrinsic urge. While the material benefits obtained in this dimension although guaranteed multiple, but was not placed as a top priority. As explained earlier, that in the perspective of Islam, every act (charity) is regarded as a transaction with God, rewards or material benefit would be multiplied up to 700 times as the word [41].

Material benefit has been promised by God to those who alms to others. For the individual believer, material benefit is not the primary purpose but as a spirit booster. Faith plays role to encourage every believer to love others as they love them selves, not the benefits. A love that surpasses the expectations of material benefits. Based social care, the measurement of performance at the level of Faith refers to the social welfare that is characterized by social activity indicator. Capitalist economy introduces the concept of Corporate Social Responsibility (CSR) as a performance measure of social responsibility.

CSR concept was later refined by the concept of ISR (Islamic Social Responsibility). ISR is the concept of CSR is adjusted by observing the principles of Islam in social behavior. ISR is not intended to obtain material benefits as well as the concept of CSR, but purely born of faith dimension which whipped up the love of others in the wider social area (out of the business entity or company). As part of a social community, the Islamic bank does not simply appear as an economic institution but also portray the social institutions [42]. As social institutions, Islamic banks play an active role as a moral agent through the economic resources that empower communities and help to address social problems. In addition, as part of natural ecosystems, living and lived by nature, Islamic banks are required to maintain the natural. In essence, IBFI acts to create a society that is fair, as the agent that has the commitment and responsibility of the welfare of their social environment (human and nature).

In fact, CSR application is more often not intended purely for the sake social care. CSR, which was originally intended for the benefit of stakeholders, turns more into shareholder interests. This marks the CSR capitalist scheme, in favor of the owners of capital in term of to gain public appreciation, obtain an increase in sales, gain an appreciation of investors, as well as improving the welfare of the owners and as a means of investment [43], is improving the company's image, increase profits and reduce social costs [44, 45 and 46], to increases the social value of hedging or minimizing social risk [47] and to build and maintain brand loyalty [48]. It is tarnishing social commitment. That means, the CSR motivation is extrinsic (capital or the value of the company), to something external. If there is no material benefit gained from CSR activity, this activity will certainly never done. By reporting on CSR activities, the company can strengthen the profitability and financial performance, a positive appreciation of stakeholders, improving the reputation and value of the company. CSR is a media of social investment or a source of competitive advantage in the

long term. This means that CSR activity is only a new package of economic self-interest, which is characterized by financial motivation.

At ISR, motivation of social activities was arising from the motivation of faith. Therefore, the location of the faith is in our hearts, so it is intrinsic. The intrinsic nature of the scheme is characterized by the use of any discussion on the property right. ISR puts social activity on a right spectrum, but not domain of the obligation. Islam considers that each individual property (business unit) attached to the rights of others must be paid. Scheme rights of others attached to the concept of Muslim property motivates individuals as in the debt position, giving rise to an urge to pay voluntarily (intrinsic). In contrast, use of the scheme liabilities on the property, will have an impact on the feeling of heaviness to pay, because of the nature of liability is something external or extrinsic. Associated with the use of words or language, [49] with linguistic theory proposes that the structure of language is an important factor underlying the way one looks at reality and then responds it. Further, the mindset is very much determined by the language. Meanwhile, long before his opinion, Islam has introduced the importance of language. Even Islam through Qur'an claims to be the highest language, there is no language that can match the language of the Qur'an [50] (because the Qur'an is the word of God [51] which contains perfect explanations [52]. Qur'an, revealed in Arabic is recognized as one of the oldest languages in the world in the Semitic language family which is still alive and well to this day. In fact, it is known as the most Semitic of Semitic languages that existence for centuries is because Arabic is the language of God [53].

The next phase and is the highest level (deepest) that is Ihsan. The practice is thus said to be good (*hasan*) if it is intended for God. It is mean Islam, Iman and Ihsan interlinked with each other. The bonding of the inner and the whole physical organ make physical behavior is not just mechanically without a soul, but rather a conscious and meaningful action. Caliph Ali bin Abi Talib mentions as an independent charity. A passion that transcends *shari'a* texts. In this phase, personal motivation and social motivation has shifted to the spiritual motivation which is motivation that achieve proximity to God or reach the God's love. Phase closeness to Allah in Islam is the axis. At this stage, the individual in a state of submission (*aslama*) or servitude. Conditions of servitude is the actual essence of monotheism. He is the spirit of Islam. Resignation is indeed impressive passivity and escapism, yet powerful were able to move into a more moral life and

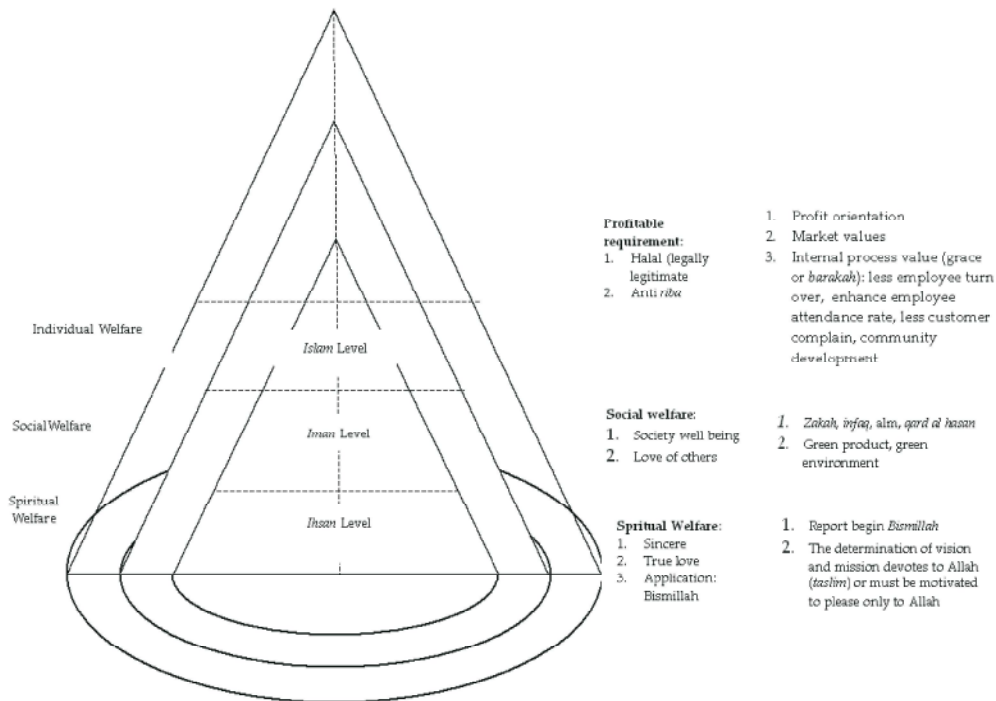


Fig. 1: Contents of Performance Indicator Based on Level of Islam-Iman-Ihsan Trilogy

perform good [54]. Ibn al-Qayyim said that the first principle of religion is to know God and is to purify submission to Him and to His Messenger, not to others [55]. This means that the servitude or submission is the subject of religious issues (*Tauhid*) and is the basis of all science. Through this phase, the individual achieves spiritual welfare in the form of soul happiness (spiritual) which is a representation of orientation act only for God alone, or known by the term of *Ikhlas*. On this scheme, we can conclude that the love of God manifested in the form of happiness of the soul (spiritual) and sincere performance measurement is an indicator of the level of *Ihsan*. Thus, sincerity is one of the indicators to be achieved in the scheme of *Tauhid* responsibility.

The implementation of *Ihsan* in the practical world is marked with the intention of applications. A person is said to be not sincere if not yet make God as the only main purpose orientation. This sort of thing can be recognized easily on the determination of the purpose orientation of the establishment of a business activity. If the goal is God, then certainly the manager or management of such entity is implementing the hierarchy of *Ihsan*. Intention in Islam is the basis for all activities including business activities. Yasar ibn Abi Kathir [56] says 'Learn the intention, since he first came to God rather than deeds'. Therefore entire life activity is worth worship including in the business, then the value of these activities depend on

the intention tendencies. Three functions of intentions in Islam that distinguish one worship to worship, worship habits distinguish and differentiate the purpose of worship. One of scholar or *ulama*, Abdullah Bin Mubarak said that 'It may be a trivial practice, be a great reward is due to the intention. And may be a great deed turns into a small reward, because of the intention'. This means that the intention affects the levels of reward to be earned by individual of *Ihsan*. Indeed, the intentions and beliefs are always taken into account in every action and tradition, as both are always taken into account in any worship. The intention makes something lawful or unlawful, invalid or corrupted, or legitimately from one side and void from the other side. As the intention of making it mandatory in the practice of worship, *sunnah*, unlawful or unauthorized and defective [57]. Thus, a sincere intention in Islam is the terms (*Tauhid* responsibility) that must be met for each activity to be worth worship. And, it is not an activity has religious value in God's sight unless it is intended for God.

Islam introduced the term or word *Bismillah* sincere intention to implement devoted only to God. *Bismillah* is the foreword to initiate any activity in the teachings of Islam. *Bismillah* is the permit as well as act as a code of conduct, an expression of monotheism so that each activity gets God pleasant. Therefore, in the phase of *Ihsan*, achievement of spiritual well-being was marked

closeness to God in the love of God. *Bismillah* becomes identity that must be attached to any Islamic performance reporting. In other words, each reporting both financial reporting (financial responsibility), social responsibility reporting and *Tauhid* responsibility reporting must be preceded by the Bismillah. Bismillah has any impact for the soul. God apprised that 'those who have believed and whose hearts are assured by the remembrance of Allah. Unquestionably, by the remembrance of Allah hearts are assured. Happiness is attached insides that individuals achieve true and lasting happiness. Tranquility certainly impacts on the formation of a good character. By the time an individual has done something on the basis of sincere intentions only to Allah, very likely the individual is not thinking of material benefits for having attained spiritual welfare. Happiness that is not shaped by external nominal cumulation. These stage presented in Figure 1.

CONCLUSION

This study recommends spiritual welfare as an axis of Islamic performance measurement that covering both worldly and hereafter in order to achieve victory (*al-falah*). Performance Islamic concept derived from the main Sunnah; Islam-Iman-Ihsan trilogy. Trilogy Islam Iman Ihsan intends to implement performance based on hierarchy; starting from the most outward level-Islam (profit oriented/ individual welfare) and then followed by the level of Iman (social economic welfare) and ends with the most inward level of Ihsan (spiritual welfare). Performance Islamic concepts focus on balancing of the worldly and the hereafter welfare; physically, mentally and spiritually that have impact on business orientation that places God as a long-term goal of business entities. The consequence is each believer should accomplish in accordance with the guidance and injunctions of the Divine Law (*shari'a*) in obtaining and spending their wealth, which is for the welfare of them-selves so as not to become beggars and welfare others.

The Islamic Performance concept is actually an idea that is still very early. The consequence is that this concept cannot be expected to be directly practiced in Islamic finance and business. Some indicators still require concrete thinking so that this concept can be implemented. Therefore this concept is relatively new therefore it is not impossible to trigger disagreement. The empirical application or intense discussion may be an appropriate medium so that this concept can be enhanced or even can be implemented technically.

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