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## Humanomics

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## Abstract

**Purpose** – *Halal* industry is one of the most growing industries in the world. It refers to the industry in line with Islamic principles and requirements. The emergence of this industry aims to fulfil the need of Islamic compliance products and services. Surprisingly, the industry has been growing in both muslim and non-muslim countries. Assessing the performance of the industry would be notable to ensure that it obtains its objectives. The proper performance measurement should highlight business perspective and religious aspects. This research aims to explore the current issues and challenges in developing *maqashid al-shari'ah*- based performance measurement in halal industry.

**Design/methodology/approach** – This is a qualitative research using in depth interviews. This research employs content analysis to interpret and explain the interview result. Interviews were conducted with the experts in *maqashid al-shari'ah* and Islamic capital markets.

**Findings** –The existence of the concept of *maqasid al-shari'ah* is to create *maslahah* for all human being. The development of *maqasid al-shari'ah* performance measurement for the business is very important. It has only been developed for Islamic financial industry. Unfortunately, it is found that the development of *maqasid al-shari'ah* performance measurement has not been carried out comprehensively in non-financial industry. The main issue is the absence of the applicable measurements. Therefore, collective decision is required to develop the appropriate measurements.

**Practical implications** – There is a necessity for regulator to produce standards on *maqasid al-shari'ah*-based performance measurement. The government policy plays important role in the the development and implementation of *maqasid al-shari'ah*-based measurement index.

**Originality/value** – This paper highlights the issue of the development of *maqasid al-shari'ah*-based performance measurement in *halal* business and commerce which has not much discussed in prior studies.

**Paper type** - Research paper

## 1. Introduction

The development of Islamic compliant industries has been increasing significantly nowadays. Starting from financial industry, the interest in Islamic economy is getting broader into other business and commerce industries including food industry, pharmaceutical, and tourism industry. The terminology of “*halal* industries” defines the industries which comply with Islamic law and requirements. *Halal* industries are not only aimed for Muslim, but also for the non-Muslims (Laldin & Furqani, 2013). *Halal* does not only concern with the product itself, but it encompasses many aspects. It has already become a new paradigm in a business where it concerns more on sustainability, not merely a religious ritual (Shariff & Abd Lah, 2014).

As a religious-based business, *halal* industry represents religious practice of its stakeholders. From Islamic perspective, one of the critical outcomes of religious learning practice is *maslahah* (wellbeing) (Bensaid & Machouche, 2013). Wellbeing plays a role as unifying agent that combines social justice and economic growth variables, and resolves any problem arising in the unification (Choudhury, 2016). Wellbeing standard can be an ethical measurement for the business when it estimates the revenue in the form of product price (Choudhury, 2015a). It also can be benefitted as a parameter to measure the performance of needs satisfaction (Andreoni & Galmarini, 2016).

Performance of *halal* industry should be measured using appropriate method focusing on business perspective, religious perspective including *maslahah* as well. Economic condition always changes and all firms must adapt with the changing environment, including “*halal*” firms. The “*halal*” firms refer to the firms which do not only produce *halal* product and service, but also does not violate Islamic law in all aspects, especially its financial aspect. Islam assists the firms to adapt with the changes which urges creativity, dynamism, and flexibility (Al-mubarak & Osmani, 2010). The adaptation should be aimed to reach the objectives of life in Islam called as *maqasid al-shari’ah* (Ascarya & Sukmana, 2014).

*Maqasid al-shari’ah* depicts the the holistic view of Islam as a guidance of life for the individual and society (Dusuki & Abozaid, 2007), including business entities (Abdullah, 2012). In recent years, the discussions on the objectives of *maqasid al-shari’ah* has been increasing significantly in *halal* economy or industry. This research attempts to explore current issues and challenges relating to the development and the implementation of *maqasid al-shari’ah* as performance measurement for business and commerce.

## 2. Literature Review

The term of *maqasid* is from arabic word which means principles, purposes, objectives, intentions, or goals (Kasri & Ahmed, 2015). Combined with the term “*al shari’ah*”, Abdul Aziz and Mohamad (2013) defines it as “.. *the goals and objectives for the legislation of the rules of Islam or simply the objectives of the Islamic law..*” (Abdul Aziz & Mohamad, 2013). Imam Al-Ghazali divided *maqasid al-shari’ah* into five important elements, which consist of (Ascarya & Sukmana, 2014; M. H. E. Bedoui, 2012) safeguarding the faith, the life, the intellect, the lineage and the wealth. Al-Satibi classified *maqasid al-shari’ah* into two categories, which are shari’ah objectives and human objectives (Ascarya & Sukmana, 2014; N. Ismail, 2014). *Shari’ah* objectives consist of three parts, such as necessities, complements, and embellishments. Other prominent scholar on *maqasid al-shari’ah* theory is Abu Zahra. He classified the objectives of *maqasid* into three broad objectives (Mohammed & Razak, 2008), such as educating the individual, establishing justice, and promoting welfare.

*Maqasid al-shari’ah* indicators are developed to achieve individual and public interests (Abubakar, 2016). It is the basis to design the regulations in Islamic economic system that comprehends values, measures and standards (Abdullah, 2012). It should be maintained in daily activities in *halal* business and commerce. Negative economic and psychological effects, especially as the result of speculation behaviour, that happened in *halal* business and commerce activities could be restricted through the implementation of *maqasid al-shari’ah* indicators (Rafikov & Saiti, 2017).

The concept of *maqasid al-shari’ah* has been used in the industry for the last decade to observe the *shari’ah* comply business. The concept has mostly been used in Islamic financial system area, especially to observe the performance of Islamic banking (Antonio, Sanrego, & Taufiq, 2012; Ascarya & Sukmana, 2014; Hamid, Ubud, D, & Aisjah, 2016; M. H. S. Mohamad, Ali, & Sharif, 2016; Mohammed & Taib, 2010). Previous research on Islamic finance also implements *maqasid al-shari’ah* concept to observe social performance (Asutay & Harningtyas, 2015), business protection (Abubakar, 2016), risk management (Rafikov & Saiti, 2017), non-collateral financing (Arafah & Nughroho, 2016), and microfinance performance (Alam, Hassan, & Said, 2015).

This concept has also been studied to examine non-financial industry. It had been used rigorously to observe healthcare procedures (S. K. Ismail, Ridzwan, Aziz, & Amiruddin, 2016) and healthcare facilities (S. K. Ismail, Ahmad, & Khalid, 2016). Furthermore, it has

been used to measure the performance of non-profit organization (Kasri, 2016; Pailis, Burhan, Multifiah, & Ashar, 2016) and to design human development model (Oladapo & Rahman, 2016). Some research on public sector also utilizes this concept to measure the performance of public governance (S. Mohamad, Adnan, & Yusoff, 2016) and the performance ethical vision of Islam (H. E. Bedoui & Mansour, 2014), and also to develop new urban planning philosophy (Md Dali, Abdullah, & Sarkawi, 2016). In more practical approach, this concept attempts to be implemented to strengthen *halal* branding in financial business (Suharni, Asiah, & Maisarah, 2016).

Business has an objective to ensure the sustainability of the community through the fulfilment of their needs and desires. From Islamic point of view, its fulfilment should comply with *maqasid al-shari'ah* as the objective of Islam. *Maslahah* (wellbeing) is the backbone of its implementation (Johnston, 2007). Business contract in the market is developed based on the rules, choices and resource allocation guided by *shari'ah* (Choudhury, 1999b). The concept of wellbeing is one of the tools to lead the community, including business community to adapt with the changes (Johnston, 2007).

Choudhury (2016) enlightened wellbeing or social wellbeing as an unbiased function explaining and measuring the unity level of the relationships between the variables in the function for understanding how the nature of the unity influences the different systems and the variables. Wellbeing is also defined as a unique experience generally inspired by a particular social and cultural context (Andreoni & Galmarini, 2016). Tawhid has been the main element in the development of human wellbeing in the world system (Choudhury, 2013). The global transformation, including the existence of halal industry, should reach the values of wellbeing in terms of socioeconomics, politics, science and technology (Choudhury, 1999a). Hence, the performance of *halal* industry should be in line with the objective of Islam and social wellbeing.

However, financial indicators are the most common parameter that have been used to measure the firm performance, including *shari'ah* compliant firms in *halal* business and commerce. Financial measurement consists of two approach, such as accounting-based performance and market-based performance. Returns on Asset (ROA), Returns on Equity (ROE), Returns on Sales (ROS) are general indicators that has been applied to measure firm performance from accounting-based approach (Arora & Sharma, 2016; Malik & Makhdoom, 2016; Vithessonthi & Racela, 2016). Market indicators, such as stock return and Tobin's Q, are frequently utilized to measure firm performance (Canepa & Ibnrubbian, 2014; Merdad,

Hassan, & Hippler, 2015; Sherif & Lusyana, 2016). Risk perspective is considered as a market performance indicator (Jawadi, Jawadi, & Louhichi, 2014; Voss & Mohan, 2016).

Related to *halal* economy, Islamic objectives' concept and principle has different perspective (Al-Amine, 2015). Using Umer Chapra's paradigm, Al-Amine (2015) proposed four Islamic objectives related on Islamic economy, such as to realize the economic welfare in the framework of Islamic norms, to sustain unity (*ukhuwah*) and justice, to achieve fair income distribution, and to realize the individual freedom in economics context. These four objectives can be derived into some indicators that can be utilized to measure Islamic performance of the firms as the awareness on "religious" performance has been increasing significantly. Numerous researchers have attempted to apply *maqasid al-shari'ah* framework to develop firm performance measurement. This measurement aims to evaluate the level of firm performance in upholding Islamic values and objectives.

Halal business and commerce as part of halal economy requires the insertion of *maqasid al-shari'ah* in business organization. It should be underlined that *halal* business and commerce disseminates a new paradigm for the stakeholders where maximum profit is not the sole objective in business. It must also be followed by the initiatives ensuring spiritual achievements. As a business organization, *shari'ah* compliant firms are expected to promote Islamic values in their operation. Unfortunately, performance measurement for *shari'ah* compliant firms has not been developed yet.

Generally, halal firms also adopt common performance measurement which focuses on financial aspects. Mostly, *shari'ah* compliant firms are using financial ratios for performance measurement (Ascarya & Sukmana, 2014) such as ROA, ROE, P/S ratio, and so on. For *shari'ah* compliant firms, there is an urge to developed the performance measurement which does not only use financial ratios, but also considers a new paradigm encompassing economic, environmental, and social indicators (Antonio et al., 2012). Ascarya and Sukmana (2014) argued that financial performance is not sufficient to measure *shari'ah* compliance firms.

Unfortunately, most of the past studies focus on how to measure the performance in *halal* banking sector. The most referred research in this area is a research that was done by Mohamed, Razak, and Taib in 2008. They proposed the performance measurement for *halal* banking industry using Abu Zahra's theory on maqasid (Mohammed & Razak, 2008).

The work of Mohammed *et al* (2008) was adopted by numerous researchers to measure the performance of Islamic banks, microcredits, *baitul maal wa tamwil*, social performance, and soundness of the Islamic banks (Alam et al., 2015; Antonio et al., 2012;

Asutay & Harningtyas, 2015; Jazil & Syahrudin, 2013; Pailis et al., 2016). Based on Imam Al Ghazali's definition on *maqasid al-shari'ah*, Ascarya and Sukmana (2014) proposed a new performance measurement for *halal* financial industry, particularly banking industry. Their framework is the latest framework of *maqasid al-shari'ah* performance measurement in *halal* financial industry. *Maqasid al-shari'ah* are also dominantly used to measure the individual performance or to measure non-financial aspect, such as biotechnology, education system, financing model, and corporate social responsibility (Arafah & Nugroho, 2016; Budiman, Amin, Yusoff, & Adeyemi, 2015; Darus et al., 2013; Dikko & Abdul Ghani, 2015; Md Dali et al., 2016; Saifuddeen, Rahman, Isa, & Baharuddin, 2014; Sulayman, 2014)

### 3. Research Methodology

This research employs qualitative approach. Qualitative research could provide detailed description of events, people, and the research process (Miles & Huberman, 1984). Qualitative method considered as the appropriate methodology to reach the research objective of the research. Content analysis was employed to help analyzing the interview result. Content analysis is a common method for analyzing qualitative data. Content analysis could give opportunities for the researcher to understand several dimension in analyzing the data (Ibrahim, Zailani, & Tan, 2015).

This research employs semi-structured in depth interview technique. This research obtains the data from the three respondents based on certain requirements. The respondents consist of a senior researcher from government research institution involved in developing *shari'ah* index and also member of joint research team for the development of *maqasid* Index in a stock exchange. The second respondent is a researcher on *maqasid al-shari'ah* and an author of *maqasid al-shari'ah* books. The other respondent is a senior researcher as well as a *shari'ah* expert who has been experienced in *shari'ah* advisory and supervision for Islamic financial industry. The interview results were cross checked among the respondents to see the agreement and disagreement.

### 4. Discussion

*Halal* industry has been growing enormously for the last decade. Indonesia and Malaysia are two countries that had been developed *halal* industry significantly. The number of firms that applied for the *halal* certification are growing significantly. The figure 1 shows



the development of *halal* industry in these two countries plays important roles in the national industry. Referring to Malaysia, the growth of firms applying for the certification infers that industry players consider *halal* market as a growing market. Malaysian *halal* industry is also known as the important players for *halal* industry in the global market. Indonesia as the biggest moslem country also plays an important role in the development *halal* industry. For the last five years, the number of firms applying for *halal* certification has increased significantly.

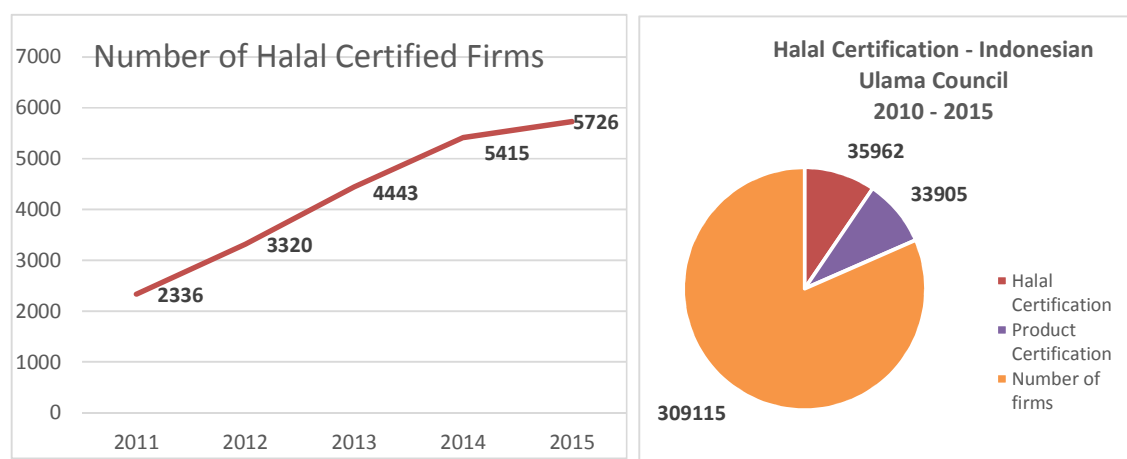


Figure 1. The Number of Halal Certified Firms  
Source: (LPPOM-MUI, 2016; Mustapa, 2016)

#### 4.1 The gaps between performance measurement and *Maqasid al-shari'ah*-based performance measurement

Financial measurement including accounting-based, market-based, and risk-based indicators has been widely applied to measure the performance. These measurements are considered as suitable indicators. From Islamic perspective, these indicators can still be applied as general indicators. But they cannot capture the whole performance of a so called *halal* firm. It does not cover the values in *halal* business and commerce comprehensively where *maqasid al-shari'ah* as Islamic objectives should be embedded in all activities.

Table 1. The gaps between performance measurement and *maqasid al-shari'ah*-based performance measurement

Performance measurement	Purpose	Integration of <i>maqasid al-shari'ah</i> concept
Accounting-Based indicators (ROA; ROE; ROS)	<ul style="list-style-type: none"> <li>Maximize shareholders' wealth;</li> <li>Ensure the sustainability of the</li> </ul>	Safeguarding the religion <ul style="list-style-type: none"> <li>Purification of the wealth</li> <li><i>Shari'ah</i> comply source of capital &amp; income</li> </ul>

Market-Based indicators (stock return; Tobin's Q)	firms	Safeguarding the Wealth <ul style="list-style-type: none"> <li>• Equitable distribution of income and wealth</li> </ul>
Risk Based indicators (Sharpe Ratio, Treynor Ratio and Jensen Alpha)		Safeguarding the of intellectual <ul style="list-style-type: none"> <li>• Human Development</li> </ul>

Performance Measurement Sources: (Arora & Sharma, 2016; Canepa & Ibnrubbian, 2014; Jawadi et al., 2014; Malik & Makhdoom, 2016; Merdad et al., 2015; Sherif & Lusyana, 2016; Vithessonthi & Racela, 2016; Voss & Mohan, 2016). The sources of modified *maqasid al-shari'ah* insertion: (Antonio et al., 2012; Ascarya & Sukmana, 2014; Asutay & Harningtyas, 2015; Chapra, 2008; Ibn Ashr, 2006; Mohammed & Taib, 2010; Oladapo & Rahman, 2016)

Based on literature and interview results, there are at least three elements of *maqasid al-shari'ah* that should be integrated to measure firms' performance in *halal* business and commerce. First element is safeguarding the religion. In this element, the performance measurement should integrate the measurement of wealth purification and source of capital and income. In *halal* business and commerce, the management and the shareholders have to ensure the firms' wealth should be purified as part of the implementation of religious values. The firms should also ensure that their source of capital and income does not violate *shari'ah*.

Second element is safeguarding the wealth. Though existing performance measurements aim to evaluate the firm performance by preserving the shareholders wealth, the values of distribution of wealth and income are not captured in the performance indicators. Third, there is a need to integrate the measurement on human development. This measurement aims to capture the firm's effort on safeguarding the intellectual. This element also represents a firm's effort in developing their business sustainability.

#### 4.2 The concept of *maslahah*

In general, business industry including *halal* industry is developed to serve all needs and desires of particular community. Choudhury (1999a) argued that a key element of a community is collective wellbeing (*maslahah*). For the business dominated by Small and Medium Enterprises (SMEs), some of wellbeing variables are human resource development and income generation (Choudhury et al. 2008), which are much related to safeguarding intellectual and safeguarding the wealth as part of *maqasid al-shari'ah*. Islamic perspective and conventional perspective have different emphasizes on the wellbeing concept in which conventional worldview focuses more on economic wellbeing (Khan et al. 2015). The

development of wellbeing should correlate with the objectives of Islam or *maqasid al-shari'ah*.

There are some terms representing the core findings that will be analyzed to explore *maqasid al-shari'ah*. The result shows that both respondents give a clear argument that the objective of business in Islam is not merely about profit. From the respondents' statements, it is found that the main element *maqasid al-shari'ah* is *maslahah*. :

*"Sharia scholars conclude that the objective of sharia is to achieve maslahah (wellbeing)"*

*"maqasid shari'ah never talks about profit, but discuss on the maslahah....."*

*"Maqasid shari'ah addressed human individuals who have been responsible for law (mukallaf) for their maslahah in the world and the afterlife."*

All respondents agreed that the objective of *maqasid al-shari'ah* is *maslahah* (wellbeing). They argued the existence of the concept of *maqasid al-shari'ah* is to create *maslahah* for all human being.

*"It is to eliminate mudharat (hazard) and the ultimate objective is to achieve maslahah (wellbeing). Therefore Islamic business attempts to create variables and approaches to access the objective. From the hierarchy context, maslahah is divided into three. Firstly, it is dharuriyya (essential). It covers five elements of protection (safeguarding religion, live, wealth, posterity and intellect). It is agreed across jurisdiction, time, and place. It is general and covers the whole dimension and applicable for all jurisdiction. The second one is hajjiyat (need), it will be different from country to country. The third one is tahsiniyyah (beautifying). This one is more different from country to country. Hajjiyyah and tahsiniyyah depend on certain jurisdiction."*

Ismail *et al* (2014) argued that *maslahah* (wellbeing) is a better concept to explain the economic motives from Islamic economic perspective. It is part of the objectives of *shari'ah*, so that all production activities having an impact on *maslahah* are essential for human (A. G. Ismail, Possumah, & Kadil, 2014). *Maslahah* was constructed from universality and unique values which are embedded in the world system, particularly in economic system (Choudhury, 2014). Therefore, the exploration of wellbeing is found in economics theory, where it can substitute the term of 'welfare' (Choudhury, 2015b).

The term of "*maslahah*" refers to the fulfillment of human needs through creativity, dynamism, and flexibility (Al-mubarak & Osmani, 2010). Dusuki and Abdullah (2007) argued that *maslahah* as the manifestation of '*aqidah* (creed), '*ibadah* (worship), and *akhlaq* (morality and ethics) in economics, business, and other worldly activities. Many researchers

stressing the importance of *maslahah* concept when they are discussing *maqasid al-shari'ah* (Al-mubarak & Osmani, 2010; Dusuki & Abdullah, 2007; Marwan, 2015). Some placed *maslahah* as one of the core in *maqasid al-shari'ah* (Antonio et al., 2012; Dayyan & Mohammed, 2012; Mohammed & Razak, 2008; Mohammed & Taib, 2010). Hence, there is a parallel finding on the understanding of *maqasid al-shari'ah*.

Wellbeing could be explored as a tool to understand the degree of the impact of technology, innovation, and knowledge to some particular variables (Choudhury, 2015b), for example *maqasid al-shari'ah*. In *halal* industry, these elements are important factors for the development of the industry to attaining their objectives (Ahmad, Abd Rahman, & Rahman, 2015; Hashim & Mat Hashim, 2013; Tan, Razali, & Husny, 2012). The effort in consuming *halal* good and services means that people use wellbeing as the main basis to fulfill the unlimited wants (A. G. Ismail et al., 2014). Choudhury (2015b) argued that government and private sectors should be cooperate together in achieving their economic goals in the framework of social wellbeing.

#### 4.3 The Development of *Maqasid al-shari'ah*-based performance measurement

The development of *maqasid al-shari'ah*-based performance measurement in the business and commerce is very important. The respondents mentioned the importance couples of times.

*“Principally, maqasid al-shari'ah is important for both financial and non-financial. Referring to Ibn Ashur, maqasid al-shari'ah aiming at wealth and property protection has five purposes.”*

According to Ibn Ashur (2006), the protection of wealth has several objectives. Firstly, it is to ensure the circulation of wealth. The distribution and circulation of wealth from one party to another must exist. It is to ensure that economic activities and equality run are well implemented. So that specific property will not be monopolized by one party. Secondly, it is to create justice for all. In the micro context, for example in profit and loss sharing transaction, it is to create justice among the involved parties in a particular transaction. Rights and duties must be clearly documented. Other than that, documentation and witness must exist, and everything has been clarified. Thirdly, the parameter of *maqasid al-shari'ah* in business context should promote transparency so that potential dispute can be eliminated. Fourthly, it is to generate money. Any business should bring positive impact on the economy development and growth. It should be able to increase employment, production activities, consumption, distribution etc. All these should achieve the sustainability through

the sustainability of business and economic activities, circulation of wealth, justice and fairness, transparency, development, and growth.

*“Obviously important. It is unquestionably important. Actually, it is very important. The concept of maqasid al-shari’ah is not only important in the business, but also all activities associated with muamalah or interaction between human beings, the ultimate goal should be maqasid al-shari’ah”*

*“It is very important to apply maqasid al-shari’ah in the business world.... then not only comply with shari’ah alone, but should also pay attention to the purpose of the implementation of shari’ah in Islamic business practices.”*

Referring to the abovementioned arguments, it is found that the respondents strongly expressed the importance through the words which they used, such as “obviously”, “important”, and “very”. From these words, it seems that the respondents’ intention is giving a clear and strong statement on the significance of the implementation of *maqasid al-shari’ah* in the business and commerce. This is aligned with the arguments in previous research on *maqasid al-shari’ah* (Antonio et al., 2012; Ascarya & Sukmana, 2014; Jazil & Syahrudin, 2013; Mohammed & Razak, 2008; Mohammed & Taib, 2010).

The effort on the operationalization *maqasid al-shari’ah* concept has been done enormously for the last decade. Many researchers tried to measure *maqasid al-shari’ah* in halal industry, especially in halal financial industry. From the respondents, it is found that the implementation of *maqasid al-shari’ah* measurement has not been employed comprehensively.

*“We have no business index which complies with shari’ah. For example Shari’ah index. So we have no benchmarks or standards that comply with Maqasid Shari’ah.”*

According to the statement above, the respondents stated that there is no applicable *maqasid al-shari’ah* measurement. The gap exists because the research on *maqasid al-shari’ah* did not become a recognized tool of measurement. The other respondent contended that the current implementation of *maqasid al-shari’ah* measurement has not become a standard or regulation.

*“So far, the results of some research do not become a standard and referred by any shari’ah bank. In Indonesia, the Financial Services Authority may have to issue those standards.”*

*“The objective of maqasid al-shari’ah is to create maslahah (wellbeing) involving economic stability, growth etc. Using maqasid al-shari’ah as a*

*parameter in business can ensure that the business practices and contracts are in line with maqasid al-shari'ah."*

Based on the statement above, the respondent strongly argued that there is a necessity for regulator to produce a standard based on *maqasid al-shari'ah* concept.

#### 4.4 Issues and Challenges

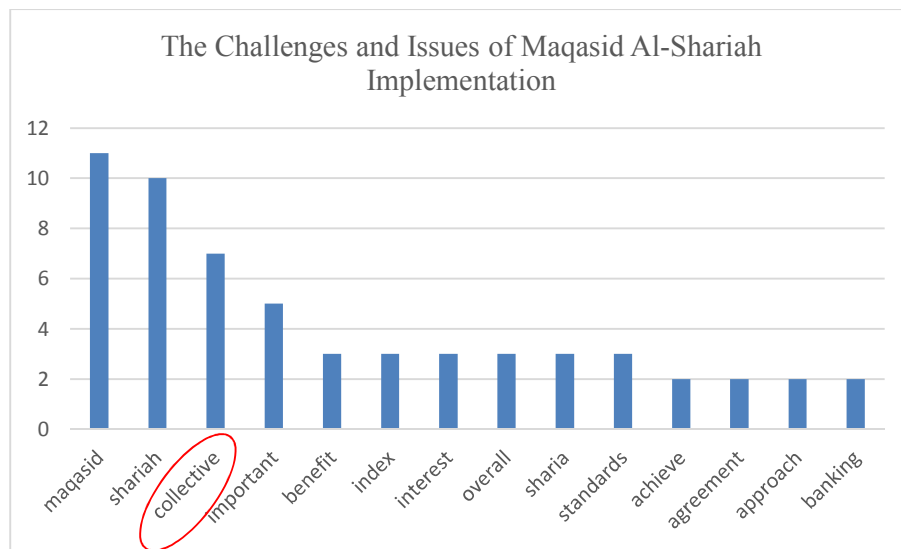


Figure 2. Interview findings on the Challenges and Issues of *maqasid al-shari'ah* Development and Implementation

It is agreed among the respondents that *maqasid al-shari'ah*-based performance measurement is a group decision among the stakeholders who have the authority to develop and implement it. It is important to have a consensus on the parameters to measure the *maqasid al-shari'ah*. Based the figure above, it is found that the term “collective” has been agreed among the respondents as the important element in the development of *maqasid al-shari'ah*-based performance measurement. it means the respondents strongly argued that the development of *maqasid al-shari'ah*-based performance measurement (index) should be in the collective basis. Based on the previous research, the effort of the development *maqasid al-shari'ah* index involved numerous respondents to reach general consensus (Antonio et al., 2012; Ascarya & Sukmana, 2014; Asutay & Harningtyas, 2015; Kasri & Ahmed, 2015; Mohammed & Taib, 2010).

There are also some issues and challenges in the implementation of *maqasid al-shari'ah*-based performance measurement in halal business and commerce based on the interview findings.

*"The main challenge is the government policy. Because the state adopts dual banking system whose main interest is to collide with the benchmark."*

*"The challenge is that maqasid Shari'ah must be properly understood, resulting in the index actually is to benefit. Good beneficiaries are in accordance with shari'ah texts (almu'tabarah) and not personal desires."*

*"The important role is to ensure that the developed maqasid al-shari'ah variables are based on maqasid al-shari'ah. The experts can give their opinion or judgment or preference of the variables."*

*"The first challenge is the practicality. maqasid al-shari'ah tends to be idealistic idealistic which is in most cases is not in favor for the business characteristics or requirements. The second one is how to change the people mindset about the importance of maqasid al-shari'ah."*

*"The absence of maqasid al-shari'ah in business will create problems, for example everyone can involve in trading, the intention is not to create the circulation of property from one party to another party to create production, but it is a legal trick to provide liquidity, cash with higher payment. There is no transfer from the seller to the buyer, because at the end the goods will be transferred to the seller. Only the money moves like the conventional system. There are no production activities and the transfer of goods from one party to another. Therefore, maqasid al-shari'ah can be a control mechanism."*

This study tabulates the issues and challenges into the strength, weakness, opportunity, and treath analysis of the implementation of *maqasid al-shari'ah* performance measurement for business and commerce based on the interview on the issues and challenges. The analysis is described in the following table:

Table 2. SWOT Analysis of *maqasid al-shari'ah* performance measurement

STRENGTH	WEAKNESSES
Islamic compliance guidance	Collective decision
Boost the firms' performance	Government policy
Higher level of performance	
OPPORTUNITY	THREAT
No fixed Islamic standards	Different views on compliance
Lack of Maqasid Al-Shari'ah-based Standards	Good and proper understanding
Not yet reached its stages	Practicality

From the strength analysis, it can be highlighted that the purpose of *maqasid al-shari'ah* is to achieve the goal of the business. Islamic performance measurement will be treated as a comprehensive guidance on Islamic compliance. It is believed that the implementation of the measurement will boost the firm's performance. Islamic business activities should both consider profit and social orientation. At the end, the business activities should be able to achieve social justice and welfare. Having *maqasid al-shari'ah* performance measurement framework as a control mechanism will also ensure that the business practices are in line with the Islamic principles and objectives because it covers the whole dimension of human life.

The concept of *maqasid al-shari'ah* also possesses several weaknesses. Firstly, it requires collective decision of the industry and practitioners to develop and implement the concept. When the industry tries to implement the index as the parameter, the indicators should be agreed among the stakeholders. Some research findings relating to the *maqasid al-shari'ah* performance measurement has not become a referenced standards for any Islamic firm. Second, it should be supported by the government policy. It could not give significant impact to the industry if there is no support from the government. So far, there is no government policy on this issue.

The absence of standard on the *maqasid al-shari'ah*-based guidance for business operation could be the opportunity as the halal business and commerce have been growing fast. The attempts and efforts to develop such guidance and standards have been conducted by some researchers and industries. However, the development has not reached the expected stages of how the guidance should be. These all could be an opportunity to seize and realize.

There are several threats to be considered. The concept of *maqasid al-shari'ah* itself must be well and properly understood. There are different school of thoughts that will lead to



different view and understandings on what is meant by the term “Islamic compliance” as part of *maqasid al-shari’ah*-based standards. This concept is also idealistic which may not in favor for the business practicess and it is not an easy task to change the people’s mindset.

## 5. Conclusion

The discussion on *maqasid al-shari’ah* should start with the understanding on *maslahah* or public benefits. The existence of the concept of *maqasid al-shari’ah* is to create *maslahah* for all human being. The development of *maqasid al-shari’ah* performance framework for Islamic business and commerce is very important as this industry has been growing fast in both moslem and non-moslem countries. However, *maqasid al-shari’ah* performance framework has only been developed for Islamic financial sector. Therefore, this study has an objective to explore the current issues and challenges in developing *maqashid al-shari’ah*- based performance measurement in halal business and commerce.

Based on the interviews, it is found that the development of *maqasid al-shari’ah* performance measurement has not been carried out comprehensively in non-financial industry. The concept of *maqasid al-shari’ah* itself must be well understood before developing the standardars and *maqasid al-shari’ah* performance framework. The absence of standard on the *maqasid al-shari’ah*-based guidance for business operation is the main issue and at the same time it could be the opportunity as the *halal* business and commerce. Developing the standards requires collective decision of the industry and practitioners. Government policy and supports are significant for this industry.

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