

PalArch's Journal of Archaeology  
of Egypt / Egyptology

MALAYSIAN DEVELOPMENT FINANCIAL INSTITUTIONS AND  
ISLAMIC BANKS STRATEGIC DIRECTION SETTING: A THEMATIC  
REVIEW BASED ON PMMS PERFORMANCE MODEL

*Norazidah Shamsudin<sup>1\*</sup>, Mustafa Omar Mohammed<sup>2</sup>, Yuserrie Zainuddin<sup>3</sup>, Yudi Azis<sup>4</sup>*

<sup>1</sup>IiBF, International Islamic University Malaysia

<sup>1,2</sup>Kuliyah of Economics and Management Sciences,  
International Islamic University Malaysia

Jalan Gombak, 53100 Kuala Lumpur, Malaysia,

<sup>1,3</sup>Faculty of Industrial Management, Universiti Malaysia Pahang,  
Lebuhraya Tun Razak, 26300 Kuantan, Pahang, Malaysia,

<sup>4</sup>Faculty of Economics and Business, Universitas Padjadjaran  
Jl. Dipati Ukur No. 35 Bandung, 40132 West Java, Indonesia,

*norazidah81@gmail.com\**; *norazidah@ump.edu.my*; *mustafa@iiu.edu.my*;  
*yuserrie@ump.edu.my*; *yudi.azis@fe.unpad.ac.id*

**Norazidah Shamsudin<sup>1\*</sup>, Mustafa Omar Mohammed<sup>2</sup>, Yuserrie Zainuddin<sup>3</sup>, Yudi Azis<sup>4</sup>  
: Malaysian Development Financial Institutions and Islamic Banks Strategic Direction  
Setting: A Thematic Review Based on PMMS Performance Model-- Palarch's Journal  
Of Archaeology Of Egypt/Egyptology 17(7), ISSN 1567-214x**

**Keywords: direction, vision, mission, performance, development financial institutions,  
Islamic banks, maqasid al-Shari'ah**

#### **ABSTRACT**

Vision and mission statement is the main reference of a firm which would direct them to the ends that they have set for themselves. For companies who striving in Islamic industry (products and services), fulfillment of Maqasid al-Shariah should be as their main focus in directing them to achieve their success which should contribute to Islamic economic attainment. However, there are studies found that profit-maximization is still to be the dominant direction of Islamic financial institutions. Hence, the study been conducted to assess the direction setting that have been set by Islamic Banks (IBs) and Development Financial Institutions (DFIs) in Malaysia who are among the key players in contributing to the country's economic development. The study adopt PMMS model in performing the thematic review on DFIs and IBs vision and mission statement. Six DFIs and ten local IBs been included in the study. The study is aiming on identifying the (1) fulfillment and (2) concentration of existing direction setting of Malaysian DFIs and IBs on all three concepts and nine dimensions of Maqasid-al Shariah. It is found that both DFIs and IBs have covered

all three themes of Maqasid-al Shariah, however, both types of financial institutions have different concentration on Maqasid concept and thematic direction. Besides on findings of one untagged dimension by both DFIs and IBs, the result of the study is hope to further suggest on the performance evaluation framework of the DFIs and IBs as it should be referred to their own strategic direction setting especially for fulfilment of time-series or vertical analysis for performance evaluation.

## INTRODUCTION

In Malaysia, the Islamic commercial banking started by having an Islamic window in the conventional banks by offering both conventional and Islamic products. Then, the development of Interest-Free Banking comes into picture, and now commercial banks in Malaysia has its own Islamic banking subsidiary. Currently, there are 16 licensed Islamic banks in Malaysia which eight are local commercial banks and all eight banks have its own Islamic bank's subsidiary. The growth had boost the banks offer in various Islamic banking products to fulfill their customers' need regardless of Muslim and non-Muslim customers. In addition, besides the Islamic banks (IBs), other type of bank such as Development Financial Institutions (DFIs), are also putting efforts towards Islamic banking. They are offering Islamic financing product as an alternative to the conventional and encouraging the customer to undertake the Islamic product. This is a positive indication that the Islamic banking is emerging beyond the Islamic commercial banks.

Malaysian DFIs been established in 2002 by the government to carried-out the specific mandate on developing and promoting the key sectors which is the strategic importance to the overall socio-economic development objectives of Malaysia. Currently, the mandate's locus key sectors are includes infrastructure industry, maritime, high-technology, export-oriented sector, small and medium enterprises (SMEs) and agriculture industry. As DFIs play a significant roles in ensuring the development of strategic key sectors of the country, hence, the stability and efficiency of the institutions should be assured. Most DFIs have shown openly their intention towards being full-fledge Islamic, and due to the fact that the mandate of the institutions been carried-out all this while is striving towards maslahah of the ummah, hence it is undoubtedly that the strategic direction of the DFIs should fulfill the three concepts under Maqasid al-Shariah. However, either all three concepts have been covered and which concept been applied as it concentration should be further analyzed.

This study has been conducted to review the direction setting of Malaysian DFIs and IBs. The current vision and mission statement of the entities been reviewed and themed into the concepts and dimensions as map by Performance Measures based on Maqasid al-Shari'ah (PMMS) performance model. The objective of the study is aiming on acknowledging, either Malaysian DFIs or IBs currently have fully covered the attention on all three concepts and nine dimensions of Maqasid-al Shariah justified by their vision and mission direction setting. Besides that, it is expected the current DFIs' and IBs' strategic direction setting based on the themes and thematic dimension could be identified. The result of the study could contribute to a suggestion on the performance evaluation

framework of the DFIs and IBs as it should be referred to their own strategic direction setting especially for time-series or vertical analysis for performance evaluation. Or in other way, the finding could be used for DFIs and IBs if there is a need to remap their direction to attain better achievement in fulfilling the Maqasid-al Shariah.

## **LITERATURE REVIEW**

### **Islamic Economic Direction**

In Islam, there are clear indications that economic wealth is crucial for the persistence of the ummah and the principal aim of Islam is to establish a just, moral and viable society (Askari, Iqbal & Mirakhor, 2009). This statement should be the orientation for firms who are Islamic based or who embed the Islamic concept which actually responsible to strive for Islamic economic development. However, it seems like most cases such as banking industry in Malaysia, the adoption of Islamic concept been performed by replicating rather than having a proper ground setting towards the Islamic economic direction. It can be seen through the establishment of Islamic banks which started by replicating the business model and even products offered are being charged similar to the conventional. The replicating issues had invites some disputes such as either to focus on Shari'ah-compliant or Shari'ah- based. The effort on establishing the Islamic banking should be praised and shouldn't be denied on it's huge contribution to the Islamic economy. However, it is better if the effort been executed with the correct starting on having the correct setting towards Islamic economic holistic environment.

Askari et al. (2009), had explain that Islam is a rule-based religion and the root rules of economics and finance is actually the same. Hence, there shouldn't being argument on having different rules between theory and practice of Islamic finance in the economy. Haneef (1997) suggested that the Islamic economic environment could be achieved, if the multi-level in the environment been set in a synchronize manner. He suggested that the economic direction should be developed into a system of economic thought covering the sub-systems of various aspects of economics. However, the suggestion of the author still not been realized in 2013 as referring to research done by Mohammed and Shahwan (2013), in their study, who found that there are broadening gap between the objective of Islamic economics and the objective of Islamic banking and finance. They are in opinion that the Islamic economics should be the reference for the objective of Islamic banking and finance industry. The author also found that objectives of Islamic banks are not emphasize on social-based entity, but, majority are actually aiming towards profit-oriented entity.

### **Performance Direction Setting**

Performance of a company is important for identifying its survival ranking and for its future direction, improvement and development strategy (Shamsudin & Mohammed, 2015). A company need to have a proper plan for performance achievement since it is important to identify their significant in the industry and would reflect to the company's future planning on financial forecasting and strategy scheduling. Ghozali (2016) and Oroh (2016) found in their study on state-owned enterprises and manufacturing companies (respectively) in Indonesia, corporate strategic

planning has a positive relationship related to a firm's performance. It shows the importance of having the correct direction setting which would lead to accurate strategy development and further would contribute to better performance accomplishment. This is consistent to Goal-Setting Theory which addressed the significance between the performance and the goal setting of an organization (Locke & Latham, 2015).

Additionally, there are other study which support the relation between the performance and the direction setting of an organization. For instance, Chenhall and Smith (2007) have concluded that the behavior is affected from the performance measures system which been set in an environment. Besides study on the influence or significance of the firm's direction or goal setting towards the firm's performance, there are also study which explore on the reverse process of it. David (2003) has map in Comprehensive Strategic-Management Model that strategy evaluation (measures and evaluate performance) set at the end process would be reviewed to compare with strategy formulation (develop vision and mission statement). The statement is consistent to Rasid, Golshan, Ismail and Ahmad (2012) who supposed the top management to revise the new goal setting of the organization based on the previous performance evaluation outcome as an effort for continuous development realization.

In practice, regardless conventional or Islamic based firm, majority perform their performance evaluation using conventional financial ratios which conduct analysis on profitability, efficiency, liquidity, leverage, market ratio and et cetera. The financial ratios as a traditional indicator been adopted for the firm's fundamental analysis to fulfill the benefit of the stakeholders includes investors, customers and other stakeholders besides as the reference for the company itself to view their own performance as an assurance for future survival and return. The conventional financial ratio measurement been used even by Islamic banks in measuring their performance. However, according to Badreldin (2009), many authors have criticized that Islamic and conventional bank performance are not comparable since they are completely different in their direction, core functions as well as operational characteristics and focus. Therefore, Ika and Abdullah (2011) recommended that a unique measurement framework for Islamic financial institutions performance evaluation should be developed and adopted to strive for achievement of Islamic economic objective.

The same opinion had been addressed by Haneef (1997) who had highlight that there is an essential need for Islamic economics to evaluate performance within its own framework and using its own criteria. This suggestion is consistent to Kamel (2000) who are in opinion, the objectives of Islamic banking must be reflected in varies perspective includes economic development, creation of value added factor and job creation. Henceforth, the primary goal of Islamic finance and economics should not be adopted from the conventional's. Ali (2011) suggest that the development of economic resources and regulation of monetary and financial policies of the Muslim society should be in accordance with the Shari'ah.

## **MATERIALS AND METHODS**

The study focus on Malaysian IBs and DFIs. Referring to Bank Negara Malaysia's website ([www.bnm.gov.my](http://www.bnm.gov.my)), there are total of 16 licensed IBs, which six are foreign-owned whereas other ten are local IBs. All ten local Malaysian IBs were taken as the sample of this study. As for Malaysian DFIs, it can be classified into two that are (1) DFIs which governed by the Development Financial Institutions Act 2002 which consist of six banks; and (2) other DFIs which not prescribed under Development Financial Institutions Act 2002 which entail five financial institutions. In this study, all six DFIs as prescribed under DFIA 2002, is taken as the scope of the study to be proceed for thematic review based on concepts and dimension developed in PMMS model.

PMMS model is an Islamic performance measurement model that been developed by Mohammed, Razak and Taib (2008) to measure the performance of Islamic banks. The PMMS model used a grounded theory of Theory of Maqasid al-Shari'ah and applied the concept as suggested by Abu Zaharah. This study adopt the PMMS's model concepts (themes) and dimensions (thematic) to review the vision and mission of the selected banks. The list of the three concepts and nine dimensions as in table 1. Boyatzis (1998) in his book address that thematic analysis is one method that social scientist can apply in order to construct a theme in qualitative analysis. Referring to Braun and Clarke (2006), a thematic analysis is locating in relation to other qualitative analytic methods that search for themes or patterns, and in relation to different epistemological and ontological positions. Hence, the thematic review allows the researcher to identify on which concept and dimension which currently under the focus of the DFIs and IBs and also to review on which concept or dimension which have not been covered by them. The concept or dimension(s) which yet to cover, if any, might be considered as the next agenda of Bank Negara Malaysia or the bank themselves to be covered for financial inclusions effort in order to strive for the social economic development of the country.

**Table 1. The Concepts and Dimensions of PMMS Model**

Concepts (Objectives)	Dimensions
1. Educating Individual	D1. Advancement of knowledge
	D2. Instilling new skills and improvements
	D3. Creating awareness of Islamic banking
	D4. Fair dealings
2. Establishing Justice	D5. Affordable products and services
	D6. Elimination of injustices
	D7. Profitability
3. Public Interest	D8. Redistribution of income & wealth
	D9. Investment in vital real sector

Source: Mohammed et al. (2008)

In order to perform the analysis, the vision and mission statement which been gathered from the bank’s official webpage and annual report of the DFIs and IBs have been reviewed. The keywords for both statements of each bank been identified and been classified into associated dimension. Further, the coding for the classification being assigned from C1 to C3 for the theme coding, followed by D1 to D9 for the dimension (thematic) coding. With the thematic review on the vision and mission statement of the DFIs and IBs, the two research questions are expected to be answered, that are: (1) whether the two types of banks have covered the attention on all three concepts and nine dimensions of Maqasid-al Shariah; and (2) what is the current locus strategic direction setting of the DFIs and IBs based on Maqasid concepts and dimensions. The bank with majority thematic coding assigned in a theme would be presumed as precise concentration on the particular theme, which would answer the second research objective.

**RESULTS AND DISCUSSIONS**

From vision and mission statement gathered on six selected DFI’s (prescribed under DFIA 2002), it is found that only five (labeled as DFI 2-DFI 6) of them disclosed their vision and mission statement either in the webpage (retrieved on April 2017) or published annual report and one DFI haven’t disclosed (DFI 1). Hence, the study proceed with the five DFIs who revealed their direction statement (vision and mission). The very first finding by comparing the vision and mission statement coding tagging, it shows that the mission statement’s coding is more than the vision’s coding of the DFIs. This is consistent to the notion of the vision statement which should be briefed and the mission statement would be more detailed as it would explain on how the vision could be achieved. However, it is contra to IBs case, which the tagging is more on vision statement compared to the mission statement. In addition, from a glance from table 2, it appears DFIs coding is more than IBs’.

Table 2 shows the summary of vision and mission thematic review for both DFIs and IBs. From the summary table, it shows that all themes (concepts) of Maqasid al-Shari’ah have been covered by both type of banks. Hence, to answer the first research objective, all themes have been covered by both DFIs and IBs. However, not all thematic dimensions been covered in both DFIs and IBs. As for DFIs, there are three dimensions that are C1(D3), C3(D7) and C3(D8) which not been covered as justified by the vision and mission statement’s thematic review. On the other hand, there are also three dimensions which not covered in the vision and mission statement of IBs that are C2(D4), C3(D8) and C3(D9). From the review, it been identified that there is one dimension which not been covered in neither by DFIs’ nor IBs’ vision and mission statement that is on C3(D8) that is under concept of ‘Public Interest’ and dimension of ‘Redistribution of Income and Wealth’.

**Table 2. Maqasid Operationalizing Concept and Dimension Mapping for DFIs and IBs**

Concepts	Dimension	Types of Banks
----------	-----------	----------------

		DFIs Vision & Mission	IBs Vision & Mission
C1. Educating Individual	D1. Advancement of knowledge	V: DFI2 M: DFI3, DFI4, DFI5	V: IB4 M: -
	D2. Instilling new skills and improvements	V: - M: DFI2, DFI3, DFI4, DFI5	V: IB1, IB4 M: IB2, IB3
	D3. Creating awareness of Islamic banking	V: - M: -	V: IB1 M: -
C2. Establishing Justice	D4. Fair dealings	V: DFI4, DFI6 M: -	V: - M: -
	D5. Affordable products and services	V: - M: DFI4, DFI5	V: IB5 M: IB4
	D6. Elimination of injustices	V: DFI5 M: DFI4	V: IB1, IB3 M: IB4
	D7. Profitability	V: - M: -	V: - M: IB4
C3. Public Interest	D8. Redistribution of income and wealth	V: - M: -	V: - M: -
	D9. Investment in vital real sector	V: DFI2, DFI3, DFI6 M: DFI2, DFI3, DFI4, DFI5, DFI6	V: - M: -

In addition, it can be concluded that the locus strategic direction setting of the banks' Maqasid concepts and dimensions as mapped in table 2 shows that DFIs have the most concentration on C3 (D9) which all five DFIs who disclosed their vision and mission have addressed their concentration on the concept of 'Public Interest' and dimension of 'Investment in Vital Real Sector'. This is significant to their main function of DFIs which to carry the government's mandate on targeted key sectors. This dimension concentration is stated in their vision or/and mission statement. Furthermore, there are four DFIs who set C1 (D1) and C1 (D2) as their direction. From the four DFIs, three of them that are DFI 3, DFI 4 and DFI 5 have addressed both dimensions in the mission statement. Hence, it can be concluded that DFIs have put concentration on their direction setting on the theme of 'Public Interest' (C3) and followed by 'Educating Individuals' (C1). To be more precise, the thematic focus are 'Investment in Real Sector' (D9), 'Advancement of Knowledge' (D1) and 'Instilling New Skills and Improvement' (D2).

As for IBs, four IBs (IB 1, IB 2, IB 3 and IB 4) out of five IBs focus on the first theme and under the second thematic dimension which is under coding of C1 (D2) been put as their strategic direction setting. The codes is under concept of 'Educating Individual' and dimension of 'Instilling New Skills and Improvement'. The concentration followed by the second theme which is C2 (D6). The second concentration is represent by three IBs (IB 1, IB 3 and IB 4) who are also concentrate on the first focus that is C1 (D2). There

are three dimensions which are C1 (D1), C1 (D3) and C3 (D7) which only covered by one IBs as compared to other dimensions which been covered by more than one IBs. Therefore, it can be concluded that the IBs' concentration is on the theme of 'Educating Individual' and followed by 'Establishing Justice', specifically, under the dimension of 'Instilling New Skills and Improvement' and 'Elimination of Injustice'. On the other hand, there are three themes which have not been tag for IBs that are C2 (D4) on thematic of 'Fair Dealings', C3(D8) on 'Redistribution of Income and Wealth and C3(D9) which is 'Investment in Vital Real Sector'.

## CONCLUSIONS

Overall, it can be concluded that Malaysian DFIs have map the most focus on their direction setting on the theme of 'Public Interest' (C3) and followed by 'Educating Individual' (C1) and 'Establishing Justice' (C2) justified by the classified coding on five, four and three respectively. This is not the same case for IBs since it is found that 'Educating Individual' (C1) and 'Establishing Justice' (C2) at the same frequency of four IBs, and only one IBs stated 'Public Interest' (C3) as included in their direction setting. This is a divergence findings between DFIs and IBs thematic direction whereby DFIs is found to covered most on the concept (C3) and in contrast, IBs covered the least on the same concept.

Since there is difference concentration on the strategic direction setting of the two types of banks (DFIs and IBs), hence, it is suggested that different weightage should be assigned for its performance evaluation especially on vertical performance analysis. For instance, the result of the thematic review would suggest that for DFIs the performance weightage of theme C3 should be 42%, followed by C1 at 33% and C2 at 25%. And, as for IBs, based on the keywords extracted from the strategic direction that they have set, C1 (Educating Individual) and C2 (Establishing Justice) should be equivalent at 44.5%, and Public Interest C3 should be at 11%. Nonetheless, if to be more exact, all entity actually have covered different theme concentration and the performance evaluation of each entity should not be generalized. The banks should focus in evaluating themselves either they have or yet to perform in-line with the direction setting that they have set in the beginning rather than more focus in competing with the rival that might keep distance from their own-route.

It is also a point to ponder on the findings that there is one dimension which not been covered by both DFIs' and IBs' which is on C3 (D8) that is under concept of 'Public Interest' and dimension of 'Redistribution of Income and Wealth'. This shows a lack on the dimension as suggested by Kamel (2000) who opines that creation of value added factor and job creation should be included as the measurement of attainment on Islamic economic realization. As mentioned in al-Quran, surah Yunus (10: 55&66), Allah remind us that everything created on the earth and the sky actually belongs to Allah. Hence, mankind should act as a trustworthy (khalifah) and should hold position as all wealth is actually trust (amanah) from Allah S.W.T. Hence, the thematic of C3 (D8) should not be ignored and should be included in the DFIs and IBs direction as their responsibility to promotes for better Islamic economic accomplishment.

## ACKNOWLEDGMENT



The authors are indebted to the Universiti Malaysia Pahang especially UMP Research & Innovation Department and Faculty of Industrial Management who manage to grant the fund in conducting the research. Greatest gratitude and credits to everybody involved directly and indirectly in the accomplishment of this research.

## REFERENCES

- Ali, M. (2011, July). Marketing strategies for Islamic banks. *New Horizon*, 180, 20-25. Institute of Islamic Banking and Insurance (IIBI).
- Askari, H., Iqbal, Z., & Mirakhor, A. (2009). *New issues in Islamic finance & economics: Progress & challenges*. Singapore: John Wiley & Sons (Asia) Pte. Ltd.
- Badreldin, A. M. (2009). Measuring the performance of Islamic banks by adapting conventional ratios. Faculty of Management Technology, German University in Cairo Working Paper No. 16.
- Boyatzis, R. E. (1998). *Transforming qualitative information, thematic analysis and code development*. London: Sage Publications.
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77-101.
- Chenhall, R. H., & Smith, K. L. (2007). Multiple perspectives of performance measures. *European Management Journal*, 25(4), 266-282.
- David, F.R. (2003). *Strategic management: Concepts & cases*. New Jersey: Pearson Education Inc.
- Ghozali, H. (2016). Impact of industry competitive forces and resources to corporate strategy on Indonesian state-owned enterprises performance. *International Journal of Economics and Management*, 10(S1), 49-63.
- Haneef, M. A. M. (1997). Islam, the Islamic worldview, and Islamic economics. *IIUM Journal of Economics & Management*, 5(1), 39-65.
- Ika, S. R., & Abdullah, N. (2011). A comparative study of financial performance of Islamic banks and conventional banks in Indonesia. *International Journal of Business and Social Science*, 15(2), 199-207.
- Kamel, S. (2000). Development of Islamic banking activity: Problem and prospects; *Lecture of Mr. Saleh Kamel at a Party Given in His Honor as Winner of the IDB Prize in Islamic Banking, Jeddah, 20 October 1997*. Islamic Development Bank, Islamic Research and Training Institute.
- Locke, E., & Latham, G. (2015). Goal-Setting Theory. In Miner, J. B. (Ed.), *Organizational Behavior 1: Essential Theories of Motivation and Leadership* (2nd ed.) (pp. 159-166). New York, USA: Routledge.
- Mohammed, M. O., Razak, D. A., & Taib, F. M. (2008). The performance measures of Islamic banking based on the Maqasid framework; *Presented at the IIUM International Accounting Conference (INTAC*

*IV) and received Best Paper Award, Putrajaya, Malaysia, June 25, 2008.*

- Mohammed, M. O., & Shahwan, S. (2013). The objective of Islamic economic and Islamic banking in light of Maqasid al-Shari'ah: A critical review. *Middle-East Journal of Scientific Research*, 13, 75-84.
- Oroh, A. N. H. (2016). Does synergy mentality mediate between strategic planning relationship and a firm's performance? An empirical study of manufacturing companies in Indonesia. *Pertanika Journal of Social Science and Humanities*, 24(S), 125-138.
- Rasid, S. Z. A., Golshan, N. M., Ismail, W. K. W., & Ahmad, F. S. (2012). Risk Management, performance measurement and organizational performance: A conceptual framework. In *3rd International Conference on Business and Economic Research Proceeding* (pp. 1702-1715). Bandung, Indonesia.
- Shamsudin, N., & Mohammed, M. O. (2015). Performance direction towards performance achievement: Case on local Islamic banks in Malaysia. *Journal of Economics, Business and Management*, 3(9), 889-893.