FORMULATION OF THE INDONESIAN LOCAL GOVERNMENT'S FINANCIAL PERFORMANCE RATIO FROM THE MAQASHID SHARIA PERSPECTIVE

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INFO ARTIKEL	ABSTRACT
	Penelitian ini bertujuan untuk menformulasikan rasio pengukuran kinerja keuangan pemerintah daerah di Indonesia dengan perspektif maqashid sharia. Penelitian ini adalah penelitian kualitatif eksploratif dengan pendekatan studi pustaka. Hasil penelitian menunjukkan bahwa terdapat sebelas elemen rasio yang dapat digunakan dalam mengukur kinerja keuangan pemerintah daerah di Indonesia dengan perspektif maqashid sharia. Implikasi hasil penelitian ini dapat digunakan sebagai alat dalam mengukur kinerja keuangan pemerintah daerah di Indonesia dengan menggunakan perspektif maqashid sharia. Selain itu hasil penelitian ini dapat menjadi sumber tujukan utama dalam pengembangan pengukuran kinerja keuangan pemerintah daerah dalam perspektif maqashid sharia. **Kata Kunci: Maqashid Syariah, Pengkuruan Kinerja, Kinerja Pemerintah Daerah** *This study aims to formulating ratio to measure the financial performance of local governments in Indonesia with maqashid sharia perspective. This research is exploratory qualitative research with a literature study approach. The results show that there are eleven elements of the ratio that can be used in measuring the financial performance of local governments in Indonesia with the maqashid sharia perspective. The implications of the results of this study can be used as a tool in measuring the financial performance of local governments in Indonesia using the maqashid sharia perspective. In addition, the results of this study can be the main source of reference in the development of regional government financial performance measurements in the perspective of maqashid sharia.* ***Keyword: Maqashid Sharia, Performance Measurement, Local Government Performance***

INTRODUCTION

Local government is a public sector organization established to provide services to the Public (Pilat & Morasa, 2017). Since 1999 local governments in Indonesia have been given more flexibility in managing aspects of service to the community. This is a positive impact of the issuance of law 22/1999 concerning Local Government. It is created a new era of local financial management in which regional governments are given greater autonomy in managing finances in their regions (Kusnadhi & Ritonga, 2013; Natrini & Ritonga, 2017). The implication is that local governments can independently manage various affairs according to the needs and characteristics of each region.

To be able to carry out good financial management autonomy, each year the regional government compiles different programs and activities according to the needs of each region (Sumual et al., 2017). The programs and activities that have been prepared must take into account the aspirations of the community to truly address the problems faced by the community. For the services to the community that has been prepared to run properly, a budget is allocated to fund these programs and activities (Atan et al., 2010; Carmeli, 2002). Therefore, the local government budget allocation indirectly represents the rupiah value of the services to be provided to the community.

As a form of service to the community, the budget as a mandate of public trust should be properly allocated, on target, transparent, accountable, and used as much as possible to achieve community welfare (Arifah, 2012; Kholmi, 2010; Triyuwono, 2018). Therefore we need a tool to measure whether the local government budget allocations have been implemented properly, on target, transparent, accountable, and used as much as possible to achieve community welfare (Atan et al., 2010; Carmeli, 2002; Ryan et al., 2000). This is in line with the opinion Williams (2003) who states that a tool is needed to measure financial conditions so that local governments can know how to meet public needs, how to use resources, and how to process resources to be productive.

Local government financial performance can be interpreted as a description of the achievements obtained by local governments for financial management allocated in the regional revenues and expenditures budget (Carmeli, 2002; Turley et al., 2014). Many researchers have conducted research related to the measurement of local government financial performance. However, this research is generally still based on conventional financial performance. In addition, there is no agreement by experts regarding which formula will be used globally so that there is uniformity in measuring local government financial performance.

Carmeli (2002) conducted research to develop indicators for measuring the financial performance of local governments in Israel. This measurement uses five financial dimensions, namely short-term liquidity, fiscal year

balances, long-term solvency, as well as service and regional development. Atan et al., (2010) have also developed a measurement of regional government financial performance in Malaysia using three measurement dimensions, namely the balance of the fiscal year, short-term liquidity, and long-term solvency. Turley et al., (2015) develop a framework for measuring local government financial performance using five measurement dimensions, namely liquidity, autonomy, operating performance, efficiency, and solvency. Besides that Ritonga (2014) has developed specific local government financial performance measures for local governments in Indonesia. There are six dimensions that are measured, namely short-term solvency, budget solvency, long-term solvency, service solvency, financial flexibility, and financial independence.

The four studies show that the development of local government financial performance measurement formulas has so far been limited to dimensions that aim to look at conventional liquidity, solvency, operating performance, and other financial dimensions. Thus, additional studies still need to be carried out to add alternatives to measuring local government financial performance by using other measurement dimensions. Seeing the majority of Indonesia's Muslim population, it is interesting to measure the financial performance of local governments using an Islamic perspective. One perspective that can be used is the maqashid sharia index perspective (Purnawati, 2019).

Scholars have different views in classifying maqashid sharia. According to Al-Imam Al-Ghazali, maqashid sharia is a fundamental effort to survive, withstand the factors of damage, and encourage prosperity which lies in protecting the faith (diin), soul (nafs), reason (aql), offspring (nasl), and wealth (maal) (Khatib, 2018; Purnamawati, 2019). Another concept of maqashid sharia can be seen from Abdul Majid Najjar's concept which states that organizations exist with the main objective of securing the value of human life, securing human self, securing society, and securing the environment which in turn results from these objectives divided into faith, human rights, self own, intelligence, heredity, human entity, property, environment (Bedoui, 2012; Setiyobono et al., 2019). In addition, there is also the concept of measuring maqashid sharia based on Abu Zahrah's opinion, namely individual education, upholding justice, and achieving prosperity (Mohammed & Taib, 2015; Setiyobono et al., 2019).

So far, the concept of maqashid sharia has been widely used to measure the performance of private organizations, especially sharia financial institutions such as banks, cooperatives, and sharia industries (Bedoui, 2012; Mohammed & Taib, 2015; Mutia & Musfirah, 2017). The use of the sharia maqashid concept in measuring the financial performance of local governments is something new because basically, the local government is not an institution that manages finances according to sharia principles. Even so, the maqasid sharia perspective can still be used in measuring local

government financial performance. This is because maqashid sharia is not a measurement of the extent to which an organization's finances are managed based on sharia principles, but rather a measurement related to the extent to which resources within the organization are used or allocated to secure life values, safeguard human beings, prevent damage, create justice, and improve community welfare (Cakhyaneu, 2018; Maulana et al., 2019; Mohammed & Taib, 2015; Nurmahadi & Setyorini, 2018; Purnamawati, 2019; Shidiq, 2009). In addition, the main objective of maqashid sharia is following the main objective of regional financial management, namely providing services to the community in terms of security, peace, and prosperity (Melkers & Willoughby, 2005).

The formula for measuring financial performance with the maqashid sharia perspective used in this study is the formula from Abu Zahrah which was developed by Mohammed & Taib (2015). The formula is considered by the context of measuring local government financial performance in Indonesia because all elements of measurement use financial ratios. Meanwhile, the formula for measuring financial performance based on the maqashid sharia perspective developed by other researchers includes many non-financial elements so it is considered not suitable for the context of this study. The objectives, dimensions, elements, and ratios of maqashid sharia measurements according to Abu Zahrah developed by Mohammed & Taib (2015) can be seen in the following Table 1.

Table 1. Financial Performance Measurement Ratio in Maqashid Sharia Perspective by Abu Zahrah

No.	Objectives	Dimensions	Measurement Element	Performance Ratio
1	Individual Education	D1.Improving Education	E1. Education Spending	R1. Education Load or Scholarship/Total Expense
			E2. Study	R2. Research Load/Total Load
		D2. New Skill Upgrades	E3. Training	R3. Training Load/Total Load
		D3Creating Awareness	E4. Publication	R4. Publication Expense/Total Expense
2	Creating Justice	D4. Fair Returns	E5. Fair Returns	R5. Profit Equalization Reserves (PER)/Net or Investment Income
		D5.Inexpensive Products and Services	E6. Functional Distribution	R6. Musharakah and Mudharabah/Total Investment
		D6. Elimination of Negative Elements that Give Birth to Injustice	E7. Interest-Free Products	R7. Interest-free income/total income
3	Public interest	D7. Profitability	E8. Profit Ratio	R8. Net Income/Total Assets

No.	Objectives	Dimensions	Measurement Element	Performance Ratio
		D8. Redistribution of Income and Wealth	E9. Individual Income	R9. Zakat/Total Assets
		D9. Investment in the Real Sector	E10. Investment in the Real Sector	R10. Investment in the Real Sector/Total Investment

Source: Mohammed & Taib (2015)

This research is expected to be able to formulate ratios that can be used in measuring the financial performance of local governments in Indonesia using the maqashid sharia perspective. This is a new perspective in measuring the financial performance of local governments in Indonesia, which has so far focused on measuring financial performance with conventional dimensions. Thus, the community's point of view in assessing the financial performance of local governments is growing, thereby facilitating decision-making both politically, socially, and economically.

METHODS
Types of research
This research is qualitative research using an explorative research approach. Exploratory research can be considered the first step which is expected to be used to formulate a solution to a problem that is still new. Exploratory research is often said to be preliminary research because this type of research tries to dig up information or problems that were relatively new before (Given, 2008; Kastberg & Siverbo, 2013; Mudjiyanto, 2018). Because exploratory research is only looking for new ideas or relationships, there is no formal planning for it, so its implementation depends on the intelligence and imagination of the research worker concerned (Kastberg & Siverbo, 2013; Mudjiyanto, 2018).

Explorative research requires researchers to have a certain position in the perspective of looking at data and all research vehicles. Given (2008) argues that in exploratory research subjectivity directs researchers a lot in selecting and analyzing data. The things to be explored in this research are studies related to measuring the financial performance of local governments in Indonesia as well as studies on measuring performance using the maqashid sharia dimension.

The literature study approach is research conducted through data collection or scientific writing with the aim of research objects or library data collection, or studies carried out to solve a problem which is based on critical and in-depth analysis of relevant library materials.

Types and Data Collection Techniques

The type of data used in this research is secondary data. The secondary data is a collection of scientific articles related to measuring organizational performance with maqashid sharia dimensions as well as articles related to measuring financial performance and the financial condition of local governments in Indonesia. These data were collected with the help of internet searching in various reputable national and international journals.

Data Analysis Technique

The steps used in data analysis in this study use the development of performance measurement formulas based on the maqashid sharia perspective following the steps taken by Mohammed & Taib (2015).

The first step is to determine the initial formula related to dimensions, elements, and ratios that have the potential to be used as a formula for measuring financial performance based on sharia maqasid principles. Identification of potential dimensions, elements, and ratios is carried out by examining various formulas for measuring financial performance with the perspective of maqashid sharia developed by previous researchers. The dimensions, elements, and ratios used as references in this study are the maqashid sharia index formula from Abu Zahrah which was developed by Mohammed & Taib (2015).

The second step is to modify the performance measurement formula used as a reference to suit the local government's financial context in Indonesia. The purpose of this step is to create simple, uncomplicated measurement ratios, avoiding excessive complexity, but still comprehensive.

The third step is the verification of the initial performance measurement formula. This verification process is carried out to ensure that the ratio formula that has been prepared is correct and capable of being represented in measuring the financial performance of local governments in Indonesia with a maqashid sharia perspective. This verification process was carried out by discussing the results of the draft initial formula for measuring local government financial performance based on the maqashid sharia perspective with various professionals and experts in the field of regional financial management.

RESULTS AND DISCUSSION
Development of Initial Performance Measurement Ratio Formula

The results of a review of various sources of measuring financial performance in local governments are used as a basis for developing an initial formula for measuring local government financial performance in Indonesia from the perspective of Maqashid Sharia. This study uses the objectives, dimensions, elements, and ratios of the Islamic masqashid from Abu Zahrah which have been developed by Mohammed and Taib in 2015.

a. **Individual Educational**
    The first objective used to measure the financial performance of an organization with the maqashid sharia approach according to Abu Zahrah development by Mohammed & Taib (2015) is Individual Education. This objective has three dimensions namely improving education, enhancing new skills, and creating awareness.
1) The First Dimension is Improving Education
    Development carried out by Mohammed & Taib (2015) the dimension of improving education uses two elements of measurement, namely the first element of Education Expenditures and the second element of Research Expenditures. This first element in measuring local government performance in Indonesia can use spending on education or the budget at the education office. The provisions in Law 23/2014 concerning Local Government state that government affairs are governmental powers which are the authority of the President whose implementation is carried out by state ministries and regional government administrators to protect, serve, empower and prosper the community. In article 12 paragraph (1) of the Regional Government Law, it is explained that education affairs are one of the mandatory affairs related to basic services that must be carried out by all regional governments in Indonesia. This education affair is related to the service of educational programs related to education management, curriculum, accreditation, educators and education staff, educational licensing, as well as language and literature. Thus the first measurement element is measured using the first ratio (R1), namely Total Realized Expenditure on Education divided by Total Realized Expenditures. This ratio will show the extent to which the realization of the allocation of funds for the implementation of education in local governments in Indonesia. This education affair is related to the service of educational programs related to education management, curriculum, accreditation, educators and education staff, educational licensing, as well as language and literature. Thus the first measurement element is measured using the first ratio (R1), namely Total Realized Expenditure on Education divided by Total Realized Expenditures. This ratio will show the extent to which the realization of the allocation of funds for the implementation of education in local governments in Indonesia. This education affair is related to the service of educational programs related to education management, curriculum, accreditation, educators and education staff, educational licensing, as well as language and literature. Thus the first measurement element is measured using the first ratio (R1), namely Total Realized Expenditure on Education divided by Total Realized Expenditures. This ratio will show the extent to which the realization

of the allocation of funds for the implementation of education in local governments in Indonesia.

$$R1= \frac{Total\ Realized\ Expenditure\ on\ Education}{Total\ Realized\ Expenditures}$$

The second measurement element by Mohammed & Taib (2015) uses research spending. In local governments in Indonesia, this element can be measured using the realization of spending on agencies that handle planning affairs and agencies that handle research affairs local governments. In the elucidation of Law 23/2014, it is stated that the agency in charge of planning, research, and development has duties and functions related to efforts to carry out planning, research, and development of local government services in Indonesia. This second measurement element is measured by using the second ratio (R2), namely Total Realized Expenditures for Planning and Research divided by Total Realized Expenditures. This ratio will indicate the extent to which the realization of the allocation of funds for the implementation of planning and research on local government services in Indonesia.

$$R2= \frac{Total\ Realized\ Expenditures\ for\ Planning\ and\ Research}{Total\ Realized\ Expenditures}$$

2) The Second Dimension is New Skill Enhancement
This dimension of research Mohammed & Taib (2015) used the third measurement element, namely expenditure on training. Measuring local government's financial performance in this element is most appropriate using the expenditure of the agency that handles education and training in local government. This education and training are different from the educational affairs used in the first measurement element. The agency in charge of education and training has duties and functions related to efforts to improve the quality and capacity of local government human resources (employees) in Indonesia (Law 23/2014). This third measurement element is measured using the third ratio (R3), namely the Total Realized Expenditure on Education and Training divided by the Total Realized Expenditure.

$$R3= \frac{Total\ Realized\ Expenditure\ on\ Education\ and\ Training}{Total\ Realized\ Expenditure}$$

3) The Third Dimension is Creates Consciousness
In this dimension of research Mohammed & Taib (2015) used the expenditure measurement element for publication. In the context of local government in Indonesia, this dimension can be measured using

information and communication spending. In Article 12 paragraph (2) of the Local Government Law (23/2014) it is stated that communication and informatics affairs are one of the obligatory matters not related to basic services that must be carried out by all local governments in Indonesia. Communication and informatics affairs are related to service delivery programs for resources, postal equipment, informatics, public information and communication as well as informatics applications. Thus, this matter is very relevant to the publication measurement element. These four measurement elements are measured using the fourth ratio (R4), namely the Total Information and Communication Affairs Expenditure Realization divided by the Total Expenditure Realization. This ratio will show the extent to which the realization of the allocation of funds for the implementation of resources, postal equipment, informatics, public information and communication as well as informatics applications in local governments in Indonesia.

$$R4 = \frac{Total\ Information\ and\ Communication\ Affairs\ Expenditure\ Realization}{Total\ Expenditure\ Realization}$$

b. **Creating Justice**
     The second objective is used to measure the financial performance of an organization with the maqashid sharia approach according to Abu Zahrah development by Mohammed & Taib (2015) is the objective of Creating Justice. This objective has three dimensions, namely Fair Returns, Cheap Products and Services, and Elimination of Negative Elements that Give Birth to Injustice.
   1) The Fourth Dimension is Fair Return
        This dimension of research Mohammed & Taib (2015) using the Fair Return measurement element. This element is measured using the Profit Equalization Reserves (PER) divided by Net or Investment Income. PER is an instrument that is used to anticipate losses from assets invested, both from the side of the bank and from the owner of the savings account/shaibul maal (Udin & Trihantana, 2015; Wahid et al., 2018; Wira et al., 2018). The aim is to anticipate the risk of loss on services both to customers and to managers due to higher volatility in Islamic banking.
        In the context of local government in Indonesia, this concept is in accordance with the measurement of financial performance with service solvency ratios. This ratio measures the ability of local governments to provide and maintain the quality of public services needed and desired by the community (Natrini & Ritonga, 2017; Ritonga, 2014; Ritonga et al., 2012; Wang et al., 2007). Ritonga et al. (2012) has developed a service solvency ratio following the context of

local government in Indonesia which is measured using three ratios, that is:

$$R5 = \frac{Total\ Equity}{Total\ Population}$$

$$R6 = \frac{Total\ Asset}{Total\ Population}$$

$$R7 = \frac{Total\ Expenditure\ Realization}{Total\ Populationk}$$

These three ratios (R5, R6, and R7) indicate that the economic resources entrusted to the local government should be returned to the community (residents) in the form of services. This allocation of economic resources is reflected in local government equity, assets, and service spending.

2) The Fifth Dimension is Inexpensive Products and Services
    This dimension of research Mohammed & Taib (2015) used functional distribution measurement elements. This element uses the Musharakah and Mudharabah formula divided by Total Investment. The provision of inexpensive products and services in public organizations can be seen in several types of local government spending, including grant spending, subsidy spending, and social assistance spending (Fathiyah et al., 2021; Susanto, 2019). Thus, the functional distribution of local government is measured using three ratios, that is:

$$R8 = \frac{Total\ Grant\ Expenditure\ Realization}{Total\ Expenditure\ Realization}$$

$$R9 = \frac{Total\ Subsidy\ Expenditure\ Realization}{Total\ Expenditure\ Realization}$$

$$R10 = \frac{Total\ Realisation\ of\ Social\ Assistance\ Spending}{Total\ Expenditure\ Realization}$$

The three ratios above are suitable for measuring the maqashid sharia dimension, namely the provision of cheap products and services. Grant spending, subsidy spending, and social assistance spending are local government expenditures in the context of providing services and products that are easily accessible to the community (Fathiyah et al., 2021; Gagola et al., 2017; Pilat & Morasa, 2017; Susanto, 2019).

3) The Sixth Dimension is Eliminate Negative Elements that Give Birth to Injustice

This dimension is under development by performance measurement Mohammed & Taib (2015) using the Interest-Free Product measurement element. Local governments in Indonesia are basically not managed with interest-free sharia principles, but since the issuance of Law Number 1/2022 concerning Financial Relations between the Central Government and Regional Governments, there is one source of regional revenue that uses sharia principles, namely regional sukuk. Regional Sukuk is securities based on sharia principles as proof of the share of regional sukuk assets issued by the regional government. Regional Sukuk is a form of regional debt financing managed by sharia principles (Maza, 2016). Therefore, sukuk products become a measurement element that is used to measure the dimensions of eliminating negative elements that give rise to injustice. Even though currently there is no regional government that implements regional sukuk, it is still used as a ratio for measuring this dimension with the hope that in the future it can be optimized by local governments to accelerate the nation's development process. Thus, this element is an interest-free product which is measured using the eleventh ratio (R11), namely the total realization of interest-free financing receipts divided by the total realization of financing receipts.

$$R11 = \frac{Total\ Realization\ Of\ Interest\ Free\ Financing\ Receipts}{Total\ Realization\ of\ Financing\ Receipts}$$

c. **Public Interest**

The third objective used to measure the financial performance of an organization with the maqashid sharia approach according to Abu Zahrah according to the development by Mohammed and Taib (2009) is the Public Interest Objective. This goal also has three dimensions namely Profitability, Redistribution of Income and Wealth, and Investment in the Real Sector.

1) The Seventh Dimension is Profitability

Mohammed & Taib (2015) measure this dimension by using the element of profitability ratios. In the context of local government, profit is not the main goal (Natrini & Ritonga, 2017; Ritonga, 2014). The main goal is to be able to provide services to the community. Therefore, in measuring the performance of regional governments in Indonesia, they must use measurements that show the ability to provide services to the community. These indicators can use budget solvency measurements. This measure shows the ability of local government to generate revenue to cover its operations during a budget period (Nollenberger et al., 2003; Ritonga et al., 2012). Budget solvency is measured using the twelfth ratio (R12), namely Total Revenue minus

Revenue from the Special Allocation Fund divided by Operational Expenditures.

$$R12 = \frac{Total\ Revenue - Revenue\ from\ the\ Special\ Allocation\ Fund}{Total\ Operational\ Expenditures}$$

Apart from using budget solvency, the measurement of this element in local governments can also use the Financial Independence element. Financial independence is a condition where local governments are not dependent on funding sources beyond their control or influence, both from domestic and foreign sources (CICA, 1997). Financial independence is measured using the thirteenth ratio (R13), namely Total Locally-Generated Revenue divided by Total Regional Income.

$$R13 = \frac{Total\ locally-generated\ revenue}{Total\ Regional\ Income}$$

2) The Eighth Dimension is Redistributing Income and Wealth
Mohammed & Taib (2015) measure this dimension using the individual income element with the ratio of Zakat divided by Total Assets. This element is used to see how far the distribution of income is received by the organization to those in need. In the context of local government in Indonesia, this dimension can be measured using local government transfers. This element measures the extent to which the organization is able to channel the income and wealth that has been given to other organizations. Local government transfers are expenditures from regional governments to other regional governments or budget expenditures from regional governments to village governments (Law 23/2014). Thus local government transfers are a form of redistribution of income that has been received by other regional governments or village governments. This element is measured by using the fourteenth ratio (R14), namely the Total Transfer Expenditure Realization divided by the Total Expenditure Realization.

$$R14 = \frac{Total\ Transfer\ Expenditure\ Realization}{Total\ Expenditure\ Realization}$$

3) The Ninth Dimension is Investment in the Real Sector
Investment in the Real Sector is the last dimension used in measuring the financial performance of Islamic banking with the maqashid sharia approach according to Abu Zahrah the development by Mohammed & Taib (2015). This dimension is measured using investment elements in the real sector. In the Regulation of the Minister of Home Affairs 52/2012 concerning Guidelines for Regional Government Investment Management, it is stated that Regional Government Investment is the

placement of several regional funds and/or goods by the regional government in the long term for investment in purchasing securities and direct investment, which can return the principal value plus economic, social and/or other benefits within a certain period of time. This element is measured using the fifteenth ratio (R15), namely Total Investment divided by Total Assets.

$$R15 = \frac{Total\ Investment}{Total\ Asset}$$

The results of the initial development of formulas or ratios to measure the financial performance of local governments in Indonesia using the maqashid sharia perspective can be seen in the following Table 2.

Table 2. Initial Formulation of Indonesian Local Government's Financial Performance Ratio In The Maqashid Sharia Perspective

No.	Objectives	Dimensions	Measurement Element	Performance Ratio
1	Individual Education	D1.Improving Education	E1. Expenditures on Education Affairs	R1. Total Expenditure Realization for Education Affairs/Total Expenditure Realization
			E2. Expenditures for Planning and Research Affairs	R2. Expenditure Realization for Planning and Research Affairs/Total Expenditure realization
		D2. New Skill Upgrades	E3. Expenditure on Human Resource Development Affairs	R3. Expenditure Realization for HR Development Affairs/Total Expenditure Realization
		D3Creating Awareness	E4. Expenditures for Communication and Information Affairs	R4. Information and Communication Affairs Expenditure Realization/Total Expenditure Realization
2	Creating Justice	D4. Fair Returns	E5. Service Solvency	R5. Total Assets/Total Population
				R6. Total Expenditure Realization/Total Population
		D5.Inexpensive Products and Services	E6. Functional Distribution	R7. Grant Expenditure Realization/Total Expenditure Realization
				R8. Subsidy Expenditure Realization/Total Expenditure Realization
				R9. Realization of Social Assistance

No.	Objectives	Dimensions	Measurement Element	Performance Ratio
				Expenditures/Total Expenditure Realization
		D6. Elimination of Negative Elements that Give Birth to Injustice	E7. Interest-Free Products	R10. Total Realization of Receipt of Sukuk Financing/Total Realization of Receipt of Financing
3	Public interest	D7. Profitability	E8. Budget Solvability	R12. Total Revenue minus Revenue from the Special Allocation Fund /Total Operating Expenditures
			E9. Financial Independence	R13. Locally-Generated Revenue/Total Regional Income
		D8. Redistribution of Income and Wealth	E10. Wealth Transfers	R14. Total Transfer Expenditure Realization/Total Expenditure Realization
		D9. Investment in the Real Sector	E11. Investment In The Real Sector	R15. Investment/Total Assets

Source: Data processed

Initial Formula Verification

After obtaining the initial formula to measure the performance of local governments in Indonesia using the maqashid sharia perspective, the next step is to verify the formula with several experts in the field of local government financial management. This verification process is carried out to ensure that the formula that has been prepared is appropriate and able to represent the financial performance measurement of local governments in Indonesia with a maqashid sharia perspective.

The results of verification by experts provide several changes to the initial formula that has been prepared, including:

1) For the first objective, namely individual education, all elements of measurement are the ratio of actual expenditure related to total expenditure realization. Verification results from several experts provide input so that spending on these matters is not compared to the total expenditure realization because the main goal of local government is not the four dimensions in the individual's educational goals. The input is that this dimension is measured by the level of achievement of expenditure realization for each affair with its budget. Thus the ratio in the first goal changes even though the dimensions and elements are fixed.

$$R1 = \frac{Total\ Realized\ Expenditure\ on\ Education}{Total\ Realized\ Expenditures}$$

$$R2 = \frac{Total\ Realized\ Expenditures\ for\ Planning\ and\ Research}{Total\ Realized\ Expenditures}$$

$$R3 = \frac{Total\ Realized\ Expenditure\ on\ Education\ and\ Training}{Total\ Realized\ Expenditure}$$

$$R4 = \frac{Total\ Information\ and\ Communication\ Affairs\ Expenditure\ Realization}{Total\ Expenditure\ Realization}$$

2) On the fourth dimension, namely fair returns, the initial formula uses the element of service solvency. The verification results recommend that the service solvency elements are not suitable for measuring this fair return. Service solvency is the ability of local governments to provide and maintain the quality of public services needed and desired by the community (Natrini & Ritonga, 2017; Ritonga, 2014; Ritonga et al., 2012; Wang et al., 2007). This is considered inappropriate because basically what is calculated in dimension four is the extent to which the availability of funds is set aside to anticipate losses from the assets invested, both from the entity side and from the public. Furthermore, recommendations for replacement elements using elements of financial flexibility. Financial flexibility is an indicator that shows the extent of the ability of local governments to provide freely available resources to improve services to the community (Kusnadhi & Ritonga, 2013; Ritonga, 2014, 2015; Ritonga et al., 2012). Financial flexibility can be seen from the ability of local government operating income to meet mandatory expenditures every year. This element of financial flexibility is measured using the formula, namely Total Operating Income minus all Mandatory Expenditures divided by Total Expenditure Realization.

$$R5 = \frac{Total\ Operating\ Income - All\ Mandatory\ Expenditures}{Total\ Expenditure\ Realization}$$

3) In the fifth dimension, namely the provision of inexpensive products and services, the initial formula uses functional distribution elements which are divided into three ratios. Recommendations from the verification results indicate that the three ratios should be combined because grant spending, subsidy spending, and social assistance spending have the same goal of providing inexpensive services or products for the community. Thus, to measure the fifth dimension, we still use the element of financial distribution with the formula being Realized Grant Expenditure plus Realized Subsidy Expenditure plus Realized Expenditure of Social Assistance divided by Total Realized Expenditure.

$$R6 = \frac{\textit{Grant Expenditure Realization+ Subsidy Expenditure Realization+ Social Assistance Spending Realization}}{\textit{Total Expenditure Realization}}$$

4) In the ninth dimension, namely investment in the real sector which is vital, the initial formula uses elements of investment in the real sector. Recommendations from the verification results show that to achieve the goal of public interest, local government wealth that can be directly enjoyed by the community is not only from the investment but can also be seen in the total fixed assets available to serve the community. Thus the element for measuring this ninth dimension uses investment elements and fixed assets which are measured by the formula, namely Total Investment plus Total Fixed Assets divided by Total Assets.

$$R11 = \frac{\textit{Total Invesment+Total Fixed Assets}}{\textit{Total Assets}}$$

Changes to the formula for measuring local government financial performance in Indonesia after verifying the initial design can be seen the following Table 3.

Table 3. The Final Formulation of Indonesian Local Government's Financial Performance Ratio In The Maqashid Sharia Perspective

No.	Objectives	Dimensions	Measurement Element	Performance Ratio
1	Individual Education	D1.Improving Education	E1. Expenditures on Education Affairs	R1. Total Expenditure Realization for Education Affairs/ Total Budget for Education Affairs
			E2. Expenditures for Planning and Research Affairs	R2. Total Expenditure Realization for Planning and Research Affairs/ Total Budget for Planning and Research Affairs
		D2. New Skill Upgrades	E3. Expenditure on Human Resource Development Affairs	R3. Total Expenditure Realization for HR Development Affairs/ Total Budget for HR Development Affairs
		D3.Creating Awareness	E4. Expenditures for Communication and Information Affairs	R4. Total Expenditure Realization for Information and Communication Affairs/ Total Budget for Information and Communication Affairs
2	Creating Justice	D4. Fair Returns	E5. Financial Flexibility	R5. (Operating Income-Compulsory Expenditure)/Total

No.	Objectives	Dimensions	Measurement Element	Performance Ratio
				Expenditures
		D5. Cheap products and Services	E6. Functional Distribution	R6. (Grant Expenditure + Subsidy Expenditure + Social Assistance Expenditure)/Total Expenditure
		D5.Inexpensive Products and Services	E7. Interest-Free Products	R7. Total Interest-Free Financing Receipts/Total Financing Receipts
3	Public interest	D7. Profitability	E8. Budget Solvability	R8. Total Revenue minus Revenue from the Special Allocation Fund /Total Operating Expenditures
			E9. Financial Independence	R9. Locally-Generated Revenue/Total Regional Income
		D8. Redistribution of Income and Wealth	E10. Regional Government Transfers	R10. Total Transfer Expenditures/Total Expenditures
		D9. Investment in the Real Sector	E11. Investment and Fixed Assets	R11. (Total Investment+Total Fixed Assets)/Total Assets

Source: Data Processed

CONCLUSION

Based on the results and discussion that have been presented in the previous chapter, it can be concluded in this study that eleven ratio elements can be used in measuring the financial performance of local governments in Indonesia using the maqashid sharia perspective. Details for individual educational goals are measured by the ratio of spending on education, the ratio of spending on planning and research, the ratio of spending on human resource development, and the ratio of spending on communication and information. Regarding the goal of creating justice, it is measured by the financial flexibility ratio, the functional distribution ratio, and the interest-free product ratio. Meanwhile, for public interest purposes, it can be measured by the ratio of budget solvency, financial independence ratio, local government transfer ratio, investment and fixed assets ratio. The implication of this research is that it can be used as a tool in measuring the financial performance of local governments in Indonesia using the maqashid sharia perspective. In addition, the results of this study can be the main source of reference in the development of regional government financial performance measurements in the perspective of maqashid sharia.

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