

ANALYSIS OF DETERMINING THE PERFORMANCE OF SHARIA COMMERCIAL BANKS USING THE MAQASHID SHARIA APPROACH

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ABSTRACT

This research empirically aims to examine several estimation factors that make Islamic banks more inclined to implement Maqashid Sharia performance. These factors include financing risk, temporary equity funds (dana syirkah), capital adequacy, and Sharia governance in relation to Maqashid Sharia performance. The research methodology employed is a descriptive and verificative approach. The population consists of Islamic Commercial Banks in Indonesia from 2017 to 2021, with a sample size of 14 banks using a saturation sampling technique. Panel data regression is the analytical method applied. The results of the study indicate that, partially, financing risk has a significant negative impact on Maqashid Sharia performance. Meanwhile, temporary equity funds, capital adequacy, Sharia supervisory board, joint position of the Sharia supervisory board, board of commissioners, and audit committee have a significant positive influence on Maqashid Sharia performance. The implications for management involve formulating operational performance strategies that not only pursue commercial aspects but also consider social aspects and Sharia compliance to enhance Maqashid Sharia performance, aligning with the foundational goals of Islamic banks. The contribution to the field of knowledge lies in deepening the understanding of factors influencing Maqashid Sharia performance in Islamic banks and providing new insights into the relationships among financing risk, temporary equity funds, capital adequacy, Sharia governance, and performance.

Keywords: Financing Risk, Temporary Shirkah Funds, Capital Adequacy, Sharia Governance, Sharia Maqashid Performance.

ABSTRAK

Penelitian ini bertujuan untuk secara empiris meneliti beberapa faktor estimasi yang membuat bank-bank Islam lebih cenderung untuk menerapkan kinerja syariah maqashid. Faktor-faktor ini meliputi risiko pembiayaan, dana syirkah sementara, kecukupan modal, dan tata kelola syariah terhadap kinerja syariah maqashid. Metode penelitian yang digunakan dalam studi ini adalah metode deskriptif dan verifikatif. Populasi dalam penelitian ini adalah Bank Umum Syariah di Indonesia pada tahun 2017-2021, dengan jumlah sampel sebanyak 14 Bank Umum Syariah menggunakan teknik sampling jenuh. Teknik analisis data yang digunakan adalah regresi data panel. Hasil dari penelitian ini menunjukkan bahwa secara parsial, risiko pembiayaan memiliki pengaruh negatif yang signifikan terhadap kinerja syariah maqashid. Sementara itu, dana syirkah sementara, kecukupan modal, dewan pengawas syariah,

posisi bersama dewan pengawas syariah, dewan komisaris, dan komite audit memiliki pengaruh positif yang signifikan terhadap kinerja syariah maqashid. Implikasi dari penelitian ini bagi manajemen adalah merumuskan kinerja operasional sehingga tidak hanya mengejar aspek komersial, tetapi juga harus memperhatikan aspek sosial dan kepatuhan syariah untuk meningkatkan kinerja syariah maqashid yang merupakan tujuan dari pendirian bank-bank Islam. Kontribusi dalam bidang ilmu pengetahuan yaitu untuk memperdalam pemahaman tentang faktor yang mempengaruhi kinerja syariah maqashid di bank-bank Islam dan wawasan baru terhadap hubungan antara risiko pembiayaan, dana syirkah sementara, kecukupan modal, tata kelola syariah, dan kinerja.

Kata kunci: Risiko Pembiayaan, Dana Syirkah Sementara, Kecukupan Modal, Tata Kelola Syariah, Kinerja Syariah Maqashid

1. INTRODUCTION

In the rapidly evolving landscape of globalization, the Islamic finance industry has gained increasing prominence as a viable alternative aligned in keeping with the tenets of Islamic finance. Particularly, Sharia-compliant commercial banks play a significant role in providing financial services in compliance with the precepts of Sharia. The significance of evaluating the performance of Sharia banks has spurred in-depth research to comprehend their impact and contribution to achieving Islamic economic objectives. In this context, the Maqashid Sharia approach, which assesses Sharia banks consider not only from a financial perspective but also take into account broader Sharia objectives, proves relevant for a holistic measurement of their performance.

When discussing the determination of Sharia bank performance, a focus on Maqashid Sharia principles introduces a new dimension encompassing social, ethical, and moral aspects in financial activities. Maqashid Sharia emphasizes not only the pursuit of financial gain but also directs Sharia banks towards fulfilling the broader objectives, this includes safeguarding religion, life, intellect, lineage, and wealth. Therefore, an analysis using the Maqashid Sharia approach allows us to look beyond traditional financial performance indicators and explore the tangible contributions of Sharia banks to society and sustainable development.

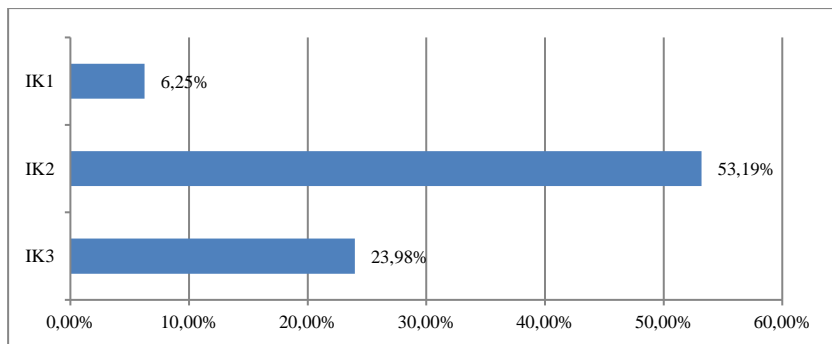
Aligned with the dynamic developments in the global financial industry, a profound understanding of the effectiveness of Islamic banks using a Maqashid Sharia methodology becomes crucial. This not only helps gauge the contribution of Sharia banks to the economy and society but also provides a relevant framework for developing business strategies aligned with Islamic ethical and moral values. Indonesia's Islamic banking industry is still developing, this is evident from the fact that amount of data reported by Otoritas Jasa Keuangan (OJK) in the 2021 Sharia Banking Statistics. There are 12 Sharia Commercial Banks, 21 Sharia Business Units, 164 Sharia Rural Banks, and 3,308 Sharia Service Offices (Office Channeling) from Sharia Business Units in Indonesia. Positive developments can also be seen from the

increase of Islamic banking assets in 2021, which amounted to 13.94% from the previous year. Moreover, in 2021, the total financing provided by Islamic banks increased to IDR 394,486 billion or 68.38% compared to 2020, which was IDR 234,284 billion. The rapid development of Islamic banking industry globally must certainly be accompanied by an increase in the resulting performance.

To knowing whether the performance of Islamic banks complies with the regulations in Islamic sharia, appropriate performance measurements are needed. According to Deza & Sofyani (2022), until now the debate regarding the assessment of Islamic banks performance is still ongoing. Currently, many the evaluation of Islamic banking performance continues to rely on conventional bank ratio metrics like CAMELS (Capital, Asset, Management, Earning, Liquidity, Sensitivity of Market Risk), Data Envelopment Analysis (DEA), Equity (ROE), and RGEC (Risk Profile, Good Corporate Governance, Earnings, Capital). This shows that the current performance measurement of Islamic banks is more likely to prioritize financial performance.

According to Cakhyanu (2018), evaluating Islamic bank performance just through financial ratio analysis. has many weaknesses and cannot be fully applied because Islamic banks are Islamic business entities that are differently from conventional banks. Therefore, there is an incomparable value from use performance indicators in conventional banking with broader objects contained in Islamic banking activities. Using conventional benchmarks to assess The act of conventional banks in comparison with Islamic banks results in a stigma that's not good, that Islamic banks' performance is inferior to that of conventional banks (Mohammed & Taib, 2015).

Graphs 1. Results of Sharia Maqashid Performance Calculation of Sharia Commercial Banks in Indonesia in 2017-2021



Performance evaluation in Islamic banking shouldn't be limited to concentrate on financial aspects. and technical aspects, but should also include other aspects that are the objectives of sharia. According to Mohammed & Taib (2015), there are standards for measuring the sharia maqashid performance in an Islamic banking consisting of 3 objectives, namely educating individual that

has a standard or weight of objectives > 30%, the establishing justice that has a standard or weight of goals > 41%, and *maslahah* that has a standard or weight of goals > 29%. Graph 1 showed the computed outcomes of Sharia *maqashid* performance on sharia commercial banks in Indonesia in 2017-2021.

The information presented reflects the outcomes of the Sharia *Maqashid* Performance Calculation for Indonesian Islamic commercial banks from 2017 through 2021. These results are categorized into three integral dimensions: IK1, IK2, and IK3, each representing a distinct aspect of *Maqashid* Sharia principles. In 2017-2021, IK1 registered a value of 6.25%, signifying the extent to which Sharia commercial banks contributed to safeguarding basic necessities and protecting fundamental rights within the societal framework. The higher percentage of 53.19% in IK2 indicates a commendable performance in promoting economic prosperity, the distribution of wealth, and financial well-being in accordance with Islamic principles. Meanwhile, IK3, with a percentage of 23.98%, reflects the banks' efforts in addressing social justice, ethical conduct, and communal well-being. The graphical representation of these percentages over the specified period offers a visual narrative, facilitating a comprehensive understanding of the banks' evolving impact on fulfilling *Maqashid* Sharia objectives. Stakeholders, policymakers, and the banks themselves can utilize this data to assess and refine their strategies, ensuring alignment with Islamic ethical principles while enhancing their contributions to societal welfare. The percentages serve as valuable benchmarks, guiding continuous improvement in the *Maqashid* Sharia-related performance of Indonesia's Sharia commercial banks. Based on the phenomenon, it can be observed that from the outcomes of Sharia *Maqashid* performance calculation, it is found that for the purpose of educating individual (IK1) the percentage is very low, that means there are still many Islamic banks that cannot pay attention to employees or the public to be able to provide knowledge about Islamic banking and Islamic economics. Meanwhile, for the purpose of establishing justice, almost all Islamic banks have carried out fair transaction activities that do not harm customers by not using *riba* which can have a negative impact on impact the economy and result in unfairness in economic transactions. And for the purpose of *maslahah* is still under its weight, that means only a few Islamic banks have developed investment initiatives and community services to enhance the well-being of individuals, by providing *maslahah* (welfare) for other people.

Based on previous studies, there are several factors that can influence Sharia *maqashid* performance such as in the research of Prilevi et al., (2020) which states that profitability, capital adequacy, financing risk, and sharia supervisory board are the factors that affect the sharia *maqashid* performance. Rahma & Arifin (2022) research states that profitability (ROA) and sharia supervisory boards are factors that affect the sharia *maqashid* performance. Meanwhile, Sulistyawati et al., (2020) in their research stated that influential factors include temporary *shirkah* funds, sharia supervisory board, board of

commissioners, concurrent positions of sharia supervisory board, and audit committee.

This study builds upon the research conducted by Prilevi et al., (2020). Where the estimating variables added are temporary shirkah funds and sharia governance consisting of sharia supervisory board, concurrent positions of sharia supervisory board, board of commissioners, and audit committee.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 SHARIA ENTERPRISE THEORY

The theory of Sharia enterprise is guided by broad concern that places Allah SWT as the ultimate stakeholder and the sole objective of human life (M. T. Azis, 2018). The relation between sharia enterprise theory and sharia maqashid is closely related because Islamic banks as Islamic financial entities are not only profit oriented but also must be falah oriented, that means Islamic banking must have accountability to Allah SWT in the form of sharia values and also need to provide benefits and welfare to the community. In this context, adherence to Islamic law and business ethics takes center stage. A Sharia-compliant business can be measured in achieving Maqasid Sharia performance through its contributions to community empowerment and the implementation of social responsibilities. Moreover, the aspects of innovation and creativity advocated by the Sharia Enterprise Theory align with efforts to achieve Sharia goals in economic and social development. Environmental protection is also a crucial consideration, where Sharia-based businesses are expected to contribute to sustainability and minimize negative impacts on the environment. Fair treatment of employees, their capacity development, and ensuring well-being in line with Sharia principles are integral parts of Maqasid Sharia performance that can be reflected in Sharia-compliant business practices by incorporating Sharia Enterprise principles and aligning with the objectives of Maqasid Sharia, a company can create added value that aligns with Islamic values and achieves broader Sharia goals

2.2 STEWARDSHIP THEORY

The theory of Stewardship is a concept that characterizes a scenario in which management (banks) is driven less by individual objectives but rather directed towards achieving overarching outcomes for the betterment of their respective organizations (Sulistiyawati et al., 2020). The stewardship theory is closely associated with sharia maqashid performance because sharia banking should not attach importance to their own organization but sharia banking must also provide *maslahah* (benefits) to all parties in order to prosper the community through the products offered by sharia banking. Within the framework of Maqasid Sharia performance, the Stewardship Theory can provide a basis for companies to achieve broader Sharia goals. The preservation the tenets of

Maqasid Sharia—religion, life, family, intelligence, and wealth—can be reinforced via the stewardship approach. Responsible management, conscious of long-term interests, is more capable of integrating Sharia values into its business decisions. Moreover, the Stewardship Theory can also support the execution of corporate social responsibility, and a positive contribution to society. By ensuring that corporate policies and practices align with Maqasid Sharia, companies can build a positive image and contribute to the general well-being

2.3 SHARIA MAQASHID PERFORMANCE

Shinkafi et al., (2017) explained that sharia maqashid means facilitates the development of society and the well-being of humanity to attain human perfection in the world and the hereafter. Mohammed & Taib (2015) say that almost all scholars agree on the general purpose of sharia maqashid which is to improve welfare (jalb al-maslahah) and avoid ugliness (dar'al mafasid).

2.4 SHARIA GOVERNANCE

The Sharia governance system comprises institutional and organizational structures that enable Islamic financial institutions to guarantee an impartial assessment of Sharia compliance. This involves the issuance of pertinent Sharia fatwas, the dissemination of fatwa information, and an internal review of Sharia adherence (Puspitasari & Muhammad, 2019).

2.5 HYPOTHESIS

The relation of financing risk with sharia maqashid performance

According to Wahyudi (2013), Financing risk is a risk that emerges when customers fail to meet their obligations to Islamic banks in accordance with the agreed-upon terms. Non-performing financing serves as one of the evaluation tools for an Islamic bank, representing an interpretation of the assessment of productive assets, particularly in the evaluation of problematic financing. The higher the extent of non-performing financing in the banking sector caused by failure in credit repayment and congestion in financing activities indicates non compliance with the applicable sharia, then this will reduce the sharia maqashid performance in bank. This is supported by research conducted by Prilevi et al., (2020), Rachmat & Komariah (2017), and Rokhmana (2015) which shows that financing risk has a significant negative effect on sharia maqashid performance.

H₁: financing risk has a significant negative effect on sharia maqashid performance

The relation of temporary shirkah funds with sharia maqashid performance

According to Putri & Syariah (2020), temporary shirkah funds refer to funds acquired as investments for a specified duration from individuals and other

entities, granting banks the authority to oversee and invest these funds, with the distribution of investment returns being contingent on pre-established agreements.

More funds can be raised by bank, then the bank will have better intermediary function. Banks that have a good financial intermediary function can be said have good sharia maqashid performance because can achieve their goals (Kholid & Bachtiar, 2015). This is supported by research conducted by Artika (2021), Sulistyawati et al., (2020), and Kholid & Bachtiar (2015) which shows that temporary shirkah funds has a considerable positive impact on sharia maqashid performance.

H₂: temporary shirkah funds shows a notable improvement in sharia maqashid performance

The relation of capital adequacy with sharia maqashid performance

Capital adequacy signifies the bank's capacity to identify, assess, and oversee risks that could impact bank capital. The increased degree of capital adequacy indicates the bank's capability to withstand the risk associated with risky productive credit/assets. A high sufficient capital to allow the bank to fund operational activities and significantly contribute to profitability, thus the increased degree of capital sufficiency, will cause greater credit that can be disbursed (Almunawwaroh & Marliana, 2018).

Sharia maqashid offered a performance based on public trust. With higher public trust in bank, so the role of Islamic banks as financing distributors will be better and the function of Islamic banks can be better in the community's well-being. Research backs this up conducted by Prilevi et al., (2020), Hidayat (2020), and Mulyani dkk., (2018) This demonstrates that sharia maqashid performance is significantly improved by capital adequacy.

H₃: capital adequacy has a notable improvement in sharia maqashid performance

The relation of sharia supervisory board with sharia maqashid performance

Sharia supervisory boards are expected to have measurable work procedures to be able to produce supervisory reports that are able to provide relevant information for competent Islamic bank stakeholders (Islam & Bhuiyan, 2019). More number of sharia supervisory boards is expected to be able to supervise better because they have more expertise and experience. Results from studies carried out by Rahma & Arifin (2022), Rahma (2021), and Anton (2018) It suggests that Sharia Maqashid performance is significantly improved by the Sharia Supervisory Board.

H₄: sharia supervisory board has a significant positive effect on sharia maqashid performance

The relation of concurrent positions of sharia supervisory board with sharia maqashid performance

The expertise and experience of members of the sharia supervision board in concurrently becoming sharia supervisory board at other the practices of multiple Islamic banks result in comparable decisions and have the potential to establish industry standards for Islamic banking, so that it is expected to provide performance that is increasingly in accordance with the principles of Islamic law. Therefore, additional sharia supervisory boards that have concurrent positions with good performance, sharia maqashid performance will be better. Research backs this up conducted by Ahzar et al., (2021), Sulistyawati dkk., (2020), and Agustina & Maria (2017) which shows that concurrent positions of sharia supervisory board has a considerable positive impact on sharia maqashid performance.

H₅: concurrent positions of sharia supervisory board have a significant positive effect on sharia maqashid performance

The relation board of commissioners with sharia maqashid performance

In accordance with Sulistyawati et al., (2020), The commissioners' board is an internal control mechanism that has task to offering guidance and overseeing the tasks and obligations of directors in connection with bank operations. Moreover, the commissioners' board is is obliged to make certain that the directors' board has acted upon recommendations and findings related to the operational Islamic banks' adherence to Islamic sharia have been provided by sharia supervisory board.

If numbers of the commissioners' board with good performance increases, it is what make sharia maqashid performance in Islamic banks will be better. Results from studies carried out by Sulistyawati et al., (2020), M. Azis (2020), and Krisnawati (2018) which shows that board of commissioners has a considerable positive impact on sharia maqashid performance.

H₆: board of commissioners has a significant positive effect on sharia maqashid performance

The relation of audit committee with sharia maqashid performance

The audit committee's job is to evaluate how well the board of directors has carried out any follow-up measures in relation to the conclusions or suggestions. the outcomes of the Sharia Supervisory Board's oversight. When an audit committee is present, transparency and reliability of financial statements are getting better, especially the reports activities related with Islamic principles. Reliable and transparent information on statements financial is important because it is one of the efforts to achieve justice which is one of the goals of sharia maqashid (Kholid & Bachtiar, 2015).

If numbers of the committee audit members with good performance increases, it is what make sharia maqashid performance in Islamic banks will be better. This is supported by research by Sulistyawati et al., (2020) and Krisnawati (2018) which shows that audit committee has a considerable positive impact effect on sharia maqashid performance.

H₇: audit committee has a significant positive effect on sharia maqashid performance

3. RESEARCH METHODS

The research methods employed in this study are descriptive and verificative methods. The study population encompasses all data from Sharia Commercial Banks (BUS) in Indonesia during the study period, which spans from 2017 to 2021, consisting of 14 Sharia Commercial Banks (BUS) over 5 years, resulting in a total of 70 observation data. These data were obtained from secondary sources, specifically the websites of each Sharia Commercial Bank (BUS). Saturated sampling was the method used in this investigation to determine the sample size, including all 14 Sharia Indonesian Commercial Banks for the Years 2017–2021. The data processing was conducted using the EVIEWS 9 program. Panel data regression is the method of data analysis used, with stages including Classic Assumption Test, Model Estimation Test, Model Selection Test, Coefficient Determination Test, and Hypothesis Testing. The regression equation model is outlined as follows:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \beta_6 X_{6it} + \beta_7 X_{7it} + \varepsilon_{it}$$

Information:

Y_{it}	: Sharia Maqashid Performance (MSI)
β_0	: Constant
$\beta_1, \beta_2, \dots, \beta_7$: Coefficient of Independent Variable
X_{1it}	: Financing Risk (NPF)
X_{2it}	: Temporary Shirkah Funds
X_{3it}	: Capital Adequacy (CAR)
X_{4it}	: Sharia Supervisory Board
X_{5it}	: Concurrent Position of Sharia Supervisory Board
X_{6it}	: Board of Commissioners
X_{7it}	: Audit Committee
i	: Sample Company
t	: Year Period
ε	: Error Term

3.1 VARIABLE OPERATIONALIZATION

Measurement of Sharia Maqashid Performance

Mohammed & Taib (2015) establishes measurable elements to calculate sharia maqashid performance based on Abu Zahrah's concept namely tahdzib al-fard (educating individual), iqomah al-adl (establishing justice), and jalb al-maslahah (maslahah). The three variables are broken down into 9 dimensions

which are then categorized into 10 elements. The next 10 elements are called performance ratios. The three objectives of maqashid sharia developed by Mohammed & Taib (2015) can be explained as follows:

Table 1. Sharia Maqashid Index Performance Measurement Model with the Weight of Each Purpose and Element

Concepts	Weight (%)	Dimensions	Elements	Weight (%)	Performance Ratios
Educating Individual	30	D1. Advancement of Knowledge	E1. Education Grant	24	R1. Education Grant of Scholarship/Total Expenses
			E2. Research	27	R2. Research Expense/Total Expenses
		D2. Instilling New Skills and Improvements	E3. Training	26	R3. Training Expense/Total Expenses
		D3. Creating Awareness of Islamic Banking	E4. Publicity	23	R4. Publicity Expense/Total Expenses
			Total	100	
Establishing Justice	41	D4. Fair Returns	E5. Fair Return	30	R5. Profit Equalization Reserves (PER)/Net or Investment Income
		D5. Cheap Product and Services	E6. Functional	32	R6. Mudharabah & Musyarakah/T

Concepts	Weight (%)	Dimensions	Elements	Weight (%)	Performance Ratios	
<i>Maslahah</i>	29	D6. Elimination of Negative Elements That Breed Injustices	Distributi on	38	total Financing	
			E7. Interest Free Product		R7. Interest Free Income/Total Income	
			Total		100	
			D7. Profitabilit y of Bank		E8. Profit Ratios	R8. Net Income/Total Assets
			D8. Redistributi on of Income & Wealth		E9. Personal Income	R9. Zakah/Net Asset
		D9. Investment in Vital Real Sector	E10. Investme nt ratios in real sector	37	R10. Investment in real economic sector/Total Investment	
Total	100		Total	100		

1) Educating individual (tahdzib al-fard) means the need to develop knowledge and expertise for each individual so that there is an increase in spiritual value. 2) Establishing justice (iqamah al-adl) means that Islamic banks must be honest and fair in transacting and conducting business activities which include products, prices, and contractual agreements. 3) Maslahah (jalb al-maslahah) means that Islamic banks must be able to develop investment projects and social services in improving community welfare. After being classified into 10 ratios, weighting is carried out.

Table 2. Variable Operationalization

Variable	Indicators	Scale
Sharia	$MSI = IK (T1) + IK (T2) + IK (T3) \times 100\%$	Ratio

Variable	Indicators	Scale
Maqashid Performance (Y)	Ket : $MSI = \text{Sharia Maqashid Index Value}$ $IK(T1) = \text{Total performance indicators of the first goal (educating individual)}$ $IK(T2) = \text{Total performance indicators of the second goal (establishing justice)}$ $IK(T3) = \text{Total performance indicators of the third goal (maslahah)}$	
Financing Risk (X ₁)	$NPF = \frac{(\text{Problematic Financing})}{(\text{Total Financing})} \times 100\%$	Ratio
Temporary Shirkah Funds (X ₂)	$DST = \text{Ln total temporary shirkah funds}$	Ratio
Capital Adequacy (X ₃)	$CAR = \frac{(\text{Total Capital})}{(\text{Total ATMR})} \times 100\%$	Ratio
Sharia Supervisory Board (X ₄)	Sharia Supervisory Board = Number of Sharia Supervisory Board (DPS)	Ratio
Concurrent Positions of Sharia Supervisory Board (X ₅)	Concurrent Positions of Sharia Supervisory Board = Number of Sharia Supervisory Board Members Who Have Sharia Supervisory Board Positions in Other Banks	Ratio
Board of Commissioners (X ₆)	Board of Commissioners = Number of Board of Commissioners	Ratio
Audit Committee (X ₇)	Audit Committee = Number of Audit Committee	Ratio

4. RESULTS AND DISCUSSION

4.1 RESULTS

Table 3. t-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0.192067	0.050507	3.802752	0.0003
NPF?	-0.464588	0.080344	-5.782463	0.0000

DST?	0.809919	0.187600	4.317274	0.0001
CAR?	0.272893	0.090661	3.010046	0.0038
DPS?	0.166675	0.063650	2.618620	0.0117
RJDPS?	0.124628	0.034938	3.567121	0.0010
DK?	0.174722	0.054429	3.210106	0.0015
KA?	0.098571	0.041921	2.351361	0.0230

Source: Output Eviews 9

The table above shows the results of panel data regression, analyzing data through the utilization of EViews 9 software. Derived from the conducted panel regression analysis, the selected model is a random effect model. Hence, the regression equation in this study can be expressed as:

$$\begin{aligned}
 MSI = & 0.192067 - 0.464588_{NPF} + 0.809919_{DST} + \\
 & 0.272893_{CAR} + 0.166675_{DPS} + 0.124628_{RJDPS} + 0.174722_{DK} + \\
 & 0.098571_{KA} - 0.005659_{BACS} - 0.003072_{BAS} - 0.012761_{BCAS} + \\
 & 0.000231_{BJBS} + 0.001838_{BMI} + 0.010048_{BMS} + 0.003168_{BNIS} - \\
 & 0.000366_{BPDS} + 0.005824_{BRIS} - 0.000399_{BSB} + 0.018781_{BSM} - \\
 & 0.007513_{BTPNS} - 0.006205_{BVS} - 0.003915_{NTBS} + \varepsilon_{it}
 \end{aligned}$$

4.1.1 The Effect of Financing Risk on Sharia Maqashid Performance

The t test's outcome for financing risk is -5,782463, with a significance value of $0,0000 < 0,05$, so financing risk exhibits a notably significant negative impact on sharia maqashid performance.

4.1.2 The Effect of Temporary Shirkah Funds on Sharia Maqashid Performance

The result of the t test for temporary shirkah funds is 4,317274, with a significance value of $0,0001 < 0,05$, so temporary shirkah funds exerts a noteworthy positive influence on Sharia Maqashid performance.

4.1.3 The Effect of Capital Adequacy on Sharia Maqashid Performance

The result of the t test for capital adequacy is 3,010046, with a significance value of $0,0038 < 0,05$, so capital adequacy has a significant positive effect on sharia maqashid performance.

4.1.4 The Effect of Sharia Supervisory Board on Sharia Maqashid Performance

The result of the t test for sharia supervisory board is 2,618620, with a significance value of $0,0117 < 0,05$, so sharia supervisory board has a significant positive effect on sharia maqashid performance.

4.1.5 The Effect of Concurrent Positions of Sharia Supervisory Board on Sharia Maqashid Performance

The result of the t test for concurrent positions of sharia supervisory board is 3,567121, with a significance value of $0,0010 < 0,05$, so concurrent positions of sharia supervisory board has a significant positive effect on sharia maqashid performance.

4.1.6 The Effect of the Board of Commissioners on Sharia Maqashid Performance

The t-test result for the board of commissioners is 3,210106, with a significance value of $0,0015 < 0,05$. Hence, it can be concluded that the board of commissioners has a significantly positive impact on Sharia Maqashid performance.

4.1.7 The Effect of Audit Committee on Sharia Maqashid Performance

The result of the t test for audit committee is 2,351361, with a significance value of $0,0230 < 0,05$, so audit committee has a significant positive effect on sharia maqashid performance.

4.2 DISCUSSION

4.2.1 The Effect of Financing Risk on Sharia Maqashid Performance

The findings indicate that financing risk exerts a notably significant adverse impact on Sharia Maqashid performance. The non-performing financing ratio is employed to assess or ascertain the extent of problematic financing in the banking sector. Problematic financing includes financing with less liquid, doubtful, and defaulted qualities. Issues within financing can impact a bank's revenue and pose the risk of losses. This situation may arise because the bank's income decreases while the costs for setting aside provisions for bad debts increase, resulting in a decline in profits and an increase in losses. Therefore, the magnitude of the risk in financing can affect the financial well-being or effectiveness of the bank. The higher the level of non-performing financing in a bank, resulting from failures in loan repayment and delays in financing activities, indicates non-compliance with applicable Sharia principles. This, consequently, can result in a decrease in the overall performance of Sharia objectives (maqashid syariah) within that banking institution.

Aligned with the Sharia Enterprise Theory, which positions God as the utmost stakeholder and the ultimate goal of human existence, Allah serves as the primary source of trust in this theory. All activities undertaken by a Muslim should be based on Islamic Sharia. The stagnation in financing activities indicates non-compliance by customers in fulfilling their obligations as per the agreed-upon contract. This shows that the customer is neglecting the responsibilities and trust bestowed upon them. The study's findings are consistent with the findings from research conducted by Prilevi et al. (2020), Rachmat & Komariah (2017), and Rokhmana (2015) which shows that financing risks has a significant negative effect on sharia maqashid performance.

4.2.2 The Effect of Temporary Shirkah Funds on Sharia Maqashid Performance

The outcomes of this study indicate that temporary shirkah funds possesses a significant favorable impact on Sharia maqashid performance. The positive impact of temporary syirkah funds indicates that the more funds a bank can gather, the better it can perform its intermediary function. Therefore, the greater the amount of temporary syirkah funds, the better the bank's performance in attaining its Sharia objectives (maqashid Shariah). Banks achieve Sharia objectives by serving as financial intermediaries, bridging parties with surplus funds to those with a deficit, all while adhering to Islamic principles. A bank with a well-functioning financial intermediary role is considered to have good maqashid syariah performance because it can effectively attain its intended goals.

Aligned with the stewardship theory, banks are entrusted with the responsibility of managing funds on behalf of their clients. In operationalizing temporary syirkah funds, banks operate in accordance with Islamic principles and agreements made with clients. The stewardship theory assumes that humans are inherently trustworthy, act responsibly, uphold high integrity, and prioritize honesty towards others. Sharia banking should not prioritize its own organization but must also provide benefits to all parties to promote prosperity through the products offered by Islamic banking. The results of this investigation are consistent with studies carried by Artika (2021), Sulistyawati et al., (2020), and Kholid & Bachtiar (2015) which shows that temporary shirkah funds has a significant positive effect on sharia maqashid performance.

4.2.3 The Effect of Capital Adequacy on Sharia Maqashid Performance

The findings in This research indicates that capital adequacy exerts a significantly positive influence on sharia maqashid performance. The positive influence of capital adequacy signifies that the elevated the value of the superior the performance of Sharia objectives (maqashid syariah) the financial institution. The ratio of capital adequacy mirrors the capital of the bank to make money. A higher capital level enhances the bank's opportunities for profit generation. Bank management will also have greater flexibility in allocating funds for profitable investment activities to support operational development and the bank's sustainability. Moreover, the bank can absorb risks, thus improving profitability. With better operational performance, there is a positive impact on the community's trust in the bank. The Sharia objectives offered by the bank are based on the trust of the community. With high community trust in the bank, the function of Islamic banks as financiers will be more effective.

This aligns with the stewardship theory, stating that Sharia banking should not prioritize its own organization but should also provide benefits to all parties. This way, all parties can receive benefits and contribute to the well-being of society through the products offered. The outcomes of this study are consistent with findings from other research by Prilevi et al., (2020), Hidayat

(2020), and Mulyani dkk., (2018) which shows that capital adequacy has a significant positive effect on sharia maqashid performance.

4.2.4 The Effect of Sharia Supervisory Board on Sharia Maqashid Performance

The outcomes indicated that the Sharia Supervisory Board has a notably positive impact on sharia maqashid performance. The positive influence of the Sharia Supervisory Board (Dewan Pengawas Syariah, DPS) implies that a higher number of DPS members, the better the performance of the Sharia objectives (maqashid syariah) for the Islamic bank. A growing number of DPS members is expected to enhance supervision as they bring more expertise and experience, ultimately improving compliance levels and the overall performance of the bank in adhering to Sharia objectives. A well-functioning Sharia Supervisory Board ensures that the Islamic bank complies with agreed-upon Sharia principles, preventing management from exploiting utilize their ability to influence negotiations to deceive clients and benefit themselves.

Aligned with the Sharia Enterprise Theory, which emphasizes that all activities undertaken by a Muslim should be based on Islamic Sharia, this applies equally to economic activities. Therefore, Sharia-compliant banks are required to practice Islamic legal principles in their operational activities, grounding their actions in the belief that God is the highest stakeholder, as stated in the Sharia Enterprise Theory. This is where the function of the Sharia Supervisory Board comes into play becomes crucial – to ensure that Islamic banks conduct their business in accordance with Islamic Sharia. The findings of this study align with research conducted by Rahma & Arifin (2022), Rahma (2021), and Anton (2018) which demonstrates that the performance of the Sharia Maqashid is significantly improved by the Sharia Supervisory Board.

4.2.5 The Effect of Concurrent Positions of Sharia Supervisory Board on Sharia Maqashid Performance

The outcomes indicated that the simultaneous position of sharia supervisory board has a significant positive impact on sharia maqashid performance. The positive influence of holding multiple positions in the Sharia Supervisory Board DPS (Dewan Pengawas Syariah) indicates that the more concurrent positions held by DPS members, the better the performance of the Sharia Supervisory Board objectives (maqashid syariah) for the Islamic bank. This suggests that the expertise and skills of DPS members, who have extensive experience holding multiple positions in the Sharia Supervisory Board of various Islamic institutions and banks, will have a positive impact on a Sharia financial institution. Consequently, this may lead to similar decisions among Islamic banks, aligning their policies more closely with the principles of Islamic Sharia.

Despite the indication that holding multiple positions signifies expertise and skills within the DPS, The Republic of Indonesia's Financial Services Authority No. 16/POJK.03/2022 Regulation Concerning Sharia Commercial Banks, Article 59 Paragraph 4 elucidates that "DPS members can concurrently

hold positions as DPS members in up to 4 (four) other Sharia financial institutions." Therefore, even if a Sharia Supervisory Board member holds a position as DPS in several Islamic banks, they cannot hold more than 4 positions concurrently.

Aligned with the Sharia Enterprise Theory, which emphasizes that all activities undertaken by a Muslim should be based on Islamic Sharia, this applies to economic activities as well. Thus, the Sharia Supervisory Board, with its wealth of experience and comprehensive knowledge, is expected to guide and ensure that Islamic banks adhere to Islamic Sharia and provide benefits in line with the objectives of the *maqashid syariah* concept. Moreover, DPS members holding concurrent positions in other banks will standardize decision-making among Islamic banks, resulting in improved performance and adherence to the tenets of Islamic Sharia. The study's conclusions are consistent with the research that was done. by Ahzar et al., (2021), Sulistyawati dkk., (2020), and Agustina & Maria (2017) which shows that concurrent positions of there is a sharia supervisory board significant favourable impact on sharia *maqashid* performance.

4.2.6 The Effect of the Board of Commissioners on Sharia *Maqashid* Performance

The outcomes revealed that the board of commissioners exerts a significantly positive influence on Sharia *Maqashid* performance. The positive influence of the Board of Commissioners indicates that a greater number of members there are in the Board of Commissioners of an Islamic bank, the better the performance of the Sharia objectives (*maqashid syariah*) for that Islamic bank. This is because the intensity of supervision conducted by the Board of Commissioners over the Board of Directors, in response to findings or recommendations provided by the Sharia Supervisory Board regarding the operational compliance of the Islamic bank with Islamic Sharia, becomes more effective.

The Board of Commissioners is a crucial aspect in coordinating the supervision of the management of Islamic banks and making informed decisions. The number of commissioners will impact the enhancement of their ability to accommodate and facilitate the interests of all parties to create added value for the Islamic bank. The Board of Commissioners cannot effectively perform all these tasks if they prioritize self-interest and neglect the interests of stakeholders. Therefore, an increasing number of commissioners can maximize their roles and responsibilities, ultimately improving the *maqashid syariah* performance of the Islamic bank.

From the perspective of stewardship theory, the interrelated tasks within the structure of Islamic banking signify that stewards work based on the primary interests of the bank rather than prioritizing individual interests. A Board of Commissioners that fulfills its responsibilities in accordance with established rules can enhance performance, ensuring that organizational goals are achieved. When organizational goals are met, it indicates that all

organizational activities are running smoothly. Therefore, the presence of a Board of Commissioners can bridge the interests of stakeholders in the company and control management to fulfill and achieve the primary goals of Islamic banking. The findings of this study align with the research conducted by Sulistyawati et al. (2020), M. Azis (2020), and Krisnawati (2018) demonstrating that the board of commissioners has a significant positive effect on sharia maqashid performance.

4.2.7 The Effect of Audit Committee on Sharia Maqashid Performance

The results showed that the audit committee has a notable positive impact on sharia maqashid performance. The positive influence of the Audit Committee indicates that an increased number of members there are in the Audit Committee of a bank, the better the performance of Sharia objectives (maqashid syariah) for that bank. This is because the Audit Committee can provide better protection and control. The Audit Committee is responsible for evaluating the continuance of actions taken by the directors regarding findings or recommendations arising from the oversight carried out by the Sharia Supervisory Board, especially concerning the financial reporting processes carried out by management to enhance the credibility of financial reports. This indirectly signifies that the Audit Committee is empowered to oversee the compliance of the Islamic bank with Islamic Sharia.

Aligned with the Sharia Enterprise Theory, which places God as the highest stakeholder, Islamic banking needs to uphold Islamic ethical values such as honesty, truthfulness, piety, and responsibility. With an Audit Committee overseeing particularly the financial reporting processes, it is expected to eliminate any dishonesty in the preparation of financial reports. The outcomes of this study align with the investigation carried out by Sulistyawati et al., (2020) and Krisnawati (2018) which shows that the audit committee exerts a notably positive impact on sharia maqashid performance.

5. CONCLUSION

The outcomes of research, the examination and conversation that have been conducted out and described, consequently it may be said that partially financing risk has a significant negative effect on sharia maqashid performance. Temporary shirkah funds, capital adequacy, sharia supervisory board, concurrent positions of sharia supervisory board, board of commissioners, and audit committee have a significant positive effect on sharia maqashid performance.

In light of the study's findings, to improve the performance of sharia maqashid, Islamic banks are advised to pay attention to financing risks, temporary shirkah funds, capital adequacy, and sharia governance so the performance of sharia maqashid at these banks can continue to increase. This study still has many shortcomings and limitations, It is recommended that more

researchers be allowed to include more independent variables that are not studied such as Islamic Social Reporting disclosure, profitability, and institutional ownership, or other variables that can affect sharia maqashid performance. And can be done additional samples to be studied so the results are more relevant and reliable, for example adding Islamic Commercial Banks in other countries such as Malaysia or by adding the period studied.

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