

EXPLORING THE DYNAMICS OF MAQASHID PERFORMANCE IN INDONESIAN ISLAMIC BANKING

Ari Sita Nastiti

Universitas Muhammadiyah Jember, Indonesia

Corresponding Email: arisitanastiti@unmuhjember.ac.id

ABSTRACT – This study investigated the factors influencing the performance of Islamic banks in Indonesia by utilizing the *Maqasid Sharia* Index (MSI), specifically designed to assess Islamic bank performance in accordance with *maqasid sharia* principles. The sample was drawn from 57 data points gathered from 12 Islamic commercial banks registered with the Financial Services Authority (*Otoritas Jasa Keuangan-OJK*) from 2016-2020. Employing a quantitative approach, the study conducted data analysis through multiple linear regression. The results revealed that temporary *shirkah* funds and Islamic intellectual capital had a significant negative impact on MSI, while Islamic corporate governance exhibited a notably positive effect. This empirical investigation provides valuable insights into the determinants of Islamic bank performance in Indonesia, thereby contributing to the existing body of Islamic banking literature and offering practical implications for enhancing alignment with *maqasid sharia* through strategic resource optimization. The findings highlight the critical importance of reinforcing Islamic corporate governance and Islamic intellectual capital to enhance the performance of Islamic banks. Furthermore, expanding the scope of research to broader contexts could improve the generalizability of these findings.

Keywords: Intellectual Capital, Islamic Banking, Maqasid Sharia, Index, Shirkah Fund

ABSTRAK – *Eksplorasi Dinamika Kinerja Perbankan Syariah di Indonesia dengan Indeks Maqasid*. Penelitian ini bertujuan untuk mengkaji determinan yang mempengaruhi kinerja perbankan syariah di Indonesia melalui pendekatan *Maqasid Sharia Index (MSI)*. MSI khusus dikembangkan secara khusus untuk mengukur kinerja bank syariah agar lebih akurat karena mengakomodir prinsip-prinsip *maqasid syariah*. Sampel penelitian diambil dari 57 poin data dari 57 bank umum syariah yang terdaftar di Otoritas Jasa Keuangan (OJK) periode 2016-2020. Penelitian ini menggunakan pendekatan kuantitatif dimana data dianalisis melalui regresi linier berganda. Hasil kajian menunjukkan bahwa dana *Shirkah temporer* dan modal intelektual syariah secara signifikan berpengaruh negatif terhadap MSI, sebaliknya tata kelola perusahaan syariah menunjukkan pengaruh positif yang signifikan. Hasil ini memberikan gambaran tentang determinan kinerja perbankan syariah di Indonesia, sehingga berkontribusi pada literatur perbankan syariah yang ada dan menawarkan implikasi praktis untuk meningkatkan kesesuaian dengan *maqasid syariah* melalui optimalisasi sumber daya strategis. Temuan ini menekankan pentingnya memperkuat tata kelola perusahaan syariah dan modal intelektual syariah untuk meningkatkan kinerja bank syariah. Untuk dapat meningkatkan generalisasi temuan ini, diperlukan kajian lebih lanjut dalam konteks yang lebih luas.

Kata Kunci: Modal Intelektual, Perbankan Syariah, Maqashid Syariah, Indeks, Dana Shirkah

INTRODUCTION

Within the dynamic landscape of Islamic finance, Islamic Banking Institutions (IBIs) occupy a unique position, striving to deliver ethical and value-driven financial practices (Chapra, 2008). However, assessing their true success necessitates moving beyond traditional financial metrics and embracing a broader perspective. The pursuit of Maqasid Sharia, embodying the overarching objectives of Islamic law, demands the adoption of performance measures that resonate with these elevated principles (Kamali, 1999). The Maqasid Sharia Index (MSI), encompassing economic growth, social equity, and spiritual development, exemplifies such a metric (Dusuki & Bouheraoua, 2011).

The concept of Maqasid Sharia, which represents the higher objectives of Islamic law, is a critical philosophical, historical, and legal facet of Islamic jurisprudence. Abdul Majid Najjar's work offers an in-depth analysis of this concept, providing a foundation for understanding the broader implications and applications within Islamic finance and beyond (Najjar, 2003). Building upon this foundation, the MSI is a tool that has been developed to measure the performance of Islamic banks. This index encompasses four primary objectives and eight elements, which are evaluated using specific metrics and the Stepwise Weight Assessment Ratio (SAW) method to provide a comprehensive assessment of an Islamic bank's adherence to Sharia objectives (Mohammed & Taib, 2015).

The applicability of the MSI extends to various regions, including Southeast Asian region, where studies have analyzed the Maqasid performance of Islamic banks. Hudaefi and Badeges (2022), for instance, has focused on Islamic commercial banks in Indonesia to assess their performance through this index. In the context of Islamic banking, the importance of context and interpretation is paramount, particularly in relation to corporate governance. The complex interplay of Sharia principles and business operations necessitates a profound understanding of Islamic corporate governance. This understanding informs not only the application of the MSI but also the broader agenda of research and practice within the domain of Islamic finance (Hassan & Lewis, 2007).

Several factors influence the performance of IBIs, with Temporary Shirkah Fund (TSF) occupying a significant space (Kholid & Bachtiar, 2015; Sulistyawati et al., 2020; Yuri et al., 2021). TSFs act as innovative mechanisms



for pooling investor funds, allowing IBIs to assume the role of managing partners and allocate profits based on predetermined agreements (El-Gamal, 2006). Proponents argue that a robust pool of TSFs can enhance the intermediation role of IBIs, ultimately propelling them towards fulfilling Maqasid objectives (Kahf, 2004). However, the empirical evidence regarding their actual efficacy remains contested (El-Gamal, 2006).

Islamic Corporate Governance (ICG) has also emerged as a crucial element, emphasizing adherence to Sharia-compliant business ethics through transparent and accountable governance practices (Farook et al., 2012; Archer & Karim, 2007; Grassa & Matoussi, 2014; Hassan & Lewis, 2007). The literature suggests that robust ICG can reinforce the adherence of Islamic banks to Sharia principles and legal norms, potentially enhancing performance (Hartono, 2018; Mansour & Bhatti, 2018). However, the empirical landscape surrounding the ICG-performance relationship remains complex and nuanced, with some studies like Zulpahmi et al. (2018), Yuri et al. (2021), dan Aisyah et al. (2021) finding no significant link.

Beyond financial and governance elements, Islamic Intellectual Capital (IIC), encompassing the intangible resources of knowledge, expertise, and innovation, plays a pivotal role in IBI success (Bontis, 1998; Kamri et al., 2014). Effective IIC management fosters the development of innovative financial products, enhanced customer satisfaction, and broader societal benefits, all of which contribute to Maqasid fulfillment (Hassan & Lewis, 2007; Ibrahim & Kamri, 2017). The iB-VAIC model, developed by Ulum (2013) based on Pulic's VAIC model, exemplifies efforts to measure IIC performance for Islamic banks, guiding decision-making towards maximizing intellectual capital value (Harisnawati et al., 2017; Cahya & Kusumaningtias, 2020). While some studies confirm the positive link between IIC and Maqasid performance (Hartono, 2018; Cahya & Kusumaningtias, 2020; Aisyah et al., 2021; and Ramadhan et al., 2018) present contrasting findings, highlighting the multifaceted nature of this relationship.

Existing literature has individually examined the influence of TSF, ICG, and IIC on the performance of IBIs, yielding inconsistent and sometimes contradictory findings. For instance, while some studies suggest that TSFs are instrumental in enhancing the intermediation function of IBIs and achieving Maqasid objectives (Kahf, 2004; Kholid & Bachtiar, 2015; Sulistyawati et al., 2020; Yuri et al., 2021), others question their efficacy, highlighting a research



gap in understanding the conditions under which TSFs contribute positively (El-Gamal, 2006). Similarly, the relationship between ICG and banking performance is not well-established, with studies reporting varied outcomes, indicating the need for further investigation into the contextual factors that may influence this relationship (Farook et al., 2012; Archer & Karim, 2007; Grassa & Matoussi, 2014; Hartono, 2018; Mansour & Bhatti, 2018; Zulpahmi et al., 2018; Yuri et al., 2021; Aisyah et al., 2021).

Moreover, while IIC appears to be a critical driver of IBI success and Maqasid attainment, empirical research presents a fragmented view of how IIC translates into performance outcomes. The disparate findings in the extant scholarship on the impact of IIC on IBIs' performance underscore the need for more nuanced research that can reconcile these differences and provide a clearer understanding of the role of IIC (Bontis, 1998; Hassan & Lewis, 2007; Harisnawati et al., 2017; Cahya & Kusumaningtias, 2020; Hartono, 2018; Aisyah et al., 2021; Ramadhan et al., 2018). These gaps underscore the necessity for future studies that employ a holistic approach to examine the synergy among TSF, ICG, and IIC, and their integrated effect on the Maqasid performance of IBIs.

This study delves into the intricate interplay between these three factors (TSF, ICG, and IIC) and their combined influence on the Maqasid performance of Indonesian IBIs. Drawing upon the MSI formulated by Mohammed and Taib (2015), this research aims to elucidate how these elements contribute to the fulfillment of the noble objectives espoused by Sharia banking. The findings serve not only to enrich the academic discourse surrounding Islamic banking performance but also to equip IBI practitioners with valuable insights for strategic decision-making and optimizing resource management towards achieving Maqasid Sharia.

The remaining parts of this study will be presented in the following sequence. The next section will discuss related literature to identify research gaps, develop hypotheses, and propose a research framework. This will be followed by the methodology section, which will discuss data collection, sample selection, research variables, and data analysis methods. Subsequently, the results and discussion section will present the study's findings and provide a comprehensive discussion. The study will conclude with a section discussing the research implications, limitations, and suggestions for future studies.



LITERATURE REVIEW

Temporary Shirkah Funds and Maqasid Sharia Performance

Islamic banks play a crucial role as financial intermediaries in accordance with Maqashid Sharia, facilitating the flow of funds between surplus and deficit holders (Mohammed et al., 2008; Ibrahim & Kamri, 2016). This function is primarily carried out through Shariah-compliant contracts like mudharabah and musyarakah, generating temporary Shirkah funds (Nurhayati & Wasilah, 2015; Ibrahim et al., 2021). The greater the volume of these funds collected, the more effectively the bank fulfills its intermediation function, potentially leading to improved performance (Kholid & Bachtiar, 2015).

The efficiency of this intermediation function is believed to be positively correlated with the volume of TSF attracted. Empirical evidence suggests a positive relationship, with studies like Kholid and Bachtiar (2015) finding a significant positive impact on Maqasid performance in Islamic banks for the 2010-2013 period. Similar findings were reported by Sulistyawati et al. (2020) and Yuri et al. (2021). However, Zulpahmi et al. (2018) offer a contrasting perspective, finding no significant influence of temporary Shirkah funds on Maqasid Shariah performance. Based on these findings, the following hypothesis is proposed:

“H1: Temporary Shirkah Funds influence the performance of Islamic Banks based on the Maqasid Sharia Index”

Islamic Corporate Governance and Maqasid Sharia Performance

The importance of implementing ICG in Islamic banking operations has been emphasized due to its potential to enhance performance (Hartono, 2018). Cahya and Kusumaningtias (2020) argue that ICG ensures stakeholder needs are met and compliance with regulations is maintained. Additionally, ICG is believed to reduce agency problems and improve bank image, contributing to a sound banking system (Aisyah et al., 2021).

Empirical research supports the positive impact of ICG on Sharia banking performance. Mansour and Bhatti (2018) and Cahya and Kusumaningtias (2020) demonstrate that effective ICG implementation promotes Sharia-compliant business activities, ultimately leading to improved performance. Hartono (2018) also found a positive relationship between ICG and Maqashid



Sharia performance. Based on this evidence, the following hypothesis is proposed:

“H2: Islamic Corporate Governance has a significant impact on the performance of Islamic Banks as measured by the Maqasid Sharia Index”

Islamic Intellectual Capital and Maqashid Shariah Performance

Maximizing IIC provides Islamic banks with a competitive edge and contribute to improved Maqasid Sharia performance (Harisnawati et al., 2017; Cahya & Kusumaningtias, 2020). IIC encompasses knowledge assets, intellectual talents, and innovative capabilities, allowing for effective resource utilization and strategic decision-making.

The nexus between IIC and Maqasid Sharia performance has been substantiated by several studies. Hartono (2018) found a significant positive association, suggesting that optimal IIC management can create value added and a competitive advantage for enhancing Islamic bank performance. Cahya and Kusumaningtias (2020) further support this link, emphasizing the potential of IIC for improving Maqasid performance. Based on these findings, the following hypothesis is proposed:

“H3: Islamic Intellectual Capital significantly influences the performance of Islamic Banks as measured by the Maqasid Sharia Index”

In light of the preceding literature review and hypotheses, the proposed research framework can be illustrated as presented in Figure 1.

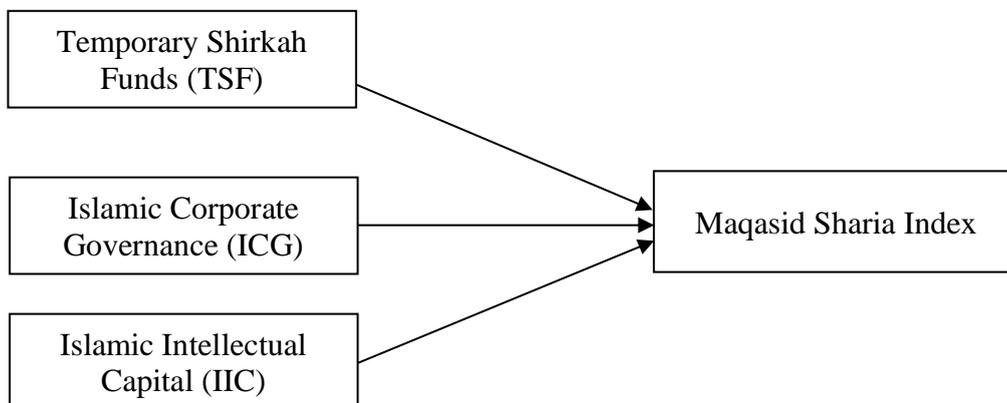


Figure 1. Research Framework



METHODOLOGY

Data Collection and Sampling Method

This study employs a retrospective design, draws upon secondary data from financial reports, annual reports, and self-assessment reports on Good Corporate Governance (GCG) implementation. These documents were retrieved from the official websites of each Islamic Commercial Bank (*Bank Umum Syariah-BUS*) in Indonesia. Employing a documentation approach, the data was archived and analyzed from publicly available reports relevant to the research question.

The target population for this study encompasses all BUS registered with the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan-OJK*) during the period 2016-2020. A purposive sampling technique was utilized to select a representative sample of banks based on the following criteria: 1) The BUS must have been registered with the OJK for the entire research period (2016-2020), 2) The BUS must have published complete and consecutive financial statements, annual reports, and GCG implementation reports for the years 2016-2020. Applying these criteria, a total of 12 BUS, as listed in Table 1, were identified as eligible participants in the study.

Table 1. Research Sampling

No	Code	Islamic Commercial Banks	Operating Date
1	BBMI	PT. Bank Muamalat Indonesia	1 May 1992
2	BBSM	PT. Bank Syariah Mandiri (BSM)	1 November 1999
3	BMGS	PT. Bank Mega Syariah	25 August 2004
4	BSBU	PT. Bank Syariah Bukopin	9 December 2008
5	PNBS	PT. Bank Panin Dubai Syariah	6 October 2009
6	BRIS	PT. Bank Rakyat Indonesia (BRI) Syariah	15 December 2009
7	BVCS	PT. Bank Victoria Syariah	1 April 2010
8	BCAS	PT. Bank Central Asia (BCA) Syariah	5 April 2010
9	BJBS	PT. Bank Jabar Banten (BJB) Syariah	6 May 2010
10	BNIS	PT. Bank Negara Indonesia (BNI) Syariah	19 June 2010
11	BTPS	PT. Bank Tabungan Pensiunan Nasional (BTPN) Syariah	14 July 2014
12	BACS	PT. Bank Aceh Syariah	19 September 2016

(Source: Processed, 2022)



Measuring Variables

This study measures the performance of Islamic banks using the MSI developed by Mohammed and Taib (2015), detailed in Table 2. The MSI offers a comprehensive framework for evaluating Islamic bank performance through the lens of Maqasid Shariah (higher-order objectives of Islamic Law). This index captures not only financial aspects but also social and ethical dimensions considered vital for achieving Islamic economic goals. The dependent variables of this study encompass TSF, ICG, and IIC. The TSF variable is calculated using the natural logarithm of the total temporary Shirkah funds, as reported in the financial statements of Islamic banks. This approach addresses issues related to the non-normal distribution of raw data. The formula for TSF is given by:

$$\text{Temporary Shirkah Funds} = \text{Ln} (\text{Total Temporary Shirkah Funds}) \quad (1)$$

Table 2. Maqasid Sharia Index

Goal	Goal Weight	Measure	Element	Weight Element	Performance Ratio
T1. Education (<i>Tahdhib al-Fard</i>)	30%	D1. Knowledge Development	E1. Education Grant	24%	R1. Education Grant/Total Expense
			E2. Research	27%	R2. Research Expense/Total Expense
		D2. Instilling New Skills and Improvement	E3. Training	26%	R3. Training Expense/Total Expense
			D3. Creating Awareness of Sharia Banking	E4. Publicity	23%
					Total
T2. Justice (<i>Al-Adl</i>)	41%	D4. Fair Return	E5. Fair Return	30%	R5. Profit Equalization Reserves (PER)/Net Investment Income
			D5. Affordable Products and Services	E6. Distribution Function	32%
		D6. Elimination of Injustice	E7. Interest-Free Products	38%	R7. Non-Interest Income/Total Income
T3. Public Interest (<i>Al-Maslahah</i>)	29%	D7. Profitability	E8. Profitability Ratio	33%	R8. Net Profit/Total Assets
		D8. Redistribution of Income and Wealth	E9. Personal Income	30%	R9. Zakat/Net Assets
		D9. Investment in the Real Sector	E10. Real Sector Investment Ratio	37%	R10. Investment in Real Economic Sector/Total Financing
			Total	100%	
Total	100%				

(Source: Mohammed & Taib, 2015)



The ICG variable is measured using a composite ranking derived from the self-assessment of GCG implementation by Islamic banks. This data is procured from the GCG report publications of each Islamic bank. The ICG variable is determined by assigning scores based on the composite ranking from the self-assessment of GCG implementation.

Table 3. The Islamic Corporate Governance Score

Rank	Composite Value	Composite Predicate	ICG Score
1	Composite Value ≤ 1.5	Very Good	5
2	$1.5 \leq$ Composite Value ≤ 2.5	Good	4
3	$2.5 \leq$ Composite Value ≤ 3.5	Fairly Good	3
4	$3.5 \leq$ Composite Value ≤ 4.5	Not So Good	2
5	$4.5 \leq$ Composite Value ≤ 5	Not Good	1

(Source: Bank Indonesia, 2010)

The quantification of IIC employs the iB-VAIC model, a methodology developed by Ulum (2013). The calculation steps for this model are delineated in Table 4.

Table 4. Islamic Intellectual Capital Variable

No.	Component	Calculation	Explanation
1	Value Added (iB-VA)	$iB-VA = OUT - IN$	OUT (Output): Total revenue; IN (Input): Operational & non-operational costs excluding employee costs
2	Value Added Capital Employed (iB-VACA)	$iB-VACA = iB-VA / CE$	iB-VA: Value added; CE: Capital Employed (total equity)
3	Value Added Human Capital (iB-VAHU)	$iB-VAHU = iB-VA / HC$	iB-VA: Value added; HC: Human capital (employee costs)
4	Structural Capital Value Added (iB-STVA)	$iB-STVA = SC$	SC: Structural capital (iB-VA - HC)
5	Value Added Intellectual Coefficient (iB-VAIC)	$iB-VAIC^{TM} = iB-VACA + iB-VAHU + iB-STVA$	A measure of intellectual capital efficiency

(Source: Ulum, 2013)

Data Analysis

The methodological approach employed in this study involves the use of multiple regression analysis. This statistical technique is utilized to understand



the relationship between the dependent variables (TSF, ICG, and IIC) and MSI. The specific regression equation applied in this study is as follows:

$$MSI_{i,t} = \beta_0 + \beta_1 TSF_{i,t} + \beta_2 ICG_{i,t} + \beta_3 IIC_{i,t} + e \quad (2)$$

Note:

MSI= Performance of Islamic banks

TSF= Temporary Shirkah funds

ICG= Islamic Corporate Governance

IIC= Islamic Intellectual Capital

e= Error term

β_0 = Constant

$\beta_1, \beta_2, \beta_3$ = Regression coefficient values

This approach allows for the simultaneous examination of the effects of multiple predictors on the dependent variables, thereby providing a comprehensive understanding of the relationships within the data (Ibrahim, 2023).

RESULT AND DISCUSSION

Descriptive Statistics

The descriptive statistics results, as presented in Table 5, provide a comprehensive overview of the performance attributes and characteristics of the sampled Islamic banks, including the MSI, Temporary Shirkah Fund (TSF), Islamic Corporate Governance (ICG), and Islamic Intellectual Capital (IIC).

The mean value of the MSI for the sample is 0.2577, indicating a moderate level of adherence to the Maqasid Sharia principles on average across the sampled Islamic banks. The bank with the lowest MSI value (0.16) is BTPS, which is understandable given its recent establishment in 2014, thus making it relatively nascent compared to other Islamic banks in the sample. Conversely, PNBS demonstrated the highest Maqasid Sharia performance with an MSI value of 0.39 in 2020. The TSF variable has an average value of 23.0883, equivalent to IDR 18,283,892,643. The highest TSF value was recorded by BBSM in 2020, with a value of 25.16 or IDR 84,334,054,000, while the lowest TSF value was observed for BVCS in 2020, reaching only 21.04 or IDR 1,379,182,361.



Table 5. Descriptive Statistics of Research Variables (N=57)

Variable	Minimum	Maximum	Mean	Std. Deviation
MSI	0.16	0.39	0.2577	0.06273
TSF	21.04	25.16	23.0883	1.10684
ICG	3.00	5.00	3.9825	0.64063
IIC	-1.59	4.61	2.2355	1.01334

(Source: Processed Data, 2022)

Note:

MSI = Maqasid Sharia Index

TSF = Temporary Shirkah Fund

ICG = Islamic Corporate Governance

IIC = Islamic Intellectual Capital

The mean value of the ICG variable is 3.98. This suggests that, on average, the sampled Islamic commercial banks have achieved a composite rating of 2 (Good category) based on the results of the self-assessment of GCG implementation. The highest ICG scores were recorded by BBSM, BBKA, and BMGS in 2020, all of which achieved rank 1 (Very Good category). Conversely, the lowest ICG score was observed for several Islamic banks that only reached rank 3 (Fairly Good category). Finally, the IIC variable has an average value of 2.2355, categorizing the sample Islamic banks as Good Performers (VAIC score 2.0 - 2.99). The highest IIC level was recorded by BRIS in 2020, with a score of 4.61, while the lowest IIC score was observed for BBMI in 2019, with a score of 1.59.

Table 6. Individual Parameter Significance Test Results (t-test)

Description	Unstandardized Coefficients	Standardized Coefficients	T	Sig.
Constant	0.526		3.686	0.001
TSF	-0.012	-0.220	-2.042	0.046*
ICG	0.025	0.011	2.305	0.025*
IIC	-0.036	-0.576	-5.214	0.000**
Adj R2	0.370			
F Score	11.951 (P = 0.000)			

Note:

TSF = Temporary Shirkah Fund

ICG = Islamic Corporate Governance

IIC = Islamic Intellectual Capital

* = Sig. at $\alpha=5\%$

** = Sig at $\alpha=1\%$

In the hypothesis testing stage, the classical assumption test shows that the regression model meets the basic assumptions of the regression equation,



namely: the residual data is normally distributed, there is no multicollinearity, and there is no heteroscedasticity. The result of hypothesis test is displayed in Table 6. The t-test shows that the TSF variable has a negative effect on MSI with a significance of 0.046.

These findings indicate acceptance of the alternative hypothesis statement (H_a), namely TSF has an effect on the performance of Islamic Commercial Banks based on the MSI, with a negative direction of influence. The IIC variable was also found to have a significant negative effect on MSI, with a significance level of 0.000. However, the ICG variable has a positive influence on Islamic Banks performance based on the MSI with a significance of 0.025. Therefore, it can be concluded that all alternative hypotheses (H_a) in the study were successfully accepted. This implies that all the independent variables, TSF, ICG, and IIC, influence the performance of Islamic Banks based on the MSI. The regression equation in this study is:

$$MSI_{(i,t)} = 0.526 - 0.012TSF_{(i,t)} + 0.025ICG_{(i,t)} - 0.036IIC_{(i,t)} + e$$

Analysis and Discussion

The research findings indicate that all independent variables significantly influence the Maqasid performance of Sharia banks. Specifically, TSF and IIC variables exert a negative impact, while ICG has a positive effect on the Maqasid Sharia Index. The implications of these results are elaborated below:

The Relationship between TSF and MSI

The finding that TSF negatively affect Maqasid performance in Indonesian Sharia banks, as measured by the MSI, presents a compelling point of discussion. This outcome diverges from previous research conducted by Kholid and Bachtiar (2015), Sulistyawati et al. (2020), and Yuri et al. (2021), who reported a positive association between TSF and Maqasid achievement. To delve deeper into this discrepancy, we can explore potential explanations and supporting arguments. One possibility is that there are inefficiencies in TSF management within Indonesian Sharia banks, resulting in an imbalance between fund acquisition and financing disbursement. Wahyuni (2020) emphasizes this point, noting that an uncoordinated increase in TSF without a corresponding rise in profitable financing schemes can negatively impact profitability and hinder Maqasid objectives.



Another potential explanation lies in the tendency of some Sharia banks to prioritize short-term financial gains over long-term Maqasid considerations (Nisak & Ibrahim, 2014). This short-sighted approach might lead to neglecting the proper utilization of TSF funds, potentially allocating them to less profitable ventures or incurring higher operational costs in managing the funds, thus negating their positive impact on Maqasid performance. Furthermore, TSF, by its nature, involves shared profit and loss between the bank and investors. This can expose the bank to higher risk if the financing projects funded by TSF underperform. Inadequate risk management practices could exacerbate this risk, leading to potential losses that detract from overall Maqasid achievement.

Finally, it is important to consider the possibility that the contrasting findings between our study and previous research might be due to differences in the specific banking contexts examined. The regulatory environment, economic conditions, and competitive landscape in Indonesia could differ significantly from those in the regions studied by Kholid and Bachtiar (2015), Sulistyawati et al. (2020), and Yuri et al. (2021), potentially influencing the relationship between TSF and Maqasid performance.

The Relationship between ICG and MSI

This study provides compelling empirical evidence of a positive and significant association between Islamic Corporate Governance (ICG) and the Maqasid performance of Islamic banks. This finding reinforces the notion that robust corporate governance practices, coupled with strict adherence to Sharia principles, can demonstrably enhance the fulfillment of the overarching objectives of Islamic banking, as encapsulated by the Maqasid.

Supporting literature, such as Hartono (2018), lends credence to these findings by demonstrating a positive and significant relationship between ICG and Islamic banks' performance. This suggests that effective ICG fosters a conducive environment for ethical and Sharia-compliant business activities, ultimately leading to improved performance outcomes. Further nuance is added by Marheni and Emawati (2022), who reveal that specific components of ICG, namely Institutional Ownership and Independent Board of Commissioners, exert a direct influence on Maqasid performance. This highlights the critical role of independent oversight and strong shareholder engagement in driving adherence to Sharia principles and achieving Maqasid goals.



However, these results diverge from those of Cahya and Kusumaningtias (2020), Yuri et al. (2021), and Aisyah et al. (2021), who found no significant impact of ICG on Islamic banks' performance. This discrepancy could be attributed to several factors, such as differing methodologies and data sets, focus on specific performance metrics, and contextual differences. Variations in research design, data analysis techniques, and sample composition can influence the observed relationships. While this study focuses on Maqasid performance, other studies might have employed traditional financial metrics, potentially leading to different conclusions. The regulatory landscape, market dynamics, and overall Islamic banking ecosystem can vary across regions, potentially influencing the effectiveness of ICG practices. Further research is warranted to explore these nuances and reconcile the seemingly contradictory findings. This will not only enhance the understanding of the complex dynamics shaping Maqasid achievement in Islamic banking but also contribute to refining theoretical frameworks and informing future research agendas.

The Relationship between IIC and MSI

The study uncovers a significant inverse relationship between Islamic Intellectual Capital (IIC) and the performance of Maqasid Sharia, suggesting that an increase in IIC is associated with a decrease in Maqasid Sharia achievement. This finding contradicts the theoretical premise that IIC should augment the realization of Maqasid Sharia by empowering Islamic banks to provide Sharia-compliant products and services that are beneficial to customers and society at large. The study posits that the prevailing practices of managing IIC in Indonesian Islamic banks may be less than optimal, potentially due to a focus on short-term financial returns over long-term value creation, as proposed by Aisyah et al. (2021).

The findings are in alignment with Hernawan (2018), who also reported a negative impact of suboptimal IIC management on organizational performance. The study revealed that inefficient IIC management fails to create value added, which affects the company's ability to enhance financial performance. Moreover, it suggested that the negative effects could be attributed to low levels of employee productivity. An increase in employee costs without a corresponding increase in productivity results in IIC negatively impacting company performance. However, the findings differ from several other studies that found a positive correlation between IIC and Maqasid Sharia performance, such as Hartono (2018), Cahya and Kusumaningtias (2020), and Farihah and



Setiawan (2020). Furthermore, Ramadhan et al. (2018) also identified a positive influence of a specific IIC component (iB-VAHU) on Maqasid Sharia performance.

The study acknowledges that the relationship between IIC and Maqasid Sharia performance is complex and context-dependent, and that various factors could account for the contrasting findings. These factors include the regulatory landscape, market dynamics, and organizational culture of Indonesian Islamic banking. The study concludes that further research is imperative to better understand the interplay between IIC, Maqasid Sharia performance, and contextual factors. This will not only enhance the understanding of the complex dynamics shaping Maqasid Sharia achievement in Islamic banking but also contribute to refining theoretical frameworks and informing future research agendas.

CONCLUSIONS

The results of the multiple regression analysis reveal that the three independent variables - Temporary Shirkah Funds (TSF), Islamic Intellectual Capital (IIC), and Islamic Corporate Governance (ICG) - significantly influence the Maqasid performance of Islamic banks. Interestingly, an increase in TSF and IIC appears to negatively impact the Maqasid performance, suggesting that higher levels of these variables may inadvertently lead to a decline in the performance of Islamic banks, as measured by the Maqasid Sharia Index (MSI). In contrast, the ICG variable positively influences the MSI, affirming that the implementation of robust governance and adherence to Sharia regulations can enhance the Maqasid performance of Islamic banks in Indonesia.

This research carries several implications. Firstly, it is expected to contribute to the evolution of Islamic banking in Indonesia by shedding light on the factors influencing the performance of Islamic banks. This could serve as a valuable resource for Islamic banks, guiding them in conducting business activities and optimizing their resources to achieve Maqasid Sharia. Secondly, this study could inspire academics to further explore the factors affecting Islamic Maqasid performance, potentially leading to robust empirical evidence and firm conclusions about the real impact of these factors on Islamic Maqasid performance. Lastly, it is anticipated to offer insights to Islamic banking in Indonesia on enhancing the management of TSF and IIC to bolster the attainment of superior Islamic Maqasid performance.



The merger of BSM, BNI Syariah, and BRI Syariah into Bank Syariah Indonesia (BSI) as of February 1, 2021, presents an updated insights into the dynamic landscape of Islamic banking in Indonesia. Given the disparate conclusions yielded by the study of the interrelationships of TSF, ICG, and IIC on the MSI, further research is needed to comprehend the actual relationship between the tested variables and the Maqasid performance of Islamic banks. Furthermore, it is suggested that future research examines the factors affecting Islamic Maqasid performance not only in Islamic banks but also in other Islamic entities. This broader perspective would enhance the comprehension of the factors influencing Maqasid performance across the wider Islamic finance industry.

REFERENCES

- Aisyah, S., Hariadi, B., & Mardiyati, E. (2021). The effect of Islamic intellectual capital, corporate governance, and corporate social responsibility disclosure on maqasid sharia performance, with reputation as a moderating variable. *International Journal of Research in Business and Social Science* (2147- 4478), 10(4), 75–84. <https://doi.org/https://doi.org/10.20525/ijrbs.v10i4.1233>
- Archer, S., & Karim, R. A. A. (2007). *Islamic finance: The regulatory challenge*. New Jersey: John Wiley & Sons.
- Bontis, N. (1998). Intellectual capital: An exploratory study that develops measures and models. *Management Decision*, 36(2), 63-76.
- Cahya, P. A., & Kusumaningtyas, R. (2020). Pengaruh Islamic Corporate Governance Dan Intellectual Capital Terhadap Kinerja Bank Umum Sharia. *Jurnal Akuntansi*, 15(2), 66–79. <http://jurnal.unsil.ac.id/index.php/jak>
- Chapra, M. U. (2008). *The Islamic vision of development in the light of Maqasid al-Shariah*. Jeddah: IRTI
- Dusuki, A. W., & Bouheraoua, S. (2011). The framework of Maqasid al-Shariah and its implication for Islamic finance. *Islam and Civilisational Renewal (ICR)*, 2(2), 316-336.
- El-Gamal, M. A. (2006). *Islamic finance: Law, economics, and practice*. Cambridge: Cambridge University Press.
- Fariyah, S. M., & Setiawan, S. (2020). Determinan Intellectual Capital terhadap Profitabilitas di Bank Sharia: Pengujian Mediasi Kinerja Keuangan dan Kinerja Non Keuangan. *Jurnal Samudra Ekonomi Dan Bisnis*, 11(2), 151–165. <https://doi.org/10.33059/jseb.v11i2.1996>
- Farook, S., Hassan, M. K., & Clinch, G. (2012). Profit Distribution



- Management by Islamic Banks: An Empirical Investigation. *The Quarterly Review of Economics and Finance*, 52(3), 333–347. <https://doi.org/10.1016/j.qref.2012.04.007>
- Ghozali, I. (2013). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 21* (7th ed.). Badan Penerbit Universitas Diponegoro.
- Grassa, R. & Matoussi, H. (2014). Corporate governance of Islamic banks: A comparative study between GCC and Southeast Asia countries. *International Journal of Islamic and Middle Eastern Finance and Management*, 7(3), 346-362. <https://doi.org/10.1108/IMEFM-01-2013-0001>
- Hassan, A., & Lewis, M. K. (2007). *Handbook of Islamic banking*. London: Edward Elgar Publishing.
- Harisnawati, R., Ulum, I., & Syam, D. (2017). Pengaruh Intellectual Capital Performance Terhadap Intensitas Pelaporan Modal Intelektual. *Jurnal Reviu Akuntansi Dan Keuangan*, 7(1), 941–950. <https://doi.org/https://doi.org/10.22219/jrak.v7i1.08>
- Hartono, N. (2018). Analisis Pengaruh Islamic Corporate Governance (ICG) Dan Intellectual Capital (IC) Terhadap Maqasid Sharia Indeks (MSI) Pada Perbankan Sharia Di Indonesia. *Al-Amwal : Jurnal Ekonomi Dan Perbankan Syari'ah*, 10(2), 259–282. <https://doi.org/10.24235/amwal.v10i2.3249>
- Hernawan, H. (2018). *Pengaruh Islamic Intellectual Capital terhadap Kinerja Maqasid Sharia dengan Corporate Governance sebagai Variabel Pemoderasi* [Universitas Islam Indonesia]. <https://dspace.uui.ac.id/handle/123456789/7839>
- Hudaefi, F. A., & Badeges, A. M. (2022). Maqasid al-Shariah on Islamic banking performance in Indonesia: A knowledge discovery via text mining. *Journal of Islamic Marketing*, 13(10), 2069-2089. <https://doi.org/10.1108/JIMA-03-2020-0081>
- Ibrahim, A. (2023). *Metodologi Penelitian Ekonomi dan Bisnis Islam - Edisi Revisi* (Q. Aini Ed.). Jakarta: Bumi Aksara.
- Ibrahim, A., Amelia, E., Akbar, N., Kholis, N., Utami, S. A., & Nofrianto. (2021). *Pengantar Ekonomi Islam* (1 ed.). Jakarta: Departemen Ekonomi dan Keuangan Syariah - Bank Indonesia.
- Ibrahim, A., & Kamri, N. A. (2016). The Commitment to Islamic Work Ethics among Islamic Banking's Employees in Aceh. *Jurnal Syariah*, 24(1), 93-114.
- Ibrahim, A., & Kamri, N. A. (2017). The Ethical Practices of Islamic Banking: An Analysis from Customer Satisfraction Perspective. *MIQOT: Jurnal Ilmu-ilmu Keislaman*, 41(1).



- Kahf, M. (2004). Islamic banks: the rise of a new power alliance of wealth and Shari'ah scholarship. In C. Henry & R. Wilson (Eds.), *The politics of Islamic finance* (pp. 17-36). Edinburgh University Press.
- Kamali, M. H. (1999). Maqasid al-Shariah: The objectives of Islamic law. *Islamic Studies*, 38(4), 193-208. <http://www.jstor.org/stable/20837037>
- Kamri, N. A., Ramlan, S. F., & Ibrahim, A. (2014). Qur'anic Work Ethics. *Journal of Usuluddin*, 40(-), 135-172.
- Khasanah, A. N. (2016). Pengaruh Intellectual Capital dan Islamicity Performance Index terhadap Kinerja Keuangan Perbankan Sharia di Indonesia. *Jurnal Nominal*, V(1), 1-18. <https://doi.org/https://doi.org/10.21831/nominal.v5i1.11473>
- Kholid, M. N., & Bachtiar, A. (2015). Pengaruh Dana Shirkah Temporer dan Good Corporate Governance Terhadap Kinerja Maqasid Sharia Bank Sharia di Indonesia. *Simposium Nasional Akuntansi, XVIII*, 1-25. <http://lib.ibs.ac.id/materi/Prosiding/SNA XVIII/makalah/073.pdf>
- Mansour, W., & Bhatti, M. I. (2018). The New Paradigm of Islamic Corporate Governance. *Managerial Finance*, 44(5), 513-523. <https://doi.org/https://doi.org/10.1108/MF-01-2018-0043>
- Marheni, & Emawati, L. (2022). Islamic Corporate Governance, Islamic Social Reporting dan Maqasid Sharia Pada Bank Sharia di Indonesia. *Jurnal Ilmiah Ekonomi Islam*, 8(01), 146-153. <https://doi.org/http://dx.doi.org/10.29040/jiei.v8i1.4267>
- Mohammed, M. O., Razak, D. A., & Fauziah Md Taib. (2008). The Performance Measures of Islamic Banking Based on the Maqasid Framework. *IJUM International Accounting Conference (INTAC IV)*, IV, 1-17.
- Mohammed, M. O., & Taib, F. M. (2015). Developing Islamic Banking Performance Measures Based on Maqasid Al-Shari'Ah Framework: Cases of 24 Selected Banks. In *Journal of Islamic Monetary Economics and Finance* (Vol. 1, Issue 1, pp. 55-77). <https://doi.org/https://doi.org/10.21098/jimf.v1i1.483>
- Mutia, E., & Musfirah, N. (2017). Pendekatan Maqasid Sharia Index sebagai Pengukuran Kinerja Perbankan Sharia di Asia Tenggara (Maqasid Sharia Index Approach as Performance Measurement of Sharia Banking in Southeast Asia). *Jurnal Akuntansi Dan Keuangan Indonesia*, 14(2), 181-201. <http://jaki.ui.ac.id/index.php/index/index>
- Najjar, A. M. (2003). *The Maqasid al-Shariah: A philosophical, historical and legal analysis*. Leiden: Brill.
- Nisak, B., & Ibrahim, A. (2014). Analisis Manajemen Risiko Pembiayaan Musyarakah Pada Baitul Qiradh Bina Insan Mandiri Banda Aceh. *Share: Jurnal Ekonomi dan Keuangan Islam*, 3(1).



- Nurhayati, S., & Wasilah, A. (2015). *Akuntansi Sharia di Indonesia* (4th ed.). Jakarta: Penerbit Salemba Empat.
- Nurmahadi, N., & Setyorini, C. T. (2018). Maqasid Sharia Dalam Pengukuran Kinerja Lembaga Keuangan Sharia di Indonesia. *JAS (Jurnal Akuntansi Sharia)*, 2(1), 29–55. <https://ejournal.stieshariabengkalis.ac.id/index.php/jas/article/view/130>
- Ramadhan, M. I. B., Abdurahim, A., & Sofyani, H. (2018). Modal Intelektual Dan Kinerja Maqasid Sharia Perbankan Sharia Di Indonesia. *Jurnal Akuntansi Dan Keuangan Islam*, 6(1), 5–18. <https://doi.org/https://doi.org/10.35836/jakis.v6i1.6>
- Ramadhani, R., & Mutia, E. (2016). Analisis Perbandingan Kinerja Perbankan Sharia Di Indonesia dan Malaysia Ditinjau Dari Maqasid Sharia Index. *Simposium Nasional Akuntansi2*, 1–24. [http://lib.ibs.ac.id/materi/Prosiding/SNA_XIX_\(19\)_Lampung_2016/makalah/075.pdf](http://lib.ibs.ac.id/materi/Prosiding/SNA_XIX_(19)_Lampung_2016/makalah/075.pdf)
- Salman, K. R., & Farid, M. (2016). Pengukuran Kinerja Sosial Berbasis Indeks Maqasid: Kasus di Indonesia. *Simposium Nasional Akuntansi XIX, Lampung*, 1–25. [http://lib.ibs.ac.id/materi/Prosiding/SNA_XIX_\(19\)_Lampung_2016/makalah/082.pdf](http://lib.ibs.ac.id/materi/Prosiding/SNA_XIX_(19)_Lampung_2016/makalah/082.pdf)
- Solikhah, B., Abdul Rohman, H., & Meiranto, W. (2010). Implikasi Intellectual Capital terhadap Financial Performance, Growth, dan Market Value; Studi Empiris dengan Pendekatan Simplistic Specification. *Makalah Simposium Nasional Akuntansi XIII Purwokerto*, 1–29. <https://doi.org/10.1017/CBO9781107415324.004>
- Sulistiyawati, A. I., Ati, H., & Santoso, A. (2020). Telisik Faktor Pengaruh Kinerja Maqasid Sharia Bank Sharia Di Indonesia. *Jurnal Ilmiah Ekonomi Islam*, 6(2), 142–150. <https://doi.org/10.29040/jiei.v6i2.986>
- Ulum, I. (2013). Model Pengukuran Kinerja Intellectual Capital Dengan iB-VAIC Di Perbankan Sharia. *Inferensi: Jurnal Penelitian Sosial Keagamaan*, 7(1), 185. <https://doi.org/10.18326/infl3.v7i1.185-206>
- Wahyuni, S. (2020). *Kinerja Maqasid Sharia dan Faktor-Faktor Determinan*. Surabaya: Scopindo Media Pustaka.
- Yuri, I. A., Rahman, A., Fontanela, A., & Syamsurizal. (2021). The effect of good corporate governance on financial performance in sharia commercial banks in Indonesia. *Review of Islamic Economics and Finance (RIEF)*, 4(1), 18–32. <https://doi.org/https://doi.org/10.17509/rief.v4i1.34801>
- Zulpahmi, Z., Sumardi, S., & Andika, A. (2018). Dana Shirkah Temporer Dan Corporate Governance Mechanism Mempengaruhi Kinerja Maqasid Sharia Bank Sharia Di Indonesia. *Akuntabilitas: Jurnal Ilmu Akuntansi*, 11(1), 35–52. <https://doi.org/https://doi.org/10.15408/akt.v11i1.8828>

