



Maqashid Sharia Performance Determinants Sharia Commercial Banks in Indonesia

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Abstract. The purpose of this study is to examine the effect of the number of SSB members, the education level of the SSB, the frequency of SSB meetings, profit sharing financing, and qardh financing on the performance of maqashid sharia. Measurement of the performance of maqashid sharia in this study uses the Maqashid Sharia Index (MSI) developed by [1]. The population used is sharia commercial banks listed on the Financial Services Authority (OJK) in 2015–2019. The sampling technique used was purposive sampling with 45 analysis units were processed. Research data collection method using documentation method. The data analysis techniques used were descriptive statistical analysis and inferential statistical analysis. Hypothesis testing uses multiple linear regression analysis test tools. The results show that profit sharing financing has a significant positive effect on the performance of maqashid sharia. Meanwhile, the number of SSB members, the education level of the SSB, the frequency of SSB meetings, and qardh financing had no significant effect on the performance of maqashid sharia. The conclusion of this research is the more revenue sharing financing that is distributed, the performance of the maqashid sharia at Islamic commercial banks will also be better.

Keywords: Maqashid sharia performance · Sharia supervisory board · Profit sharing financing · Qardh financing

1 Introduction

The existence of Islamic financial institutions (LKS) has now become a force for the world of Islamic economics in Indonesia. One of these financial institutions is Islamic banking. Islamic or sharia banking is a financial institution that runs its business operations based on sharia principles. In evaluating their performance, Islamic banks still use financial ratios. Whereas financial ratios prioritize seeking worldly profits (profit oriented), the purpose of Islamic banks is to seek after-life profits (falah oriented) as well as to provide welfare to the community (maslahah). According to [1] the objectives of Islamic banks will be appropriate if they are derived from the objectives of sharia (maqashid sharia). Therefore, it would be more appropriate if the performance assessment of Islamic banks was carried out using the performance of Islamic maqashid. The performance of maqashid sharia is a performance assessment in terms of financial and

non- financial aspects originating from the three objectives of maqashid sharia developed namely educating individuals, upholding justice, and public interest/maslahah [2]. The following is presented data on the achievement of Islamic bank performance as measured by the performance of Islamic maqashid in previous studies.

Based on previous research, the factors that influence the performance of Islamic banks have been widely carried out and show different research results. [3] shows the results that the number of DPS members has a negative effect on the performance of maqashid sharia, the education level of the DPS has a positive effect on the performance of maqashid sharia, and the frequency of DPS meetings and concurrent positions of the DPS have no effect on the performance of maqashid sharia. Different results were shown by research by [4], which found that the number of DPS members had no effect on the performance of maqashid sharia.

The theories that form the basis for this research are Sharia Enterprise Theory (SET), legitimacy theory, and stewardship theory. Sharia Enterprise Theory (SET) explains that the resources owned by the stakeholders are in principle a mandate from Allah SWT in which the responsibility is attached to being used in the manner and purpose set by the trustee. Legitimacy theory explains that legitimacy is a company management system that is oriented towards community support so that company operations must be congruent with community expectations [5]. Stewardship theory explains the relationship between the steward (fund manager) and the principal (fund owner), where the stewards do not have personal interests but are more concerned with the interests of the principal [6].

The number of DPS members is equal to the number of sharia supervisory boards in each sharia bank. Based on sharia enterprise theory and legitimacy theory, Islamic banks will manage their resources in accordance with what is expected by the community, namely in accordance with sharia principles, because the resources in Islamic banks are mandated and will be accountable to Allah SWT. In order for Islamic banks to operate according to sharia principles, they need the role of the Sharia Supervisory Board (DPS). According to [3] the large number of people who sit on the sharia supervisory board will provide more effective supervision. [7] argue that the more members of the sharia supervisory board, the better banking performance will be. This indicates that the greater the number of DPS members in Islamic banks, the more there will be a division of duties and responsibilities among DPS members, which will make supervision more optimal, so that the performance of sharia maqashid in Islamic banks will be better. Study The study conducted by [8] shows that the number of DPS members has a positive and significant effect on banking financial performance as measured by ROA.

The research hypothesis is (1) The number of dps members has a significant positive effect on the performance of Maqashid Sharia, (2) DPS education level has a significant positive effect on the performance of Maqashid Sharia, (3) The frequency of DPS meetings has a significant positive effect on the performance of Maqashid Sharia, (4) Profit sharing financing has a significant positive effect on the performance of Sharia Maqashid, and (5) Qardh financing has a significant positive effect on the performance of Maqashid Sharia.

2 Research Method

The sampling technique used purposive sampling and obtained a sample of 10 Islamic commercial banks. The dependent variable in this study is the performance of sharia maqashid, while the independent variables are the number of DPS members, the education level of the DPS, the frequency of DPS meetings, profit sharing financing, and qardh financing. The documentation method was used to collect data for this study, with secondary data obtained from the company's annual financial reports and Good Corporate Governance (GCG) reports. In conducting data analysis, researchers used descriptive statistical analysis techniques, inferential statistical analysis, and multiple linear regression analysis. The research hypothesis can be accepted if the significance value is less than or equal to 0.05 ($\alpha < 0.05$). While the coefficient of determination ranges from zero to one, the coefficient value, which is getting closer to one, indicates that the independent variables in the study are able to explain almost all the information needed by the dependent variable. A multiple linear regression equation is presented in Eq. 1.

$$\begin{aligned}
 MSI = & a + \beta_1 \text{JUTADPS} + \beta_2 \text{TIDIKDPS} + \beta_3 \\
 & \text{FREPATDPS} + \beta_4 \text{PEMBASIL} \\
 & + \beta_5 \text{PEMBQARD} + e
 \end{aligned}
 \tag{1}$$

3 Result and Discussion

The performance of maqashid sharia has a minimum value of 0.25936, which is owned by Bank Victoria Syariah 2016, and a maximum value of 0.35711, owned by Bank Muamalat 2019. Then the performance of maqashid sharia has an average value of 0.31397 and a standard deviation value of 0.01671, which means that the performance of maqashid sharia at the bank is included in a fairly good category.

The number of DPS members has a minimum value of 2.00 owned by Bank Victoria Syariah 2016–2019, BRI Syariah 2015–2019, BNI Syariah 2015–2019, Bank Panin Dubai Syariah 2015, 2016, 2018, 2019, Bank Syariah Bukopin 2015–2019, BCA Syariah 2015–2019, Bank Mega Syariah 2018–2019, and BJB Syariah 2019, and has a maximum value of 4.00 owned by Bank Syariah Mandiri 2016. Then the number of DPS members has an average value of 2.33 and a standard deviation value of 0.52223, which means that Islamic commercial banks in Indonesia have an average of two sharia supervisory boards.

The DPS education level has a minimum score of 2.33, which is owned by BJB Syariah 2015–2018, and a maximum value of 3.00, which is owned by Bank Muamalat 2015–2016, Bank Victoria Syariah 2015–2019, BNI Syariah 2015–2019, Bank Syariah Mandiri 2015–2019, and Bank Mega Syariah 2018–2019. Then the education level of DPS has an average value of 2.7113 and a standard deviation value of 0.24737, which means that the average last education taken by the sharia supervisory board at Islamic commercial banks is a doctoral degree or doctorate.

The frequency of DPS meetings has a minimum value of 2.00 owned by Bank Muamalat 2015–2019, Bank Victoria Syariah 2016 and 2019, BRI Syariah 2015–2018,

BJB Syariah 2015, BNI Syariah 2015–2016, Mandiri Syariah Bank 2015, 2016, and 2019, Mega Syariah Bank 2015–2018, Panin Dubai Syariah Bank 2019, Bukopin Syariah Bank 2016–2019, and BCA Syariah 2015–2019, and has a maximum value of 4.00 owned by Bank Victoria Syariah 2017, BJB Syariah 2019, BNI Syariah 2018–2019, and Bank Panin Dubai Syariah 2016. Then the frequency of DPS meetings has an average value of 2.2667 and a standard deviation value of 0.78044, which means that the average meeting held by the sharia supervisory board has as many as 11 to 15 meetings within one year. Profit sharing financing has a minimum value of 26,55285 owned by Bank Mega Syariah 2016, and a maximum value of 30,98095 owned by Bank Syariah Mandiri 2019. Then profit sharing financing has an average value of 29,06857 and a standard deviation value of 1.13753, which means that profit sharing financing distributed by Islamic commercial banks in Indonesia is quite large.

Qardh financing has a minimum value of 0.00000, which is owned by Bank Victoria Syariah 2016–2019 and Bank Panin Dubai Syariah 2018–2019, and has a maximum value of 0.21537, owned by BNI Syariah 2017. Then qardh financing has an average value of 0.04888 and a standard value deviation of 0.06092, which means that the qardh financing distributed by Islamic commercial banks in Indonesia is still very low.

The Kolmogorov-Smirnov normality test results revealed a significance value of 0.200, or greater than 0.05, indicating that the data in this study were normally distributed. The multicollinearity test showed that all independent variables had a tolerance value of >0.01 and a VIF value of <10 , so it can be concluded that the regression model in this study did not have multicollinearity symptoms. The heteroscedasticity test using the Glejser test showed a significance value for all independent variables >0.05 , so it can be concluded that the regression model in this study avoided the symptoms of heteroscedasticity. The autocorrelation test using the Durbin-Watson test showed the value of $D_u (1.7762) < D_w (2.215) < 4 - D_u$, so there was no autocorrelation symptom in this study. The results of the multiple linear regression equations are presented in Eq. 2.

$$\begin{aligned} \text{MSI} = & 0.108 - 0.001 \text{JUTADPS} - 0.019 \text{TIDIKDPS} \\ & + 0.003 \text{FREPATDPS} + 0.009 \text{PEMBASIL} \\ & - 0.015 \text{PEMBQARD} + e \end{aligned} \quad (2)$$

The results of the simultaneous influence test show a significance value of 0.005 or less than 0.05, so it can be concluded that the independent variables in this study together have a significant effect on the performance of maqashid sharia. While the results of the coefficient of determination show an adjusted R Square value of 0.256, This shows that the independent variable in this study is able to explain the maqashid sharia performance variable by 25.6%, while the remaining 74.4% is explained by other variables outside this research model.

3.1 The Influence of the Number of DPS Members on the Performance of Maqashid Syariah

The results showed that the number of DPS members did not affect the performance of maqashid sharia. The ineffectiveness of the number of DPS members is possible

because of the existence of a sharia supervisory board that holds concurrent positions in other sharia financial institutions, thus making the supervision carried out by the sharia supervisory board less than optimal. According to [9], in Indonesia there is a sharia supervisory board that becomes a sharia supervisory board in other financial institutions and there is a sharia supervisory board that becomes a national sharia board. The existence of several sharia supervisory boards that concurrently serve as sharia supervisory boards in other financial institutions and serve as national sharia boards indicates that the number of sharia supervisory boards in Indonesia is still small. Furthermore, the dual position can reduce the level of supervision carried out by the sharia supervisory board, so that the existence of the sharia supervisory board has not been able to encourage the improvement of sharia bank performance. The results of this study are in line with research by [4, 10] which found that the number of DPS members had no effect on the performance of maqashid sharia.

3.2 The Effect of DPS Education Level on the Performance of Maqashid Syariah

The results of the study prove that the education level of DPS has no effect on the performance of maqashid sharia. The lack of effect on the education level of the DPS is probably due to the high level of education of the sharia supervisory board, which is not matched by the required educational background, such as law, accounting, and finance. According to [11], the educational level of the Islamic supervisory board in Islamic commercial banks is dominated by academics with Sharia knowledge competence, while academics in other scientific fields are found to be very few. Islamic commercial banks have a need to have members of the sharia supervisory board with doctoral qualifications in other competencies, namely doctoral education in the fields of law, accounting, and finance. These findings are in line with the research of [11]), which found that DPS doctoral education had no effect on the social performance of Islamic banks.

3.3 The Effect of DPS Meeting Frequency on the Performance of Maqashid Syariah

The results showed that the frequency of DPS meetings had no effect on the performance of maqashid sharia. The non-influence of the frequency of DPS meetings is possible because the meetings held by the sharia supervisory board are not always attended by all members of the sharia supervisory board, so that the coordination between the sharia supervisory boards will be less than optimal. According to [3], the number of DPS attendance at internal meetings is still less than that determined by each Islamic bank, even though according to the provisions of Bank Indonesia Regulation Number 11/33/PBI/2009, DPS meetings are held at least once a month. In addition, [2] also argue that this may be due to the discussion discussed at the DPS meeting only focusing on bank financing products and regarding sharia bank compliance in sharia principles, so that Islamic banking management still has not had a positive impact on improving its performance in terms of social goals. The results of this study are in line with the research of [3] and [2], which found that the frequency of DPS meetings had no effect on the performance of sharia maqashid.

3.4 The Effect of Profit Sharing Financing on the Performance of Maqashid Syariah

The results of this study prove that profit-sharing financing has a significant positive effect on the performance of Islamic maqashid. This is because one of the objectives of the existence of Islamic commercial banks is to uphold justice. It is through profit sharing financing that the objectives of Islamic commercial banks can be achieved, because the system used by Islamic commercial banks in conducting transactions is a profit sharing system. Based on the theory of stewardship, Islamic commercial banks will be more likely to channel their funds through profit-sharing financing, because the bank looks more at efforts to achieve common goals rather than to prioritize their personal interests. Therefore, with the large distribution of funds through profit-sharing financing carried out by Islamic commercial banks, it will make the performance of Islamic maqashid better. Also argue that the manager of financing disbursed to customers can be managed very well by customers and returned in accordance with the agreement on the *mudharabah* and *musyarakah* contract transactions that have been mutually agreed upon by the bank and the customer, so that it can have a significant positive impact on the profits to be received. by Islamic commercial banks. These findings are in line with research by [12], which found the results that profit sharing financing had a significant positive effect on profitability.

3.5 The Effect of Qardh Financing on the Performance of Maqashid Syariah

The results of this study indicate that qardh financing does not affect the performance of maqashid sharia. The ineffectiveness of qardh financing is probably due to sharia commercial banks, which are still very minimal in distributing their funds through qardh financing, so that the positive impact (welfare) felt by the community is not too significant. Based on the results of descriptive statistical analysis, it also shows that the minimum value of qardh financing is 0 (zero). This means that there are Islamic commercial banks that do not issue or channel their funds through qardh financing. Due to the lack of distribution of funds by Islamic commercial banks through qardh financing, Islamic commercial banks have not been able to achieve the goal of Islamic banks to provide optimal welfare to the community, so that qardh financing in this study cannot affect the performance of Islamic maqashid. The results of this study are in line with the research of [13], which found that qardh financing had no effect on profitability.

4 Conclusion

The performance of maqashid sharia will be better in line with the amount of Islamic bank funds channeled through profit sharing financing. This can be an option for Islamic commercial banks to improve the performance of their sharia maqashid by prioritizing the distribution of funds through profit-sharing financing. This study only uses Islamic commercial banks (BUS) as the object of research, so it is recommended that further research can use other Islamic banking industries. In addition, further research can use other DPS characteristic variables, such as DPS educational background or implementation of DPS duties and responsibilities, as well as other independent variables that

theoretically can affect the performance of maqashid sharia with data scales for measuring the variable level. The tallest. Then further research is also recommended to use the maqashid sharia indicator, which was developed directly by As-Syathibi or Ibn Asyur.

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