

Analysis of the Influence of the Maqasid Shariah Index on Profitability in Sharia Commercial Banks Listed on the IDX for the 2018-2025 Period

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Abstract

The positive growth of the Islamic banking industry in Indonesia demands not only financial growth but also the holistic implementation of Islamic values. This study examines the effect of the Maqasid Syariah Index (MSI) on the financial performance of Islamic Commercial Banks in Indonesia, addressing the empirical inconsistencies and data gaps found in previous literatures. Utilizing an exploratory research design with a quantitative approach, this study evaluates annual report data from Islamic banks. The data analysis technique employed is simple linear regression, focusing on the relationship between Maqasid Syariah Index (X1) as the independent variable and Return on Assets (ROA, Y) as the dependent variable. Prior to hypothesis testing, classical assumption tests were conducted, confirming that the residual data is normally distributed and free from heteroscedasticity based on the Glejser test ($p=0.913>0.05$). The coefficient of determination (R Square) is 0.447, indicating that the Maqasid Syariah Index accounts for 44.7% of the variance in ROA, while the remaining 55.3% is influenced by other factors outside the model. The partial significance test (t-test) yields a t-count of -4.921 with a significance value of 0.000 ($p<0.05$). Consequently, H_0 is rejected and H_1 is accepted, establishing the regression equation $Y=7.738-9.704(X_1)$. The empirical findings conclude that the Maqasid Syariah Index has a significant negative effect on Return on Assets. This demonstrates a short-term trade-off where prioritizing social welfare, justice, and public interest (maslahah) leads to a reduction in immediate financial profitability.

1. Introduction

The Islamic banking industry has experienced significant growth over the last decade and has become one of the most dynamic segments of the global financial system. This development is driven by increasing public awareness of ethical finance, the expansion of Islamic financial products, and stronger regulatory support from governments and financial authorities. In Indonesia, which has the largest Muslim population in the world, Islamic banking has demonstrated consistent growth in terms of assets, financing distribution, and third-party funds. Recent reports from the financial authority indicate that Islamic banking assets have exceeded one trillion rupiah, reflecting increasing public trust in Islamic financial institutions and their ability

to compete within the national banking sector. Such growth indicates that Islamic banks have become important contributors to economic development, financial inclusion, and sustainable financial systems.

Despite these positive developments, the success of Islamic banks cannot be assessed solely through conventional financial indicators. Unlike conventional banks, Islamic banks operate based on Sharia principles that emphasize justice, transparency, social welfare, and ethical business conduct. Therefore, evaluating the performance of Islamic banks requires a broader perspective that considers both financial and non-financial dimensions. While profitability remains an essential measure of organizational success, Islamic banks are also expected to fulfill the objectives

of Islamic law (maqasid shariah), which aim to promote human welfare and social justice. Consequently, measuring Islamic banking performance solely through accounting-based indicators such as Return on Assets (ROA) or Return on Equity (ROE) may not fully capture the distinctive mission and responsibilities of Islamic financial institutions.

The concept of maqasid shariah has gained increasing attention among scholars and practitioners as a comprehensive framework for evaluating the performance of Islamic financial institutions. The maqasid shariah framework originates from Islamic jurisprudence and focuses on achieving public welfare (maslahah), protecting essential human interests, and promoting justice in economic activities. According to Islamic economic philosophy, financial institutions should not only maximize profits but also contribute to societal development and equitable wealth distribution. In response to this perspective, researchers have developed the Maqasid Shariah Index (MSI) as an alternative performance measurement tool capable of assessing the extent to which Islamic banks implement Sharia objectives in their operations.

The Maqasid Shariah Index is generally constructed based on three fundamental objectives proposed by Abu Zaharah and further operationalized by Mohammed et al. These objectives include educating individuals (tahdzib al-fard), establishing justice (iqamah al-adl), and promoting public welfare (jalb al-maslahah). Through these dimensions, the index evaluates whether Islamic banks actively contribute to educational development, fair financial practices, and social welfare enhancement. Therefore, MSI provides a more holistic measurement compared to conventional financial indicators because it incorporates ethical, social, and religious dimensions into organizational performance assessment.

The growing adoption of MSI in Islamic banking research reflects the increasing demand for performance evaluation models that align with Islamic values. Stakeholders, including customers, investors, regulators, and

society at large, expect Islamic banks to demonstrate not only financial resilience but also adherence to Sharia principles. The implementation of maqasid shariah is considered crucial in maintaining legitimacy and strengthening public confidence in Islamic financial institutions. Banks that successfully fulfill their social and ethical responsibilities are more likely to gain stakeholder support, improve their reputation, and achieve sustainable growth in the long term.

From a theoretical perspective, Stakeholder Theory provides an important foundation for understanding the relationship between maqasid shariah implementation and organizational performance. Freeman argues that organizations should create value for all stakeholders rather than focusing exclusively on shareholders. In the context of Islamic banking, stakeholders include depositors, investors, employees, regulators, local communities, and religious authorities. The implementation of maqasid shariah can be viewed as a strategic effort to satisfy stakeholder expectations regarding ethical conduct, fairness, and social responsibility. Consequently, banks that perform well in maqasid shariah dimensions may strengthen stakeholder trust and support, which can ultimately contribute to improved financial performance.

Similarly, Legitimacy Theory offers another relevant explanation regarding the importance of maqasid shariah implementation in Islamic banks. According to this theory, organizations seek social acceptance by aligning their activities with societal norms and values. Islamic banks derive their legitimacy not only from regulatory compliance but also from their commitment to Islamic principles. Stakeholders expect Islamic financial institutions to operate in accordance with religious values and contribute positively to society. Therefore, effective implementation of maqasid shariah may enhance organizational legitimacy, strengthen corporate reputation, and improve long-term sustainability.

Although the theoretical relationship between maqasid shariah implementation and

financial performance appears convincing, empirical findings remain inconclusive. Several studies have reported a positive relationship between MSI and profitability, suggesting that stronger adherence to Sharia objectives enhances customer loyalty, organizational reputation, and financial performance. These studies argue that stakeholders increasingly value ethical and socially responsible financial institutions, creating competitive advantages for Islamic banks that successfully implement maqasid shariah principles.

For example, previous research has demonstrated that Islamic banks with higher MSI scores tend to experience stronger financial performance due to enhanced stakeholder confidence and improved market positioning. The fulfillment of social and ethical responsibilities can attract more customers, strengthen customer retention, and increase investor confidence. As a result, maqasid shariah implementation may generate economic benefits that ultimately improve profitability indicators such as Return on Assets.

However, other studies have produced contrasting findings. Some researchers report a negative relationship between MSI and profitability, arguing that investments in social programs, educational initiatives, and welfare-oriented activities may increase operational expenses and reduce short-term financial returns. These findings suggest the existence of a trade-off between social objectives and immediate financial performance. Islamic banks that allocate substantial resources toward achieving maqasid shariah objectives may experience lower profitability in the short run because the financial benefits of such initiatives often materialize over a longer period.

In addition, several studies have found no significant relationship between MSI and profitability. These findings indicate that maqasid shariah implementation may not directly influence financial performance or that its effects may be mediated by other organizational factors. Variations in research design, measurement methods, sample characteristics, and observation periods may

contribute to these inconsistent results. Consequently, the relationship between MSI and profitability remains an open area for academic investigation.

The existence of these inconsistent findings highlights a significant research gap within the Islamic banking literature. First, many previous studies were conducted before the acceleration of digital transformation and post-pandemic economic recovery. The banking industry has undergone substantial changes in recent years due to technological innovation, digital banking adoption, and evolving customer behavior. These developments may influence both the implementation of maqasid shariah and its relationship with financial performance. Therefore, empirical evidence generated from earlier periods may no longer fully reflect current industry conditions.

Second, most prior studies have focused on limited samples or specific Islamic banks, reducing the generalizability of their findings. Research that examines the broader Islamic banking sector over an extended observation period remains relatively scarce. Comprehensive studies covering multiple Islamic commercial banks are necessary to provide a more representative understanding of the relationship between maqasid shariah implementation and profitability.

Third, there is limited evidence regarding how maqasid shariah performance influences profitability during periods characterized by economic uncertainty, technological transformation, and increasing competition within the financial sector. Islamic banks today face pressures not only to achieve financial sustainability but also to maintain their social and religious commitments. Understanding how these competing objectives interact is essential for both academics and practitioners.

This study seeks to address these research gaps by examining the influence of the Maqasid Shariah Index on the profitability of Islamic Commercial Banks in Indonesia during the 2018–2025 period. This period is particularly important because it encompasses significant developments in the Indonesian banking sector, including digital transformation

initiatives, regulatory reforms, and post-pandemic economic recovery. By focusing on recent data, this study provides updated evidence regarding the relationship between maqasid shariah implementation and financial performance.

The novelty of this research lies in several aspects. First, it utilizes a more recent observation period compared to many previous studies, enabling a better understanding of contemporary Islamic banking dynamics. Second, it investigates the relationship between MSI and profitability within the context of Indonesia's Islamic banking industry, which represents one of the largest and fastest-growing Islamic financial markets globally. Third, the study contributes to the ongoing debate regarding whether the pursuit of Sharia objectives enhances or constrains financial performance.

The findings of this research are expected to contribute to both theory and practice. Theoretically, the study enriches the literature on Islamic banking performance measurement by providing empirical evidence regarding the effectiveness of MSI as a strategic performance indicator. Practically, the findings may assist Islamic bank managers, regulators, and policymakers in designing strategies that balance financial sustainability with the achievement of Sharia objectives. Furthermore, the results can provide valuable insights for stakeholders seeking to evaluate Islamic banks beyond conventional profitability measures.

Based on the aforementioned discussion, this study aims to analyze the effect of the Maqasid Shariah Index on the profitability of Islamic Commercial Banks in Indonesia. Specifically, the research investigates whether the implementation of maqasid shariah principles, as measured through MSI, significantly influences Return on Assets. By addressing existing empirical inconsistencies and contemporary industry challenges, this study contributes to a deeper understanding of how Islamic banks can simultaneously achieve financial performance and fulfill their broader social and religious responsibilities.

2. Literature Review

2.1 Stakeholder Theory

Stakeholder Theory was introduced by Freeman (1984) as a strategic management framework emphasizing that organizational success depends not only on the interests of shareholders but also on the ability of organizations to create value for all stakeholders. Stakeholders include customers, investors, employees, regulators, suppliers, local communities, and other parties affected by organizational activities. According to this theory, organizations that successfully manage stakeholder relationships are more likely to achieve long-term sustainability and superior performance.

The stakeholder perspective has evolved significantly over the years. Donaldson and Preston (1995) argue that stakeholder theory contains descriptive, instrumental, and normative dimensions. The descriptive dimension explains how organizations interact with stakeholders, while the instrumental dimension suggests that stakeholder management contributes to organizational performance. The normative dimension emphasizes the ethical responsibility of organizations to consider stakeholder interests in decision-making processes. These dimensions are particularly relevant in Islamic financial institutions, where ethical considerations and social responsibilities are integral components of organizational objectives.

In the context of Islamic banking, stakeholder theory provides a robust framework for understanding how Islamic financial institutions balance economic and social objectives. Unlike conventional banks that primarily focus on maximizing shareholder wealth, Islamic banks operate under Sharia principles that require consideration of broader stakeholder interests. Islamic banks are expected to contribute not only to financial intermediation but also to social justice, equitable wealth distribution, and community welfare (Dusuki, 2008).

The implementation of Maqasid Shariah Index (MSI) reflects the commitment of Islamic

banks to fulfilling stakeholder expectations. Through MSI, Islamic banks demonstrate their dedication to educational development, justice, transparency, and public welfare. These dimensions align closely with stakeholder interests because they address societal concerns beyond financial returns. Consequently, stronger implementation of maqasid shariah principles may enhance stakeholder trust, improve institutional reputation, and strengthen customer loyalty. Previous studies indicate that stakeholder-oriented practices contribute positively to organizational legitimacy and financial performance (Harrison et al., 2015). In Islamic banking, stakeholders increasingly evaluate institutions not only based on profitability but also on their adherence to Islamic values. Therefore, the stakeholder perspective suggests that successful implementation of maqasid shariah may generate long-term economic benefits through enhanced stakeholder support and sustainable competitive advantage.

Furthermore, stakeholder theory explains why Islamic banks invest resources in social welfare programs, educational initiatives, and community development activities. Although such investments may reduce short-term profitability, they contribute to long-term stakeholder satisfaction and institutional sustainability. Therefore, stakeholder theory provides an important theoretical foundation for examining the relationship between Maqasid Shariah Index and profitability.

2.2 Legitimacy Theory

Legitimacy Theory explains how organizations seek societal acceptance and support by ensuring that their operations conform to prevailing norms, values, beliefs, and expectations (Suchman, 1995). According to this perspective, organizations continuously attempt to establish congruence between their activities and the social systems within which they operate. Organizational legitimacy is considered a critical resource because it influences stakeholder trust, access to resources, and long-term survival.

Dowling and Pfeffer (1975) argue that organizations derive legitimacy through compliance with societal expectations. When organizational actions align with social values, stakeholders perceive the organization as legitimate and worthy of support. Conversely, legitimacy gaps emerge when organizational behavior deviates from societal expectations, potentially leading to reputational damage and reduced stakeholder confidence.

In Islamic banking, legitimacy extends beyond compliance with financial regulations. Islamic banks must also demonstrate adherence to religious principles and ethical standards. Their legitimacy is therefore derived from both legal legitimacy and religious legitimacy. This dual responsibility distinguishes Islamic banks from conventional financial institutions and creates additional expectations from stakeholders.

Islamic banking institutions operate within a framework that emphasizes accountability to both society and God. This dual accountability concept is often described as *Habl min Allah* (relationship with God) and *Habl min al-Nas* (relationship with society). Consequently, Islamic banks are expected to promote social justice, fairness, transparency, and welfare enhancement while maintaining financial viability. Failure to fulfill these expectations may undermine institutional legitimacy and stakeholder confidence.

The Maqasid Shariah Index serves as a mechanism for demonstrating organizational legitimacy in Islamic banking. By measuring the extent to which Islamic banks achieve educational, justice-related, and welfare-oriented objectives, MSI provides evidence of compliance with Islamic principles. Banks with higher MSI scores may therefore enjoy stronger legitimacy among customers, investors, regulators, and religious authorities.

Previous studies have shown that organizations with stronger legitimacy tend to achieve better reputational outcomes and long-term financial performance (Deegan, 2019). In Islamic banking, legitimacy may influence customer loyalty, deposit growth, investment attraction, and market competitiveness.

Therefore, legitimacy theory provides an important explanation for why maqasid shariah implementation may affect profitability.

2.3 Profitability

Profitability is one of the most important indicators used to evaluate organizational performance and financial sustainability. It reflects an organization's ability to generate earnings from its resources and operational activities. According to Brigham and Houston (2022), profitability measures the effectiveness of management in utilizing organizational assets to create value and generate returns.

Within the banking industry, profitability serves as a key indicator of financial health and operational efficiency. Profitability enables banks to strengthen capital adequacy, expand services, invest in technological innovation, and maintain stakeholder confidence. Therefore, sustaining profitability is essential for ensuring organizational growth and resilience.

Among various profitability indicators, Return on Assets (ROA) is widely recognized as one of the most comprehensive measures of banking performance. ROA evaluates the efficiency with which management utilizes total assets to generate net income. It is calculated using the following formula:

$$\text{ROA} = \text{Net Income} / \text{Total Assets} \times 100\%$$

A higher ROA indicates greater efficiency in asset utilization and stronger financial performance. Because banks primarily operate through asset management and financial intermediation, ROA is considered more appropriate than other profitability indicators in evaluating banking performance.

Several factors influence profitability in Islamic banking institutions. Internal factors include operational efficiency, asset quality, financing structure, liquidity management, and governance quality. External factors include economic growth, inflation, regulatory frameworks, market competition, and technological development. In addition to these conventional determinants, Islamic banking

profitability may also be influenced by compliance with Sharia principles and the implementation of maqasid shariah objectives.

Recent literature suggests that profitability should not be viewed solely from a financial perspective. Sustainable profitability increasingly depends on social responsibility, ethical governance, and stakeholder engagement (Eccles et al., 2014). This perspective aligns with Islamic economic principles, which emphasize balance between economic success and social welfare. Consequently, profitability in Islamic banking should be analyzed alongside broader measures of organizational performance, including the Maqasid Shariah Index.

Although profitability remains an essential indicator for investors and regulators, excessive focus on short-term financial returns may conflict with the broader objectives of Islamic finance. Therefore, understanding the interaction between profitability and maqasid shariah implementation represents an important area of contemporary Islamic banking research.

2.4 Maqasid Shariah Index

The concept of maqasid shariah originates from Islamic jurisprudence and refers to the higher objectives of Islamic law aimed at preserving and promoting human welfare. Classical Islamic scholars such as Al-Ghazali and Al-Shatibi emphasized that Islamic law seeks to protect religion, life, intellect, lineage, and wealth. These objectives collectively contribute to the realization of social justice, economic prosperity, and human well-being.

Within the field of Islamic finance, maqasid shariah provides a philosophical foundation for evaluating organizational performance. Islamic financial institutions are expected not only to comply with legal Sharia requirements but also to contribute to the broader objectives of social and economic welfare. As a result, researchers have developed performance measurement tools that incorporate maqasid shariah principles into organizational evaluation.

One of the most widely accepted frameworks is the Maqasid Shariah Index (MSI) developed by Mohammed, Razak, and Taib (2008). MSI was designed to assess the extent to which Islamic banks achieve Sharia objectives through operational activities and strategic initiatives. Unlike conventional financial indicators, MSI integrates financial, social, ethical, and educational dimensions into performance measurement.

The MSI framework consists of three primary dimensions. The first dimension, Tahdzib al-Fard (Educating Individuals), emphasizes human capital development, educational investment, knowledge dissemination, and employee training. Islamic banks are expected to contribute to intellectual development and public awareness regarding Islamic financial principles.

The second dimension, Iqamah al-Adl (Establishing Justice), focuses on fairness, transparency, equitable treatment, and ethical financial practices. This dimension evaluates whether Islamic banks implement fair profit-sharing mechanisms, avoid exploitative transactions, and ensure transparency in financial dealings.

The third dimension, Jalb al-Maslahah (Promoting Public Welfare), measures the contribution of Islamic banks to social welfare and economic development. This dimension includes social investment, charitable activities, zakat distribution, community development programs, and initiatives aimed at improving societal well-being.

According to Mohammed et al. (2008), these dimensions are weighted as follows: Tahdzib al-Fard (30%), Iqamah al-Adl (41%), and Jalb al-Maslahah (29%). These weights reflect the relative importance of each objective in achieving comprehensive Sharia performance.

Recent studies increasingly recognize MSI as a valuable alternative performance indicator because it captures dimensions often overlooked by conventional financial measures (Bedoui, 2012; Antonio et al., 2020). Through MSI, researchers can evaluate whether Islamic

banks successfully balance profitability with social and ethical responsibilities.

Despite its growing popularity, the relationship between MSI and profitability remains subject to debate. Some scholars argue that higher MSI scores improve profitability through enhanced reputation, stakeholder trust, and customer loyalty. Others suggest that implementing maqasid-oriented initiatives may increase operational costs and reduce short-term financial returns. These competing perspectives highlight the importance of empirical investigation into the relationship between MSI and financial performance.

Based on Stakeholder Theory and Legitimacy Theory, the implementation of maqasid shariah is expected to strengthen stakeholder confidence and organizational legitimacy, which may ultimately influence profitability. Therefore, examining the effect of MSI on Return on Assets contributes to a deeper understanding of how Islamic banks balance economic performance with their broader social and religious responsibilities.

3. Research Method

3.1 Research Design

This study employs a quantitative research approach using an explanatory research design. Quantitative research is appropriate because it enables the researcher to examine the causal relationship between the Maqasid Shariah Index (MSI) and profitability through statistical analysis. Explanatory research aims to explain the influence of independent variables on dependent variables based on empirical evidence and established theoretical frameworks.

The study utilizes secondary data obtained from annual reports and sustainability reports of Islamic Commercial Banks (Bank Umum Syariah) operating in Indonesia. The observation period covers eight years, from 2018 to 2025, allowing the study to capture recent developments in the Islamic banking industry, including digital transformation, regulatory changes, and post-pandemic economic recovery.

3.2 Population and Sample

The population of this study consists of all Islamic Commercial Banks (Bank Umum Syariah) operating in Indonesia during the 2018–2025 period. The sample is selected using a purposive sampling technique to ensure that only banks meeting specific criteria are included in the analysis.

The sampling criteria are as follows:

1. Islamic Commercial Banks registered with the Financial Services Authority (OJK) and operating continuously during the observation period.
2. Banks that publish complete annual reports for the years 2018–2025.
3. Banks that disclose sufficient information required to calculate the Maqasid Shariah Index.
4. Banks that provide complete financial data necessary for measuring profitability using Return on Assets (ROA).

Banks that do not meet these criteria are excluded from the sample. The final sample consists of all eligible Islamic Commercial Banks with complete and accessible data throughout the research period.

3.3 Data Sources and Collection Techniques

This study relies exclusively on secondary data collected from publicly available sources. Financial and non-financial data are obtained from:

1. Annual reports of Islamic Commercial Banks.
2. Sustainability reports and corporate governance reports.
3. Publications issued by the Financial Services Authority (OJK).
4. Official websites of the respective Islamic banks.

Data collection is conducted using the documentation method. Relevant information concerning profitability and maqasid shariah indicators is extracted, classified, and organized into a research database for further analysis.

3.4 Variable Measurement

Dependent Variable

Profitability (ROA)

Profitability is defined as a firm's ability to generate earnings from its operational activities and available resources. In the banking industry, profitability is commonly used to evaluate the efficiency and effectiveness of management in utilizing assets to generate income. This study measures profitability using **Return on Assets (ROA)**, as it reflects the bank's ability to generate net profit from its total assets. The ROA formula is expressed as follows:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$$

A higher ROA indicates greater efficiency in asset utilization and superior financial performance. Consequently, ROA serves as a comprehensive indicator for assessing the financial performance of Islamic commercial banks.

Table 3.1 Measurement of Profitability Variable

Variable	Indicator	Measurement
Profitability (Y)	Return on Assets (ROA)	Net Income ÷ Total Assets × 100%

Source: Adapted from OJK (2025).

Independent Variable

Maqasid Shariah Index (MSI)

The independent variable in this study is the **Maqasid Shariah Index (MSI)**. The MSI is adopted from the framework developed by Mohammed, Razak, and Taib (2008), which evaluates the extent to which Islamic banks achieve the objectives of Shariah through their operational and strategic activities.

Unlike conventional performance measures that focus primarily on financial outcomes, MSI incorporates social, ethical, and religious dimensions of organizational performance. The index is constructed based on three fundamental objectives of maqasid shariah:

A. Tahdzib al-Fard (Educating Individuals)

This dimension assesses the contribution of Islamic banks to human capital development

and knowledge enhancement. The indicators include:

- Employee training and development programs;
- Research and development expenditures;
- Educational assistance and scholarship programs;
- Knowledge dissemination and public awareness activities.

B. Iqamah al-Adl (Establishing Justice)

This dimension evaluates the bank's commitment to justice and fairness in financial transactions. The indicators include:

- Fair return distribution;
- Transparency in financial reporting;
- Ethical financing practices;
- Compliance with Shariah principles.

C. Jalb al-Maslahah (Promoting Public Welfare)

This dimension measures the contribution of Islamic banks to social welfare and economic development. The indicators include:

- Economic contribution and profitability;
- Zakat distribution;
- Corporate social responsibility activities;
- Community welfare and empowerment programs.

According to Mohammed et al. (2008), each dimension is assigned a specific weight to reflect its relative importance in achieving maqasid shariah objectives.

Table 3.2 Weighting of the Maqasid Shariah Index

Dimension	Weight
Tahdzib al-Fard	30%
Iqamah al-Adl	41%
Jalb al-Maslahah	29%

Source: Mohammed, Razak, and Taib (2008). The overall MSI score is calculated using the following formula:

$$MSI = (0.30 \times PI_1) + (0.41 \times PI_2) + (0.29 \times PI_3)$$

where:

- PI_1 = Performance Indicator for Educating Individuals;
- PI_2 = Performance Indicator for Establishing Justice;
- PI_3 = Performance Indicator for Promoting Public Welfare.

A higher MSI score indicates a stronger commitment to achieving the objectives of maqasid shariah and fulfilling the social and ethical responsibilities of Islamic banking institutions.

3.5 Research Model

This study examines the effect of the Maqasid Shariah Index on the profitability of Islamic Commercial Banks in Indonesia. The conceptual relationship between the variables is illustrated as follows:

Maqasid Shariah Index (X) → Profitability (ROA) (Y)

To examine the relationship between the variables, the following regression model is employed:

$$ROA_i = \alpha + \beta MSI_i + \varepsilon_i$$

where:

- ROA_i = Profitability measured by Return on Assets;
- α = Constant term;
- β = Regression coefficient;
- MSI_i = Maqasid Shariah Index;
- ε_i = Error term.

The regression coefficient (β) indicates the direction and magnitude of the influence of the Maqasid Shariah Index on profitability.

3.6 Data Analysis Technique

The data were analyzed using the **Statistical Package for Social Sciences (SPSS) version 27**. Several statistical procedures were employed to test the research hypothesis and ensure the validity of the regression model.

Descriptive Statistics

Descriptive statistical analysis was conducted to provide an overview of the characteristics of the research variables. This

analysis includes the calculation of minimum values, maximum values, means, and standard deviations.

Classical Assumption Tests

Prior to regression analysis, several classical assumption tests were performed to ensure that the regression model met the requirements of the Ordinary Least Squares (OLS) method.

Normality Test

The normality test was conducted using the Kolmogorov–Smirnov test and histogram analysis. A significance value greater than 0.05 indicates that the residuals are normally distributed.

Heteroscedasticity Test

The Glejser test was employed to examine the presence of heteroscedasticity. If the significance value exceeds 0.05, the model is considered free from heteroscedasticity problems.

Autocorrelation Test

The Durbin–Watson test was used to determine whether autocorrelation exists among the residuals. A Durbin–Watson value close to 2 indicates the absence of autocorrelation.

Simple Linear Regression Analysis

Simple linear regression analysis was applied to examine the effect of the Maqasid Shariah Index on profitability.

The regression equation is expressed as follows:

$$Y = \alpha + \beta X + \varepsilon$$

where:

- Y = Return on Assets (ROA);
- X = Maqasid Shariah Index (MSI);
- α = Constant term;
- β = Regression coefficient;
- ε = Error term.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) was employed to measure the proportion of

variance in profitability that can be explained by the Maqasid Shariah Index. A higher R^2 value indicates a greater explanatory power of the model.

Hypothesis Testing (t-Test)

The t-test was used to evaluate the statistical significance of the influence of the Maqasid Shariah Index on profitability.

The decision criteria are as follows:

- If the p-value is less than 0.05, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted.
- If the p-value is greater than 0.05, the null hypothesis (H_0) is accepted and the alternative hypothesis (H_1) is rejected.

Research Hypotheses

H_0 : The Maqasid Shariah Index has no significant effect on the profitability (ROA) of Islamic Commercial Banks.

H_1 : The Maqasid Shariah Index has a significant effect on the profitability (ROA) of Islamic Commercial Banks.

3.7 Research Framework

This study is grounded in **Stakeholder Theory** and **Legitimacy Theory**, which suggest that the implementation of maqasid shariah principles enhances stakeholder trust and strengthens organizational legitimacy. Islamic banks that successfully achieve maqasid shariah objectives are more likely to gain stakeholder support, improve institutional reputation, and maintain long-term sustainability. Consequently, the Maqasid Shariah Index is expected to influence financial performance, as measured by Return on Assets (ROA).

4. Results and Discussion

4.1 Classical Assumption Tests

Prior to hypothesis testing, several classical assumption tests were conducted to ensure that the regression model fulfilled the requirements of the Ordinary Least Squares (OLS) estimation method. The tests included normality and heteroscedasticity assessments.

4.1.1 Normality Test

The normality test was performed using histogram analysis of standardized residuals. The results indicate that the residual distribution follows a bell-shaped curve and is symmetrically distributed around the mean, suggesting that the residuals are normally distributed.

Table 4.1 Normality Test Results

Indicator	Value
Mean Residual	-1.84E-16
Standard Deviation	0.984
Distribution Pattern	Bell-Shaped Curve
Conclusion	Normally Distributed

Source: Processed Data (2026)

The mean residual value of -1.84E-16 is very close to zero, while the standard deviation of 0.984 approaches one, indicating that the residuals are distributed normally. Therefore, the regression model satisfies the normality assumption and can be used for further statistical analysis. The histogram demonstrates that the residual values are concentrated around the center and gradually decrease toward both tails, further confirming the normality of the data distribution.

4.1.2 Heteroscedasticity Test

The heteroscedasticity test was conducted using the Glejser method to determine whether the variance of residuals remained constant across observations.

Table 4.2 Glejser Heteroscedasticity Test Results

Variable	Significance Value
Maqasid Shariah Index (MSI)	0.913

Source: Processed Data (2026)

The significance value of the Maqasid Shariah Index is 0.913, which exceeds the significance threshold of 0.05. Consequently, the regression model is free from heteroscedasticity problems. This finding indicates that the residual variance remains

constant and the regression estimates are reliable. The scatterplot shows a random distribution of residual points without any discernible pattern, further supporting the absence of heteroscedasticity.

4.2 Hypothesis Testing

4.2.1 Coefficient of Determination (R^2)

The coefficient of determination was employed to measure the extent to which the Maqasid Shariah Index explains variations in profitability.

Table 4.3 Model Summary

Model	R	R Square	Adjusted Square	R
1	0.669	0.447	0.429	

Source: Processed Data (2026)

The R-square value of 0.447 indicates that approximately 44.7% of the variation in Return on Assets (ROA) can be explained by the Maqasid Shariah Index. The remaining 55.3% is influenced by factors not included in the model, such as capital adequacy, financing quality, operational efficiency, liquidity management, and macroeconomic conditions. Furthermore, the correlation coefficient ($R = 0.669$) indicates a relatively strong relationship between the Maqasid Shariah Index and profitability. These findings suggest that MSI plays an important role in explaining the financial performance of Islamic Commercial Banks in Indonesia.

4.2.2 Individual Parameter Significance Test (t-Test)

The t-test was conducted to determine whether the Maqasid Shariah Index significantly affects profitability measured by Return on Assets.

Table 4.4 Regression Coefficients

Variable	Coefficient (B)	t-value	Sig.
Constant	7.738	-	-
Maqasid Shariah Index	-9.704	-4.921	0.000

Source: Processed Data (2026)

Based on the regression results, the estimated regression equation is:

$$ROA = 7.738 - 9.704(MSI)$$

The regression coefficient of MSI is negative (-9.704), indicating an inverse relationship between the Maqasid Shariah Index and profitability. Specifically, a one-unit increase in MSI leads to a decrease of 9.704 units in ROA, assuming other factors remain constant.

The significance value of 0.000 is lower than the critical value of 0.05, indicating that the effect is statistically significant. Therefore, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted.

Table 4.5 Hypothesis Testing Results

Hypothesis	Relation	Coefficient	Sig.	Decision
H_1	MSI → ROA	-9.704	0.000	Accepted

Source: Processed Data (2026)

The findings demonstrate that the Maqasid Shariah Index has a significant negative effect on the profitability of Islamic Commercial Banks in Indonesia during the 2018–2025 period.

4.3 Discussion

The Effect of Maqasid Shariah Index on Profitability

The empirical results reveal that the Maqasid Shariah Index significantly and negatively affects Return on Assets among Islamic Commercial Banks in Indonesia. This finding indicates that an increase in the implementation of maqasid shariah principles tends to be associated with a decline in short-term profitability.

The negative coefficient obtained in this study can be explained by the substantial costs associated with maqasid-oriented activities. Islamic banks with higher MSI scores generally allocate greater resources toward educational programs, employee development, research activities, social welfare initiatives, zakat distribution, and community empowerment projects. While these initiatives contribute positively to social welfare and religious

compliance, they may simultaneously increase operational expenses and reduce short-term financial returns.

From the perspective of **Stakeholder Theory** proposed by Freeman (1984), organizations are expected to create value not only for shareholders but also for a broader range of stakeholders, including customers, employees, regulators, and society. Islamic banks implementing maqasid shariah objectives seek to fulfill these broader stakeholder expectations. Consequently, resources devoted to stakeholder-oriented programs may temporarily reduce profitability while enhancing long-term organizational sustainability.

The findings also support **Legitimacy Theory**. According to Suchman (1995), organizations seek legitimacy by aligning their activities with societal values and expectations. Islamic banks derive legitimacy from their compliance with Sharia principles and their contribution to public welfare. Through the implementation of maqasid shariah, Islamic banks strengthen their legitimacy by demonstrating commitment to justice, transparency, and social responsibility. Although these efforts may reduce short-term profits, they help maintain public trust and institutional sustainability in the long run.

The results of this study are consistent with the findings of Syurmita et al. (2024), who reported a significant negative relationship between maqasid shariah performance and profitability. Their study suggests that Islamic banks often prioritize social and ethical objectives over immediate financial gains, leading to lower profitability during the observation period.

Similarly, Hanifa Al Izati (2024) argues that the benefits of maqasid shariah implementation are largely intangible and long-term in nature. Investments in social welfare, education, and ethical governance may not immediately translate into higher profitability but contribute to enhanced reputation, customer loyalty, and stakeholder confidence over time.

However, the findings differ from those reported by Hidayat and Sari (2022) and Ruhadi and Setiawan (2022), who found a positive relationship between maqasid shariah implementation and profitability. The discrepancy may be attributed to differences in sample characteristics, observation periods, economic conditions, and measurement approaches. The current study covers the post-pandemic period, during which Islamic banks faced increasing operational costs associated with digital transformation, technological innovation, and regulatory adaptation.

Another important finding is the coefficient of determination ($R^2 = 0.447$), which indicates that MSI explains only 44.7% of the variation in profitability. This suggests that profitability is influenced by numerous other factors, including Capital Adequacy Ratio (CAR), Financing-to-Deposit Ratio (FDR), Non-Performing Financing (NPF), Operational Efficiency Ratio (BOPO), bank size, and macroeconomic conditions. Therefore, future studies should incorporate these variables to develop a more comprehensive model of Islamic banking profitability.

The negative relationship identified in this study should not be interpreted as evidence that maqasid shariah implementation harms organizational performance. Rather, it reflects the existence of a trade-off between social objectives and short-term profitability. Islamic banks that prioritize maqasid shariah may experience lower immediate financial returns but potentially achieve stronger legitimacy, stakeholder trust, and sustainable competitive advantages in the future.

Overall, the findings reinforce the argument that Islamic banking performance should not be evaluated solely through conventional financial indicators. The success of Islamic banks should also be assessed based on their ability to achieve the broader objectives of Islamic finance, including social justice, ethical governance, equitable wealth distribution, and public welfare. Therefore, Islamic Commercial Banks should continue strengthening their commitment to maqasid shariah while simultaneously improving operational

efficiency to ensure sustainable profitability and long-term growth.

5. Conclusion

5.1 Conclusion

This study examined the effect of the Maqasid Shariah Index (MSI) on the profitability of Islamic Commercial Banks in Indonesia during the 2018–2025 period. Based on the results of the statistical analysis, it can be concluded that the Maqasid Shariah Index has a negative and statistically significant effect on Return on Assets (ROA). The hypothesis testing results show a t-value of -4.921 with a significance level of 0.000, which is lower than the significance threshold of 0.05. Therefore, the research hypothesis is accepted, indicating that MSI significantly influences profitability.

The negative coefficient suggests that a higher level of maqasid shariah implementation tends to reduce short-term profitability. This finding reflects the existence of a short-term trade-off between achieving social, ethical, and welfare objectives and maximizing financial performance. Islamic banks that allocate greater resources to educational programs, social responsibility initiatives, zakat distribution, and community welfare activities may experience increased operational expenditures, which can reduce short-term financial returns.

Furthermore, the coefficient of determination ($R^2 = 0.447$) indicates that the Maqasid Shariah Index explains 44.7% of the variation in profitability, while the remaining 55.3% is influenced by other factors outside the research model. These findings suggest that profitability in Islamic banking is a multidimensional phenomenon affected by both financial and non-financial determinants.

5.2 Theoretical Implications

The findings of this study contribute to the development of Islamic banking literature by providing empirical evidence regarding the relationship between maqasid shariah performance and profitability. The results support the perspective of Stakeholder Theory, which emphasizes that organizations should

create value not only for shareholders but also for broader stakeholder groups. The implementation of maqasid shariah reflects Islamic banks' commitment to fulfilling social and ethical responsibilities toward stakeholders.

The findings also support Legitimacy Theory, which argues that organizations seek legitimacy by aligning their operations with societal values and expectations. Through the implementation of maqasid shariah principles, Islamic banks strengthen their social and religious legitimacy, even though such efforts may not immediately translate into higher profitability. This study therefore highlights the importance of evaluating Islamic banking performance using both financial and non-financial indicators.

5.3 Practical Implications

The results of this study provide several practical implications for Islamic bank management. Although the implementation of maqasid shariah may reduce short-term profitability, it remains essential for maintaining stakeholder trust, strengthening institutional legitimacy, and enhancing long-term sustainability.

Therefore, Islamic bank management should continue to implement maqasid shariah indicators consistently as part of their strategic objectives. However, the implementation of social and welfare-oriented programs should be accompanied by improvements in operational efficiency, cost management, and resource allocation. By balancing social objectives with financial efficiency, Islamic banks can maintain profitability while fulfilling their broader mission as Sharia-compliant financial institutions.

In addition, regulators and policymakers may use the findings as a reference for developing performance evaluation frameworks that integrate both financial performance and maqasid shariah achievement. Such an approach would provide a more comprehensive assessment of Islamic banking performance.

5.4 Limitations of the Study

This study has several limitations that should be considered when interpreting the findings. First, the research only includes one independent variable, namely the Maqasid Shariah Index, while profitability is influenced by numerous internal and external factors. Second, the observation period is limited to 2018–2025, which may not fully capture the long-term impact of maqasid shariah implementation on financial performance. Third, the study focuses exclusively on Islamic Commercial Banks in Indonesia, limiting the generalizability of the findings to other countries and Islamic financial institutions.

5.5 Recommendations for Future Research

Future studies are encouraged to incorporate additional variables that may influence profitability, such as Capital Adequacy Ratio (CAR), Financing-to-Deposit Ratio (FDR), Non-Performing Financing (NPF), Operational Efficiency Ratio (BOPO), bank size, and corporate governance variables. Researchers may also consider employing moderating or mediating variables to better explain the relationship between maqasid shariah performance and profitability.

Furthermore, extending the observation period and conducting comparative studies across different countries may provide deeper insights into the long-term implications of maqasid shariah implementation. Future research may also apply panel data regression techniques and advanced econometric models to improve the robustness and explanatory power of the findings.

Overall, future studies are expected to contribute to a more comprehensive understanding of how Islamic financial institutions can balance profitability with the achievement of maqasid shariah objectives in an increasingly competitive financial environment.

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