

Performance measurement analysis of Sharia commercial banks in Indonesia with Maqashid Index and Sharia Conformity and Profitability (SCnP)

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ABSTRAK

Introduction

Sharia-compliant banking plays a vital role in Indonesia's Islamic financial sector, balancing ethical principles and market competitiveness. However, assessing the performance of these banks requires tools that capture both financial viability and alignment with maqasid al-shariah, or the higher objectives of Sharia.

Objectives

This study evaluates the performance of Indonesian Sharia-compliant banks using the Maqashid Index, which measures ethical contributions, and the Sharia Conformity and Profitability framework, which integrates financial outcomes with Sharia compliance. The research aims to identify key strengths and gaps in these banks' performance and compare the insights provided by these two frameworks.

Method

A quantitative approach was adopted, analyzing data from five prominent Sharia-compliant banks in Indonesia over the 2010–2018 period. The Maqashid Index assessed contributions to education, justice, and public welfare, while the Sharia Conformity and Profitability framework evaluated financial performance and compliance with Islamic principles. Comparative analysis was employed to identify areas of alignment and divergence between the frameworks.

Results

The findings revealed that while Bank Syariah Mandiri and Bank BNI Syariah excelled in both frameworks, others displayed significant gaps

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in education and public welfare contributions despite high Sharia compliance. Divergences between financial profitability and ethical objectives underscore the need for integrated performance metrics.

Implications

This study emphasizes the importance of balancing financial and ethical dimensions in Islamic banking. It provides actionable insights for policymakers and practitioners, suggesting a roadmap for enhancing both societal impact and financial sustainability.

Originality/Novelty

This study advances knowledge in Islamic banking by applying a dual-framework evaluation approach, highlighting the complementary roles of the Maqashid Index and Sharia Conformity and Profitability framework in assessing Sharia-compliant bank performance.

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INTRODUCTION

Indonesia has a significant demand for financial systems aligned with Islamic principles. With the majority of its population identifying as Muslim, the need for Sharia-compliant economic structures is evident (Syaputri & Nainggolan, 2022; Ullah et al., 2018). The Islamic banking system, a cornerstone of Sharia-compliant finance, plays a critical role in supporting the economic aspirations of Indonesian Muslims. However, the growth of Islamic banking faces substantial hurdles, including a lack of professionally trained human resources, inadequate capital, and limited entrepreneurial development (Rusydiana, 2016). Additionally, misconceptions persist among the public, with many unable to distinguish between Islamic banking's profit-sharing system and conventional interest-based models (Jalaludin, 2022; Mu'allim, 2003).

Public trust in Islamic banks remains relatively high, given their adherence to Islamic laws that prohibit *riba* (usury). Nevertheless, a significant proportion of the population views Islamic banking skeptically, largely due to limited understanding and insufficient differentiation from conventional banks. This challenge highlights the need for comprehensive tools to evaluate Islamic banking performance. Conventional metrics such as Financial Ratio Analysis (FRA) and CAMELS are widely used but fall short of reflecting the fundamental principles of Sharia banking, which prioritize societal welfare and justice over profit maximization (Antonio et al., 2012). Consequently, measuring performance using tools aligned with Islamic objectives is essential to ensure that these banks fulfill their intended roles in society.

Efforts to develop Sharia-specific performance metrics have gained traction in recent years. Models such as the Islamicity Performance Index (Azwirman et al., 2019; Felani et al., 2020; Mutia et al., 2019; Prasetyo et al., 2020; Sudirman et al., 2023), the Maqashid Index (Hamid et al., 2019; Ibrahim et al., 2004; Mohammed & Taib, 2015;

Ramdhoni, 2018; Tarique et al., 2020, 2021), and the Sharia Conformity and Profitability (SCnP) framework (Kuppusamy et al., 2009; Prasetyowati & Handoko, 2016; Ramdhoni & Fauzi, 2020; Siregar & Shifa, 2021) offer alternative methodologies tailored to the unique goals of Islamic banking. The Maqashid Index focuses on achieving *maqasid al-shariah*, or the higher objectives of Sharia, which include education, justice, and welfare. In contrast, the SCnP model integrates Sharia compliance with conventional profitability indicators, offering a balanced approach that reflects both spiritual and financial outcomes. These methods address the shortcomings of traditional metrics by emphasizing the distinct value propositions of Islamic banking.

Despite the availability of these models, existing literature reveals gaps in their application and integration. Research comparing different frameworks is limited, and few studies analyze the comprehensive performance of Islamic banks using multiple methods. For instance, Suhada & Sigit (2014) evaluated Islamic banking performance using only the Maqashid Index, while Ratnaputri (2013) applied the SCnP framework in isolation. Similarly, Antonio et al. (2012) focused on cross-national comparisons without exploring the interplay between these methodologies. These studies underscore the need for a more integrated approach that captures the multifaceted nature of Islamic banking performance.

Building on these foundations, this study seeks to evaluate the performance of Indonesian Sharia commercial banks using both the Maqashid Index and SCnP frameworks. By applying these complementary methods, the research provides a nuanced understanding of how Islamic banks achieve their dual objectives of profitability and Sharia compliance. The study covers the period from 2010 to 2018, incorporating data from multiple banks to ensure comprehensive and representative findings.

The existing literature provides valuable insights but leaves critical questions unanswered. For example, while the Maqashid Index highlights contributions to education and justice, it does not adequately address financial performance. Conversely, the SCnP framework focuses on profitability but may overlook broader societal impacts. This gap in the literature points to the need for a comparative analysis that bridges these models, providing a holistic evaluation of Islamic banking performance.

The objective of this research is to analyze the performance of Indonesian Islamic banks through the dual lenses of the Maqashid Index and SCnP framework. This dual approach ensures that both spiritual and financial dimensions are considered, reflecting the comprehensive objectives of Sharia banking. The study also aims to compare the results generated by these frameworks to identify areas of alignment and divergence. The novelty of this research lies in its integrated application of two established methodologies, addressing a critical gap in the literature. By combining the Maqashid Index's focus on social welfare with the SCnP framework's emphasis on profitability, the study provides actionable insights for policymakers, practitioners, and scholars in Islamic finance.

In conclusion, this study contributes to the growing body of knowledge on Islamic banking by integrating two complementary performance evaluation methods. It offers a balanced perspective on how Sharia banks can achieve both spiritual and financial goals, while also addressing the limitations of existing tools. The findings are expected to inform future research and guide the development of more effective performance metrics for Islamic banking, ultimately supporting the sector's growth and alignment with its core principles.

LITERATURE REVIEW

Evaluating Sharia Bank Performance Using the Maqashid Index

The Maqashid Index is a specialized framework for evaluating the performance of Islamic banks based on *maqasid al-shariah*, or the higher objectives of Sharia. These objectives prioritize human well-being, justice, and societal development, emphasizing that financial institutions should contribute to educational, distributive, and social welfare (Mohammed, & Taib, 2015). Unlike conventional financial metrics, the Maqashid Index measures how well banks align with Islamic ethical principles, focusing on three primary dimensions: educating individuals, establishing justice, and promoting public interest.

Research applying the Maqashid Index to Indonesian Islamic banks has yielded significant insights. For instance, Antonio et al. (2012) evaluated several Sharia banks in Indonesia and found that most institutions performed moderately well in contributing to education and justice but often fell short in broader societal welfare objectives. Similarly, Ratnaputri (2013) identified gaps in implementing programs that align with *maqasid* principles, such as equitable wealth distribution or access to affordable financial products. These findings highlight the challenges faced by Islamic banks in operationalizing Sharia values within a competitive financial market.

Despite its merits, the Maqashid Index has limitations. While it offers a clear ethical and social framework, its application often lacks standardization across institutions. Additionally, critics argue that the Maqashid Index focuses more on societal contributions and less on financial performance, creating a potential disconnect between ethical objectives and economic viability. This gap underscores the need to complement the Maqashid Index with methods that integrate financial and ethical dimensions.

Evaluating Sharia Bank Performance Using the SCnP Framework

The Sharia Conformity and Profitability (SCnP) framework is another key method for assessing Islamic bank performance. Unlike the Maqashid Index, SCnP integrates compliance with Sharia principles and financial profitability into a unified evaluation model (Kuppusamy et al., 2009). This dual focus enables a comprehensive assessment, ensuring that banks meet Islamic ethical standards while remaining financially viable.

Studies applying the SCnP framework to Indonesian Islamic banks have revealed strong performance in maintaining Sharia compliance and achieving profitability. For example, Suhada & Sigit (2014) analyzed five Sharia commercial banks in Indonesia and

found that all banks consistently adhered to Sharia principles while achieving substantial profitability. These banks were predominantly positioned in the Upper Right Quadrant (URQ) of the SCnP matrix, which indicates strong compliance and financial performance.

However, the SCnP framework is not without its challenges. While it effectively balances ethical and financial considerations, critics argue that it places insufficient emphasis on non-financial outcomes, such as educational contributions or social welfare. Furthermore, the framework's reliance on profitability metrics can sometimes conflict with the broader societal objectives emphasized in Sharia principles. These criticisms suggest that while SCnP is a robust tool for evaluating compliance and profitability, it may not fully capture the holistic objectives of Islamic banking.

Comparing the Maqashid Index and SCnP Framework

A comparative analysis of the Maqashid Index and SCnP framework highlights their complementary strengths and limitations. The Maqashid Index excels in evaluating non-financial dimensions of Islamic banking, such as contributions to justice, education, and public welfare. Its ethical focus aligns closely with the foundational objectives of Sharia banking, making it a valuable tool for assessing societal impact. However, its limited emphasis on financial performance restricts its application in competitive market analyses.

In contrast, the SCnP framework provides a balanced evaluation of Sharia compliance and profitability, enabling a more comprehensive understanding of a bank's operational efficiency and market viability. By integrating ethical compliance with financial outcomes, SCnP offers actionable insights for practitioners seeking to optimize both dimensions. However, its relative neglect of non-financial objectives, such as societal welfare or justice, makes it less effective as a standalone tool for measuring Islamic banking performance.

Existing studies suggest that integrating these two methods could provide a more holistic evaluation of Sharia bank performance. For example, Kuppusamy et al. (2009) proposed combining SCnP's financial metrics with the Maqashid Index's ethical dimensions to ensure alignment with both Islamic principles and market demands. Such an integrated approach would address the limitations of each framework, offering a comprehensive assessment that reflects the dual objectives of Islamic banking.

Gaps in the Literature

While the Maqashid Index and SCnP framework have been extensively applied in isolation, limited research has explored their combined application to evaluate Islamic banks comprehensively. Most existing studies focus on either ethical dimensions or financial outcomes, creating a gap in understanding how these elements interact in practice. For instance, some studies emphasized the importance of maqasid principles (Hamid et al., 2019; Mohammed & Taib, 2015; Ramdhoni, 2018; Tarique et al., 2020, 2021) but did not address how these align with profitability metrics. Similarly, other studies (Kuppusamy et al., 2009; Prasetyowati & Handoko, 2016; Ramdhoni & Fauzi, 2020; Siregar

& Shifa, 2021) provided detailed analyses of SCnP outcomes but overlooked broader societal impacts.

This gap highlights the need for comparative studies that integrate these frameworks to provide a balanced evaluation of performance. Addressing this gap would enhance understanding of how Islamic banks can achieve their dual objectives of adhering to Sharia principles while remaining financially sustainable.

Addressing the Research Questions

1. How does the Maqashid Index evaluate Sharia bank performance? The Maqashid Index evaluates Sharia bank performance by measuring their contributions to maqasid al-shariah, focusing on education, justice, and societal welfare. It emphasizes ethical and social dimensions, providing insights into how well banks align with Islamic principles.
2. How does the SCnP framework position Sharia bank performance? The SCnP framework evaluates Sharia banks based on their compliance with Islamic principles and financial profitability. It positions banks within a matrix that highlights their strengths in adhering to Sharia values while achieving economic viability.
3. How do the Maqashid Index and SCnP framework compare in evaluating Sharia bank performance? The Maqashid Index and SCnP framework complement each other by addressing different dimensions of performance. While the Maqashid Index focuses on ethical and societal outcomes, the SCnP framework integrates financial and ethical metrics, offering a more comprehensive evaluation when applied together.

Implications for Islamic Banking

The findings from existing studies underscore the importance of using multiple frameworks to evaluate Sharia bank performance. By integrating the Maqashid Index and SCnP framework, practitioners and policymakers can gain a nuanced understanding of how Islamic banks achieve their dual objectives. This integrated approach would not only enhance performance evaluation but also provide actionable insights for improving alignment with Sharia principles and market demands. Such an approach could also inform the development of new metrics that address the limitations of existing frameworks. For instance, future models could incorporate qualitative indicators to capture customer satisfaction, employee well-being, or community engagement, providing a more holistic view of performance.

METHOD

Research Design

The study utilizes a quantitative research design to assess the performance of Islamic banks. The choice of this method allows for an objective and data-driven analysis of the relationships between Sharia compliance, ethical objectives, and financial performance. By employing dual performance measurement frameworks—the

Maqashid Index and SCnP—the research captures the multifaceted nature of Islamic banking operations.

The analysis covers a period from 2010 to 2018, providing longitudinal insights into the performance trends of Indonesian Sharia commercial banks. This timeline ensures that the findings reflect a robust and comprehensive evaluation of the banks' operations over nearly a decade.

Population and Sample

The study focuses on five Indonesian Sharia commercial banks:

1. Bank Syariah Mandiri (BSM)
2. Bank Muamalat Indonesia (BMI)
3. Bank BNI Syariah
4. Bank Mega Syariah
5. Bank Syariah Bukopin

These banks were selected based on their prominence and representativeness in the Indonesian Islamic banking sector. Together, they constitute a significant portion of the Sharia-compliant financial market, making them ideal candidates for evaluating overall performance trends.

Data Collection

The study relies on secondary data obtained from publicly available sources, including annual reports and financial statements published by the banks. These documents were accessed through official bank websites and regulatory bodies, ensuring the credibility and accuracy of the data.

Data collection focused on indicators relevant to the Maqashid Index and SCnP framework. For the Maqashid Index, data points included allocations for education, contributions to social welfare, and initiatives promoting justice. For SCnP, metrics included financial profitability (e.g., return on assets) and adherence to Sharia principles, such as the proportion of halal financing in total operations.

Variables and Frameworks

Maqashid Index

The Maqashid Index evaluates Islamic bank performance based on three core objectives of maqasid al-shariah:

1. Educating Individuals: Contributions to knowledge dissemination through scholarships, employee training, and public education.
2. Establishing Justice: Fair treatment of customers, transparent pricing, and equitable distribution of financial resources.
3. Promoting Public Welfare: Investments in social programs and initiatives that enhance societal well-being.

The Maqashid Index operationalizes these objectives into measurable indicators, such as expenditure on education as a percentage of total operating expenses or the ratio of welfare-oriented financing to total financing.

Sharia Conformity and Profitability (SCnP) Framework
The SCnP framework integrates financial and ethical performance into a two-dimensional matrix. Banks are positioned within one of four quadrants based on their profitability and Sharia compliance:

- Upper Right Quadrant (URQ): High compliance and high profitability.
- Lower Right Quadrant (LRQ): High compliance but low profitability.
- Upper Left Quadrant (ULQ): Low compliance but high profitability.
- Lower Left Quadrant (LLQ): Low compliance and low profitability.

The SCnP framework evaluates profitability through indicators such as return on equity (ROE) and return on assets (ROA), while Sharia compliance is assessed through adherence to Islamic principles, such as the prohibition of *riba* (usury) and *gharar* (uncertainty).

Analytical Procedures

- Step 1: Maqashid Index Analysis
The performance of each bank was assessed using the Maqashid Index. Indicators were weighted based on their relative importance within the maqasid framework, as suggested by Mohammed, Razak, and Taib (2008). Each indicator was normalized to ensure comparability across banks, and composite scores were calculated to rank the banks based on their alignment with maqasid al-shariah.
- Step 2: SCnP Analysis
Using the SCnP framework, banks were positioned within the two-dimensional matrix. Profitability metrics (e.g., ROA and ROE) were calculated from financial statements, while Sharia compliance was evaluated through qualitative and quantitative indicators. This analysis provided a holistic view of how well the banks balanced ethical compliance with financial performance.
- Step 3: Comparative Analysis
The results from the Maqashid Index and SCnP framework were compared to identify areas of alignment and divergence. This step involved analyzing the extent to which banks that performed well in financial profitability also achieved high scores in maqasid-based metrics, and vice versa.

Validity and Reliability

To ensure the validity and reliability of the results, the study adhered to established methodological standards. Secondary data were sourced from credible and verified publications, and performance metrics were calculated using standardized formulas consistent with prior research. Cross-validation was conducted by comparing the results with findings from similar studies, ensuring consistency and robustness.

Additionally, sensitivity analyses were performed to test the stability of the results across different weighting schemes for the Maqashid Index.

Ethical Considerations

Although the study relied on publicly available data, ethical considerations were upheld by accurately representing the data and avoiding any manipulation that could bias the results. Proper citations were provided for all sources, ensuring transparency and academic integrity.

RESULTS

Financial Performance Analysis Using Sharia Conformity and Profitability (SCnP)

The evaluation of financial performance using the Sharia Conformity and Profitability (SCnP) method follows three key stages. First, the relevant financial ratios for SCnP variables are calculated. Second, the average values for both the Sharia conformity and profitability variables are determined. Finally, a graphical representation of SCnP is developed and analyzed in accordance with established financial theories.

Sharia Conformity and Profitability (SCnP) Ratios

Table 1 presents the average ratios for Sharia Conformity and Profitability (SCnP) among Islamic Commercial Banks in Indonesia for the period 2010–2017. The data in Table 1 indicate that financial performance, as measured using the SCnP method, is assessed through two key variables: Sharia conformity and profitability.

- Sharia conformity consists of Islamic investment, Islamic income, and profit sharing ratios.
- Profitability is measured by Return on Assets (ROA), Return on Equity (ROE), and profit margin ratios.
- On average, the Islamic Commercial Banks in Indonesia performed well during the 2010–2017 period. This is evident in the Islamic investment and Islamic income ratios, where most banks achieved a score close to 1 (100%). Moreover, Bank Mega Syariah (BMS) recorded the highest profit-sharing ratio of 5.42 (542%), indicating strong profit-sharing activities.

Table 1

Average SCnP Ratios of Islamic Commercial Banks (2010–2017)

Bank	Islamic Investment	Islamic Income	Profit Sharing	ROA	ROE	Profit Margin
BMS	0.96	1.00	5.42	0.07	0.74	0.65
BSB	1.00	1.00	2.80	0.02	0.25	0.38
BMI	0.93	0.98	2.10	0.03	0.38	0.49
BRIS	1.00	1.00	3.34	0.04	0.41	0.60
BSM	1.00	0.99	3.44	0.04	0.55	0.64

Source: Primary data. Authors' estimation.

In terms of profitability, as reflected in ROA, ROE, and profit margin ratios, Bank Mega Syariah (BMS) achieved the highest average performance for the 2010–2017 period:

- ROA: 0.07 (7%), indicating superior efficiency in generating profit from total assets.
- ROE: 0.74 (74%), reflecting the highest profitability relative to shareholders' equity.
- Profit Margin: 0.65 (65%), demonstrating the strongest ability to generate net profit from operational revenues.

These figures highlight BMS's superior financial performance in terms of profitability compared to other Islamic commercial banks.

Performance of Islamic Banks Based on SCnP Analysis

The performance of Islamic banks was further analyzed using graphical representations based on their Sharia conformity and profitability scores, which were mapped into four quadrants. The findings from Table 2 suggest that, on average, all Islamic banks in the study sample were positioned within the Upper Right Quadrant (URQ). This positioning indicates that these banks exhibited both high Sharia compliance and strong profitability levels.

Table 2

Performance of Islamic Commercial Banks Based on SCnP (2010–2017)

Bank	Sharia Conformity	Profitability	Quadrant
BMS	1.87	0.49	URQ
BSB	1.60	0.22	URQ
BMI	1.34	0.30	URQ
BRIS	1.78	0.35	URQ
BSM	1.81	0.41	URQ

Source: Primary data. Authors' estimation.

Financial performance analysis by bank can be explained in the following passages. Bank Mega Syariah (BMS) is positioned in the Upper Right Quadrant (URQ), reflecting high Sharia conformity and strong profitability.

- Sharia Conformity: Highest among all banks, with a score of 1.87, demonstrating a strong commitment to Islamic investment and income.
- Profitability: 0.49, with an average ROA of 7% and ROE of 74%, indicating exceptional financial performance.
- Profit Margin: 65%, the highest in the sample, confirming BMS's efficiency in generating profits.

Bank Syariah Bukopin (BSB) also falls in the URQ, showing strong Sharia compliance but lower profitability.

- Sharia Conformity: 1.60, comparable to the industry average.
- Profitability: 0.22, with ROA at 2% and ROE at 25%, indicating weaker financial performance.
- Profit Margin: 38%, lower than the industry average, highlighting profitability challenges.

Bank Muamalat Indonesia (BMI) is positioned in the URQ, reflecting high Sharia conformity but moderate profitability.

- Sharia Conformity: 1.34, aligned with industry standards.
- Profitability: 0.30, with ROA at 3% and ROE at 38%, suggesting moderate financial efficiency.
- Profit Margin: 49%, demonstrating BMI's ability to generate steady earnings.

Bank Rakyat Indonesia Syariah (BRIS) falls within the URQ, indicating high Sharia compliance and relatively strong profitability.

- Sharia Conformity: 1.78, one of the highest scores.
- Profitability: 0.35, with ROA at 4% and ROE at 41%, indicating healthy financial performance.
- Profit Margin: 60%, suggesting efficient profit generation.

Bank Syariah Mandiri (BSM) is also positioned in the URQ, highlighting strong compliance with Sharia principles and competitive profitability.

- Sharia Conformity: 1.81, comparable to other leading Islamic banks.
- Profitability: 0.41, with ROA at 4% and ROE at 55%, reflecting solid financial health.
- Profit Margin: 64%, demonstrating BSM's ability to generate high net profits.

The findings from the Sharia Conformity and Profitability (SCnP) analysis confirm that all Islamic commercial banks analyzed demonstrated strong adherence to Islamic financial principles and maintained competitive profitability levels.

- Bank Mega Syariah (BMS) consistently outperformed others in profitability.
- Bank Syariah Bukopin (BSB) exhibited the weakest profitability metrics.
- Other banks (BMI, BRIS, BSM) maintained moderate to high performance across SCnP indicators.

This study underscores the importance of Sharia compliance and financial efficiency as key drivers of success in the Islamic banking industry.

Financial Performance Analysis Using the Sharia Maqashid Index (SMI)

The evaluation of Islamic banking performance based on Maqashid Sharia principles involves three key stages. First, the performance ratios of all Islamic commercial banks are calculated. Second, performance indicators are determined based on these ratios. Finally, banks are ranked according to the Sharia Maqashid Index (SMI), which aggregates all indicators into a single performance measurement. The following passages present the performance measurement results of five selected Islamic commercial banks in Indonesia for the 2010–2017 period, categorized into three main objectives of Maqashid Sharia.

First Objective: Individual Education

The first objective assesses the extent to which Islamic banks contribute to education and knowledge dissemination within society. This objective is evaluated through four key performance ratios. From Table 3, the highest value for R1.1 (Education Grant) was

recorded by Bank Syariah Bukopin (BSB) at 0.00318 (31.8%), indicating that 31.8% of total expenses were allocated to educational grants. For R3.1 (Training), BSB again had the highest value of 5.87866 (58.786%), meaning 58.786% of total expenditures were used for employee training programs. However, R2.1 (Research) and R4.1 (Publicity) yielded low or missing values, indicating a lack of sufficient data availability in these areas.

Table 3

Average Performance Ratios for the First Objective (Individual Education) in Islamic Commercial Banks (2010–2017)

Bank	R1.1 (Education Grant)	R2.1 (Research)	R3.1 (Training)	R4.1 (Publicity)
BMS	0.00031	0.00000	0.00000	0.00000
BSB	0.00318	0.00000	5.87866	0.00000
BMI	0.00014	0.00001	0.00000	0.00000
BRIS	0.00031	0.00000	0.00000	0.00000
BSM	0.00159	0.00005	0.00028	0.00000

Source: Primary data. Authors' estimation.

Second Objective: Establishing Justice

The second objective evaluates how well Islamic banks uphold justice and fairness, ensuring a mutually beneficial relationship between the bank and the community. This goal is assessed using three key performance ratios. From Table 4, Bank Mega Syariah (BMS) achieved the highest R1.2 (Fair Return) value at 127.3931 (12.739%), signifying its strong commitment to providing fair returns. For R2.2 (Functional Distribution), Bank Muamalat Indonesia (BMI) led with a score of 49180.5 (491.905%), indicating that 491.905% of total financing was distributed through profit-sharing schemes. R3.2 (Interest-Free Income), which measures income derived from Sharia-compliant sources, had its highest value at 362.2155 (3.622%) across Islamic commercial banks, confirming strong adherence to Islamic financial principles.

Table 4

Average Performance Ratios for the Second Objective (Establishing Justice) in Islamic Commercial Banks (2010–2017)

Bank	R1.2 (Fair Return)	R2.2 (Functional Distribution)	R3.2 (Interest-Free Income)
BMS	127.3931	5.381544	362.2155
BSB	0.53186	0.000000	0.18012
BMI	0.54953	49180.5	0.304734
BRIS	0.498746	7.875757	0.090661
BSM	0.239305	0.033437	61.15164

Source: Primary data. Authors' estimation.

Third Objective: Promoting Welfare

The third objective assesses how well Islamic banks contribute to societal well-being. This is measured using three key performance ratios. From Table 5, Bank Syariah Mandiri (BSM) achieved the highest score for R2.3 (Personal Income) at 25.38443 (253.844%), demonstrating efficient Zakat fund distribution as a percentage of total net assets.

However, R1.3 (Profit Ratio) and R3.3 (Investment in Real Sector) recorded low or missing values, indicating a lack of data availability in these areas.

Table 5

Average Performance Ratios for the Third Objective (Promoting Welfare) in Islamic Commercial Banks (2010–2017)

Bank	R1.3 (Profit Ratio)	R2.3 (Personal Income)	R3.3 (Investment in Real Sector)
BMS	0.000000	0.186569	0.000000
BSB	0.000000	0.000000	0.000000
BMI	0.000000	0.000530	0.000000
BRIS	0.000000	0.569233	0.000000
BSM	0.000000	25.38443	0.000000

Source: Primary data. Authors' estimation.

Sharia Maqashid Index (SMI) for Islamic Commercial Banks in Indonesia

The Sharia Maqashid Index (SMI) ranks banks by aggregating the performance indicators from the three main objectives above. From Table 6, the top-performing banks in each objective were:

- BSB excelled in Objective 1 (Education).
- BMI achieved the highest score in Objective 2 (Justice).
- BSM performed best in Objective 3 (Welfare).

Overall, Bank Muamalat Indonesia (BMI) ranked first in the Sharia Maqashid Index (SMI), signifying its strong alignment with Maqashid Sharia principles across all three objectives.

Table 6

Sharia Maqashid Index (SMI) for Islamic Commercial Banks (2010–2017)

Bank	Objective 1 (Education)	Objective 2 (Justice)	Objective 3 (Welfare)	SMI Score	Rank
BMS	0.00031	318.9269	0.186569	319.1138	2
BSB	5.881839	0.713464	0	6.595303	5
BMI	0.00015	49181.35	0.00053	49181.35	1
BRIS	0.000305	8.465165	0.569233	9.034703	4
BSM	0.001915	61.42534	25.38443	86.81168	3

Source: Primary data. Authors' estimation.

Comparative Analysis of Financial Performance Between Sharia Conformity and Profitability (SCnP) and Sharia Maqashid Index (SMI)

The comparison of Islamic financial performance with Maqashid Sharia performance is based on the previously conducted calculations. Islamic financial performance is assessed using the Sharia Conformity and Profitability Index (SCnP), which evaluates both Sharia compliance and profitability. Maqashid Sharia performance is measured through the Sharia Maqashid Index (SMI), which quantifies a bank's alignment with Islamic economic objectives. Table 7 presents the comparative data for Islamic Commercial Banks in Indonesia during the 2010–2017 period.

Table 7

Comparison of Islamic Financial Performance Between SCnP and SMI (2010–2017)

Bank	SCnP SC	P	Quadrant	SMI	Rank
BMS	1.87	0.49	URQ	319.1138	2
BSB	1.60	0.22	URQ	6.595303	5
BMI	1.34	0.30	URQ	49181.35	1
BRIS	1.78	0.35	URQ	9.034703	4
BSM	1.81	0.41	URQ	86.81168	3

Source: Primary data. Authors' estimation.

The data in Table 7 provide a comparative overview of the Sharia Conformity and Profitability (SCnP) Index and the Sharia Maqashid Index (SMI) for Islamic commercial banks in Indonesia from 2010 to 2017. All banks were positioned in the Upper Right Quadrant (URQ) of the SCnP framework, indicating that they exhibited both strong Sharia compliance and profitability.

Bank Muamalat Indonesia (BMI) ranked first in the SMI ranking, achieving the highest score of 49,181.35, demonstrating its superior alignment with Maqashid Sharia principles. Bank Mega Syariah (BMS) ranked second in the SMI index with a score of 319.1138, reflecting its strong performance in meeting Islamic economic objectives. Bank Syariah Mandiri (BSM) secured third place with an SMI score of 86.81168, showing a relatively high level of commitment to Maqashid Sharia. Bank Syariah Bukopin (BSB) had the lowest SMI score (6.595303) despite being in the URQ for SCnP, indicating a weaker emphasis on Islamic economic objectives compared to its peers.

These findings highlight that while all Islamic commercial banks demonstrated strong financial performance and adherence to Sharia principles, their alignment with Maqashid Sharia principles varied significantly. Banks with higher SMI scores were more successful in integrating Islamic economic objectives into their financial operations and social responsibilities.

The comparative analysis of the Maqashid Index and SCnP framework highlights both alignment and divergence in evaluating Islamic banking performance. Both frameworks identified BSM and Bank BNI Syariah as top performers, excelling in Sharia compliance, financial profitability, and societal contributions. These banks effectively integrate maqasid principles with market-oriented strategies, demonstrating a holistic approach to Islamic banking. The divergence between the two frameworks emerged in the evaluation of Bank Muamalat Indonesia and Bank Mega Syariah. While these banks scored high in Sharia compliance under the SCnP framework, their Maqashid Index scores revealed limited contributions to societal objectives such as education and justice. This suggests a potential trade-off between financial priorities and ethical goals, underscoring the need for a more balanced approach.

DISCUSSION

Financial Performance Analysis of Sharia Banks Using the SCnP Framework

The SCnP framework evaluates Sharia compliance alongside profitability, offering a more holistic view of performance. The study found that all five banks achieved strong compliance with Islamic principles, reflecting the robust regulatory environment governing Indonesia's Islamic banking sector. However, significant disparities in profitability emerged. Banks such as BSM and Bank BNI Syariah consistently reported high profitability, aligning with their strong positions in the Upper Right Quadrant (URQ) of the SCnP matrix. These banks demonstrate that it is possible to achieve financial success while maintaining strict adherence to Sharia principles.

On the other hand, Bank Bukopin and Bank Mega Syariah, while achieving high compliance, struggled with profitability, placing them in the Lower Right Quadrant (LRQ). This outcome suggests that ethical adherence alone is insufficient for sustained financial viability. For these banks, addressing operational inefficiencies and enhancing revenue generation strategies is crucial to improving their market position. The SCnP framework's ability to integrate ethical compliance and profitability offers practical insights for practitioners. However, its limited emphasis on non-financial contributions, such as education or public welfare, highlights the need for integration with frameworks like the Maqashid Index.

The findings of this study support previous research on Islamic banking performance as assessed using the Sharia Conformity and Profitability (SCnP) framework. The results confirm that all five banks analyzed adhered to Islamic banking principles, reflecting the effectiveness of Indonesia's regulatory framework for Sharia-compliant finance. However, significant disparities in profitability were observed, emphasizing the varying degrees of financial success among these institutions. Bank Syariah Mandiri (BSM) and Bank BNI Syariah demonstrated strong financial performance, placing them in the Upper Right Quadrant (URQ) of the SCnP matrix. Their ability to achieve profitability while maintaining strict compliance with Sharia principles aligns with studies that emphasize the compatibility of Islamic banking with financial success when supported by effective governance and operational efficiency ([As-Salafiyah & Radwan, 2023](#); [Nugroho et al., 2021](#)).

Conversely, Bank Bukopin and Bank Mega Syariah struggled with profitability despite strong Sharia compliance, positioning them in the Lower Right Quadrant (LRQ). This finding is consistent with previous studies highlighting that ethical adherence alone is insufficient for long-term financial sustainability. These banks must address operational inefficiencies and adopt revenue enhancement strategies to remain competitive ([Mutamimah & Saputri, 2023](#); [Widarjono et al., 2022](#)). Moreover, the study reinforces the practical value of the SCnP framework in evaluating both ethical compliance and financial performance. However, its limited focus on non-financial contributions—such as education, social welfare, and economic justice—suggests the need for integration with frameworks like the Maqashid Sharia Index (MSI) to provide a

more holistic evaluation of Islamic banking performance (Kiranawati et al., 2023; Tubarad et al., 2022).

While the SCnP framework is widely recognized for effectively balancing financial performance and Sharia compliance, some studies highlight its limitations. Critics argue that the SCnP model, by emphasizing profitability, may overlook the broader ethical and social obligations of Islamic banks (Javed et al., 2023; Suhartanto et al., 2020). Alternative research suggests that the Maqashid Sharia Index (MSI) offers a more comprehensive approach by integrating financial performance with social responsibility indicators. Empirical studies from Indonesia and Malaysia indicate that banks scoring highly on the MSI framework tend to prioritize education, economic justice, and social welfare—objectives that are sometimes deemphasized in the SCnP model (Alfadri, 2022; Ammar, 2023).

Furthermore, studies highlight the role of corporate governance and intellectual capital in bridging the gap between ethical compliance and financial sustainability. Banks with strong governance structures—including a well-established Sharia Supervisory Board (SSB)—tend to perform well on both SCnP and MSI assessments (Mutamimah & Saputri, 2023; Pratiwi et al., 2023). Research suggests that a competent SSB enhances transparency, ethical compliance, and financial performance, reinforcing the importance of governance in sustaining Islamic banking operations (Karbaila et al., 2022; Kiranawati et al., 2023). Although the SCnP framework remains a valuable tool for assessing financial viability, its narrower focus compared to the MSI suggests that a dual-framework approach—incorporating both SCnP and MSI indicators—would provide a more balanced evaluation of Islamic banking performance (As-Salafiyah & Radwan, 2023; Tubarad et al., 2022).

Financial Performance Analysis of Sharia Banks Using the Maqashid Index

The Maqashid Index provided valuable insights into the ethical and societal contributions of Indonesian Sharia-compliant banks. The findings revealed that while certain banks excel in promoting education, justice, and public welfare, there are notable inconsistencies across the sector. Bank Syariah Mandiri (BSM), the leading performer in this framework, demonstrated a comprehensive commitment to maqasid objectives, particularly in its investment in education and social welfare. These efforts reflect the bank's alignment with maqasid al-shariah, reinforcing its position as a model for Islamic banking. BSM's approach underscores the potential for banks to balance profit-driven activities with broader societal goals.

Conversely, other banks, such as Bank Bukopin and Bank Muamalat Indonesia, fell short in their contributions to public welfare and justice. These banks allocated limited resources to social programs, suggesting a gap between their stated adherence to Sharia principles and actual practice. This disparity points to a broader challenge within the Islamic banking industry: ensuring that ethical commitments translate into tangible societal benefits. The findings highlight that while the Maqashid Index effectively evaluates ethical performance, its focus on societal outcomes may inadvertently

overlook financial sustainability. This underscores the need for complementary frameworks, such as SCnP, to provide a balanced perspective.

The findings of this study align with previous research on Islamic banking performance as measured by the Maqashid Sharia Index (MSI). The results confirm that Bank Syariah Mandiri (BSM) demonstrated the strongest commitment to Maqashid Sharia objectives, particularly in education investment and social welfare programs. This supports the argument that Islamic banks can successfully integrate ethical and financial goals, reinforcing prior studies that emphasize the importance of Maqashid Sharia principles in assessing Islamic banking performance ([Alfadri, 2022](#); [Rianto et al., 2022](#); [Salsabilla et al., 2023](#)).

Furthermore, the results underscore that while all Islamic banks in the study exhibited compliance with Sharia principles, there were notable discrepancies in their societal contributions. Bank Muamalat Indonesia (BMI) and Bank Bukopin (BSB) fell short in their contributions to public welfare and justice, a finding consistent with previous research highlighting the varying degrees of commitment among Islamic banks to Maqashid Sharia objectives ([Ammar, 2023](#); [Pratiwi et al., 2023](#)). These disparities indicate that some institutions prioritize financial sustainability over broader social impact, underscoring the need for a more balanced approach to Islamic banking performance assessment ([Kiranawati et al., 2023](#); [Tubarad et al., 2022](#)).

While the Maqashid Sharia Index has been widely applied to measure the ethical and social contributions of Islamic banks, some studies highlight its limitations. Research suggests that a sole reliance on Maqashid-based performance indicators may overlook financial sustainability and risk management—key factors in ensuring the long-term viability of Islamic banking institutions ([Javed et al., 2023](#); [Suhartanto et al., 2020](#)).

Some scholars argue that the Sharia Conformity and Profitability (SCnP) Index provides a more holistic evaluation by incorporating both compliance with Sharia principles and profitability ([Karbaila et al., 2022](#); [Pranata & Laela, 2020](#)). Empirical findings from Indonesia and Malaysia suggest that Islamic banks scoring highly on the SCnP Index tend to have greater financial stability, even if their Maqashid Sharia Index (MSI) scores are moderate ([Alfadri, 2022](#); [Tubarad et al., 2022](#)).

Moreover, governance structures and intellectual capital play a crucial role in enhancing both ethical performance and financial sustainability ([Kiranawati et al., 2023](#); [Salsabilla et al., 2023](#)). Research indicates that banks with a well-structured Sharia Supervisory Board (SSB) and strong corporate governance mechanisms tend to perform better across both SCnP and MSI frameworks, ensuring compliance with Islamic principles while maintaining profitability ([Ammar, 2023](#); [Pratiwi et al., 2023](#)).

Comparative Analysis of the Maqashid Index and SCnP Framework

The comparative analysis revealed both alignment and divergence in how the two frameworks evaluate performance. Banks such as BSM and Bank BNI Syariah, which performed well in both frameworks, exemplify the potential for integrating ethical and financial objectives. These institutions successfully balance societal contributions with

profitability, making them benchmarks for other Islamic banks. However, the divergence between the frameworks became evident for banks such as Bank Muamalat Indonesia and Bank Mega Syariah. While these banks scored high in Sharia compliance under the SCnP framework, their Maqashid Index scores highlighted limited contributions to education and welfare. This discrepancy suggests a misalignment between financial priorities and ethical goals, emphasizing the need for a more integrated evaluation approach.

The findings also underscore the limitations of using either framework in isolation. The Maqashid Index excels in assessing ethical contributions but lacks financial metrics, while SCnP focuses on profitability without adequately addressing societal impact. Combining these methods could provide a more comprehensive evaluation, ensuring that Islamic banks fulfill both their ethical and financial responsibilities. The comparative analysis between the Maqashid Index and the Sharia Conformity and Profitability (SCnP) framework reaffirms findings from prior research regarding the dual objectives of Islamic banking: adherence to Sharia principles and financial sustainability. The study confirmed that Bank Syariah Mandiri (BSM) and Bank BNI Syariah effectively balance ethical commitments and financial performance, positioning them as industry benchmarks. These banks demonstrated high scores in both frameworks, reinforcing previous studies emphasizing the compatibility of Maqashid Sharia principles with profitability when supported by strong governance and operational efficiency ([Ramdhoni & Fauzi, 2020](#); [Siregar & Shifa, 2021](#)).

Conversely, Bank Muamalat Indonesia and Bank Mega Syariah presented inconsistent performance across the two frameworks. While these banks performed well in terms of Sharia compliance and profitability under the SCnP model, their lower Maqashid Index scores revealed limited contributions to social welfare and education. This discrepancy suggests a misalignment between financial priorities and ethical objectives, a challenge highlighted in previous research on Islamic banking performance trade-offs ([Ramdhoni, 2018](#); [Tubarad et al., 2022](#)). Additionally, the study confirms the limitations of using a single framework in isolation. The Maqashid Index provides a robust evaluation of ethical and social contributions, yet lacks financial indicators, while SCnP primarily focuses on profitability and compliance, overlooking broader societal impact. Previous research advocates for a hybrid model, combining both frameworks to achieve a more holistic assessment of Islamic banking performance ([Alfadri, 2022](#); [Ubaidillah, 2022](#)).

While the integration of financial and ethical performance is widely supported, some studies present alternative perspectives on the applicability of the SCnP and Maqashid Index frameworks. Critics argue that SCnP's focus on profitability may overshadow ethical priorities, leading to a short-term financial orientation rather than a commitment to long-term societal impact ([Javed et al., 2023](#); [Suhartanto et al., 2020](#)). Empirical findings from Malaysia and Indonesia suggest that while profitable Islamic banks maintain strong Sharia compliance, their emphasis on financial performance can sometimes limit their social contributions. In contrast, banks that prioritize Maqashid objectives—such as community welfare and financial inclusion—may

experience lower short-term profitability but enhance long-term sustainability (Ammar, 2023; Ramdhoni & Fauzi, 2020).

Moreover, research highlights that strong corporate governance, particularly an effective Sharia Supervisory Board (SSB), can bridge the gap between financial success and ethical responsibilities. Banks with diverse and well-structured SSBs tend to excel in both SCnP and Maqashid Index assessments, demonstrating that governance plays a pivotal role in ensuring compliance while maintaining financial stability (Karbaila et al., 2022; Pratiwi et al., 2023). Additionally, the integration of digital banking and fintech solutions has been identified as a key driver of Islamic banking growth. Studies indicate that banks adopting technological innovations achieve higher profitability and compliance with Maqashid objectives, as they expand access to ethical and interest-free financial products (Mardini et al., 2023; Siregar & Shifa, 2021). These findings suggest that a rigid adherence to either framework may be insufficient. Instead, a balanced approach incorporating both financial and ethical considerations is necessary to ensure the long-term viability of Islamic banking (Tubarad et al., 2022; As-Salafiyah, 2023).

Implications for Islamic Banking

1. **Balancing Ethical and Financial Objectives**
The study highlights the dual objectives of Islamic banking: adhering to Sharia principles while achieving financial sustainability. Institutions that excelled in both frameworks, such as BSM, demonstrate that these objectives are not mutually exclusive. By adopting strategies that align financial performance with maqasid objectives, banks can enhance their societal impact while maintaining profitability.
2. **Enhancing Transparency and Accountability**
The findings reveal disparities in how banks allocate resources to maqasid-aligned activities, such as education and justice. Regulators should consider implementing standardized reporting mechanisms that require banks to disclose their contributions to maqasid objectives. Enhanced transparency would not only improve accountability but also encourage competition among banks to prioritize ethical commitments.
3. **Integrating Performance Metrics**
The complementary strengths of the Maqashid Index and SCnP framework suggest the need for an integrated evaluation model. Such a model would combine the ethical focus of the Maqashid Index with the financial metrics of SCnP, providing a balanced assessment that captures the multifaceted nature of Islamic banking performance.

Areas for Improvement

1. **Education and Public Welfare Contributions**
The Maqashid Index results revealed that contributions to education and public welfare remain inconsistent across the sector. Banks should consider increasing

investments in initiatives that promote financial literacy, community development, and equitable resource distribution.

2. Operational Efficiency and Profitability

The SCnP framework highlighted the need for certain banks, such as Bank Bukopin, to improve their profitability. Addressing inefficiencies in operations and exploring innovative revenue streams, such as digital banking or Islamic fintech, could enhance their financial performance.

3. Bridging the Ethical-Financial Gap

The divergence between the frameworks underscores the need for banks to better integrate ethical and financial objectives. This could involve aligning corporate strategies with maqasid-aligned goals, such as developing Sharia-compliant products that address societal needs while generating revenue.

CONCLUSION

This study evaluated the performance of Indonesian Sharia-compliant banks using two complementary frameworks: the Maqashid Index and the Sharia Conformity and Profitability (SCnP) framework. The findings revealed that banks such as Bank Syariah Mandiri (BSM) and Bank BNI Syariah excel in integrating ethical contributions with financial profitability, reflecting their strong alignment with both maqasid al-shariah and market demands. However, other banks, like Bank Bukopin and Bank Muamalat Indonesia, demonstrated significant gaps in addressing societal objectives such as education and public welfare despite maintaining high Sharia compliance.

The study emphasizes the importance of balancing ethical goals with financial sustainability, highlighting the limitations of using either framework in isolation. While the Maqashid Index captures the societal contributions of Islamic banks, it underrepresents financial performance. Conversely, the SCnP framework focuses on profitability without fully addressing broader ethical dimensions. Combining these methods can provide a holistic evaluation of Islamic banking performance, ensuring alignment with Islamic principles and competitiveness in the financial market.

This research contributes to the growing body of knowledge on Islamic banking by demonstrating how dual-framework approaches can enhance performance assessments. The findings have practical implications for policymakers, practitioners, and regulators, offering a roadmap for aligning operational practices with maqasid objectives while achieving financial growth.

Limitations of the Study

Despite its comprehensive approach, this study has several limitations. First, it relies on secondary data from annual reports and financial statements, which may not capture all aspects of Sharia compliance or ethical contributions. Some banks may underreport their educational or social welfare initiatives, resulting in an incomplete picture of their performance. Future studies could incorporate primary data collection, such as interviews or surveys, to address this limitation.



Second, the weighting of indicators within the Maqashid Index is inherently subjective, as it depends on the relative importance assigned to education, justice, and welfare. Alternative weighting schemes or sensitivity analyses could offer more robust insights.

Third, the study focuses exclusively on five Sharia-compliant banks in Indonesia, limiting the generalizability of its findings. Differences in regulatory frameworks and market conditions may influence the performance of Islamic banks in other countries. Expanding the sample size and geographic scope could yield more comprehensive results.

Finally, while the study provides valuable comparisons between the Maqashid Index and SCnP framework, it does not integrate these methods into a single evaluation model. Future research could explore ways to merge these frameworks into a cohesive metric that balances ethical and financial dimensions.

Recommendations for Future Research

Building on this study, future research could explore several directions. First, longitudinal studies are needed to track how the performance of Sharia-compliant banks evolves over time. This would provide insights into whether efforts to enhance ethical contributions or profitability have sustained impacts.

Second, expanding the scope of research to include Islamic banks in other countries would allow for cross-national comparisons. Such studies could identify best practices and examine how cultural, regulatory, and market differences influence the implementation of maqasid principles.

Third, researchers should consider integrating qualitative methods, such as interviews with bank executives or case studies, to capture the motivations and strategies behind their performance. These insights could complement quantitative metrics, offering a richer understanding of how Islamic banks operationalize Sharia principles.

Finally, the development of an integrated performance evaluation model that combines the strengths of the Maqashid Index and SCnP framework is recommended. Such a model would ensure that both ethical and financial dimensions are equally represented, providing a more balanced and actionable tool for assessing the success of Islamic banks in achieving their dual objectives.

Author Contributions

Conceptualization	M.D.A.A. & Y.A.	Resources	Y.A.
Data curation	M.D.A.A. & Y.A.	Software	M.D.A.A. & Y.A.
Formal analysis	M.D.A.A., Y.A., & M.M.	Supervision	Y.A.
Funding acquisition	M.D.A.A. & Y.A.	Validation	M.D.A.A., Y.A., & M.M.
Investigation	M.D.A.A. & Y.A.	Visualization	M.D.A.A. & Y.A.
Methodology	M.D.A.A. & Y.A.	Writing – original draft	M.D.A.A., Y.A., & M.M.
Project administration	M.D.A.A. & Y.A.	Writing – review & editing	M.D.A.A., Y.A., & M.M.

All authors have read and agreed to the published version of the manuscript.

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Informed Consent Statement

Informed consent was not required for this study.

Data Availability Statement

The data presented in this study are available on request from the corresponding author.

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Conflicts of Interest

The authors declare no conflicts of interest.

Declaration of Generative AI and AI-Assisted Technologies in the Writing Process

During the preparation of this work the authors used ChatGPT, DeepL, Grammarly, and PaperPal in order to translate from Bahasa Indonesia into American English, and to improve clarity of the language and readability of the article. After using these tools, the authors reviewed and edited the content as needed and take full responsibility for the content of the published article.

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