Islamic Social Reporting, Intellectual Capital, and Corporate Governance Influence on Maqashid Sharia Performance: A Case Study of Sharia Banks in Indonesia and Malaysia (2017-2022)

Puji Astuti¹
Surya Raharja²

¹Management, Diponegoro University, Indonesia
²Accounting, Diponegoro University, Indonesia

Abstract. This research aims to determine the influence of Islamic Social Reporting (ISR), Intellectual Capital (IC), and Corporate Governance (CG) disclosures on the performance of Maqashid Shariah in Sharia Commercial Banks in Indonesia and Malaysia for the 2017-2022 period. This research includes quantitative research obtained from the annual reports of Sharia Commercial Banks in Indonesia and Malaysia which are published on the respective banks' websites. Sampling used a purposive sampling method with criteria determined by researchers so that a sample of 23 banks from 29 Sharia Commercial Banks was obtained in the 2017-2022 observation period. The type of data used is secondary data with the method used is multiple linear regression analysis to determine the direction and influence of the relationship between the dependent and independent variables. Multiple regression analysis was carried out on time series data during the period 2017-2022 in the Islamic banking industry using data processing software of SPSS version 22. The research results show that partially Islamic Social Reporting has a positive and significant effect on the performance of the Maqashid Sharia Index, while Intellectual Capital and Corporate Governance have a negative and insignificant effect on the performance of the Maqashid Syaria Index.

Keywords: Islamic Social Reporting (ISR); Intellectual Capital (IC); Corporate Governance (CG); Maqashid Syaria Index (MSI); Sharia Bank.

The global sharia banking industry experiences positive growth from year to year. Based on data from the Islamic Finance Development Report 2021, global sharia currency reached USD 3.06 trillion in 2020, growing 11.3% from the previous year or around USD 2.75 trillion. The global sharia financial industry business is still growing despite being hampered by the economic downturn related to the Covid-19 pandemic. The global Islamic finance industry is expected to increase to US$4.94 trillion in 2025, with an average growth of 8% over the next 5 (five) years, although growing more slowly than in previous years (OJK, 2021).

Table 1. Global Sharia Financial Development Score

<table>
<thead>
<tr>
<th>No</th>
<th>Country</th>
<th>Score 2022</th>
<th>Score 2021</th>
<th>Rank 2022</th>
<th>Rank 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Saudi Arabia</td>
<td>84.21</td>
<td>80.67</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Malaysia</td>
<td>81.93</td>
<td>80.01</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Indonesia</td>
<td>81.49</td>
<td>83.35</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Iran</td>
<td>79.73</td>
<td>79.73</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Pakistan</td>
<td>63.21</td>
<td>60.23</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Islamic Finance Country Index (IFCI, 2022)

Asia: Future Prospect for Islamic Finance explains that Southeast Asia will become increasingly influential in leading sharia finance globally. This strong potential is supported by the existence of countries with the largest Muslim populations, such as Indonesia and Malaysia, which are in the Southeast Asia region. According to the Islamic Finance Country Index (IFCI, 2022), there are two Moslem-majority countries in the Southeast Asia region which are part of the top five countries with sharia financial development which have positive growth and development seen from various indicators, i.e. Malaysia and Indonesia.

Based on the data presented, it can be seen that the growth and development of countries in the Southeast Asia region looks promising in developing the sharia banking
system. The position of sharia banking in Southeast Asia is taken into account by the world. This makes it interesting to carry out research related to Sharia Commercial Banks in the Southeast Asia region, especially countries that are included in the top five categories of the 2022 Islamic Finance Development Report.

Hameed et al, (2004) note that it is not enough to provide a comprehensive analysis of the development of the global Islamic banking industry based solely on market share or financial performance. Because of their emphasis on achieving social, economic, and political goals, Islamic banks have more resources than conventional banks. There-fore, there are other important aspects that should also be mentioned, such as social and halal work practices and attitudes towards Islamic law.

According to research conducted by Dzikri (2016), the Maqashid Sharia Index is a tool used to ensure that employee behavior is in accordance with sharia banking operations. The Maqashid Sharia Index does not only come from sharia itself but also from exchange rates. Regulating work life according to Islamic law includes modification of social work, compliance with Islamic law, and/or modification of work life based on Islamic law.

Sharia objectives can be adopted as a Corporate Social Responsibility (CSR) concept and become a bridge from Islamic law to other sharia-based businesses, such as sharia-based banks (Muchlis & Sukirman, 2016). Islamic Social Reporting (ISR) is often defined as follows: (Hanifah, 2002) first clarified that there are few problems with traditional forms of social reporting (CSR); He then developed the concept of Islamic Social Reporting based on the stages of Islamic law determined by fundamental texts, such as the Al-Qur'an and Hadith. This complements the findings of previous research by Mardliyyah et al., (2020) and Rahma & Atiqah, (2021) and Farida et al., (2023) which shows that ISR has a positive impact on MSI workforce participation, whereas Mosaid and Boutti (2012); Aisyah et al. (2021); and Heni and Emawati (2022) describes ISR as having a positive and statistically significant impact on the Maqashid Sharia Index (MSI).

Furthermore, to improve the financial performance of Islamic banking companies, relevant information is needed regarding the elements calculated using tangible and intangible assets (Riyanti et al., 2012). As a result, a lack of discretion in these assets is critical for businesses to overcome their competitive weaknesses. Intangible assets in the form of business knowledge are usually known as Intellectual Capital according to (Petty & Guthrie, 2000). Islamic banks are different from conventional banks because they are said to have different interest rates and fees. In 2013, Ulam proposed a new method for calculating the intellectual capital of Islamic banks, called the additional value of Islamic bank intellectual capital (iB-VAIC). Based on this research, researchers used the measurement method proposed by Ulam (2013), namely measuring the intellectual capital (IC) of Islamic banks using the intellectual capital coefficient (iB-VAIC). The empirical studies on research of Hartono (2018); Cahya and Kusumaningtias (2020); and Prasojo et al. (2022) has shown the importance of intellectual capital and its positive and significant impact on the performance of maqashid sharia. In contrast, research (Hanif, 2018; Apriansyah, 2020; Aisyah et al., 2021) shows that there is a negative correlation between intellectual capital and Islamic work practices.

In order for sharia banking to operate professionally, modernly, and ethically, special attention is needed to the quality of the management system. As an intermediation bank, Islamic banks enjoy trust as the foundation of customers' banking systems. If trust
like this is used, the level of public trust in Islamic banks will decrease. Therefore, a good corporate governance framework is needed for banking companies. Research findings in Prasojo et al. (2022) and Ghaffar (2014) also show a significant relationship between GCG and labor currency (ROA-ROE). In contrast to the research of Atiqah and Rahma (2018) and Aisyah et al. (2021), which shows that ICG has a negative and not statistically significant influence on maqashid sharia.

Based on the explanation that had been previously observed, the researcher observed gaps and inconsistencies in the results of previous research. If this research gap results in the assumption that there are additional factors that can strengthen or weaken the relationship between the impact of corporate social reporting and Islamic intellectual capital on a sharia-compliant work environment and corporate governance as a moderating variable. Moreover, the relevance of this research to international standards is limited, so researchers will conduct this research.

THEORETICAL REVIEW

Sharia Company Theory (SET)

Sharia Enterprise Theory (SET) is a theory that explains sharia attitudes. SET was developed and modified based on the theory of the firm. According to Harahap, (1996), the postulates, theories and principles of sharia accounting are better supported by the application of corporate theory because it places more emphasis on the social and political interests of stakeholders than shareholders. Sharia Enterprise Theory (SET) is a theory that bases the distribution of wealth on the contributions of its participants, or those who provide financial or skill contributions. This statement begins with the premise that humans are khalifatullah fil ardh, with the mission of creating and spreading peace to all mankind and nature. These principles encourage SET to uphold human rights and the environment. As a result, SET will improve the welfare of stakeholders, the general public and the environment (Triyuwono, 2009).

Resource Based Theory (RBT)

The first version of resource-based theory (RBT) was introduced by Wernerfelt in 1984. This is a theory that explains how businesses can increase their competitive advantage by improving day-to-day resources, allowing them to operate in a more competitive market. The foundation of RBT is understanding strategy that emphasizes the relationship between day-to-day costs, resources, competitiveness, and profitability, in particular understanding the mechanisms used to maximize competitive costs over time. Such a model requires the use of characteristic evaluation functions that are unique to the business (Iqbal et al., 2018).

Islamic Social Reporting and Maqashid Sharia Performance

ISR disclosures have five components: funding and investment, products and services, community, social, and environmental issues. These five aspects include items that are appropriate and consistent with sharia standards (Hanifah, 2002). This aspect of ISR is also in line with the concept of maqashid sharia, namely prioritizing the values of life and humanity, justice and the public interest. This harmony shows that the ISR concept is in line with maqashid sharia. The results of previous research show that companies that are good at disclosing CSR will provide positive feedback for the company, so that they will compete to disclose CSR (Zanariyatim et al., 2019). This is in
line with the *Sharia Enterprise Theory* (SET) theory which states that SET will bring benefits to stakeholders, society and the environment. Essential business success consists of achieving prosperity which includes happiness (spiritual) and prosperity (material) at the individual and societal levels (Triyuwono, 2009).

By implementing good ISR, the public will see it as a trustworthy banking entity and can help maintain good relations with stakeholders so that the company's image and performance in the eyes of the general public will improve. In this way, the more companies disclose *Islamic Social Reporting*, it is hoped that it will influence and have a positive impact on the performance of the company's Maqasit Sharia Index (MSI). According to the tests that have been carried out Mardliyyah et al. (2020), and Rahma and Atiqah (2021) as well as Farida et al. (2023) prove that ISR results have a positive and significant influence on MSI performance. Based on the explanation above, the following hypothesis can be made:

H1: Islamic Social Reporting has a positive effect on the performance of maqashid sharia.

**Intellectual Capital and Maqashid Sharia Performance**

Wernerfelt (1984) stated that according to Resource Based Theory, businesses should strive to gain competitive advantage and efficient financial performance by acquiring, valuing, and utilizing important strategic assets. Human capital (HC) is a key component of strategic plans to increase productivity, according to Scafarto et al. (2016). This is because Islamic banks need innovation to grow new knowledge in order to maintain their current status and compete with conventional banks (Nonaka et al. 2017). Therefore, the business world can benefit from increasing employee income and productivity by strategically utilizing intellectual capital. This is especially true when developing day-to-day strategic briefs. These improvements allow businesses to have a competitive advantage in a stable state. According to research conducted by Prasojo et al. (2022), it can be concluded that ISR results have a positive and significant effect on the work performance of MSI employees. In addition, Tiwari and Vidyarthi, (2018) presented evidence of a positive relationship between IC and bank employee performance. Based on the description above, the following hypothesis is proposed:

H2: Islamic intellectual capital has a positive effect on the performance of sharia maqashid.

**Corporate Governance and Maqashid Sharia Performance**

Board meetings are an arena for interaction major social issues that can have a major strategic impact on an organization Westphal & Zajac, (2013) which influences board effectiveness, namely the board's ability to influence company performance (Boivie et al., 2021). Meeting this is an opportunity to monitor (control management activities top) and act as a resource for the Top Management Team, such as sharing knowledge regarding strategic decisions (Forbes & Milliken, 2008; Garg et al., 2018). Most of the time board meetings can improve the decision-making process, improve the board's ability to identify strategies that lead to competitive advantage and, thereby, improving company performance.
Although the frequency of board meetings is considered an important element in describe board functions (Post & Byron, 2015; Vafeas, 1999), impact The overall impact on company performance is still obscured by the findings inconsistent empirical. For example, some researchers have found positive linear relationship (e.g., Vafeas, 1999; Ghaffar, 2014; Kholid & Bachtiar, 2015), while others found that the frequency of board meetings has a weak relationship with firm performance (e.g., Grove et al., 2011; Parker, 2007). In research by Aisyah et al. (2021); Atiqah and Rahma (2018) also found that there was no influence of CG on Maqashid sharia performance. Based on the description above, the following hypothesis is formulated:

H3: Corporate governance has a positive effect on maqashid sharia performance.

**Research Models**

![Diagram of Research Framework]

**Figure 1. Research Framework**

This research framework is presented in describing how much influence the independent variable has on the dependent variable (Fig. 1). So it can be formulated in the formula equation [1].

\[ Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3Z + \epsilon \]  

---[1]---

Description:
- \( Y \) = Maqashid Sharia Performance (MSP)
- \( \alpha \) = Constant
- \( \beta \) = Regression Coefficient
- \( X_1 \) = Islamic Social Reporting (ISR)
- \( X_2 \) = Intellectual Capital (IC)
- \( Z \) = Corporate Governance (CG)
- \( \epsilon \) = Error.

**RESEARCH METHODS**

This research examines the influence of Islamic Social Reporting, Islamic intellectual capital, and corporate governance on the performance of Islamic maqashid. The analysis used in this research is analysis quantitative. The population in this research is Sharia Commercial Banks in Indonesia and Malaysia. According to (Ghozali et al., 2019) in his research entitled "Development of Sharia Banks in Southeast Asia: A Historical Study" there are 14 Islamic banks in Indonesia. Malaysia has 15 banks that participate in developing sharia banking schemes. This research sample was taken using techniques non-probability sampling through the purposive sampling method, namely a sampling technique using certain reviews or criteria. Based on the classification of sample criteria,
a total of 23 Islamic banks were obtained that met the sample criteria in this research (Table 2 and Table 3).

<table>
<thead>
<tr>
<th>No</th>
<th>Information</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sharia banks operating in ASEAN countries until 2022.</td>
<td>29</td>
</tr>
<tr>
<td>2</td>
<td>Sharia banks do not have or do not publish Annual Reports on the bank website or the Annual Reports are incomplete for 2017-2022</td>
<td>(6)</td>
</tr>
<tr>
<td></td>
<td>Total sample</td>
<td>23</td>
</tr>
</tbody>
</table>

Table 3. List of Research Samples

<table>
<thead>
<tr>
<th>No</th>
<th>Name of Sharia Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Indonesia</td>
</tr>
<tr>
<td>1</td>
<td>PT Bank Muamalat Indonesia</td>
</tr>
<tr>
<td>2</td>
<td>PT Bank Mega Sharia</td>
</tr>
<tr>
<td>3</td>
<td>PT Bank Kb Bukopin Sharia</td>
</tr>
<tr>
<td>4</td>
<td>PT Bank Panin Dubai Sharia</td>
</tr>
<tr>
<td>5</td>
<td>PT Bank Victoria Sharia</td>
</tr>
<tr>
<td>6</td>
<td>PT BCA Sharia</td>
</tr>
<tr>
<td>7</td>
<td>PT Bank Aceh Sharia</td>
</tr>
<tr>
<td>8</td>
<td>PT BPD NTB Sharia</td>
</tr>
<tr>
<td>9</td>
<td>PT National Sharia Pension Savings Bank</td>
</tr>
<tr>
<td>10</td>
<td>PT Bank Jabar Banten Sharia</td>
</tr>
<tr>
<td>11</td>
<td>PT Bank Sharia Indonesia</td>
</tr>
<tr>
<td></td>
<td>Malaysia</td>
</tr>
<tr>
<td>12</td>
<td>Al Rajhi Banking &amp; Investment Corporation (Malaysia) Berhad</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No</th>
<th>Name of Sharia Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Malaysia</td>
</tr>
<tr>
<td>12</td>
<td>Al Rajhi Banking &amp; Investment Corporation (Malaysia) Berhad</td>
</tr>
</tbody>
</table>

Definition Operations and Measurement Variable

By using the dependent variable, we use the maqashid sharia index, which is a sharia banking performance model that can be applied based on the maqashid sharia perspective. Mohammed et al. (2008) have developed a performance evaluation of Islamic banks based on the concept of the Islamic maqashid index derived from (Zahrah, 1997).

Maqashid Sharia Performance

Variable dependent in this research. That is MSI adopted from study previously Muhammad et al. (2008). MSI uses simple Additive Weighting (TASW) method with add up contribution of each dimension. MSI consists of five dimensions with 15 ratios performance (Muhammad et al., 2008). The weighting is done in a way proportional way. Because, the dimensions represent five goals of Maqashid sharia (Table 4).
Table 4. Maqashid Sharia Index (MSI) Performance Ratio

<table>
<thead>
<tr>
<th>No</th>
<th>Drafts</th>
<th>Goal Weight (%)</th>
<th>Elements (%)</th>
<th>Performance Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Education</td>
<td>D1 Abilities Knowledge of new skills</td>
<td>E1. Education</td>
<td>R1 Education Grants/Total Income</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D2 Cultivation and Improvement</td>
<td>E2. Study</td>
<td>R2 Research Costs/ Total Costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D3 Creating awareness of sharia banking</td>
<td>E3. Training</td>
<td>R3 Training Costs/Total Costs</td>
</tr>
<tr>
<td>2</td>
<td>Creation of Justice</td>
<td>D4 Affordable products &amp; services</td>
<td>E4. Publications</td>
<td>R4 Publication Costs/Total Costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D5. Affordable products and services</td>
<td>E5. Fair returns</td>
<td>R5 Profit / Total Financing Income</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D7 Bank profitability</td>
<td>E7. Interest free product</td>
<td>R7 Non-interest Bank Products/Total Income</td>
</tr>
<tr>
<td>3</td>
<td>Achieving prosperity</td>
<td>D8 Redistribution of Income and Assets</td>
<td>E8. Profit Ratio</td>
<td>R8 Net Profit/Total Assets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D9 Investment in the real sector</td>
<td>E9. Personal Income</td>
<td>R9 Zakah / Net Profit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>E10. Real sector investment constellations</td>
<td>R10 Investment in the real sector/Total Distribution</td>
</tr>
</tbody>
</table>

Source: Muhammad et al. (2008).

Count Maqashid Index (MI) value for each sharia bank using the formula [2]:

\[
\text{MSI} = \frac{\text{IK (V1)} + \text{IK (V2)} + \text{IK (V3)}}{\text{Jumlah item yang diungkapkan}} \times 100\% \quad \text{[2]}
\]

Description:
IK (V1) = Performance indicator for maqashid education objectives.
IK (V2) = Performance indicator for the maqashid goal of justice.
IK (V3) = Performance indicator for maqashid welfare objectives.

Islamic Social Reporting (ISR), Intellectual Capital (IC), and Corporate Governance are independent variables.

Islamic Social Reporting (ISR)

The social capital of a business is the commitment made by the business community to engage in ethical business practices and contribute to economic development to improve the living standards of employees, local communities and the general public. The CSR model used in this research is Islamic Social Reporting (ISR) which was developed by Hanifah (2002) in formula [3].

\[
\text{ISR} = \frac{\text{Jumlah item yang diungkapkan}}{\text{Jumlah skor maksimal}} \times 100\% \quad \text{[3]}
\]

This research uses content analysis to identify disclosure of the ISR index in Islamic banks by reading and analyzing the company's annual report. The analysis does not count the number of occurrences of the subject matter disclosed in each company's annual report.
report, as long as there is at least one subject matter disclosed in any form, the subject disclosure is declared available.

**Intellectual Capital (IC)**

Value Added Intellectual Coefficient (VAIC™), which is based on the added value determined by the intellectual capital component consisting of the added value of capital used (VACA), the added value of human capital (VAHU), and the added value of structural capital (STVA), which is modified by Ulum (2013) is intellectual capital which is measured using the model (Pulic, 1998). Using the Intelligence-based Sharia Banking Value Added Coefficient (iB-VAIC™) in formula [4].

\[ iB-VAIC = iB-VACA + iB-VAHU + iB-STVA \]

Description:
- iB-VACA = Value Added Working Capital
- iB-VAHU = Value Added Human Resources
- iB-STVA = Structural Capital Added Value.

**Corporate Governance (CG)**

The third variable in this research is corporate governance (CG). Board meetings are a component of the board of directors as outlined in the board structure. Another characteristic related to the board of directors is activity which can be measured by the number of meetings held in a company (Sáenz González & García-Meca, 2014). According to Vafeas (1999), board activity is a good proxy for monitoring the activities of the board of directors. The following model-adjusted variables were developed in equation [5].

\[ BM = \sum \text{meetings of the board of commissioners and directors of the current year} \]

**Data Analysis Model**

The analysis technique used is called the Multiple Linear Regression Analysis. This regression model needs to fit a set of classical assumptions, which include normality, heteroskeletonism, multicollinearity, and autocorrelation.

**RESULTS AND DISCUSSION**

**Statistics descriptive**

Based on Table 4.3, descriptive statistics for independent variables, the Islamic Social Reporting (ISR) has a mean of 0.5753 (in%), the largest is 0.90 (in%) from Bank Muamalat Indonesia for 2019 and 2020, the smallest (minimum) of 0.21 (in%) from Bank HSBC Amanah Malaysia Berhad for 2022, and the standard deviation is 0.178704 (in%). The independent variable Intellectual Capital (IC) Descriptive Statistics has a mean of 9.6810 (%), the largest is 59.12 (%) from HLISB (Hong Leong Islamic Bank Berhad) 2019, the smallest (minimum) is -3.80 (%) from Bank Aceh Sharia 2022, and a deviation of 9.78444 (%).
Table 5. Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Means</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISR</td>
<td>144</td>
<td>0.21</td>
<td>0.90</td>
<td>0.5753</td>
<td>0.17870</td>
</tr>
<tr>
<td>IC</td>
<td>144</td>
<td>-3.80</td>
<td>59.12</td>
<td>9.6810</td>
<td>9.78444</td>
</tr>
<tr>
<td>CG</td>
<td>144</td>
<td>-4.00</td>
<td>28.00</td>
<td>11.1111</td>
<td>5.63718</td>
</tr>
<tr>
<td>MSI</td>
<td>144</td>
<td>-4.68</td>
<td>27.18</td>
<td>2.9771</td>
<td>4.09865</td>
</tr>
<tr>
<td>Valid N (list)</td>
<td>144</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Secondary data processed with SPSS (2023).

In Table 5, the independent Corporate Governance (CG) descriptive statistics variable has a mean of 11.1111 (in%), maximum 28.00 (in%) from MBSB (Malaysia Building Society Berhad) 2022, minimum 4.00 (in%) from Bank BTPN Shari'a for 2022, and the maximum standard deviation is 5.63718 (in%). The independent variable Maqashid Shari'a Index (MSI) has an average of 2.9771 (%), the largest value is 27.18 (%) from Bank Panin Dubai Shari'a in 2022, the smallest (minimum) value is -4.68 (%) from Bank Shari'a Bukopin in 2020, and the standard deviation is 4.09865 (%).

Multiple Linear Regression Test Results

The data analysis in Table 6 show that the results of the regression analysis carried out for this research. Hypothesis 1, which tests the positive relationship between Islamic Social Reporting and maqashid shari'a performance, produces a beta value of 0.283, t of 3.326, and a significance of 0.001 (0.001 < 0.05, indicating that H1 is accepted). These results prove that Islamic Social Reporting has a positive effect on the performance of maqashid shari'a. Hypothesis 2, which tests the positive relationship between Islamic intellectual capital and shari'a maqashid performance, produces a negative beta value of -0.065, t of -0.764, and a significance of 0.446 (0.678 > 0.05, indicating that H2 is rejected). These results prove that Islamic intellectual capital has no effect on the performance of maqashid shari'a. Hypothesis 3, which tests the positive relationship between governance company and maqashid shari'a performance, produces a negative beta value of -0.138, t of -1.638, and a significance of 0.104 (0.104 > 0.05, shows that hypothesis 3 is rejected) These results prove that governance the company has no effect on the performance of maqashid shari'a.

Table 6. Multiple Linear Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R²</th>
<th>Test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.436</td>
<td>.128</td>
<td></td>
<td>3.400</td>
<td>0.001</td>
<td></td>
</tr>
<tr>
<td>ISR</td>
<td>1.088</td>
<td>.327</td>
<td>0.283</td>
<td>3.326</td>
<td>0.001</td>
<td>0.093</td>
</tr>
<tr>
<td>IC</td>
<td>-0.87</td>
<td>.114</td>
<td>-0.065</td>
<td>-0.764</td>
<td>0.446</td>
<td></td>
</tr>
<tr>
<td>CG</td>
<td>-2.66</td>
<td>.162</td>
<td>0.138</td>
<td>-1.638</td>
<td>0.104</td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS output results, processed data (2023).

DISCUSSION

The Influence of Islamic Social Reporting (ISR) on the Performance of Maqashid Shari'a

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The findings of this research are in line with the findings of Mardliyyah et al. (2020) and Atiqah & Rahma (2018). Based on these results, ISR penetration testing can have a positive and profitable impact on the MSI workforce in any company. In other words, the closer a company is to its surrounding environment, the higher the quality of transparent and successful Maqashid sharia performance. In this way, MSI's performance will be more in line with the goals of sharia bank tellers, namely achieving collective health. This is in accordance with Shariah Enterprise Theory (SET) which holds the view that humans are only God's creatures (spiritual-substantive) who give birth to hearts, and humans are obliged to adapt to God's will (materiality-sharia) in order to obtain blessings and (inner) life. Sharia banking has goals that are in line with Islamic principles, namely adhering to the Al-Quran and Hadith.

**The Influence of Intellectual Capital (IC) on the Performance of Maqashid Sharia**

The results of this research are in line with the research results of Prasojo et al. (2022) which shows that intellectual capital has a positive and statistically significant influence on work performance as measured using the MSI. This may be caused by structured regular banking operational processes and company work processes that are not based on Maqashid principles but only minimal formalities. If we draw conclusions from basic theoretical research, we can conclude that Islamic banks that lend money to individuals will do so based on conventional wisdom. This is quite logical considering that the majority of sharia banks in Indonesia and Malaysia are the result of conventional banks, meaning that the managerial practices carried out by sharia banks also come from conventional banks.

**The Influence of Corporate Governance (CG) on the Performance of Maqashid Sharia**

The findings of this research support the findings of Atiqah and Rahma (2018), and Aisyah et al. (2021). These findings indicate that corporate governance is not a factor that can have a negative impact on sharia-compliant work practices. This is due to the high turnover rate of supervisors and managers, but does not guarantee that business operations will improve. Too many boards of commissioners and directors meetings will actually increase the percentage of good company performance. This is in line with findings by Jensen and Meckling (1976) which state that more employees serving as committee members can have an impact on reducing the company's quality of work life.

**CONCLUSIONS AND RECOMMENDATIONS**

Based on the research findings, several notes were made. ISR has a positive and statistically significant effect on Maqashid Sharia labor force participation. However, partially the negative influence of IC and CG on the level of Maqashid Sharia workforce participation in sharia commercial banks is not significant.

**Limitations**

1. The sample in testing is still limited, i.e. two countries in the ASEAN region with 2-3 sharia banks because several sample criterias have not been met.
2. The research period was only six years.
3. Previous research that supports this research is very limited, especially theories that strengthen the moderating variable, i.e. CG (the number of Board of Commissioners meetings) on the independent and dependent variables.

**Suggestions**

Sharia commercial banks are expected to continue developing the Maqashid Sharia Index (MSI), especially regarding health and welfare, so that their activities not only maximize profits, but also fulfill obligations to the wider community. In addition, the Islamic Banking (Sharia Bank) is expected to increase ISR penetration more widely so that the public will be more confident in the ability of Islamic banks to operate and will be more enthusiastic about using institutional products. Sharia banking companies have not optimally managed and developed their intellectual property to win the competition (competitive advantage) or improve the performance of sharia maqashid. It is recommended that companies further develop intellectual capital in order to improve company performance. The results of this research also found that corporate governance is not another factor that can influence performance maqashid Islam. This is because the number of meetings between the board of commissioners and directors that is too high does not guarantee company performance will get better.

Future research could also include independent variables that appear to have a significant impact on BUS performance, especially MSI performance, thereby providing more varied and accurate results. However, this research only uses indicators for the number of corporate governance committee members and directors. It is hoped that further research can add additional indicators to the Corporate Governance variable.

**REFERENCE**


