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Good Corporate Governance and *Maqashid* Sharia Performance in Southeast Asian Sharia Banking

Mohammad Dedi Yulianto
Universitas Diponegoro, Semarang, Indonesia
imdediy@students.undip.ac.id

Darwanto
Universitas Diponegoro, Semarang, Indonesia
darwanto@live.undip.ac.id

Syifaaussakinah
Universiti Islam Sultan Sharif Ali, Bandar Seri Begawan, Brunei Darussalam
22mc1318@unissa.bn

Abstract

Islamic banking has the characteristics of an operation that uses a profit-sharing system, and its main goal is to achieve Falah. This also affects the performance measurement of sharia banking, which also adapts to these two characteristics. One method of measuring the performance of Islamic banking is to use the Maqashid - Based Performance Evaluation Model (MPEM) method. This study aims to prove the effect of good corporate governance variables (board of commissioners, independent commissioners, sharia supervisory board, and audit committee) on the performance of Islamic banking based on the MPEM method. This study uses secondary data obtained from 20 Islamic banks in 4 Southeast Asian countries from 2016 to 2020 observation years. The method used a panel regression model with the random effect as the chosen model. This study found that the board of commissioners and the audit committee have a negative effect on the performance of Islamic banking in Southeast Asia based on Maqashid Sharia. The ratio of the independent commissioners and the sharia supervisory board doesn't affect the performance of Islamic banking, and the average Maqashid performance index of sharia banking is only around 12.7%. The implication of this study is moreover, to help navigate the Shari'ah identity through the implementation of an effective Good Corporate Governance (GCG) structure to improve the performance of Islamic banking. On the other hand, increasing the number of members of the board of commissioners doesn't always result in improved performance, thus requiring a more active role from the independent board of commissioners.

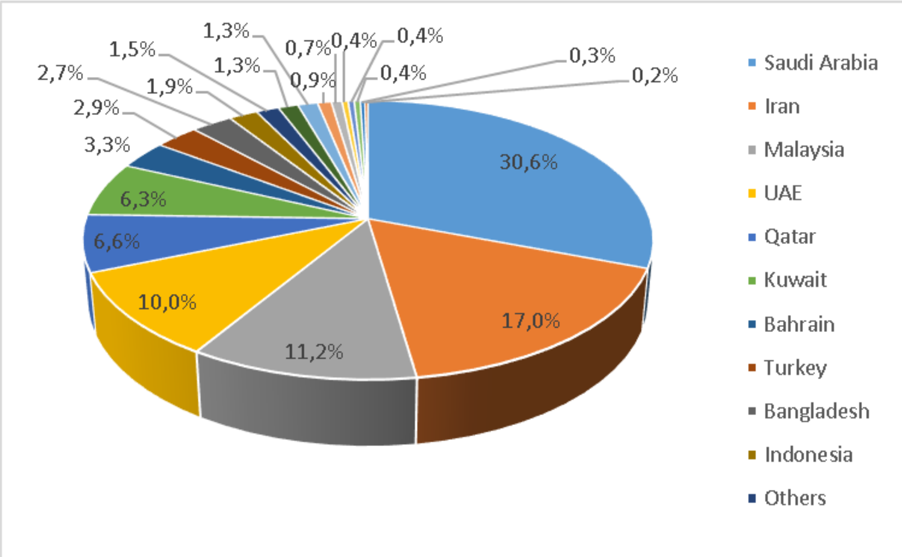
Keywords: *Good Corporate Governance, Maqashid Sharia, Performance, Sharia Banks*

INTRODUCTION

Sharia banking possesses distinctive features that set it apart from traditional banking systems. (Bustamin et al., 2022; Danuri, 2021; Hassan, 2020; Iskandar, 2023; Musta & Macka, 2022; Nugroho, 2024). This distinction is apparent in the profit sharing system (nisbah), which makes Sharia banking more equipped to maintain financial performance because it is not dependent on current interest rates. The ratio method lowers the operational costs of Sharia banking compared to traditional banking (Alandejani, 2022). Due to the benefits of this profit-sharing system, Sharia banking has emerged as a distinct financial institution with its own consumer base (Alhammadi et al., 2024; Nelly et al., 2022; Yustiardhi et al., 2020), Southeast Asia is also included. Recently, Southeast Asia has emerged as a prominent hub for Islamic economic growth globally (Abdullah & Azam, 2020).

According to a report published by the Islamic Financial Services Board in 2022, three Southeast Asian nations have contributed significantly to the global expansion of Sharia banking assets. The three countries, namely Malaysia at 11.2%, Indonesia at 1.9%, and Brunei Darussalam at 0.4%. This data illustrates that Sharia banking in Southeast Asia can also contribute to the development and growth of Sharia banking globally.

Figure 1. Distribution of Sharia Banking Assets by Country in the World in 2021



Source : (Islamic Financial Services Board, 2022)

The performance of banks exerts a substantial influence on the economy (Berger et al., 2020). Stable profitability, sufficient liquidity, efficient risk management, and regulatory compliance are all essential components of sound bank performance that is indispensable for preserving the stability of the financial system. As a result, regulators, investors, and society as a whole must conduct routine surveillance and evaluation of bank performance to ensure that the institution operates securely, effectively, and in adherence to relevant principles (Siampondo & Sumbwanyambe, 2023).

Sharia banking generally measures its financial performance with conventional financial ratios, such as CAMELS (*Capital, Asset, Management, Earning, Liquidity, Sensitivity of Market Risk*) dan EVA (*Economic Value Added*) (Rosmanidar et al., 2021; Wahyuni et al., 2020). This ratio type is unsuitable for Sharia banking, as it solely serves to optimize value addition for capital (Maharani et al., 2020; Maharani & Rahmawati, 2021; Pratiwi et al., 2023; Rosmanidar et al., 2021). These considerations necessitate the development of a Sharia banking assessment system, known as Maqashid Sharia, that not only measures banking performance but also measures Sharia banking's success in addressing the needs of the Islamic economy. It is hoped that Sharia banking, which employs Maqashid Sharia principles in its operations, will be able to restore Sharia banking's function of protecting the general welfare of the people both in this world and in the afterlife.

Maqashid Sharia performance indicators may be implemented in a variety of methods. Good corporate governance (GCG) or good corporate governance in Sharia banking operations is one approach. As a result of the relationship between Sharia banking and stakeholders, including customers, GCG is implemented.

Agency theory describes the delegation of authority to handle funds from the fund owner to Sharia banking as the fund management agent. (Islam et al., 2021; Karim & Shetu, 2020) Management's responsibility as an agent is to provide transparent information regarding the financial condition of Sharia banking to customers and stakeholders as principal parties who have influence in the company. Stakeholder theory also explains the importance of the existence of parties who contribute to company operations. Stakeholders are a big driver of information disclosure in Sharia banking (Safitri & Mukhibad, 2020).

This division of power could allow banking executives to alter banking performance to make it appear profitable. Management may lack transparency in communicating the actual condition of banking and money management. Management possesses more comprehensive knowledge of a company compared to the principal. Asymmetric information can lead to conflict between the agent and the principal when the agent is not forthcoming about the handling of finances (Tekin & Polat, 2020; Vosooghidizaji et al., 2020). Agency cost concerns like moral hazard and adverse selection can lead to money laundering, fraud, and corruption of consumer funds over time (Tekin & Polat, 2020).

Many central banks worldwide promote the optimization of Good Corporate Governance (GCG) in all institutions. GCG can enhance transparency and financial management performance in Sharia banking, specifically in operational activities that directly involve Sharia banking stakeholders and clients (Cholisoh & Hadziq, 2021; Indriastuti & Najihah, 2020; Khairiah & Inayah, 2023). Additionally, GCG is implemented to reduce the likelihood of financial report manipulation and Sharia banking performance degradation. Complementing the implementation of GCG in Sharia banking with enhanced oversight of Sharia banking performance via the audit committee, board of commissioners, independent board of commissioners, and Sharia supervisory board will increase its effectiveness.

The utilization of the Maqashid-based Performance Evaluation Model (MPEM) will supplant the prevalent PMMS model. MPEM has a greater number of measurement indicators than PMMS, allowing it to represent a new dimension of Sharia banking performance measurement and providing a broader set of measurement indicators. Furthermore, this study broadens the scope of investigation by incorporating Sharia finance in Southeast Asia. One consideration in the process of selecting research objects is the scarcity of comparable studies that examine Southeast Asian Sharia banking. Another factor is that Southeast Asia is a prospective market for the development of Sharia banking due to the Muslim majority. The substantial asset contribution and market share of Sharia banking in Southeast Asia provide additional support (Islamic Financial Services Board, 2022).

It is crucial to support the enhancement of Sharia banking performance in accordance with Maqashid Sharia principles through the implementation of sound corporate governance. Adherence to GCG principles and practices will enhance the reputation and confidence of stakeholders regarding Sharia banking activities. In evaluating the efficacy of the GCG implementation, the breath of Maqashid Sharia must also be considered. It is believed that by implementing the aforementioned two components—Sharia banking can prevent fraudulent practices social equity and economic prosperity can be achieved for the community (Alhammadi et al., 2022).

Previous research have analyzed how applying GCG in Sharia banking affects performance according to Maqashid Sharia principles, utilizing different factors and performance measurement methodologies. This research often use the Maqashid Sharia Index (MSI) as the dependent variable and utilizes the Performance Measurement method based on Maqashid Sharia (PMMS) developed by Mohammed, Razaq, and Taib (Safitri & Mukhibad, 2020; Sulistyawati et al., 2020) utilizing a distinct approach, specifically Integrated Maqasid Al-Sharīʿah–Based Performance Measure (IMSPM).

According to the author's observations, previous research has mostly used research objects in the Indonesian region, and no one has comprehensively discussed the Southeast Asia region, so the purpose of this research is to determine the impact of Good Corporate Governance on Bank Sharia's performance using the MPEM method.

LITERATURE REVIEW

Agency Theory and Stakeholder Theory

This study is grounded in two corroborating theoretical frameworks: Stakeholder Theory and Agency Theory. Agency theory, developed by Jensen and Meckling in 1976, posits that a contract exists between a party or individual (the principal) and another party (the agent) wherein the principal delegates decision-making authority over the performance of a variety of services. Sharia banking management is entrusted with the authority to manage funds by the client, who acts as the principal. Agency theory posits that every individual is motivated by their own self-interest. The agent and principal are brought into conflict of interest due to this personal interest. The lack of oversight by the principal over the agent's management of funds originating from the principal renders the conflict unresolved. The dispute between these two entities possesses the capacity to result in complications for the agency. Although the objective of banking management is to ensure customer welfare, the agent will attempt to prioritize personal enjoyment. Agency problems that are not addressed will result in the emergence of agency costs, including adverse selection and moral hazard. Long-term agency expenses will lead to issues including money laundering, fraud, and the corruption of client funds (Tekin & Polat, 2020). It is anticipated that banking management will provide reports on operational activities that are deemed significant by stakeholders involved in Sharia banking operations (Tarique et al., 2021). Sharia banking prioritizes not only profits but also advantages for all stakeholders in order to achieve prosperity for all parties. Corporate responsibility encompasses economic and social factors, both within and outside the organization (Safitri & Mukhibad, 2020).

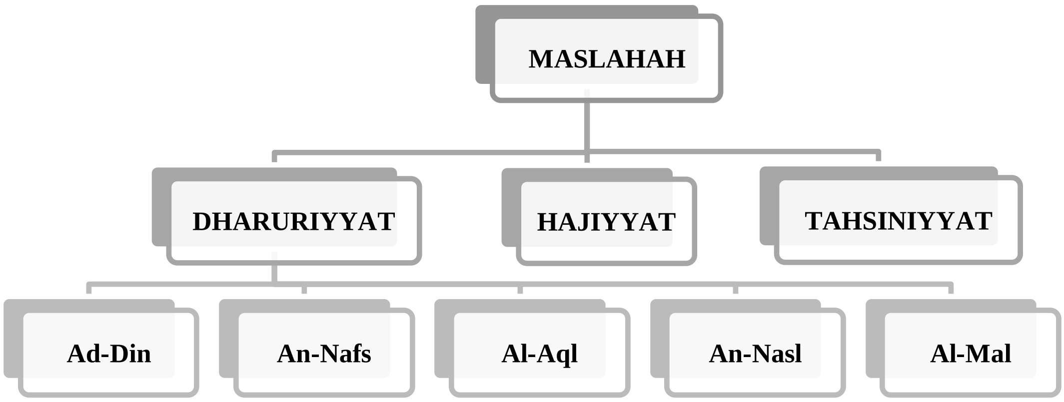
Maqashid-based Performance Evaluation Model (MPEM)

Maqashid Sharia is etymologically derived from two terms. The initial term is "Maqashid," a plural form in Arabic with multiple interpretations. Initially, clarity and steadfastness in following the course. Second, middle, and nothing else (bin Osman, 2022; Witro, 2020). Maqashid Sharia serves as the objective for Sharia banking, necessitating that Sharia banking evaluates its success based on the accomplishments of Maqashid Sharia. Various approaches are used to measure the performance of Maqashid Sharia, including the Maqashid-based Performance Evaluation Model (MPEM).

The MPEM technique is a Sharia banking performance measurement approach developed by Mohammed et al. in 2015. MPEM utilizes Imam Al-Ghazali's Maqashid Sharia doctrine, which is grounded in a human-centric approach. Al-Ghazali categorized human wants in his Maslahah into three levels: Necessities (daruriyyat), complements (hajiyāt), and embellishments (tahsiniyāt). Necessities are crucial requirements that must be fulfilled to prevent a nation from descending into chaos. Complements are essential items that can enhance the quality of human life. Embellishments are necessities that can impact human moral and ethical conduct. Al-Ghazali categorized Necessities demands into 5 fundamental components of Maqashid Sharia: ad-din (religion), an-nafs (soul), al-aql (mind/reason), an-nasl (offspring), and al-maal (wealth). These five dimensions have been commonly utilized in numerous prior studies (Andriani et al., 2023; Safitri & Mukhibad, 2020; Sri et al., 2020; Syarifah et al., 2021; Wahyuni et al., 2020)

Al-Ghazali's Maqashid Sharia theory cannot directly assess Sharia banking performance as it primarily concerns human aspects, necessitating an association or interpretation with Sharia banking activities(Andriana & Rini, 2018). Mohammed then connected Al-Ghazali's theory with the results of Ibn Ashur's interpretation assisted by operationalization using the Behavioral Science method formulated (Rahman & Haron, 2019). Ibn Ashur's analysis applies Al-Ghazali's five aspects of Maqashid Sharia to Sharia banking to assess its performance.

Figure 2.
Theoritical Farmework of *Maqashid Sharia* Al-Ghazali



Source: (Meutia et al., 2020; Rahman & Haron, 2019)

Mohammed evaluates Ibn Ashur's interpretation by providing a ratio for each element, considering criteria like critical discussion on the five dimensions of Maqashid Sharia, frequency of adaptation in other research, statistical relevance based on data sources, and ability to reflect Maqashid Sharia in performance measurement. The MPEM technique in Sharia banking involves generating 5 dimensions, 8 interpretation elements, and 19 performance measurement indicators. An issue with the MPEM approach is the absence of weighting for individual component dimensions and ratios, which complicates the operationalization of MPEM. Many later studies incorporated weighted dimensions and ratios into MPEM (Andriana & Rini, 2018; Mifrahi & Fakhrunnas, 2018; Muhamad et al., 2021, 2022). This research will utilize the weighting results conducted by Andriana and Rini. MPEM computations are conducted with the Simple Additive Weighting method (SAW)(Andriana & Rini, 2018).

Table 1.
Dimensions, Elements, and MPEM Ratios

Dimension (D)	Weight	Element (E)	Performance Ratio (R)	Weight
D1. Protection of faith	0,29	E1. Religious Freedom	R1. Total of mudharabah and musyarakah financing / Total financing	0,32
			R2. Non-interest income / Total income	0,42
			R3. Government Deposit/ Total Deposit	0,26

Dimension (D)	Weight	Element (E)	Performance Ratio (R)	Weight
			Total	1
D2. Protection of soul	0,24	E2. Sustaining human self-esteem E3. Preservation of Human Right	R4. CSR expenses / Total expenses	0,27
			R5. Zakat distribution/ Net Assets	0,36
			R6. Investment in muslims/Total Investasment	0,37
			Total	1
D3. Protection of 'Aql	0,2	E4. Disseminating scientific ideas E5. Preventing *Brain Drain*	R7. Technology Investment / Total Aset	0,36
			R8. Resigning employees ratio / Total employees	0,33
			R9. CSRfor education / CSR expenses	0,31
			Total	1
D4. Protecting of *nasl*	0,14	E6. Family *Stakeholder*	R10. Stock Market Price / Stock Book Price	0,12
			R11. Research Expenses / Total expenses	0,17
			R12. training & development expenses / Total Expenses	0,18
			R13. Net Profit / Total Aset	0,15
			R14. *Non-Performing Financing /* Total Financing	0,12
			R15. Paid Taxes / Gross Profit	0,11
			R16. Total Customer Satisfaction	0,15
			Total	1
D5. Protecting of wealth	0,13	E7. Social Welfare E8. Reduction of gaps in real sector's financing	R17. Real Sector financing/ Total Financing	0,37
			R18. SME Financing / Total Financing	0,36
			R19. Agriculture financing / Total financing	0,27
Total	**1**		**Total**	1

Source : (Meutia et al., 2020; Rahman & Haron, 2019)

Good Corporate Governance (GCG)

Good corporate governance or GCG has different definitions from one literature to another. GCG emerged as a system that regulates the formulation of goals, determining ways to realize goals, and monitoring how to achieve goals involving shareholders, board of commissioners, and management (Organization for Economic Cooperation and Development, 2023). GCG is defined as a transparency process that strives to offer accurate and precise information about a company's operations, finances, and other elements to regulators, shareholders, and the general public (Rustam & Narsa, 2021). Good Corporate Governance (GCG) is a set of standards designed to regulate a corporation in a way that ensures all stakeholders are affected.

The establishment of the GCG was intended to deter deceitful activities including asset misappropriation, financial report manipulation, and corruption (Milenia et al., 2022). GCG serves as a framework to facilitate the attainment of an organization's objectives, accompanied by oversight from management and assurance of openness to current stakeholders in adherence to relevant regulations. All parties will benefit from the accelerated accomplishment of company objectives that results from the proper application of GCG.

In its guidelines, the Organization for Organization for Economic Cooperation and Development (2023) establishes four principles that serve as metrics for assessing the quality of GCG implementation. Responsibility, openness, accountability, and equity comprise these four principles. GCG implementation will operate at its peak performance when both the mechanism and structure of GCG are meticulously managed. The primary purpose of effective corporate governance mechanisms is to oversee and ensure that the governance system of an organization functions as intended (Martínez-Ferrero & García-Meca, 2020). To ensure that the interests of Sharia banking stakeholders and management are aligned, the GCG mechanism comprises two components. An internal mechanism (supervision of GCG structures) and an external mechanism (market control) comprise this mechanism.

An additional approach to overseeing the GCG is by ensuring transparency via annual financial reports. The purpose of supervision is to assess the degree to which managers adhere to policies concerning fund management transparency and the well-being of fund shareholders (Naveed et al., 2021). Sharia banking frequently presents information via financial reports comprising the following components: audit and compliance mechanisms in GCG; primary financial reports (Balance Sheet Report, Change in Financial Position Report, and Profit and Loss Report); and corporate governance structure.

Good Corporate Governance Structure

The independent variable in this study is the GCG structure, which comprises the following: an audit committee, a board of commissioners, and an independent board of commissioners. In Agency Theory, the board of commissioners plays a crucial role in ensuring that policies are suitable and in line with the concerns and priorities of all current stakeholders. In addition to advising the board of directors, the board of commissioners is responsible for monitoring operational policies in the financial industry and in neighboring companies (Zulfikar et al., 2020).

H1 : The efficacy of Maqashid Sharia-based Sharia banking in Southeast Asia is positively governed by the number of Board of Commissioners members

Agency Theory posits that the presence of an autonomous board of commissioners serves the purpose of fostering an impartial and professional work environment within Sharia banking. This includes ensuring that all interests are treated equally, including those of minority stakeholders and shareholders. The managerial monitoring function of the banking industry is significantly influenced by the independent board of commissioners, which ensures adherence to principles of sound corporate governance (Gati et al., 2020).

H2 : The Proportion of Independent Commissioners Positively Influences the Performance of Sharia Banking in Southeast Asia

In order to prevent deviations from Sharia principles, the Sharia supervisory board advises and provides input to the board of commissioners, board of directors, and banking operational activities. The efficiency and effectiveness of the division of responsibility (division of accountability) in Sharia banking are impacted by the substantial membership of the DPS. This results in a more equitable distribution of social, financial, and Sharia accountability among the members of the DPS (Wijayanti & Setiawan, 2022).

H3 : The Number of Sharia Supervisory Board Members Positively Influences Sharia Banking Performance in Southeast Asia

In conjunction with the board of commissioners, the Audit Committee is vested with the authority to oversee the internal control structure, compilation of financial reports, and implementation of Sharia compliance. In addition, the Committee provides the board of commissioners with recommendations regarding financial reports received from management. In consideration of decision-making efficacy, the number of audit committee members is proportional to the level of complexity of the Sharia banking organizational structure (Haddad et al., 2021)

H4 : The Number Of Audit Committee Members Positively Influences Sharia Banking Performance in Southeast Asia

RESEARCH METHOD

The study will employ a quantitative method to examine the interrelationships among variables in order to test specific hypotheses. The purpose of this study is to examine the impact of establishing Good Corporate Governance in the Southeast Asia region between 2016 and 2020. Good Corporate Governance consists of the Board of Commissioners, Board of Independent Commissioners, Sharia Supervisory Board, and Audit Committee. The performance of Sharia banking will be evaluated using the Maqashid-based Performance Evaluation Model (MPEM). Secondary data derived from the annual reports of Sharia Commercial Banks (BUS) in Southeast Asia is utilized in this study. The approach to gathering data will employ a purposive sampling model, which takes into account specific conditions and factors (Ghozali, 2019). BUS that were founded in Southeast Asia prior to 2016, BUS that released financial reports and audit results between 2016 and 2020, and BUS with comprehensive data pertaining to good corporate governance reports and Maqashid Sharia performance indicators are encompassed in the research data. Complying with these criteria, BUS in Southeast Asia is comprised of ten banks from Indonesia, eight banks from Malaysia, and one bank each from Brunei Darussalam and the Philippines. The research objects utilized in this study are Sharia banking, as detailed in Table 2. A documentation method will be employed to gather data from the annual financial reports of 20 Sharia banks operating in Southeast Asia from 2016 to 2020. These reports will be obtained from the websites of each BUS. In total, 100 sets of data will be collected (20 banks x 5 years). The acquired data is subsequently analyzed for a number of critical quantities that comprise the 19 ratios of the MPEM method.

Table 2.
Sharia Banking In Southeast Asia

No	BANKS	No	BANKS
1	Bank BRI Sharia	11	Affin Bank Berhad
2	Bank Sharia Mandiri	12	Bank Muamalat Malaysia
3	Bank BNI Sharia	13	OCBC Al-Amin Berhad
4	Bank Mega Sharia	14	RHB Islamic Bank Berhad
5	Bank Victoria Sharia	15	Am-Islamic Bank Berhad

No	BANKS	No	BANKS
6	Bank BCA Sharia	16	SC-Saadiq Bank Berhad
7	Bank KB Bukopin Sharia	17	Kuwait Finance House Berhad
8	Bank Panin Dubai Sharia	18	HSBC Amanah Bank
9	Bank Jabar Banten Sharia	19	Bank Islamic Of Brunei Darussalam
10	Bank Muamalat Indonesia	20	Amanah Islamic Bank of the Philippines

Source : Processed Data (2022)

Additionally, a number of research hypothesis testing methods are employed in this study, including panel data regression analysis, the partial test (t-test), the F test, and the model feasibility test (R2). The responses to the three hypothesis tests were derived from the panel data regression model's output. The following describes the panel data regression equation after it has been transformed to double-log form:

$$\mathbf{LogIKM = \alpha + \beta_1\, logDKit + \beta_2\, LogDKIit + \beta_3\, LogDPSit + \beta_4\, LogKAit + \varepsilon it}$$

Details:
Y = MPEM-based Sharia Banking Performance
α = constant
DK = Board of Commissioners
DKI = Independent Board of Commissioners
DPS = Sharia Supervisory Board
KA = Audit Committee
β1, β2, β3, β4 = Regression Coefficients
i = Cross-Section
t = Time-Series
ε = Error Coefficient

RESULTS AND DISCUSSION

Results

Table 3.
Average Sharia Banking Performance Measurement Results MPEM Method

BANKS	IKM (%)	BANKS	IKM (%)
Bank BRI Sharia	13,59	Affin Bank Berhad	21,81
Bank Sharia Mandiri	9,44	Bank Muamalat Malaysia	6,85
Bank BNI Sharia	9,72	OCBC Al-Amin Berhad	8,33
Bank Mega Sharia	17,06	RHB Islamic Bank Berhad	10,15
Bank Victoria Sharia	13,44	Am-Islamic Bank Berhad	12,89
Bank BCA Sharia	10,95	SC-Saadiq Bank Berhad	13,38
Bank KB Bukopin Sharia	14,78	Kuwait Finance House Berhad	17,69
Bank Panin Dubai Sharia	18,69	HSBC Amanah Bank	9,46
Bank Jabar Banten Sharia	12,95	Bank Islamic Of Brunei Darussalam	11,10
Bank Muamalat Indonesia	15,05	Amanah Islamic Bank of the Philippines	6,78

Source: Processed Data (2022)

According to the findings presented in Table 3, which evaluate the performance of twenty Sharia banks in Southeast Asia from 2016 to 2020 using the MPEM method, Bank Affin Malaysia attained the highest average performance index of 21.81%. In Southeast Asia, Amanah Islamic Bank of the Philippines attained the lowest average performance index value of 6.78% in the realm of Sharia Banking. From 2016 to 2020, the Maqashid Sharia Index (MSI) for Sharia banking in Southeast Asia had an average value of 12.7%, with a range of 6%-21%, as calculated using the MPEM method. The findings from the calculations using the MPEM method also indicate that nine Sharia banks in Southeast Asia maintain an average Maqashid Sharia performance index value below the mean. In Southeast Asia, it is anticipated that Sharia banking will make significant efforts to enhance the implementation of indicators in the MPEM method in order to attain objectives in accordance with Islamic law.

Prior to examining the correlation between GCG and Maqashid Sharia's performance, the estimation of panel data regression was subjected to a classical assumption test, which is a prerequisite for regression and ensures the absence of classical assumption problems. Moreover, following an evaluation of the model through the utilization of three distinct tests namely the Chow Test, Hausman Test, and Lagrange Multiplier Test the optimal model was determined to be the Random Effect Model (REM). The regression analysis of random effect model (REM) panel data is presented in Table 4.

Table 4.
Random Effect Model Panel Data Regression Results

Variable	**Coefficient**	**Std. Err**	**t-Statist**	**Prob.**
C	3,606513	0,187609	19,22354	0,0000
LOGDK	-0,600447	0,109181	-5,499582	0,0000
LOGDKI	-0,047900	0,114639	-0,417830	0,6771
LOGDPS	0,135240	0,078480	1,723230	0,0884
LOGKA	-0,341475	0,117945	-2,895213	0,0048
	Weighted Statistics			
Root MSE	0,256726		R-squared	0,378562
Mean dependent var	2,416141		**Adjusted R-squared**	**0,349990**
S.D. dependent var	0,327449		S.E. of regression	0,264000
Sum squared resid	6,063540		F-statistic	13,24947
Durbin-Watson stat	0,607106		**Prob(F-statistic)**	**0,000000**
	Unweighted Statistics			
R-squared	0,378562		Mean dependent var	2,416141
Sum squared resid	6,063540		Durbin-Watson stat	0,607106

Source: Processed Data (2022)

The efficacy of Maqashid Sharia is negatively impacted by two variables, as shown in Table 4: the audit committee and the board of commissioners. The independent board of commissioners and the Sharia supervisory board, which are two additional variables, do not exhibit any impact on the performance of Maqashid Sharia (t table value = 1.98729, significance value = 0.05). The significance value (0.05) for the Prob(F-statistic) value, which is a reference for the F test, is 0.000000. This value is less than the critical value (0.05), indicating that the regression model is considered to be well-fitting due to the simultaneous influence of the independent and dependent variables. The result of the model feasibility test, as measured by Adjusted R-squared, was 0.349990. This finding suggests that the independent variable has a 34.9% ability to describe the dependent variable. The residual 65.1% (100 percent minus 34.9% pre-study) was accounted for by extraneous variables.

RESULT AND DISCUSSION

The Influence of the Board of Commissioners on the Performance of Southeast Asian Sharia Banking Based on Maqashid Sharia

The board of commissioners variable has a p-value of 0.0000 < 0.05 and a t-statistic value of -5.499582 < -1.98729, as shown in Table 4. H1 is rejected on the grounds that the number of board of commissioners members has a negative impact on the performance of Southeast Asian Sharia banking based on Maqashid Sharia, as demonstrated by the t-test results. Adding one member to the board of commissioners will result in a 0.6% decrease in the performance of Maqashid Sharia, as indicated by the board of commissioners variable's coefficient value of -0.600447.

The findings of this study contradict both Stakeholder Theory and Agency Theory. As the primary overseer of Sharia banking policy and administration, the board of commissioners strikes a balance between the concerns of all banking stakeholders. In addition, the board of commissioners is responsible for unstructured decision-making concerning the audit committee's and external auditors' findings. With enhanced expertise and a larger board, oversight and policy formulation can be more stringent, thereby reducing agency issues.

The oversight of policies by the board of commissioners is, in actuality, a mere formality. Compliance with sound corporate governance regulations in each country is the sole purpose of the board of commissioners' presence in Sharia banking; its primary function is not to oversee the performance of Sharia banking management. Additionally, the supervisory function is not taken seriously. This situation could be exploited by banking management to manipulate financial reports and subsequently commit more severe offenses, including money laundering and fraud. Indeed, it is worth noting that the appointment process for board of commissioners members in Indonesia does not prioritize an individual's integrity and competency.The appointment to the board of commissioners is in fact determined by the level of regard for an incumbent official, former official, or an individual whose strong negotiating position within the government can be enhanced. This may result in a decline in the board of commissioners' supervisory performance due to the absence of seasoned personnel. Inadequate coordination between the board of commissioners and the Sharia supervisory board with respect to Sharia compliance may also contribute to suboptimal policymaking by the board of commissioners. As a consequence, the objectives of management oversight and enhancing performance to the fullest extent possible have not been met in adherence to the principles of Maqashid Sharia.

Transparent, fair, and unbiased manner is the most effective remedy for this issue. In addition, the government, via the central bank in its capacity as the banking regulator, must enforce stricter regulations regarding the criteria for electing board of commissioners members who possess both ethical conduct and prior involvement in the Sharia banking industry. The present study fails to corroborate prior research that establishes a positive correlation between the efficacy of Maqashid Sharia and the board of commissioners (Sulistyawati et al., 2020). In fact, the efficacy of Maqashid Sharia was not impacted by the number of board of commissioners members, according to the findings of other studies (Safitri & Mukhibad, 2020).

The Influence of the Independent Board of Commissioners on the Performance of Southeast Asian Sharia Banking Based on Maqashid Sharia

Table 4 shows that the p-value of the independent board of commissioners variable is 0.6771 > 0.05 and the t-statistic value is -0.417830 > -1.98729. The results of the t-test prove that the proportion of independent commissioner board members has no effect on the performance of Sharia banking in Southeast Asia based on Maqashid Sharia so that H2 is rejected. The coefficient value of the independent board of commissioners variable is -0.047900, which means that an increase in the proportion of independent board of commissioners members by 1% will reduce

Maqashid Sharia's performance by 0.04%. The existence of an independent board of commissioners according to Agency Theory aims to change the Sharia banking system, work environment and operations to be more objective and able to prioritize stakeholders and minority banking shareholders. The independent board of commissioners will provide more effective and independent supervision to ensure more focused decision making to improve Sharia banking performance.

It turns out that the existence of an independent board of commissioners does not guarantee an increase in Maqashid Sharia's performance. The presence of an independent board of commissioners is not used to strengthen the implementation of GCG, but only as a formality to fulfill the required number of independent commissioners in Indonesia, namely the minimum composition of the board of independent commissioners is 50%, whereas in Malaysia the minimum composition of the board of independent commissioners is one third of the board members. The results of this research contradict the Stakeholder Theory where the number of independent board of commissioners can regulate the running of Sharia banking management well without interference from any party so that Maqashid Sharia performance can be achieved (Safitri & Mukhibad, 2020)

The solution to overcome this problem is to carry out strict selection of prospective members of the independent board of commissioners who not only have integrity and professionalism, but can also adjust the interests of minority and majority shareholders so that they have the same place in banking decision making. The central bank must also tighten regulations and add sanctions for banks which only make having an independent board of commissioners a formality. This research has different results from other research which states that the proportion of independent board of commissioners has a positive effect on the Maqashid Sharia performance index (MSI). The results of this research support research which states that the proportion of independent commissioners has no effect on Maqashid Sharia's performance (Safitri & Mukhibad, 2020). The results of other research actually found that the proportion of independent commissioners had a negative effect on banking performance based on the Maqashid Sharia Index (MSI) (Safitri & Mukhibad, 2020).

The Influence of Sharia Supervisory Board of Commissioners on the Performance of Southeast Asian Sharia Banking Based on Maqashid Sharia

Table 4 indicates that the p-value for the Sharia supervisory board variable is 0.0884, which is greater than 0.05, and the t-statistic value is 1.723230, which is less than 1.98729. The t-test results indicate that the number of members on the Sharia supervisory board does not impact the performance of Sharia banking in Southeast Asia according to Maqashid Sharia, leading to the rejection of hypothesis H3. The coefficient for the Sharia supervisory board variable is 0.135240, indicating that adding 1 member to the Sharia supervisory board can enhance Maqashid Sharia's performance by 0.135%.

DPS plays a role in overseeing Sharia banking performance to ensure adherence to Maqashid Sharia rules. A Department of Sharia Banking (DPS) of highly educated SDI members can offer valuable insights on banking products and processes, potentially impacting the performance of Sharia banking to align with Maqashid Sharia principles. Currently, the issue is the scarcity of professionals in banking or Islamic economics, allowing individuals to serve as Sharia supervisory board members in many Sharia banks. The lack of strong controls from the central bank allows DPS members to hold many jobs simultaneously, exacerbating the situation. This affects the performance of the Department of Public Safety (DPS) in overseeing Sharia banking operations and could influence risk management, banking reputation, and particularly liquidity risk.

To address this issue, it is necessary to enhance the number of specialists in Islamic finance who have a deep understanding of Maqashid Sharia. The government can boost the number of finance or Sharia economics majors in colleges to enhance the growth of human resources in the field of Sharia economics. The central bank can enhance regulations to prevent individuals from holding simultaneous positions in several Sharia-compliant banks after increasing and optimizing human resources. This will allow members to concentrate on improving the performance of Sharia-compliant banking in a single institution. This study aligns with previous research indicating that the quantity of Sharia supervisory boards has no impact on the performance of Maqashid Sharia (Deza & Sofyani, 2022). Contrary research indicates that the performance of Maqashid Sharia is affected by the number of members on the Sharia supervision board (Sulistyawati et al., 2020).

The Influence of Audit Committee on the Performance of Southeast Asian Sharia Banking Based on Maqashid Sharia

Table 4 indicates that the p-value for the audit committee variable is 0.0048, which is less than 0.05, and the t-statistic value is -2.895213, which is less than -1.98729. The t-test results indicate that the quantity of audit committees negatively impacts the performance of Sharia banking in Southeast Asia according to Maqashid Sharia, leading to the rejection of hypothesis H4. The coefficient for the audit committee variable is -0.341475, indicating that each additional member on the audit committee will result in a 0.34% decrease in Maqashid Sharia's performance.

The audit committee is responsible for overseeing management's performance in creating the yearly financial report for Sharia banking. In Agency Theory, the audit committee can hinder management's attempts to alter banking and financial data, ensuring that financial reports accurately reflect the directors' performance to optimize results. The audit committee's responsibilities including assessing DPS findings related to management violations in financial report preparation. Ghabayen suggested that the task would be more efficiently handled with a reduced number of audit committees. This is to streamline decision-making processes and minimize superfluous discussions (Kibwage, 2021).

The research data indicates that there are still Sharia banks in Southeast Asia with more than 3 members on their Sharia banking audit committees. The large size of the audit committee will affect the efficiency of decision-making and collaboration with DPS in enhancing Maqashid Sharia's performance (Safitri & Mukhibad, 2020). Another factor that hinders the effectiveness of the audit committee is the absence of legislation prohibiting holding multiple positions in the audit committee and other roles like the board of commissioners in both internal and external Sharia banking. This leads to a lack of oversight over financial manipulation operations conducted by management and diminishes effectiveness in promoting fair competition among Sharia banks.

Sharia-compliant banks can address this issue by scaling the number of audit committees based on the size of the institution. The goal is to enhance efficiency and expedite decision-making in overseeing Sharia banking management. The central bank can establish regulations to restrict the quantity of audit committees and prevent individuals from holding multiple posts simultaneously in order to expedite decision-making processes. Another study with consistent findings indicates that the quantity of audit committee members negatively impacts the performance of Maqashid Sharia banking (Kholid & Bachtiar, 2015). However, this study opposes previous research that suggests a favorable correlation between the variable number of audit committee members and the Maqashid Sharia performance indicator (Sulistyawati et al., 2020).

CONCLUSION

The results of this research highlight the important role of the board of commissioners, independent board of commissioners, Sharia supervisory board, and audit committee in supervising and managing the performance of Sharia banking in Southeast Asia based on Maqashid Sharia. Nevertheless, the findings show that in practice, their influence on Sharia banking performance is not always in line with expectations. The board of commissioners and audit committee, which should be the main pillars in supervision, are often just a formality, while the existence of an independent board of commissioners has not been able to provide a significant impetus for improving performance. On the other hand, the existence of the Sharia supervisory board still faces obstacles in terms of limited experts and lack of adequate regulations. The solution to overcome this problem is to elect board members in a transparent and fair manner, increase human resources who are experts in the field of Islamic finance, and tighten regulations regarding the number of members and concurrent positions. In this way, it is hoped that Sharia banking can be more effective in achieving the goals of Maqashid Sharia and improve its performance in accordance with the established principles.

The implication of this research is the importance of implementing an effective Good Corporate Governance (GCG) structure in improving Sharia banking performance in Southeast Asia based on the Maqashid Sharia Performance Index (MSI). An increase in the number of members of the board of commissioners does not always result in increased performance, especially if these members lack integrity and experience. Apart from that, there is a need for a more active role from the independent board of commissioners to fight for the rights and obligations of minority shareholders and monitor the performance of Sharia banking. Furthermore, it is necessary to increase the function and independence of the Sharia supervisory board so that it can be more effective in monitoring performance and providing input to Sharia banking management. Lastly, proportionality in the number of audit committee members is also important to ensure fast and efficient decision making in coordination with the Sharia supervisory board and management.

The limitation of this research is that it has not considered other factors that can influence Sharia banking performance or external aspects that can influence GCG implementation. Besides that, this research also does not dissect in depth the differences in GCG implementation between Southeast Asian countries.

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