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Evaluation of Islamic Commercial Bank Financial Performance Using Sharia Maqashid Index (SMI): The Role of DPS and Islamic Financing

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Abstract

The effect of the number of DPS members, DPS education level, DPS meeting frequency, profit-sharing financing, and qardh financing on the performance of maqashid sharia at Islamic Commercial Banks in Indonesia in 2018–2021. A quantitative approach was used with panel data from 11 Sharia Commercial Banks registered with the OJK during 2018–2021. The sample was selected using purposive sampling with 44 analysis units. The independent variables include the number of DPS members, DPS education level, DPS meeting frequency, profit-sharing financing, and qardh financing. The dependent variable is the performance of maqashid sharia as measured using the Sharia Maqashid Index (SMI). Data were obtained through documentation and analyzed using panel data regression through EViews 10. Based on the Chow and Hausman test, the best model used was the Fixed Effect Model (FEM). The results show that the number of DPS members, DPS education level, profit-sharing financing, and qardh financing do not significantly affect the performance of maqashid sharia. Only the frequency of DPS meetings has a significant positive effect on the performance. Therefore, Islamic banks need to increase the intensity of DPS meetings to strengthen the supervisory function and support achieving maqashid sharia objectives.

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INTRODUCTION

The development of Sharia-based financial institutions (LKS) has experienced very rapid growth; this can be a strength for the Islamic economic world in Indonesia. Sharia banking is one of Indonesia's financial institutions that has experienced rapid growth. Based on Law Number 21 of 2008 concerning Sharia Banking, a Sharia Bank is a bank that carries out business activities based on Sharia principles as regulated in the fatwa of the Indonesian Ulema Council, such as the principles of justice and balance (*'adl wa tawazun*), welfare (*maslahah*), universalism (*aliyah*), and does not contain gharar, may, usury, zalim, and objects that are forbidden. This principle is very prominently different from Sharia banking. Conventional banking, in its business activities, uses an interesting system (*riba*), while Sharia banking is not allowed. The implementation of regulatory and supervisory functions from the aspects of prudence and good governance is carried out by the Financial Services Authority (OJK). Based on its activities, Islamic banking is divided into three, namely Islamic General Banks (BUS), Islamic Business Units (UUS), and Islamic People's Financing (BPRS).

The financial performance of Islamic banking has developed every year, measured using *Return On Assets* (ROA) and Operating Costs and Operating Income (BOPO) obtained from Islamic banking statistical data. Based on ROA measurements, data shows that BUS experienced ups and downs during 2018-2021. In 2018-2019, it continued to increase, then in 2020, it decreased by 0.17%. After that, it increased again by 0.15%, but UUS experienced a continuous decline. Meanwhile, the financial performance measured using BOPO in BUS in 2018-2021 decreased by 0.14%. In the U.S., the increase was 0.20%, while in 2021, it decreased by 0.21%. These performance results show that Islamic banking still uses financial ratios in assessing its performance, whereas financial ratios only prioritize seeking worldly profits. The purpose of Islamic banking is not solely to seek profit but for the afterlife and the welfare of the people.

Performance measurement of a global company, including Islamic banking, still uses conventional ratio measurements such as CAMELS (Capital, Asset, Management, Earning, Liquidity, Sensitive to Market Risk) (Al-Ghifari, Handoko, & Yani, 2015). The use of conventional ratios, if applied, has many weaknesses; it cannot be fully applied to Islamic banking because it is not only required to measure financial performance but must also measure the achievement of Islamic objectives, namely *maqashid sharia* so that it can be known whether the performance of Islamic banking is by Islamic values and principles or not (Afrinaldi, 2013). Islamic banking operations must be by Islamic principles and values so that the objectives of Islamic banks will be appropriate if the measurement is based on maqashid sharia (Kholid & Bachtiar, 2015).

In 1997, Abu Zahrah developed the concept of maqashid sharia, which is classified into three, namely educating individuals (*Tahdhib al-Fardh*), upholding justice (*Iqamah al-Adl*), and public interest (*Jalb al-Maslahah*). Then, Mohammed & Razak (2008) developed the concept of measuring Islamic banking performance using the *Sharia Maqashid Index* (SMI) measuring tool. This measuring tool can assess financial performance from financial and non-financial aspects. This SMI measuring tool results in more optimal Islamic banking performance. The following is a presentation of the performance achievements of Islamic commercial banks measured using maqashid sharia in previous studies.

Table 1. Achievement of Maqashid Syariah Performance in Previous Research

Researcher (Year)	Number of Samples	Research Year	Mark Max	Min Value	Average
Anton & Amirus (2016)	9 Banks	2015	0.37602	0.18765	0.28652
Lia & Luqman (2016)	7 Banks	2010-2014	0.2986	0.2481	0.2813
Cakhyaneu (2018)	12 Banks	2011-2016	0.27696	0.22596	0.22190
Nisa, Hosen, Muhari (2018)	10 Banks	2012-2016	0.252	0.142	0.2059
Hasna & Herbirowo (2018)	3 Banks	2014-2016	0.25835	0.23084	0.24590

Source: Processed secondary data

Based on Table 1 above, the results of financial performance achievement in 2010–2016 using the Maqashid Syariah Index (MSI) in Islamic commercial banks are still very low. The average MSI achievement only reaches 0.2059 to 0.28652, which is very far from the maximum value of maqashid syariah performance achievement, which is 1. A value of 1 on the MSI indicates that Islamic banks fully carry out their operations optimally according to Sharia principles and objectives (Anton & Amirus, 2016; Nisaazis et al., 2018). This means that all aspects of bank operations—from financial management to the products and services offered—have fully reflected the values of maqashid syariah, including justice, welfare, and benefits for the community (Dusuki & Bouheraoua, 2011).

However, the low MSI achievement reflects that Islamic commercial banks have not fully implemented Sharia principles. This low MSI achievement can affect the bank's financial performance. When banks do not fully implement sharia principles, this can reduce customer trust and market competitiveness and increase reputational risk (Antonio, 2001). Financially, banks that are not optimal in achieving MSI may experience problems in profitability and operational efficiency because business activities not by sharia can impact less effective resource management. Therefore, achieving a higher MSI is very important to ensure that Islamic banks are not only financially profitable but also play a role in improving the welfare of the community by Sharia principles.

Research on the financial performance of maqashid sharia has been widely conducted, but different research results have been shown. To test several factors that are used as independent variables on the financial performance of maqashid sharia, such as the number of DPS (*Dewan Pengawas Syariah/* Sharia Supervisory Board) members, frequency of DPS meetings, DPS education level, profit-sharing financing, and qardh financing.

Anton & Amirus (2018) show that the number of DPS members hurts the performance of maqashid sharia, the level of DPS education has a positive effect, while the frequency of DPS meetings and concurrent DPS positions do not affect performance. In contrast, Rifqy & Hapsari (2020) found that both the number of DPS members and meeting frequency do not significantly affect maqashid sharia performance. Meanwhile, Syahrini, Laila, & Muda (2021) found a positive effect of the number of DPS members on maqashid performance.

Andry (2016) research shows profit-sharing financing has a positive but insignificant effect on financial health. Sufi (2017), however, found a significantly negative effect. On qardh financing, Sufi (2017) found a significant positive effect on financial health, while Paramadita, Lubis, & Murniati (2021) found no significant effect on ROA, and Hustia & Candera (2019) found a significant positive effect on ROE.

The novelty of this study lies in integrating Islamic banking performance measurement with the Sharia Maqashid Index (SMI), which combines financial and non-financial aspects to evaluate the extent to which Islamic commercial banks implement Islamic principles in their operations (Mohammed & Taib, 2015). This study introduces five independent variables (number of SSB members, education level, meeting frequency, profit-sharing financing, qardh financing), which were previously less explored in-depth.

The theories underlying this research are Sharia Enterprise Theory (SET), Islamic Theory of the Firm, and Islamic Accountability Theory. SET places Allah SWT as the ultimate accountability center (Triyuwono, 2012). The Islamic Theory of the Firm explains that a company based on Islamic teachings manages resources in line with the Qur'an and Hadith (Anzied, 2007). Islamic Accountability Theory unites usefulness, decisions, management, and accountability to Allah and humans (Baki, 2013).

This study aims to examine the influence of SSB roles and Sharia compliance on Islamic bank performance through five questions: (1) Does the number of SSB members affect SMI performance?; (2) Does SSB education level affect SMI performance?; (3) Does the frequency of SSB meetings affect SMI performance?; (4) Does profit-sharing financing affect SMI performance?; (5) Does qardh financing affect SMI performance? These will help evaluate how far Islamic principles are applied in Islamic bank operations in Indonesia.

METHOD

The type of research used in this study is quantitative research with a hypothesis testing research design (*hypothesis study*). The research population is Islamic Commercial Banks registered with the Financial Services Authority (OJK) in 2018-2021. The type of data used in this study is *unbalanced*, and the data used can differ in each period. The *purpose sampling technique was used*, and 11 Islamic Commercial Banks were obtained. The sample selection criteria are presented in Table 2.

Table 2. Sample Selection Criteria

No	Sample Criteria	2018	2019	2020	2021	Amount
1	Sharia Commercial Banks registered with the Financial Services Authority (OJK) in 2018-2021.	11	11	11	11	44
2	Islamic Commercial Banks that did not publish annual financial reports *during* 2018-2021.	0	0	0	0	0
3	Islamic Commercial Banks that did not publish *Good Corporate Governance* (GCG) reports during 2018-2021.	0	0	0	0	0
Number of units of analysis		**11**	**11**	**11**	**11**	**44**

Based on data from the Financial Services Authority (OJK) and related sources, the following is a list of Islamic Commercial Banks (BUS) registered with the OJK during the 2018–2021 period and meeting the research criteria: (1) Bank Muamalat Indonesia; (2) Bank Negara Indonesia Syariah (BNI Syariah); (3) Bank Rakyat Indonesia Syariah (BRI Syariah); (4) Bank Syariah Mandiri; (5) Bank Mega Syariah; (6) Bank Panin Dubai Syariah; (7) Bank Victoria Syariah; (8) Bank DKI Syariah; (9) Bank Jabar Banten Syariah (BJB Syariah); (10) Bank Bukopin Syariah; (11) Bank CIMB Niaga Syariah.

The research model used in this study is a panel data regression model, which is described by the following equation:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + e_{it}$$

Information

Y	=	Performance of Maqashid Syariah
α	=	Constant or intercept
$\beta_1 - \beta_6$	=	Regression coefficient
X_1	=	Number of DPS Members
X_2	=	DPS Education Level
X_3	=	DPS Meeting Frequency
X_4	=	Profit Sharing Financing
X_5	=	Qardh Financing
e_1	=	error term or residual

The dependent variable in this study is the performance of maqashid sharia. In contrast, the independent variables are the number of DPS members, DPS education level, DPS meeting frequency, profit-sharing financing, and qardh financing. The operational definition of the variables can be explained in Table 3.

Table 3. Definition of Research Variables

No	Variables	Definition	Measurement	Reference
1	Performance of Maqashid Syariah	Performance assessment is reviewed from financial and non-financial aspects, which are based on the three objectives of maqashid sharia: educating individuals, upholding justice, and public interest.	*Maqashid Sharia Index* (MSI)	Mohammed and Razak (2008)
2	Number of DPS Members	The number of members in each sharia banking.	Ranking method, ≥4 DPS score 4; 3 DPS score 3; 2 DPS score 2; 1 DPS score 1.	Dewindaru, Oktarini, & Rofiq (2019)
3	DPS Education Level	The final level of education ever taken by members of the Sharia supervisory board.	With an average system, a doctoral degree scores 3, a master's degree scores 2, and a bachelor's degree is scored 1.	Dewindaru, Oktarini, & Rofiq (2019)
4	DPS Meeting Frequency	The number of meetings held by the Sharia supervisory board members within 1 (one) year.	With the ranking method, > 20 scores 4, 16-20 meetings scores 3, 11-15 meetings scores 2, and ≤10 meetings scores 1.	Paraditima, Hidayat, & Prabowo (2021)
5	Profit Sharing Financing	Financing of business cooperation with the business profits being shared between the Islamic bank and the customer according to the agreement at the beginning of the contract.	Ln (Mudharabah Financing + Musyarakah Financing)	Triyuwono (2012); Syahrini, Rahmawati, Putri (2021)
6	Qardh Financing	A loan given by a Sharia bank without any conditions other than repaying the loan after a specific period.	Qardh Financing / Total Financing	Wardatul & Dina (2016)

The data collection technique in this study uses documentation techniques by collecting secondary data obtained from the financial reports of Islamic Commercial Banks through the websites of each Islamic Commercial Bank in Indonesia in 2018-2021. The research data uses panel data, namely a combination of time series and cross-section data processed using the Eviews 10 application. The data analysis method uses descriptive and inferential statistical analysis through panel data regression analysis. In panel data regression analysis, there are three main approaches used to estimate the model, namely Pooled Least Squares (PLS), Fixed Effect Model (FEM), and Random Effect Model (REM). The best model is selected through statistical tests such as the Chow test, Hausman test, and Lagrange Multiplier test. The use of panel data regression in this study allows for a more in-depth analysis of the effect of the number of DPS members, DPS education level, DPS meeting frequency, profit-sharing financing, and qardh financing on financial performance based on maqashid sharia at Islamic Commercial Banks in Indonesia.

Based on the theoretical study and previous research results described previously, several hypotheses are formulated to be tested empirically in this study. These hypotheses are formulated to determine the influence of each independent variable on the dependent variable using the framework of thought and research model that have been explained. The hypotheses in this study are as follows:

The number of DPS members refers to the number of members of the Sharia Supervisory Board (Dewan Pengawas Syariah) in each Islamic Commercial Bank. Based on the financial performance of Maqashid Sharia, the number of DPS members can be explained through Sharia Enterprise Theory (SET) and Islamic Accountability Theory. In carrying out their roles, DPS members must adhere to Islamic principles, which demand both vertical accountability to Allah SWT and horizontal accountability to humans (Triyuwono, 2007). The more DPS members fulfill their roles in accordance with Sharia principles, the more optimal the supervisory function becomes in Islamic commercial banks. Dewayanto (2010) stated that an increase in the number of DPS in financial institutions enhances the supervision of management, ensuring conformity to Islamic principles. Supporting this, Syahrini, Rahmawati, & Putri (2021) found that the number of DPS members has a significant positive influence on Maqashid Sharia performance, based on statistical analysis.

H_1: The number of DPS members has a significant positive effect on the performance of maqashid sharia**.**

The education level of DPS members refers to the highest academic qualification achieved. In the context of SET and Islamic Accountability, DPS members are accountable to Allah SWT and society. A higher educational level is associated with broader knowledge and deeper understanding of Sharia rules, which enables DPS to provide optimal supervision of Islamic banking practices (Dewindaru, Oktarini, & Rofiq, 2019). This improved supervision enhances compliance with Islamic principles, contributing positively to Maqashid Sharia performance. Anton (2018) empirically showed that the education level of DPS significantly and positively affects the financial performance of Islamic banks based on the Maqashid Sharia framework.

H_2: The level of education of DPS members has a significant positive effect on the performance of maqashid sharia**.**

The frequency of DPS member meetings is the number of official meetings held annually by the Sharia Supervisory Board. SET and Islamic Accountability emphasize that these meetings must align with Islamic ethics, be documented, and be justifiable to both Allah SWT and society. The frequency of meetings plays a crucial role in the decision-making process. According to Wardatul & Dina (2016), increased meeting frequency enhances coordination among DPS members, improving supervisory effectiveness. More frequent meetings also lead to more feedback being provided to management, thereby improving overall governance. Emile (2020) confirmed a significant positive effect of DPS meeting frequency on Maqashid Sharia performance.

$H_{3:}$ The frequency of DPS meetings has a significant positive effect on the performance of maqashid sharia.

Profit-sharing financing is a Sharia-compliant financing method wherein Islamic Commercial Banks participate in the profits of customers' ventures without charging interest (Vitriana & Yuan, 2020). Based on SET and Islamic Theory of the Firm, Islamic banks must uphold Sharia principles in managing entrusted funds, including using mudarabah and musyarakah contracts. Budihariyanti, Fatno, & Susanti (2018) found that a higher volume of profit-sharing financing leads to better financial performance in line with Maqashid Sharia objectives. This is because such financing promotes equitable profit distribution, fosters justice, and enhances societal welfare—core objectives of maqashid sharia.

H_4: Profit-sharing financing has a significant positive effect on the performance of maqashid sharia**.**

Qardh financing refers to interest-free loans provided by Islamic banks, which must be repaid only at their principal value (Soemitra, 2016). SET and Islamic Theory of the Firm mandate that all financing activities serve humanity while adhering to Islamic values. Qardh is a manifestation of benevolence and trust, attracting communities to Islamic banking services. According to Afkar (2017), increasing qardh financing builds stronger partner relationships and public trust. Paraditima et al. (2021) also found that qardh financing has a significant positive effect on maqashid sharia performance, particularly as measured through return on assets (ROA).

H_5: Qardh financing has a significant positive effect on the performance of maqashid sharia**.**

RESULT AND DISCUSSION

Descriptive statistical analysis is used to determine the description of data seen from the average value (mean), standard deviation, median, maximum value, a minimum of variables that include the performance of maqashid sharia (Y) as a dependent variable, the number of DPS members (X1), DPS education level (X2), DPS meeting frequency (X3), profit sharing financing (X4), and qardh financing (X5) as independent variables. The following are the results of the descriptive statistical test:

Table 4. Descriptive Analysis Results

	Y	X1	X2	X3	X4	X5
Mean	0.510777	2.136364	2.541591	2.386364	13.39493	0.054773
Median	0.537300	2,000,000	2.500000	2,000,000	14.04600	0.021000
Maximum	0.909400	3.000000	3.000000	4.000000	25.68900	0.880000
Minimum	-0.010700	2,000,000	1,500,000	1,000,000	0.000000	0.000000
Std. Dev.	0.209241	0.347142	0.417929	0.841259	3.885702	0.141933

Source: processed secondary data, 2025

Based on Table 4, the average performance of maqashid sharia (Y) is 0.5108 with a variation in value from -0.0107 to 0.9094. The Number of DPS Members (X1), DPS Education Level (X2), and DPS Meeting Frequency (X3) each have an average of 2.14, 2.54, and 2.39, indicating a relatively stable DPS characteristic. Meanwhile, Profit Sharing Financing (X4) is quite varied, with an average of 13.39, and Qardh Financing (X5) is still low, with an average of 0.0548. These data indicate that the diversity between banks can affect the achievement of maqashid sharia performance.

Before proceeding with the regression analysis, testing the classical assumptions required for the regression results to be reliable is important. The classical assumption test ensures that the regression model meets the required requirements, such as the absence of multicollinearity, heteroscedasticity, autocorrelation, and normality. The following are the results of the classical assumption test, along with the interpretation of the results.

Table 5. Classic Assumption

Test Type	Test Method	Test Results	Interpretation
Normality	Jarque-Bera	Probability = 0.401	Residual data is normally distributed (p > 0.05)
Multicollinearity	Variance Inflation Factor	VIF of all variables < 2 (highest 1.85 on X4)	There is no multicollinearity
Heteroscedasticity	Breusch-Pagan Test	Prob. Chi-Square = 0.267	There is no heteroscedasticity (p > 0.05)
Autocorrelation	Durbin-Watson	DW = 1.89	There is no autocorrelation (values approaching 2)

Based on the results of the classical assumption test conducted on the panel data regression model, the following conclusions can be drawn:

1. The normality test using the Jarque-Bera test shows a probability value of 0.401, which is greater than 0.05. This shows that the residual distribution of this regression model does not deviate from the normal distribution, so the normality assumption is adequately met.
2. The multicollinearity test through Variance Inflation Factor (VIF) shows a relatively low VIF value, with the highest value of 1.85 in variable X4. Since the VIF values of all independent variables are below 10, it can be concluded that there is no significant multicollinearity between the independent variables in this model, which means that each independent variable can contribute independently to the dependent variable.
3. The Heteroscedasticity Test using the Breusch-Pagan test produces a probability value of 0.267, greater than 0.05. This indicates that there is no heteroscedasticity problem; namely, the residual variance is not constant across observations. In other words, this model meets the assumption of homoscedasticity.
4. The autocorrelation test using the Durbin-Watson (DW) statistic gives a value of 1.89, close to 2. This indicates no autocorrelation; the residuals in one observation are not correlated with those in other observations, so the assumption of residual independence is met.

After conducting classical assumption testing and ensuring that the data meets the requirements for regression analysis, the next step is to test the research hypothesis. Hypothesis testing aims to test the relationship between independent and dependent variables based on a previously prepared model. The following are the results of hypothesis testing, along with their interpretations.

Table 6. Hypothesis Test Results

Hypothesis	Coefficient	P-Value	Information
Intercept	0.505345	0.0132	Accepted
H1: The number of DPS members has a significant positive effect on the performance of maqashid sharia.	-0.932091	0.3593	Rejected
H2: The level of education of DPS has a significant positive effect on the performance of maqashid sharia.	-0.712910	0.4818	Rejected
H3: The frequency of DPS meetings has a significant positive effect on the performance of maqashid sharia.	2.238383	0.0333	Accepted
H4: Profit sharing financing has a significant positive effect on the performance of maqashid sharia.	-9,42070	0.3542	Rejected
H5: Qardh financing has a significant positive effect on the performance of maqashid sharia.	0.903168	0.3741	Rejected

Source: processed secondary data, 2023

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + e_{1it}$$

$$Y_{it} = 0{,}505345 - 0932091\ X_{1it} - 0{,}712910 X_{2it} + 2{,}238383 X_{3it} - 9{,}42070 \beta_4 X_{4it} + 0{,}903168\ X_{5it} + e_{1it}$$

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

The results show a probability value of 0.3593 or greater than the significance level of 0.05. Then, the calculated t value of -0.932091 is smaller than the t table value of 2.0180. The test results show that the number of DPS members does not affect the performance of maqashid sharia, so H1 is rejected.

The results of this study indicate that the number of members of the Sharia Supervisory Board (SSB) does not have a significant effect on the performance of maqashid sharia, which is contrary to the theoretical expectations of the Sharia Enterprise Theory (SET) and Islamic Accountability Theory (IAT). The SET, as developed by Triyuwono (2007), proposes that Islamic organizations should be oriented not only toward profit but also toward fulfilling spiritual and social objectives through accountability to Allah (*hablumminallah*), humans (*hablumminannas*), and the environment (*hablum minal ‘alam*). Similarly, IAT emphasizes the concept of *taklif* (moral responsibility) and *amanah* (trust) in ensuring that Islamic institutions uphold accountability not only to stakeholders but also to broader societal and religious objectives (Haniffa, 2002; Lewis, 2006).

Theoretically, a larger number of SSB members should enhance the quality and coverage of sharia supervision (Farook, Hassan, Lanis, 2011), thereby improving compliance and maqashid sharia performance. However, this study shows otherwise. A possible explanation lies in issues such as multiple board memberships (*interlocking*) (Muda & Hasibuan, 2017), low engagement in meetings (Dewindaru, Rizqullah, Habiburrahman, 2019), or lack of educational qualifications and independence (Grais & Pellegrini, 2006), all of which reduce the effectiveness of DPS roles despite their quantity. These findings are consistent with previous empirical studies (Rifqi & Hapsari, 2020; Wahyu & Putri, 2020; Azis & Mansur, 2021; Nur & Husna, 2022) which also reported no significant effect of the number of SSB members on Islamic banks’ maqashid-based performance.

The Influence of DPS Education Level on Maqashid Syariah Performance

The partial test results show a probability value of 0.4818 or greater than the significance level of 0.05. Then, the calculated t value of -0.712910 is smaller than the t table value of 2.0180. From the test results, it can be seen that the level of education of DPS members does not affect the performance of maqashid sharia, so H2 is rejected.

The results of this study do not support the Sharia Enterprise Theory (SET) (Triyuwono, 2007) and Islamic Accountability Theory (IAT) (Haniffa, 2002; Lewis, 2006), which assert that DPS members must possess adequate education aligned with sharia principles because every decision taken relates to moral and spiritual accountability to Allah SWT and to the public. SET highlights the multidimensional accountability of Islamic institutions—not only to shareholders but also to Allah, society, and the environment (*hablumminallah, hablumminannas, hablum minal ‘alam*). However, the study's findings are consistent with the results of Al-Ghifari, Handoko, & Yani (2015), who suggest that education alone may not guarantee optimal supervision.

Although many DPS members have educational backgrounds in Islamic studies, there are often shortcomings in the diversity of disciplines required—such as finance, law, and accounting (Grais & Pellegrini, 2006)—to effectively understand complex banking operations and evaluate fatwas from the DSN-MUI. This lack of interdisciplinary knowledge can undermine the effectiveness of sharia supervision and reduce the ability of DPS to ensure maqashid-oriented performance. Similar findings are also supported by Kholid & Bachtiar (2015), who found that educational background alone is not enough to ensure that DPS members can effectively contribute to the maqashid sharia performance.

This finding is consistent with previous empirical research. Studies by Octaviani (2020), Fatah, Sari, Taufiqurrahman (2022), and Hoerunisa, Rachmawati, & Amalia (2023) also found that the education level of DPS members does not have a significant effect on maqashid sharia performance in Islamic commercial banks. Similarly, research by Dewi & Mahfud (2021) and Nurdin & Kurnia (2020**)** further supports the notion that education alone—without practical experience and diversity of knowledge—may not sufficiently enhance DPS effectiveness in ensuring sharia compliance and achieving maqashid outcomes. This finding aligns with the work of Mohammed & Razak (2008), who discussed the importance of comprehensive education and experience in the effective functioning of DPS in Islamic banks.

The Influence of DPS Meeting Frequency on Maqashid Syariah Performance

The partial test results show a probability value of 0.03 or less than the significance level of 0.05. Then, the calculated t value of 2.2383 is greater than the t table value of 2.0180. From the test results, the frequency of DPS member meetings positively affects the performance of maqashid sharia, so H3 is accepted.

The results of this study indicate that the more frequently DPS members hold meetings, the better the performance of maqashid sharia is achieved. This is in line with the Sharia Enterprise Theory (SET) and Islamic Accountability Theory (IAT), which explain that meetings held by DPS members aim to deliberate and reach a consensus in deciding policies that can be accounted for by Allah SWT and all stakeholders (Rahman & Ibrahim, 2019). The higher the frequency of meetings, the more problems can be discussed and appropriately resolved (Ali & Ahmed, 2020; Zubair, 2021).

This study is in line with the findings of previous studies, such as Hassan & Kamaruddin (2017); Hasanah (2018); and Shabira (2021) which show that high meeting frequency allows DPS to be more proactive in supervising bank policies and operations. This supports achieving the objectives of maqashid sharia, namely the welfare of the people through economic activities by sharia (Nurmalia, 2019; Aswad & Zulfiqar, 2020).

The Influence of Profit Sharing Financing on the Performance of Maqashid Syariah

The results show a probability value of 0.3542 or greater than the significance level of 0.05. Then, the calculated t value of -0.942070 is smaller than the t table value of 2.0180. The test results show that profit-sharing financing does not affect the performance of maqashid sharia, so H4 is rejected.

The results of this study do not support the Sharia Enterprise Theory (SET) and the Islamic Theory of the Firm, which state that every activity must be in line with sharia principles and be accountable before Allah SWT (Triyuwono, 2007; Iqbal & Mirakhor, 2011). The basic principle in profit-sharing financing is the sharing of both profits and risks between the bank and the customer in accordance with the agreed contract. However, in practice, many partnerships in profit-sharing schemes do not yield optimal benefits.

One plausible explanation is the economic turbulence caused by the COVID-19 pandemic, which has significantly impacted various sectors—particularly MSMEs and productive sectors where Islamic banks allocate their profit-sharing financing (Rahmawati & Hidayat, 2022). As a result, the realization of profits from these contracts often falls short of expectations, disrupting the performance indicators aligned with maqashid sharia.

This finding is in line with previous studies such as Dian & Tri (2021), Agustriani (2018), and Prasetyo & Fahmi (2022), who also found that profit-sharing financing does not significantly affect the maqashid sharia performance. This suggests that although profit-sharing financing embodies the ideals of sharia compliance, its impact can be neutralized by exogenous factors such as poor risk management, lack of supervision, or external macroeconomic shocks.

The Influence of Qardh Financing on the Performance of Maqashid Syariah

The results show a probability value of 0.3741 or greater than the significance level of 0.05. Then, the calculated t value of 0.903168 is smaller than the t table value of 2.0180. From the test results, it can be seen that qardh financing does not affect the performance of maqashid sharia, so H5 is rejected.

This study does not support the Sharia Enterprise Theory and the Islamic Theory of the Firm, which assert that every operational activity in Islamic financial institutions must comply with Islamic principles and ultimately be accountable to Allah SWT (Triyuwono, 2007; Iqbal & Mirakhor, 2011). Although *qardh* financing is designed to embody the spirit of altruism (*tabarru'*) and financial inclusion, which aligns with maqashid objectives such as helping the needy and preserving wealth (*hifz al-mal*), its impact in practice remains marginal.

Descriptive statistics also show that the minimum amount of *qardh* disbursed is zero, which indicates that many Islamic commercial banks are not optimizing this financing model. This can be attributed to the non-profit nature of *qardh*, which may reduce its attractiveness to institutions focused on financial sustainability (Ascarya, 2020).

The findings are in line with those of Sholihah (2019) and Verkhan & Agung (2020), as well as Fitri & Maulidah (2021), who also observed that *qardh* financing has not significantly impacted maqashid performance. These studies reinforce the notion that while qardh reflects idealistic sharia values, its underutilization limits its role in realizing broader maqashid objectives such as social justice and equitable access.

CONCLUSION AND RECOMMENDATION

Based on the study's results, the number of members of the Sharia Supervisory Board (SSB) does not significantly affect the performance of maqashid sharia. This can be seen from the test results, which show that although the number of SSB members varies, it does not directly affect the performance of maqashid sharia in Islamic commercial banks. The level of education of SSB members also does not show a significant effect on the performance of maqashid sharia. Although most SSB members have a background in sharia education, the limitations of other educational backgrounds, such as economics, law, and finance, can limit their ability to optimize the role and function of broader supervision in improving the performance of maqashid sharia. On the other hand, the frequency of SSB member meetings positively affects the performance of maqashid sharia. The more frequently the meetings are held, the better the performance of maqashid sharia is achieved. This aligns with the theory of Sharia Enterprise and Islamic Accountability, which explains that meetings held with higher intensity allow for better decision-making and more effective problem-solving, which ultimately contributes to the performance of maqashid sharia. However, profit-sharing and qardh financing do not affect the performance of maqashid sharia. For profit-sharing financing, external factors such as the impact of the COVID-19 pandemic can affect the results obtained so that they are not as expected. Meanwhile, qardh financing is underutilized by several banks, resulting in this instrument being unable to significantly impact the performance of maqashid sharia. Overall, this study provides insight into the factors that affect the performance of maqashid sharia, with the frequency of meetings as a factor that has a positive influence, while other factors, such as the number of DPS members, education level, and type of financing need to be given more attention and evaluated to improve the performance of maqashid sharia in the future.

Based on the research results, several suggestions can be given to improve the performance of maqashid sharia in Islamic banks. First, although the number of DPS members does not have a significant effect, it is recommended that DPS members have a more diverse educational background, such as economics, law, and finance, to improve the quality of supervision. Second, because the frequency of meetings positively affects the performance of maqashid sharia, banks need to increase the intensity of DPS meetings to improve decision-making and supervision. In addition, although profit-sharing financing and qardh financing do not have a significant effect, Islamic banks need to optimize both instruments further, taking into account external factors such as the impact of the pandemic. Further research is also recommended to expand the sample, including Sharia Business Units (UUS) and Sharia People's Financing Banks (BPRS), to obtain a more complete picture of the performance of Maqashid Sharia.

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