



Jurusan Akuntansi Masyarakat Akuntansi Multiparadigma Indonesia



Jurnal Akuntansi Multiparadigma

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IS MAQASHID SHARIAH IMPORTANT FOR ISLAMIC BANKS?

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Volume 13
Nomor 3
Halaman 420-431
Malang, Desember 2022
ISSN 2086-7603
e-ISSN 2089-5879

Tanggal Masuk:

01 Agustus 2022

Tanggal Revisi:

28 November 2022

Tanggal Diterima:

31 Desember 2022

Kata kunci:

firm value,
islamic banks,
maqashid sharia,
transaction

Mengutip ini sebagai:

Anggrayni, L., Tabe, R., & Azzochrah, N. A. (2022). is Maqashid Shariah Important for Islamic Bank? *Jurnal Akuntansi Multiparadigma*, 13(3), 420-431. <https://doi.org/10.21776/ub.jamal.2022.13.3.31>

Abstrak – Apakah Maqashid Syariah penting untuk Bank Syariah?

Tujuan Utama – Penelitian ini bertujuan untuk mengukur peran kinerja *maqashid* syariah dalam meningkatkan nilai perusahaan pada bank syariah.

Metode – Penelitian ini menggunakan analisis regresi berganda. Sampel penelitian adalah laporan keuangan 11 bank syariah selama periode 2016-2020.

Temuan Utama – Bank Syariah biasanya menggunakan pengukuran konvensional dalam mengukur kinerja dan nilai perusahaannya. Padahal, pengukuran ini tidak sesuai dengan karakteristik dari bank syariah. Oleh karena itu, penggunaan IMSPSM dan SEVA sebagai alat pengukuran kinerja dan nilai perusahaan bagi bank syariah dinilai lebih lengkap dan menyeluruh.

Implikasi Teori dan Kebijakan – Penelitian ini memiliki implikasi yang besar pada bidang kajian akuntansi syariah. IMSPM dan SEVA direkomendasikan untuk mengukur nilai serta kinerja perbankan syariah.

Kebaruan Penelitian – Originalitas dari penelitian ini terdapat pada variabel nilai perusahaan yang diukur dengan menggunakan formula baru yang dikembangkan dari indikator EVA.

Abstract – Is Maqashid Shariah important for Islamic Banks?

Main Purpose - This study aims to measure the role of *maqashid sharia* performance in increasing firm value in Islamic banks.

Method – This study used multiple regression analysis. The research sample was the financial statements of 11 Islamic banks during the 2016-2020 period.

Main Findings – Islamic banks usually use conventional measurements to measure the company's performance and value. In fact, this measurement is not in accordance with the characteristics of Islamic banks. Therefore, the use of IMSPSM and SEVA as a tool for measuring performance and corporate value for Islamic banks is considered more complete and comprehensive.

Theory and Practical Implications – This research has significant implications in Islamic accounting studies. IMSPM and SEVA are recommended to measure the value and performance of Islamic banking.

Novelty – The originality of this research is found in the firm value variable, which is measured using a new formula developed from the EVA indicator.



The discourse and theoretical ground of firm performance measurement are critical and essential in Islamic accounting. There are countless methods to measure firm performance offered to measure Islamic institution performance, including Islamic banking (Amin & Hamid, 2018; Elnahas et al., 2021). In the recent practice, most Islamic institutions have used these conventional measurements (Hartono & Sobari, 2017; Tarique et al., 2021). This is supported by the statement from (Hudaefi & Noordin, 2019) which explained that this conventional method has been using by Islamic banking to calculate their firm performance. For example, the Central Bank of Indonesia still calculates bank performance using CAMELS (Capital, Assets, Management, Equity, Liability and Sensitivity). Meanwhile, this approach has been internationally standardized and has been used by many scholars such as Hasan & Ali (2018) and Nouman et al. (2020) but it still had problematic implications. Because this measurement does not fit with the shariah compliance aspect in shariah bank. The shariah banks performance should be measured with correct indicators that fit with the nature of Islamic banks (Zaman et al., 2019).

According to previous studies, *Maqashid Shariah* as the theoretical ground of *Maqashid Shariah* performance could cover the performance measurement problem in Islamic institutions, especially in Islamic banks (See Antonio et al., 2020). In this discussion, *Maqashid Shariah* theory. This theory was determined appropriate in evaluating the performance of Islamic banks (Hudaefi & Badeges, 2022; Mukhibad et al., 2021). Choudhury (2018) explained that the relation between *Maqashid Shariah* performance and firm value was supported by triple bottom line concept which is revealed that a business should not only pay attention to the financial aspect but also the other aspect such as people, planet, and profit.

Furthermore, in Islamic accounting regulation, as stated in The Accounting and Auditing for Islamic Financial Institutions (AAOIFI) and the standard of financial accounting regulation the Islamic institutions must be adhered to the shariah principles on their activity and reporting. Therefore, in disclosing the financial information in the annual report; Islamic banks should lies on the Islamic principles. The information in the annual report usually discloses the income statement, firm performance as well as the cash flow. In the Islamic institution the existing of the Islamic transaction product which is reflected in the religious aspect, should be determined. Logically, if the financial and annual report was disclosed based upon the shariah principles, therefore the firm performance measurement as the evaluating tool should be measured based upon the shariah principles as well. Therefore, it could cover

the balance aspect between the financial aspect and the shariah compliance aspect based on the financial reporting approach.

The latest study which discussed the role of Islamic banks performance in increasing the firm value was derived into two categories. Firstly, the group which examined the Islamic banks performance and firm value by using conventional yardstick. Secondly, the second group which examined the Islamic banks performance by employing a yardstick with Islamic disclosure index. Several previous studies which employed conventional measurement was failed to measure the aspect of shariah ethics values and also religious business philosophy in the annual report, like Mohammed et al. (2015) and Sueb et al. (2022). This previous work still had limitations in measuring the Islamic banks performance, because the yardstick that has been developed could not represent the financial and religious aspect. The innovative study by Hudaefi & Noordin (2019) and Zaman et al. (2019) had been examined and developed the combination between the financial approach and Integrated *Maqashid Shariah* based performance Measure (IMSPM), but that study work only examined the firm performance without examining its effect on the firm value. Furthermore, Alhammadi et al. (2022) and Wahyuni et al. (2020) had conducted a study about Islamic banks performance and firm value, but this study still used traditional measurement to examine the firm value. Asni (2020) examined the effect of *Maqashid Shariah* performance on firm value and it still operationalized the traditional tool in measuring the firm value as instance they used economic value added (EVA) as the indicator of firm value. The novelty of this study lies in two aspects. Firstly, meanwhile, the previous study usually used qualitative approach in analyzing the Islamic banks performance, this study attempts to employ the quantitative approach in analyzing the Islamic banks firm performance. Secondly, this study shares new evidence of the Islamic banks from several different countries by employing the developed yardstick of firm value in Islamic banks.

In this paper, the author aims to explore this issue based on the *Maqasid Shariah* Index that explained by Mohammed et al. (2015) and Sueb et al. (2022) then also want to examine the role of *Maqashid Shariah* Index in increasing the firm value in Islamic banks around the world. The originality of this current work lies in the firm value variable, the author employed and developed shariah economic value added as the new indicator in measuring firm value Which is modified and developed from the economic value added (EVA) calculation method, it is different from the past academic work that has been done by Asni (2020) and Choudhury (2018) that only used EVA indicator without change the calculation method.

This academic work had major contribution to the Islamic accounting world, especially in measuring firm performance and the firm value in Islamic institution, especially Islamic banks, the author was developed a new measurement of EVA which is more fit with the Islamic institution characteristics, well known as SEVA (shariah economic value added).

METHOD

This research analyzed the *Maqasid Shariah* performance as the independent variable which was by measured Integrated *Maqashid Shariah* based performance measure (IMSPM) and the dependent variable was firm value (FV) that was measured by using SEVA. There were 11 samples of Islamic banks institutions from seven different countries in this paper. The data of the research was an annual report for the years 2016-2020 that were available in English on each website of the Islamic banks. The population of this study encompassed Islamic banks in the worldwide and the samples were consisting of the 11 best Islamic banks globally. In this academic work the researcher employee *Maqasid Shariah* Index in measuring Islamic banks performance, because this method was very appropriate to the nature of Islamic banks and in addition this method also fitted with the secondary data which used the financial reporting approach, this is supported by the previous academic work from Hudaefi & Noordin (2019) and Zaman et al. (2019) that had been employed the same method with this current work. This study was analyzed by using linear regression; this tool of data analysis was employed because this tool fit with the time series data that examined in this paper.

Figure 1 described the conceptual framework of this research. This framework described the role of *Maqashid Shariah* performance in increasing the firm value. The *Maqashid Shariah*

performance was measured by employee the five elements of Integrated *Maqashid Shariah* performance, which is rooted in Al-Ghazali theory, they are protection of religion, protection of soul, protection of intellect, protection of progeny, and protection of wealth. Then, based on Figure 1, the equation model is:

$$FV = \alpha + \beta IMSPM + e \quad (i)$$

In order to get the final result of IMSPM ratio, there were several ratios which should be calculated in order to get the performance ratio which was rooted in Hudaefi & Noordin (2019) and Mohammed et al. (2015). For instance, the first concept was faith that had two dimensions (non-negative elements and creating awareness of Islamic banking, the element of non-negative element or transactions dimension was interest free product and the creating awareness of Islamic banking dimension was representing by publicity. Both of these elements were measured by performance ratio. Interest free product was measured by interest income free/total income, and element publicity was measured by publicity expenses/total expenses. Furthermore, based on the research by Sueb et al. (202), after calculating the performance ratio of each elements, the next step was look at the value of average weight out of 100% for the value of the concept and the value of average weight out of 100% for the value of each elements.

The sample were from 10 different Islamic banks (IBs) from seven different countries. Furthermore, the indicator of firm value variable was measured by employed SEVA. SEVA (shariah economic value added) was the new developing formula which is adopted from EVA (economic value added). This new formula used the EVA calculation method that based on the shariah approach, for example in calculating EBIT the author changed the interest expense and financial

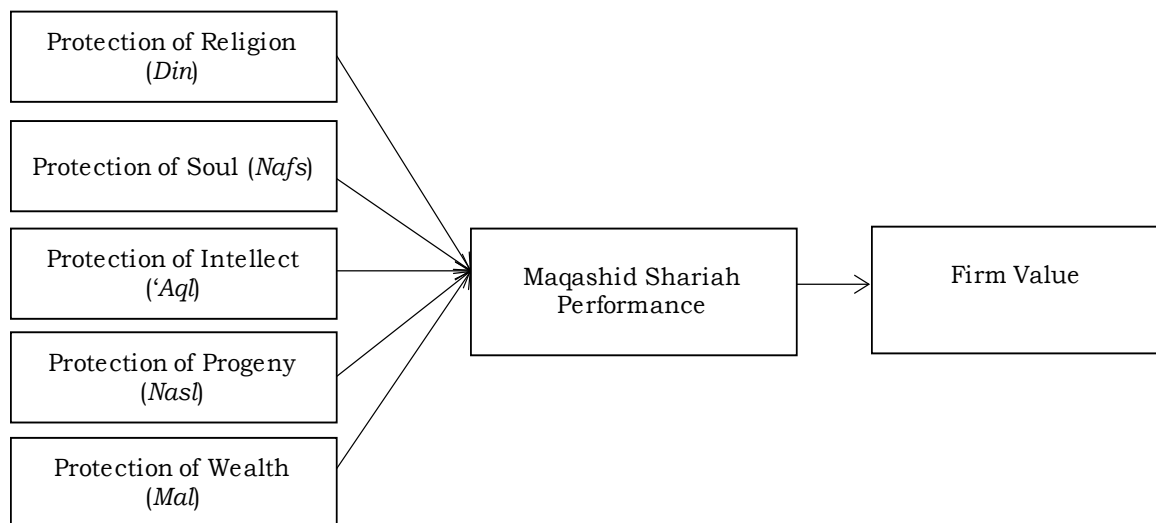


Figure 1. The Conceptual Framework

Table 1. The Regression Test Results

Variables	Test Results
Constant	1,647
Maqashid Shariah Index	2,638 (0,012)**
R Square	0,815

expense with administrative expense and other *halal* financial expenses. The author also added *zakat* expense in the formula of SEVA. The formula in calculating SEVA fit with the Islamic banks characteristics, because in Islamic banks there were no interest expense, but only administrative expense and other *halal* financial expense. Furthermore, the same thing also occurred in tax, the researcher added *zakat* expense in the formula, because the Islamic banks should disclosed the *zakat* fund in their report. Consequently, *zakat* should become the subtraction of the rofit before tax.

The variable test was performed using multiple linear regression analysis. The author conducted this test on the grounds that several previous studies also carried out similar tests (see Antonio et al., 2020; Hasan & Ali, 2018; Hudaefi & Noordin, 2019). The significance level used is 5%.

RESULTS AND DISCUSSION

After searching and analyzing the literature the author decided to collect data from the corporate annual report on the internet and then adopted the tool of measuring Maqasid Shariah performance that was reconstructed by Hudaefi & Noordin (2019) and Zaman et al. (2019). This former study employed 11 samples Islamic banks performance that was from 7 different countries. The author employed purposive sampling method to get the best samples that could represent the population of Islamic banks. After the gathering data process, the samples were calculated by employee the performance ratio. The next step was operationalizing the data of performance ratio with the assigned weight of IMSPM. After calculating the data by using the performance ratio formula, the next step was processing the data using IMSPM. Meanwhile, the formula of IMSPM employed to get the integrated *Maqashid Shariah* performance (IMPSM), the formula of SEVA was used to get the value of shariah economic value added (SEVA). In measuring the firm value, the author modified the formula of EVA (economic value added). This decision was made because there were some formulas which were not fit with the characteristics of Islamic banks, for instance interest expense and it did not add *zakat* as the net income subtraction, this practice did not support the Islamic principles of the economic transaction process. Therefore, it should be modified by remove all the Income or expenses from non-*halal*

transaction and replace it with all *halal* income or expense, as instance the interest expense was replaced with administration fee, and the net income were come from EBIT-Tax and *zakat* expenses.

Table 1 gave information about the role of the *Maqashid Shariah* performance in increasing the firm value. Based on Table 1, it can be concluded that *Maqashid Shariah* performance positively influenced firm value. The R square value reflected that the *Maqashid Shariah* Index was able to increase the firm value. This result come from formula.

$$FV = 1,647 + 2,638IMSPM + e \quad (i)$$

In this current academic work, this result indicated that if the value of *Maqashid Shariah* performance was high, then the firm value will also be high. This result is supported by the *Maqashid Shariah* theory and the triple bottom line theory. These two theories had same concept that useful for the *maslahah* of the society. The *Maqashid Shariah* theory in this research was adopted from Al-Ghazalai theory using the approach from Ibn Atsur and Abu Ishaq Al-Shatibi. Experts usually used this theory as the basis concept in discussing the accounting theory and practices for Islamic banks, because all of the financial transaction in the Islamic banks rooted in this principle. For instance the prohibition in doing non *halal* and the financial transaction has been practiced based upon this principle. This regulation has been employed in Islamic banks in order to achieve the five principles of Islamic law or *Maqashid Shariah* (protection of Religion, protection of nafs, protection of Intellect, protection of progeny, and protection of wealth) that was found by Al-Ghazali (Mohammed et al., 2015). In discussing Maqashid Shariah, Al-Ghazali also focused on the economic aspect of *maslahah*. He divided three hierarchy concepts of human utilities as instance necessities (*dharurat*), conveniences (*hajat*), and luxuries (*tahsinat*). Al-Ghazali also discussed about the relation between economic activity and the hereafter, he discussed further that Islam as a din comprises all aspect and segments of human life on the earth and in the life of hereafter. According to him the hereafter is a place of ultimate rewards and punishment of the deeds, and this life was not only temporary but also a place to struggle and preparation before going to the hereafter. Then Al-Ghazali also identified three differ-

ent goals of economic activities that represent the part of religion duties, for instance; obtaining the self-sufficiency for an individual survival, provision for the wellbeing of human's progeny, and provision for assisting those with economic needs (Shamsudheen et al., 2021).

The relation between these two variables also could be explained by the triple bottom line theory, that stated that a corporation had to pay attention to the balance principle of life, as instance the corporate had to pay attention to the people, planet, and profit. The triple bottom line theory demanded the balance between the people, planet and profit should be created in the enterprise community; therefore, the welfare and sustainability of all these three aspects could be achieved. The People principle means that the Islamic banks should pay attention to the welfare of the employee and the customers need. The planet means that these banks should be aware of the environment and society around them. The profit means that these banks should be able to create its own profit (Saleem et al., 2022; Shah et al., 2020). Triple bottom line was an accounting framework that comprises in three dimensions of performance; social, environment and financial. These dimensions distinguish the triple bottom line from the traditional accounting (Rusydiana & Marlina, 2019).

This research found that *Maqashid Shariah* theory related to triple bottom line theory in several points; first social dimensions or known as people which refer to social dimension of a community and it includes measurement of education, equity and access to social resources, health and well-being, quality of life, and social capital. Education dimension refers to the Islamic banks attention to the education of the staff and workers, as instance they provide training for the staff, this point refers to the fourth concept of *Maqashid Shariah* or known as protecting or guarding the progeny. The equity and social resources refer to the financing products that will be useful for the costumer and society around the Islamic banks. This concept also connected with the concept protecting the progeny in *Maqashid Shariah*. Health, well-being and quality of life linked with the first concept of *Maqashid Shariah* known as guarding or protecting the soul.

The second concept is environmental dimension that should represent the measurement of natural resources and reflects its potential influences (Rusydiana & Marlina, 2019). It encompasses; air and water quality, energy consumption, natural resources, solid and toxic waste, and land use/cover. This second concept connected with the second concept of *Maqashid Shariah* theory which known as guarding or protecting the soul. Al-Ghazali stated that protecting the soul means the right to life that connected with building values in life. Creating the values means also creat-

ing the balance relationships between his relationship with God as well as with the social sphere, which includes protecting the environment, for instance protecting the quality of water and air, protecting, and saving the energy, protecting the natural resources, managing the waste by separate the solid and toxic waste, and also recovering the land use. This concept could be implemented in Islamic banks environment. The CSR funding as well as the charity program could help the environment to recover and to create a better value of the community that judge to be needed. Based upon both concepts, it could be concluded that to improve the better values of the Islamic banks, this enterprise should pay more attention to the environment and community around them (Musa et al., 2020). The environment was a natural supermarket that could provide anything that the people needs, the people and his business should give the positive feedback by protecting and saving the environment. Besides, in the accounting concept and practice, the responsibility of the enterprise to the environment and the community should be disclosed to the public towards annual report which includes the commercial report and the social funding activity as instance CSR report, *zakat* and charity report. The Islamic banks that become the samples in this research has been reporting their social funding activity in the annual report, which reflected their responsibility to the environment.

The third concept is financial or in another term it well known as profit. This concept is closely related to the last concept of *Maqashid Shariah* which known as guarding or protecting the wealth. Guarding the wealth or property means also the right of a person to own a possession, which in accounting concept it is known as individual assets (Musa et al., 2020). Obviously, IBS, as an enterprise which classified as financial services business had wealth and property. This wealth and property will be managed and reported by the Islamic banks management in the end of the year in the annual report. Al-Ghazali stated that human had desire to share their possession with other voluntarily. This desire to share property with other in IBS, had been reflected in the *zakat* reporting, which disclose the financial position as well as the distribution of the *zakat*. This statement connected with the triple bottom line theory concept, especially the financial dimension that described the flow of money (Al-Shamali et al., 2021). The flow of money was usually disclosed as the cash flow report, which can be detected in the income and expenditure account, and taxes, in the Islamic banks it also reflected in the social funding distribution. Both of these theories could be combined to better understand the Islamic accounting framework. Triple bottom line had major idea that discuss about the role of environment and its resources impact on the business

process and firm value that did not emphasize in Al-Ghazali theory and Al-Ghazali theory also completed the triple bottom line, especially in the concept of guarding the religion that could affect the business transaction and accounting process.

The implementation of the triple bottom line concept comprehensively, could increase the firm value. The positive firm performance will encourage positive enthusiasm from the shareholders and stakeholders. It could boost the positive signal in the capital market. The more profitable and the better the social image of the Islamic banks, the more increase the bank firm value (Amin & Hamid, 2018; Elnahas et al., 2021). The previous study by Alhammadi et al. (2022) and Wahyuni et al. (2020) has been revealed that the *Maqashid Shariah* performance could increase the firm value of Islamic banks. The positive firm performance could make the investors' interested in investing their capital in the company. *Maqashid Shariah* Index could be used in Islamic banks because it has the same function with conventional bank yardstick.

In conclusion this research was supported by the research finding which had been conducted by Alhammadi et al. (2022), Asni (2020), Choudhury (2018), and Wahyuni et al. (2020). It also supported the *Maqashid Shariah* as well as triple bottom line concept. The importance of both theories in this research lies in two aspects. First, these theories synchronize the previous work and the advance of Islamic banks performance and firm value. Second, this theory offered relevant concept that fit with the nature of Islamic banks and accounting practices.

Alhammadi et al. (2022) and Wahyuni et al. (2020) suggest that bank with high return indicated that it could share balanced distribution to all stakeholders, especially to the investor. This result supported the Al-Ghazali theory, especially in the first dimension of faith (non-negative elements). Al-Ghazali explains in his theory that Islam has been set goal for human life, one of them is the happiness in the world and the hereafter. Further Al-Ghazali warn that in doing business or economic transaction human should not lose sight of this goal that can be achieved by maintaining or protecting the faith (religion). Al-Ghazali also stated that the economic activities were a part of shariah mandated and obligated duties (fard kifayah).

Therefore, Al-Ghazali insisted that in the pursuits of economic activities whether on a job or on the trading, the businessman should think that they did those activities to fulfill the religion duties. Al-Ghazali argued that *Hidfz Ad-din* or maintaining religion was a haq attadayyun or religious right which represented by the authority to worship and practice the religious orders. It included the right to build the place of worship, and also building patterns relation with group with the same or different beliefs to create a conducive atmosphere in the society (Dewindaru et al., 2019;

Shamsudheen et al., 2021). Based upon the statement of Al-Ghazali, it was clear that to achieve the correctness, success and goodness in the world and in doing economic transactions, each individual should adhere to the religious values and principles. The religious values and principles has been reflected by the prohibition of doing non-*halal* transactions or well known as non-negative element. Then the finding of the research proves that the implementation of maintaining religion towards the prohibition of non-*halal* transaction could bring success for the Islamic banks.

In Islamic banks, the element of non-negative element or product was represented by interest free products, and it was measured using the formula Interest free income/Total income. In addition, The AAOIFI also had stated on their financial accounting standard (FAS) that these banks should disclose about the income which was gained from *halal* transaction (interest free income) and the transaction which was not permitted by shariah (non-interest free income). The existing of free interest product and the disclosure of income from *halal* transaction means that these banks had been following the shariah principles and accounting rules based upon the AAOIFI standard by providing the free interest transactions (Ananda et al., 2021; Saidani et al., 2022). This finding revealed that the shariah bank had followed the accounting rules as well as policies according to AAOIFI regulations. These views are also in line with the previous work by Aldjedai-bi (2014) and Baehaqi et al. (2020) which had mentioned in their study that the prohibition of Non-*halal* transaction practice as the fundamental of Islamic accounting become the unique factors in constructing the Islamic accounting measurement. Then this idea demands the accounting transaction which must be free from elements of *riba*. This finding also in line and confirmed the Al-Ghazali theory of *Maqashid Shariah* that interpreted by Ibn Ashur which revealed that the basic goal of shariah was protection the religion or faith, which means the freedom of everybody to practice their religious belief, this goal reflected by the existing of free *riba* (free interest product) in Islamic accounting transaction (Mohammed et al., 2015; Sueb et al., 2022).

In the publicity expense element, Al-Hilal Islamic Bank Kazakhstan was the highest rank in performance ratio. The existing of publicity account in Islamic accounting report portrayed that Islamic banks more focused on promotion and building networking which could create good portrayals in the society and could boost the sustainability growth of the bank in the future. This finding were in line with the Al-Ghazali theory especially the concept of Faith as well as a previous study by Agbodjo et al. (2021), Harun et al. (2020), and Mohammed & Mansor (2021) that argued that the publicity expense account described the Islamic banks effort in creating the awareness of Islamic banks. The promotion which was re-

flected by publicity expense means that Islamic banks had major intention to promote and introduce *halal* product in the variety of community and society. This finding also revealed the consistency of Islamic banks in implementing the accounting regulations based upon the AAOIFI standard that could be seen from the existing of publicity expenses account in the annual report.

The second performance ratio is self. In this ratio Al Baraka Islamic Banking Group Bahrain achieve the highest ratio of Charity and Al-Hilal Islamic Bank Kazakhstan got the lowest rank of the charity performance ratio. It is indicated that Al-Hilal Islamic Bank Kazakhstan has distributed almost all the charity that has been gained, otherwise Al Baraka Islamic Banking Group Bahrain has collected an amount of charity but there were some fractions of funding that still did not distributed yet. These results appear because the ratio for charity is the charity gained divided by the charity distributed, therefore the smaller the result means the bigger the charity distributed. Otherwise, the bigger the result the smaller the charity distributed.

Furthermore, Alizislamic Bank Oman got the highest performance ratio of employee welfare. It is reflected that Alizislamic Bank Oman attentions on the employee welfare were the highest among the other. This attention could bring big satisfaction and loyalty from the staff and employee, because the Islamic banks was not only demand them to work harder but also give them chance to get the better life towards salary, bonus, as well as a variety of allowance. The next one is Bank Muamalat Indonesia that achieved the lowest performance ratio of *zakat*, which means BMI has distributed almost all the *zakat* fund. In the *zakat* performance ratio, there were zero number on the table which means that Islamic banks did not collect and distributed *zakat*. They believe that each member of investors and stakeholders should pay *zakat* on their own behalf.

Performance ratio of the number of total branches gives information about the progress and improvement of Islamic banks year by year. The opening of the new branches was indicated that these banks were able to enlarge its market and customers which bring the new chance to improve their profit and performance. The highest performance ratio of total number of branches was achieved by Al Baraka Islamic Banking Group Bahrain and the second rank was achieved by Abu Dhabi Islamic Bank Egypt. The result in this dimension supported and explained the Al-Ghazali theory, mainly the second concept of *Maqashid Shariah* (the protection of self) especially the account of charity expense and the account of salary expenses that reflected the preservation of human dignity and the preservation of human right. Based upon the Al-Ghazali theory, which was interpreted by Ibn Ahsur, and developed by Mohammed et al. (2015) and Sueb et al. (2022), the charity distributed and employee expense re-

flected the intention in establishing justice to all stakeholders especially to the community around them and the employee that work on their corporate, the *zakat* fund described the effort in removal the poverty towards collecting and distributing *zakat* fund to the society, and total no. of branches portrayed that Islamic banks as an Islamic institution could protect the society around them towards providing job opportunities (Ibrahim & Ismail, 2020; Yusof et al., 2019).

This finding also indicated that the Islamic banks had followed the accounting regulations and policies that had stated on AAOIFI standard, mainly about the *zakat* disclosure. It was stated that, the Islamic institutions should disclose about their *zakat* fund cash flow. Based upon these finding, It was proof that Islamic banks which hold the Islamic principles had collecting, distributing as well as reporting the *zakat* and charity funding which could boost the trust from the costumer and finally could increase the firm value as well. Therefore, the finding in this dimension supported the grounded theory of *Maqashid Shariah* and proved that Islamic banks had adhered to the Islamic accounting regulation stated on the AAOIFI standard. Al-Ghazali insisted in his theory of *Maqashid Shariah* that the second dimensions known as protecting or guarding the soul (*hifdz an-nafs*). Guarding the soul had main goal as instance to build the quality values of life personally and also within the social circle of the society. This means that in Islam each personal had their own right to life, and it represented by personal relation with Allah, his self and also within the society (Abozaid, 2019; Mukhibad et al., 2022). Furthermore, in his theory Al-Ghazali also given critics about the sharing and equality of income and wealth. He believes that there were some social problems such as criminal case which occurred in the society and this problem could be tackled by not only collecting the resources from the surplus but also concerning the proper distribution to those who are judged to be needs (Shamsudheen et al., 2021).

The third element is intellect. This dimension encompasses of two elements: performance ratio of education and performance ratio of research expense. This result showed that Islamic banks with the highest performance ratio in this element opened good chance for their staff to enhance their knowledge and skills in their field of work towards formal education to improve their company intellectual capital as well as good quality of services. This finding was supported by the previous academic work, such as Alhammadi et al. (2022) and Wahyuni et al. (2020) that found the most focused on employee education cost, in the form of scholarships was BMI.

Furthermore, especially for research expense, the author found that there was no research expense in the financial report, therefore the value of performance ratio of research expense was zero to all Islamic banks. The education grant

which was providing by the Islamic banks reflected the intention to protect and improve its staff and worker knowledge and ability which was related with the intellectual ability (Alam et al., 2021; Mergaliyev et al., 2021). This finding in line with the study from Sholihin et al. (2018) and Rakhmadi et al. (2022) that stated that the intellectual capacity of the staff could create the enterprise wealthy and also could increase the firm value, this intellectual capacity should be rewarded with the incentive and salary in order to appreciate the staff services (Ramadhan, et., all 2018).

This finding also in line with Al-Ghazali theory that stated that the third dimension of *Maqashid Shariah* was *Hifdz Aql* or protecting the intellectual. Maintaining reason or guarding the intellectual represented by *haq al-ta'lim* or the right to education. Al-Gahzali also added that guarding the intellectual was not only limited in the improvement of the capability of the brain and skills, but also it could guard human from the mental illness and unconsciousness. The goal of protecting or guarding intellectual was the fulfillment of obtaining the knowledge, protection of copyright works, intellectual works and the creations of a person (Abozaid, 2019; Mukhibad et al., 2022).

The fourth element consists of two elements: performance ratio agricultural financing and performance ratio of training expense. The highest rank of performance ratio of agricultural financing was achieved by Amana Bank Sri Lanka. Posterity means preservation of progeny. Based on the Al-Ghazali theory that had been reinterpreted by Ibn Ashur, the posterity in a company was the ability of every stakeholder in the company to build strength bonding that refers to terms care for family and stakeholders include investors, customers, employees and government servants Mohammed et al. (2015) and Sueb et al. (2022). Providing agricultural financing products means that Islamic banks participated and invested in agricultural sector which could help as well as support the poor farmers. Islamic banks could help the poor family towards offering and giving agricultural financing. In the future the poor family will have the ability to create a better life for their family and it gives the family power to preserve their own posterity.

Furthermore, training expenses is the amount of money spent on training and developing the employee. This ratio indicated that Islamic banks focused on train the employee to enhance the ability as well as the skill of their worker. Based upon the explanation above, it can be concluded that this finding could explained and supported the Ghazalian theory, mainly the fourth concept protection of posterity. The fourth concept of *Maqashid Shariah* also known as *Hifdz al-ird aw Nasl* which means guarding honor or family and decent. In other term it means also *haq al-intirom*

Al-Insani or right to human honor. It also means the effort to guard and maintain the family and self-prestige. In a broader term, protecting progeny gives the power to provide employment and training to the staff and workers.

In this concept, the adaptation and cultural costume is very essential in maintaining the honor and status of the community. In the practice Islamic banks usually offers the financing, saving and investment products which adapt and fit with the nature of a region, as instance Al-Rayan Bank United Kingdom did not offer *mudharabah* or *musyarakah* financing for farmers, because most of the community around them more needs financing in home purchase plans than financing for farming. On the other hand, Amana Bank Sri Lanka provided financing products in the farming sectors because the majority of the costumers that living there did business in the farming sectors. Then, this theory in line with the business practice, nowadays all of Islamic banks had conducted training that suitable for the staff as well as providing financing that fit with the region condition and custom. This could help the staff and farmers, or other customers reach the better quality of life. This finding also revealed that Islamic banks had been adhered the Islamic accounting which had been stated on the AAOIFI regulation and standard, especially in the point of accounting policies about expenses and financing activities. It was revealed on the FAS 1 that the Islamic banks should disclose about their financing activity and should disclose about all the expenditure (expense) which had been spent on the *halal* expenditure and non-*halal* expenditure.

The fifth element is wealth. This element consists of performance ratio of *murabahah*, *mudharabah*, return on asset and return on equity. This former study found that Al Baraka Bank Egypt achieved the highest ratio for *mudharabah* and *murabahah* financing transaction. These results reflected that Al Baraka Bank Egypt focused on delivering an excellent customer experience, especially for the *mudharabah* and *murahahah* financing transactions. This finding was supported by the data in Al Baraka Bank Egypt's annual report. As stated in the annual report this Islamic banks most focused on the core strategy in serving their highly loyal Emirati client base and their creativity as well as effort to adapt with the pandemic situation. Al Baraka Bank Egypt built a new platform to make the transaction easily during the pandemic; this platform made the staff could interact well with customers and could keep working in the pandemic situation. This convenience has success made the customers more loyal and interested in doing transaction with Al Baraka Bank Egypt, especially in *mudharabah* and *murabahah* financing transaction. The performance ratio of *murabahah* and *mudharabah* also reflected the amount of profit sharing that gained

and distributed based on the Islamic principles. Therefore, the Islamic banks had a role as an Islamic institution which is able to minimize income and wealth disparity in the society. Return on assets and return on equity reflected the earning ability of the company. Abu Dhabi Islamic Bank Egypt achieved the highest rank of PR of return on assets and Al Baraka Bank Egypt got the highest ratio for PR of return on equity. Kasi & Muhammad (2018) and Khan (2019) stated that the profit sharing and earning ability also indicated that Islamic banks had major intention to establish balance distribution of returns between the bank and the stakeholder. The last, the lowest rank of performance ratio of operational efficiency was achieved by Al Baraka Bank Egypt. The more little the result of performance ratio, indicated the less of operating expense which had been spent by the Islamic banks.

The disclosure of *mudharabah*, *murabahah*, ROA, ROE, and operational expenses on the annual report of Islamic banks indicated that the shariah bank have been followed the AAOIFI regulation and standard. As stated in the AAOIFI standard, Islamic banks should disclose about the *syirkah* funding (all Islamic transaction), net income, total assets and operating expense on their annual report. The disclosure of these account on the annual report indicated that Islamic banks had followed the AAOIFI standard and regulations. Based upon the Ghazalian theory, the *mudharabah* and *murabahah* transaction reflected the Islamic banks profit sharing ratio, then ROA and ROE reflected the earning ability, and operational efficiency described the management quality. Therefore, the existing of *mudharabah*, *murabahah*, ROA, ROE, and operational efficiency confirmed and supported the fifth concept of *Maqashid Shariah* (wealth). According to *Maqashid Shariah* theory that reinterpreted by Ibn Ashur, the existing of the profit sharing ratio and earning ability, as well as the operational efficiency described that the Islamic banks had role and ability in protecting their wealth and could create a balance financial distribution to the investor, creditor, and the other stakeholders (Miftahorrozi et al., 2022; Said et al., 2018).

This finding also in line with Al-Ghazali concept about *Hifdz Al-mal* which means protecting property, in other terms known also as *haq al-amal* or a person right to work. This right not only could be interpreted as an effort to protect intellectual property but also could be interpreted as an individual right to obtain property in lawful way as instance working and also the right to own wealth or assets (Abozaid, 2019; Mukhibad et al., 2022). Al-Ghazali also argued that the desire to gain wealth and property was a part of human nature and also a means to achieve a higher level of material well-being (Dewindaru et al., 2019). Al-Gahzali thinks that human loves to collect wealth and increase his possessions and property. If a human had two valleys of gold, he

would to wants a third and human think that the wealth which sufficient presently will be not last. Then, this problem could be tackled by the consciousness of the existing of the hereafter, if this consciousness does not appear among the businessmen, then the business will be coloring by the tyrants and selfish behavior. This human behavior and intention could create the economic transaction that could destroy the business systems, such as the existing of interest or *riba*, because of the greedy behavior of the human. As an alternative, Al-Ghazali also offered the concept of brotherhood in management of property possession. He insisted the concept of voluntary sharing the wealth among the business transactions were more effective in tackled the human intentions in possession of the wealth and property. This theory fit with the economic and accounting practice in Islamic banks. Islamic banks offered the Islamic transaction on their business, such as offering the products that based upon the Islamic principles and also report their financial report based upon the Islamic accounting standards.

The discussion which had mentioned above emphasized that the ratio in annual report could reflected the dimensions of *Maqashid Shariah*. However the disclosure of the financial report was important, but the other aspects as instance the staff knowledge, personality, morality and the religiousness also important in promoting the product in Islamic banks. This bank should pay attention more deeply in the staff knowledge and skills. The Islamic banks also should maintain their social control with the community by conducting some programs beneficial for the community and disclosing about the shariah compliance to the public. This step could increase the public attention, confidence and firm value as well, because these banks had different value from its conventional counterpart.

CONCLUSION

This current study had developed and modified the tool of measurement of firm Value. The paper established SEVA (shariah economic value added), which measured the Economic Value added by using non-interest expense and also the administrative expense and *halal* finance expense, in addition the author also add *zakat* as the subtraction of the net income before tax. This paper also study the effect of *maqasid shariah* performance which were measured by employee integrated *maqasid shariah* performance, which more comprehensive than the conventional measurement.

The *maqashid shariah* index was measured by using the secondary data which is collected from the annual report of each Islamic banks. This former study found that *maqasid shariah* performance could increase the firm value. This research had major implication for practitioners of Islamic banks and also Islamic accounting researchers, the *maqashid shariah* performance yardstick and the *shariah* economic value added

formula could be used by the practitioners and researchers in measuring Islamic banks performance as well as Islamic banks firm value. This study provide recommendations for the Islamic banks and the other Islamic institution to transform their measurement method of performance and firm value which more fit the nature of Islamic banks. The accounting staff also should understand the product knowledge, therefore when their report and analyses the Islamic banks performance they would choose the proper measurement method.

ACKNOWLEDGEMENT

the authors would like to thank the editors, reviewers, and all parties involved in the preparation of this article.

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