

The Influence of ISR, Profitability, ICG on the Performance of Maqashid Syariah with Intellectual Capital as an Intervening Variable

Nafisah Rahmania¹, Rossje V Suryaputri²

^{1,2}Universitas Trisakti, Indonesia

nafisah.rahmania19@gmail.com, rossjevi@trisakti.ac.id

Abstract

This study aims to show that there is a direct influence between ISR, profitability, and ICG on Intellectual Capital, a direct effect between ISR, profitability, and ICG on Maqashid Syariah Performance, and an indirect effect between ISR, profitability, and ICG on Islamic Maqashid Performance through intellectual capital as intervention variables. The sample in this study consists of 14 annual reports of Islamic banking companies in Indonesia for the 2016-2020 period, selected using the purposive sampling method. This study was tested using SEM Analysis on Smart PLS. The results of this study indicate that there is a direct influence of ISR and ICG which has an impact on the performance of Maqashid Syariah at Islamic Commercial Banks in Indonesia. And there is a direct influence of ISR and profitability has an impact on intellectual capital in Islamic Commercial Banks in Indonesia. However, ICG and ISR do not have an impact on Intellectual capital in Islamic Commercial Banks and also Intellectual capital is not able to have an impact on Sharia Maqashid Performance and the intellectual capital variable is not able to mediate the influence of ISR, profitability, and ICG on Sharia Maqashid Performance in Islamic Commercial Banks in Indonesia.

Keywords

islamic social reporting;
profitability; islamic corporate
governance; intellectual capital;
and maqashid sharia



I. Introduction

One of the countries with the largest Muslim population in the world is Indonesia. The quantity and diversity of Indonesian society is an opportunity for every business institution to market its products, especially Islamic banking institutions. The measurement of banking performance with the sharia maqashid index is categorized based on three indicators, namely education, justice, and the achievement of the benefit of the people, which are then transformed into financial ratios to assess the performance of Islamic banking in terms of achieving worldly benefits and the benefits of the hereafter. This measurement is considered the right solution compared to using conventional bank performance measurements because the Maqashid Syariah Index (MSI) method is not only concerned with financial measurements but is more concerned with the goal of achieving the common good (Khoidah, 2020). The objective of maqashid sharia can be adopted as the concept of Islamic Social Reporting (ISR) and has become part of the Islamic view for other sharia-based companies such as Islamic banking institutions (Muchlis & Sukirman, 2016). Islamic Social Reporting (ISR) can provide information to the public and demonstrate responsibility for the ethical performance of Islamic banking to stakeholders to assist them in making decisions, besides that banking functions are also in a spiritual view based on social justice related to the environment, employees, social and others are not just about the economy alone. This is supported by the results of previous research

(Putri, 2020) which explained that ISR had a positive influence on MSI performance, while (Marheni and Liya Emawati, 2022) stated that ISR did not affect the Performance of the Maqashid Syariah Index (MSI).

The implementation of ICG in Islamic banks covers aspects of corporate governance and compliance with sharia principles. A good ICG reflects all elements of a sharia bank running in accordance with applicable laws and procedures and compliance with sharia principles. So that the company's business wheels run well and improve financial performance. One of the important elements in Islamic bank governance that are not found in conventional banks is DPS. DPS must be able to carry out its function in supervising compliance with sharia aspects because no matter how good the financial performance of Islamic banks violates sharia principles, they are of no value from an Islamic perspective (Nono Hartono, 2018). This is in line with research (Ernawan, 2018), ICG has a positive and significant effect on MSI in Islamic banks in Indonesia. However, in the study (Marheni and Liya Emawati, 2022), the results of other ICG variables and ISR do not affect sharia maqashid.

There are weaknesses in the utilization and use of science and technology in Islamic banking in Indonesia, in addition to the limitations of Islamic commercial banks in obtaining sources of funds to carry out company activities. So that the company has limited use of existing funds, for activities such as corporate social responsibility. Then, the profits obtained by Islamic commercial banks are not too significant and these things result in a decrease in investor confidence in the company. Based on Resources Based Theory (RBT) believes that a company will achieve a competitive advantage if the company has superior resources by creating and maintaining a competitive advantage, the company can develop its resources so that they are of high value, not easily imitated, irreplaceable, reliable and different from competing companies (Wijayani, 2017). Hidayanti's research (2017) and Prasetya and Mutmainah (2011) show that IC has a significant effect on financial performance and can be used to predict future financial performance later in the study (Nono Hartono, 2018) also said that IC can affect Maqashid Performance Sharia.

Based on the above background, there is any inconsistency between the theory and the empirical conditions of banking companies. It can be said that the performance of Islamic banks in Indonesia is still not in accordance with sharia principles, so this research aims to determine the direct effect of ISR, profitability, and ICG on MSI and determine the direct effect of ISR, profitability, and ICG on intellectual capital. Here the researcher also adds a profitability variable where several previous studies have shown that the sharia maqashid index can have an impact on increasing *Return on Assets* as a supporting ratio in measuring profitability in Islamic bank companies.

II. Review of Literature

2.1 Stakeholder Theory

Stakeholder theory was first developed by (Freeman, 1984), which defines *stakeholders* as a group of people or individuals who are identified as being able to influence the company's activities or can be influenced by the company's activities. The main emergence of stakeholder theory is to assist company management in increasing value creation as a brand impact of business activities. *Stakeholder theory* explains that when a company meets with various kinds of *stakeholders*, it will be better able to create outstanding company performance. The performance itself is an achievement of certain job requirements which later can be reflected from something that is produced, performance is

also one of the measuring tools for achieving organizational goals. Organization must have a goal to be achieved by the organizational members (Niati et al., 2021).

2.2 Sharia Maqashid Performance

The performance of mashed shariah Islamic banking can be defined as the level of Islamic banks in achieving Islamic sharia goals (maqashid sharia) (Mohamed, 2015). Development of performance evaluation for Islamic banking based on *maqashid index* which refers to Abu Zahrah's concept of maqashid sharia. The first objective, *Education The Individual*, is intended that Islamic banks must develop knowledge and expertise in individuals so that spiritual values increase. The second objective, *Justice* means that Islamic banks must ensure honesty and fairness in every transaction and business activity covered by by-products, *pricing*, and contract terms. In addition, all contracts must be free from elements of injustice such as *maysir*, *gharar*, and *usury*. Therefore, the second variable is divided into three ratios, namely *fair return*, *functional distribution*, and *interest-free product*. The third objective, *Maslahah (Welfare)*, is intended that Islamic banks should develop investment projects and social services to improve people's welfare. Furthermore, this third variable is divided into three ratios, namely *profit return*, *zakat*, and *investment in the real sector* (Mohammed, 2008).

2.3 Intellectual Capital

Intellectual capital is knowledge contained in the company, but many companies do not realize that intellectual capital can be managed by the company's competitive advantage. In addition to managing competitive advantage, the company optimizes intellectual capital, especially for human resources, which will increase the *value added* to the company. Intellectual capital can increase the profits of companies whose profits are influenced by innovation and *knowledge-intensive services* (Hanif, 2018). There are many measurement methods to measure intellectual capital, one of which is compiled by Ulum (2013) which reconstructs the measurement of intellectual capital with Islamic Intellectual Capital (IIC), the IIC measurement is adjusted to income and also expenses for Islamic banks.

2.4 Islamic Social Reporting

ISR is applied in measuring the disclosure of social and moral responsibilities to stakeholders in accordance with the main foundations of Islamic economics and finance such as regulations for paying *zakat*, *waqf*, prohibition of *MAGHRIB*, and other pillars. Stakeholder theory proves that a company in its operations must be able to provide benefits to its stakeholders, not only for its interests (Ghozali & Chariri, 2007). With good ISR implementation, the public will see it as a trustworthy banking entity and can help maintain good relations with stakeholders so that the image and performance of the company in the eyes of the general public will improve. That way, more and more companies disclose *Islamic Social Reporting*, which is expected to have a positive impact on the company's MSI. *Islamic social reporting* has a positive effect on intellectual capital.

2.5 Profitability

Profitability is the profitability of a company in a certain period. Assessment of profitability or profitability factors includes evaluation of profitability performance, sources of profitability, sustainability of profitability, profitability management, and implementation of social functions. Management and utilization of the company's strategic resources can create added value and competitive advantage which will lead to increased

performance in company finances. When financial performance increases, the *returns* obtained by *stakeholders* will increase. When returns increase, the company can provide optimal benefits to *stakeholders* with increased profitability. If the productivity generated by *intellectual capital* increases, Islamic financial performance can also increase.

2.6 Islamic Corporate Governance

Corporate governance is a system that regulates how a corporate organization is controlled, directed, and held accountable to shareholders and other stakeholders (Demirag, 1998). In achieving maqashid sharia, it is necessary to apply Islamic Corporate Governance (ICG) mechanisms or good financial governance of a company. . Bank Indonesia encourages the management of Islamic banks to refer to the principles of Islamic Corporate Governance (ICG) so that they will create a sharia bank that is financially sound and in accordance with the objectives of Islamic sharia.

III. Research Method

This research is quantitative research, which in the end will produce the findings obtained through statistical measures. Quantitative research is carried out by collecting data in the form of numbers and then processing and analyzed to obtain scientific results from the data. The population includes all the objects studied. According to Sugiyono (2018:456), secondary data are data sources that do not directly provide data to data collectors, for example through other people or documents. A population is a group of elements that are complete and interesting for us to make as an object of research. This study establishes Islamic Commercial Banks registered with the Financial Services Authority (OJK) for the 2016-2020 period as the population. Until now, there is 14 BUS registered with OJK. The sample is part of several characters of the research population, the sample must be able to reflect the population and be valid. Determination of the sample is done through the purposive sampling method. Purposive sampling is done through the selection of a group of subjects in an element based on certain criteria that have a close relationship with the nature of the population. The sample criteria set by the authors include (1) BUS which during the 2016-2020 period was registered in the OJK SPS; (2) BUS which publishes an annual report from 2016 to 2020; (3) BUS which publishes information regarding the performance of Maqashid Syariah, *Islamic Social reporting activities*, profitability, *Islamic Corporate Governance reports*, and related to *Intellectual Capital*.

IV. Results and Discussion

4.1 Results

a. Descriptive Analysis

From the data of each research variable, a descriptive test was conducted which aims to provide an overview of each variable being studied which consists of the maximum, minimum, average value (*mean*), and standard deviation. Research data that becomes the dependent variable (Y) is maqashid sharia, while the independent variable is *Islamic social reporting* (X1), *profitability* (X2), *Islamic corporate governance* (X3), and the mediating or intervening variable is *intellectual capital*.

Table 1. Descriptive Statistical Results

Variable	N	mean	median	Min	Max	Standard Deviation
IC	70	2,223	2,280	0.220	3,840	0.845
ISR	70	0.596	0.615	0.359	0.769	0.126
ICG	70	0.732	0.760	0.560	0.840	0.091
MSI	70	0.065	0.069	0.000	0.244	0.07
ROA	70	0.026	0.016	-0.122	0.156	0.047

Source: PLS Smart Data Processed

From the results of the descriptive statistical test presented in table 4.1 on *Intellectual Capital* as measured by iB-VAIC™. The lowest score was obtained by Bank Muamalat in 2018 of 0.220 and the highest value was obtained by Bank BRI Syariah in 2020 of 3.840, this proves that the competitive advantage of Bank Muamalat in 2018 is still relatively low even though, 2020 is a pandemic period, but BRI Syariah Bank can excel compared to other banks in terms of intellectual property. The average value shows 2,223. This shows that the performance of banking in Indonesia during the period 2016 to 2020 is in the category of fairly good players, the performance of BUS in Indonesia is quite good because it is already above the value of 0.601 (60.1%).

Corporate governance has the lowest score obtained by Bank Victoria Syariah in 2016 of 0.560 and the highest value obtained by Bank BCA Syariah in 2020 of 0.840, this proves that the corporate governance of Bank Victoria Syariah in 2016 is still relatively low, and banking corporate governance in 2020 is superior by Bank BCA Syariah. The average value shows 0.732, this shows that the average Islamic banking company in Indonesia performs good corporate governance with a score of 73.2%.

The Islamic Social Reporting Index (ISR) has the lowest value obtained by Bank Aladin Syariah in 2016 and the highest value is obtained by Bank Syariah Mandiri in 2020. The average value shows 0.596, this indicates that the average sample company of Islamic banking has disclosed ISR items by 59.6%.

The maqashid sharia index (MSI) has the lowest value obtained by BPD NTB Syariah in 2017 of 0 and the highest value is obtained by Bank Aladin Syariah in 2020 at 0.244. The average value shows 0.065, indicating that the performance of the Islamic Maqashid Index (MSI) in the sample of Islamic banking companies is not good enough with a percentage of 6.5%, meaning that the overall indicators of education, justice, and welfare in Islamic banking, it has not provided sufficient performance. good.

From the ROA data, the lowest value was obtained by Bank Aladin Syariah in 2016 at -0.122 and the highest value was obtained by Bank Syariah Mandiri in 2018 at 0.244. The average value is 0.026, indicating that banking companies are quite good at increasing their profitability.

The value of the standard deviation of Islamic intellectual capital, corporate governance, corporate social responsibility disclosure, and sharia maqashid performance variables which are below the average indicates that the deviation of the sample data is relatively small. The standard deviation or standard deviation of IC and ISR has a value smaller than the mean value, which means that the level of distribution of ICG and ISR has a small variation or is homo. While the standard deviation of ICG, MSI, and ROA has a value greater than the mean value, which means that the level of distribution of the three variables has a large enough variation. The standard deviation value which is higher than the average value indicates that the level of deviation of the data sample that occurs is also

relatively high. However, statistically, it is stated that the larger the sample size is expected to give better the results. With a large sample, the mean and standard deviation obtained have a high probability of resembling the population mean and standard deviation. This is because the number of samples has something to do with statistical hypothesis testing. Although a large sample will be better, a small sample when selected at random can also accurately reflect the population (Hajar, 1996: 147).

b. Inferential/Inductive Analysis

Implementation of Instrumental / Main Test

After passing the screening stage, the researcher conducted a main test by collecting data. Then, the researcher analyzes to filter the data that can be processed. The researcher finally used as many as 70 data for the data which was processed using *SmartPLS 3.28 software*.

Testing of the main analysis requirements is carried out to ensure that the measuring instruments used are suitable for measurement (valid and reliable). Testing with PLS begins with testing the measurement model (outer model) to test the construct validity and instrument reliability. The validity test was conducted to measure the ability of the research instrument to measure what it should measure (Cooper and Schindler, 2006 in Hartono and Abdillah, 2014: 58). The construct validity test in the PLS indicator reflective model was carried out through convergent validity, discriminant validity and average variance extracted (AVE) tests. The reliability test is used to measure the consistency of the measuring instrument in measuring the concept or it can also be used to measure the consistency of the respondent in answering the instrument. The instrument is said to be reliable if a person's answer to the statement is consistent or stable over time. The reliability test in PLS can use the composite reliability method and Cronbach's alpha (Hartono and Abdillah, 2014: 62).

Hypothesis testing can be seen from the values contained in *the output path coefficients*.

1. of H1 show that the construct of *Intellectual Capital (IC)* on the performance of Maqashid Syariah shows the value of $T_{\text{arithmetic}} < T_{\text{table}} (1.64)$ which is $0.0175 < 1.64$ and $P \text{ Values} > 0.05$ which is $0.430 > 0.05$. These results conclude that *Intellectual Capital (IC)* does not affect the performance of Maqashid Syariah, which means H_1 is rejected.
2. The results of H2 show that the construct of *Islamic Social Reporting (ISR)* on the performance of Maqashid Syariah shows the value of $T_{\text{arithmetic}} > T_{\text{table}} (1.64)$ which is $2.871 > 1.64$ and $P \text{ Values} < 0.05$, which is $0.002 < 0.05$. These results conclude that *Islamic Social Reporting (ISR)* affects the performance of Maqashid Syariah, which means that H2 is supported.
3. The results of H3 show that the construct of *Islamic Social Reporting (ISR)* on *Intellectual capital* shows the value of $T_{\text{arithmetic}} < T_{\text{table}} (1.64)$, which is $1.536 < 1.64$, and $P \text{ Values} > 0.05$, which is $0.062 > 0.05$. These results conclude that *Islamic Social Reporting (ISR)* has no effect on *Intellectual capital*, which means H3 is rejected.
4. The results of H4 show the indirect effect of *Islamic social reporting* on the performance of Maqashid Syariah through *intellectual capital* showing the $T_{\text{arithmetic}}$ value $< T_{\text{table}} (1.64)$, namely $0.152 < 1.64$ and $P \text{ Values} > 0.05$, namely $0.440 > 0.05$. These results conclude that *intellectual capital* is not able to mediate the effect of *Islamic social reporting* on the performance of Maqashid Syariah, which means H_4 is rejected.

5. The results of H_5 show profitability on the performance of Islamic Maqashid showing the value of T arithmetic > T table (1.64) which is $1.974 > 1.64$ and P Values < 0.05, namely $0.024 < 0.05$. These results conclude that profitability affects the performance of Maqashid Syariah, which means that H_5 is supported.
6. The results of H_6 show that the profitability of *Intellectual capital* shows the value of T arithmetic > T table (1.64), which is $1.974 > 1.64$, and P Values < 0.05, which is $0.024 < 0.05$. These results conclude that profitability has an effect on *Intellectual capital*, which means H_6 is supported.
7. The results of H_7 show the indirect effect of profitability on the performance of Maqashid sharia through *intellectual capital* shows the value of T arithmetic < T table (1.64) that is $0.159 < 1.64$ and P Values > 0.05 that is $0.437 > 0.05$. These results conclude that *intellectual capital* is not able to mediate the profitability effect on the performance of Maqashid Syariah, which means H_7 is rejected.
8. The results of H_8 show that the construct of *Islamic Corporate Governance* (ICG) on the performance of Maqashid Syariah shows the T arithmetic value > T table (1.64) which is $2.218 > 1.64$ and P Values < 0.05, namely $0.013 < 0.05$. These results conclude that Islamic Corporate Governance (ICG) has a positive and significant effect on the performance of Maqashid Syariah, which means that H_8 is supported.
9. The results of H_9 show that the construct of *Islamic Corporate Governance* (ICG) on intellectual capital shows the T arithmetic value < T table (1.64), namely $1.225 < 1.64$ and P Values > 0.05, namely $0.110 > 0.05$. These results conclude that *Islamic Corporate Governance* (ICG) has no effect on *Intellectual capital*, which means H_9 is rejected.
10. The results of H_{10} show the indirect effect of *Islamic Corporate Governance* (ICG) on the performance of Maqashid sharia through *intellectual capital* shows the value of T arithmetic < T table (1.64) that is $0.131 < 1.64$ and P Values > 0.05 that is $0.448 > 0.05$. These results conclude that *intellectual capital* is not able to mediate the influence of *Islamic Corporate Governance* (ICG) on the performance of Maqashid Syariah, which means H_{10} is rejected

Regression equation:

$$IC = 0.179 ICG - 0.231 ISR + 0.213 \text{ Profitability}$$

$$MSI = -0.341 ICG + 0.379 ISR - 0.312 \text{ Profitability} - 0.027 IC$$

4.2 Discussion

a. Intellectual capital on Maqashid Sharia Performance

The first hypothesis in this study shows that the construct of *Intellectual Capital* (IC) on the performance of Maqashid Syariah shows the value of T arithmetic < T table (1, 64) which is $0.0175 < 1.64$ and P Values > 0.05 which is $0.430 > 0.05$. These results conclude that Intellectual Capital (IC) does not affect the performance of Maqashid Syariah, which means H_1 is rejected. These results do not answer the hypothesis and are also not in accordance with the results of research researched by Nono Hartono (2018) and Siti Aisyah et al., (2021) suggest that *intellectual capital* has a significant influence on the performance of Islamic maqashid.

If viewed from *the resource basic theory*, it can be indicated that Islamic banking in Indonesia manages its resources based on conventional concepts. This is very logical considering that much of Islamic banking in Indonesia is the result of conventional banking hybrids so managerial practices adopted in Islamic banking come from conventional banking. This could also indicate the existence of *sharia labeling*, or only

limited to sharia "brand" in banking and the creation of corporate value alone, and not oriented towards the substance of maqashid sharia performance.

b. Islamic Social Reporting on the Performance of Maqashid Syariah

The results of the second hypothesis show that the construct of *Islamic Social Reporting* (ISR) on the performance of Maqashid Syariah shows the value of T arithmetic $> T$ table (1.64) which is $2.871 > 1.64$ and P Values < 0.05 , which is $0.002 < 0.05$. These results conclude that *Islamic Social Reporting* (ISR) affects the performance of Maqashid Syariah, which means that H2 is supported. So this study can answer the second hypothesis and is in line with the research of Vivi NorKhoiriyah et al., (2020) which states that the sharia maqashid index can affect *Islamic social reporting*.

This is in line with the legitimacy theory where Islamic banks that want to be accepted by the public tend to fulfill the social contract through information disclosure. Islamic banks that perform well are to disclose social responsibility at a higher level to gain the trust of the public so that Islamic banks can maintain their performance in the future.

c. Islamic Social Reporting on Intellectual Capital

The third hypothesis result shows that the construct of *Islamic Social Reporting* (ISR) on *Intellectual capital* shows the value of T count $< T$ table (1.64), which is $1.536 < 1.64$, and P Values > 0.05 , which is $0.062 > 0.05$. These results conclude that *Islamic Social Reporting* (ISR) has no effect on *Intellectual capital*, which means H3 is rejected. These results do not answer the hypothesis and also do not match the results of the research studied by Dian Luthvita et al., (2021) which suggests that the *Islamic Social Reporting Index* has a positive and significant effect on *Intellectual Capital*.

This is because the utilization and management of intellectual capital that is less than optimal will not provide a competitive advantage to a company which will directly have implications for *Islamic social reporting*. In accordance with the RBT theory, RBT views intellectual capital as a strategic resource used by banking companies to gain a competitive advantage and create corporate value that can be used to improve performance. Wernerfelt (1984), Marr et al., (2003) in Hariyanto (2017).

d. Islamic Social Reporting on the Performance of Maqashid Syariah through Intellectual Capital

Results of Hypothesis four show the indirect effect of *Islamic social reporting* on the performance of Islamic Maqashid through *intellectual capital* showing the value of T arithmetic $< T$ table (1.64), namely $0.152 < 1.64$ and P Values > 0.05 , namely $0.440 > 0.05$. These results conclude that *intellectual capital* is not able to mediate the effect of *Islamic social reporting* on the performance of Maqashid Syariah, which means H₄ is rejected. The research of W. Djuanda, Armies Rusli Tanjung, and Kamaliah, (2019) suggests that intellectual capital cannot further demonstrate its role as a mediation of the relationship between and partial *disclosure of Islamic corporate social responsibility* on financial performance.

The relationship between IC and ISR is based on *resource-based theory* (RBT) where companies depend on a collection of diverse resources and different abilities and do not run the company perfectly. Thus, companies that can carry out their IC well, and make adequate disclosures of Islamic corporate social reporting will certainly be able to gain the trust of external parties which in turn increases profitability as one of the performance achievements of maqashid sharia banking companies.

e. Profitability on the Performance of Maqashid Syariah

The fifth result showing profitability on the performance of Maqashid sharia shows the value of $T_{\text{arithmetic}} > T_{\text{table}}$ (1.64) which is $1.974 > 1.64$ and $P \text{ Values} < 0.05$ which is $0.024 < 0.05$. These results conclude that profitability affects the performance of Maqashid Syariah, which means that H_5 is supported. Of course, the results of this hypothesis are in line with research (Leviana Belianti, Ruhadi, and Setiawan, 2022) which suggests that there is a significant positive effect of profitability on the performance of Islamic maqashid.

The greater the maqashid index in Islamic commercial banks will be able to increase profitability in Islamic banking which reflects companies that comply with sharia maqashid compliance and are optimal in obtaining profits.

f. Profitability to *Intellectual capital*

The results of the sixth hypothesis showing profitability to *Intellectual capital* show the value of $T_{\text{arithmetic}} > T_{\text{table}}$ (1.64) that is $1.974 > 1.64$ and $P \text{ Values} < 0.05$ is $0.024 < 0.05$. These results conclude that profitability has an effect on *Intellectual capital*, which means H_6 is supported. In line with research conducted by Novia and Sri Lestari (2022) stated that profitability has a significant effect on *intellectual capital*.

The higher the *intellectual capital* achieved, the greater the profit in the form of profitability. This significant effect is because some Islamic commercial banks have a high ratio (ib-vaca) value. This shows the contribution of each unit of available funds (total equity) to the company's *value added*, managed optimally to generate high profits. Well-managed *Intellectual Capital* will generate added value for Islamic banking, thereby increasing profitability.

g. Profitability on the Performance of Maqashid Syariah through *Intellectual Capital*

The results of the seventh hypothesis show the indirect effect of profitability on the performance of Maqashid sharia through *intellectual capital* shows the value of $T_{\text{arithmetic}} < T_{\text{table}}$ (1.64) that is $0.159 < 1.64$ and $P \text{ Values} > 0.05$ that is $0.437 > 0.05$. These results conclude that *intellectual capital* is not able to mediate the profitability effect on the performance of Maqashid Syariah, which means H_7 is rejected. So this study is in line with previous research conducted by Siti and Setiwan (2020) who stated that *intellectual capital* was not able to mediate the influence of the performance of banking companies.

Intellectual capital that is well managed by the company can create added *value* for the company itself. Based on this added value, the funders will also provide added value to the company by investing higher. This further added value will improve the company's financial performance, and ultimately make the company's profits also increase. This is in line with research conducted by Chenet al. (2005), Lestari et al. (2016), and Wijayani (2017) who found that there was a positive and significant influence of *intellectual capital* on financial performance. Thus, the better the value of intellectual capital, the performance of maqashid sharia in Islamic banking will be better, which also has an impact on the profitability of the bank concerned.

h. Islamic Corporate Governance on the Performance of Maqashid Syariah

Hypothesis result eight shows the construct of *Islamic Corporate Governance* (ICG) on the performance of Maqashid Syariah shows the value of $T_{\text{arithmetic}} > T_{\text{table}}$ (1.64) which is $2.218 > 1.64$ and $P \text{ Values} < 0.05$, namely $0.013 < 0.05$. These results conclude that Islamic Corporate Governance (ICG) has a positive and significant effect on the

performance of Maqashid Syariah, which means that H_8 is supported. This is in line with the research proposed by Nono Hartono (2018) that the disclosure of ICG items and IC management will have an impact on increasing the MSI value of Islamic banks.

The implementation of better ICG by BUS ensures that its business activities are carried out based on the objectives and principles of Sharia. Thus, the performance of BUS, which is now measured based on the Maqashid Shariah Index, is also getting better. Based on the results of the tests carried out, it appears that ICG is not able to affect the performance of the BUS (MSI). MSI aims to measure the integrity of Islamic banking in implementing business by maintaining good for others and the environment (Herlyanto, 2020).

i. Islamic Corporate Governance on Intellectual Capital

Hypothesis results nine shows that the construct of *Islamic Corporate Governance* (ICG) on intellectual capital shows the value of $T_{\text{arithmetic}} < T_{\text{table}}$ (1.64), namely $1.225 < 1.64$ and $P \text{ Values} > 0.05$, namely $0.110 > 0.05$. These results conclude that *Islamic Corporate Governance* (ICG) has no effect on *Intellectual capital*, which means H_9 is rejected. So the research in this hypothesis is in line with previous research conducted by (Arifah & Setyawan, 2019), (and Aniskurillah, 2015) whose research results state that there is an influence between *Corporate Governance* on *Intellectual Capital*. However, research (Intan et al., 2019) shows that *good corporate governance* has no significant effect on intellectual capital.

The implementation of *good corporate governance* in Indonesia is still weak, due to the lack of awareness of business actors to apply the principles of *corporate governance*. Human resources (*human capital*) which are included in *intellectual capital*, who are capable and knowledgeable in an Islamic bank do not guarantee that they will apply the principles of *Islamic corporate governance* if they lack awareness of the implementation of Islamic corporate governance and if only what is needed to achieve is profit.

j. Islamic Corporate Governance on the Performance of Maqashid Syariah through Intellectual Capital

Hypothesis results in ten show the indirect effect of *Islamic Corporate Governance* (ICG) on the performance of Maqashid sharia through *intellectual capital* shows the value of $T_{\text{arithmetic}} < T_{\text{table}}$ (1.64) that is $0.131 < 1.64$ and $P \text{ Values} > 0.05$ that is $0.448 > 0.05$. These results conclude that *intellectual capital* is not able to mediate *The influence of Islamic Corporate Governance* (ICG) on the performance of Maqashid Syariah, which means that H_{10} is rejected is not in line with the research of Dikysatria et al., (2021) which states that *Intellectual Capital* is a full mediation between the influence of *Corporate Governance* on the Performance of Maqashid Syariah.

Good bank performance cannot be separated from the management and utilization of intellectual capital performance as an existing resource in the company. With this awareness, management will always maximize the performance of existing resources in the company. However, Islamic banking in Indonesia has not optimally managed and developed its intellectual property to win the competition or improve the performance of Maqashid Syariah. Banking is more focused on short-term interests, namely increasing financial returns. *Intellectual Capital* that is poorly managed by banks will not create added value for the company itself, so it has not been able to improve banking financial performance.

V. Conclusion

Directly *Islamic Social Reporting and Islamic Corporate Governance* have an impact on the Performance of Maqashid Syariah at Islamic Commercial Banks in Indonesia. And Directly Islamic Social Reporting and profitability have an impact on *intellectual capital* in Islamic Commercial Banks in Indonesia. However, ICG and ISR do not have an impact on *Intellectual capital* in Islamic Commercial Banks and also *Intellectual capital* is not able to have an impact on *Sharia Maqashid Performance* and the *intellectual capital* variable is not able to mediate the influence of ISR, profitability, and ICG on *Sharia Maqashid Performance* at Islamic Commercial Banks in Indonesia. The results of this study become input for the Financial Services Authority (OJK) and Bank Indonesia (BI) as regulators to monitor the performance of Islamic financial institutions to protect the public interest as a whole.

References

- Arief & Lucky. Basic Practical Guide to Financial Statement Analysis. Jakarta. PT. Grasindo. 2016.
- Deegan, C. 2002. Introduction: The Legitimising Effect of Social and Environmental Disclosure – A Theoretical Foundation. *Accounting, Auditing, and Accountability Journal*, 5(3), 282 - 311.
- Hadi, N. (2009). Social Responsibility: Theoretical Framework Study and Its Role in Research in Accounting. Access: *Journal of Economics & Business*, 4(8), 88-109. DOI: 10.31942/ access.v4i8.517.
- Hadi, N. (2009). Social Responsibility: Theoretical Framework Study and Its Role in Research in Accounting. Access: *Journal of Economics & Business*, 4(8), 88-109. DOI: 10.31942/ access.v4i8.517.
- Hajar, Ibnu, 1996. *Fundamentals of Quantitative Research Methodology in Education*. Jakarta. PT. King Grafindo Persada.
- Herlyanto, FD (2020). Analysis of the Implementation of Good Governance in Sharia Business in Achieving Maqashid Sharia in Islamic Commercial Banks in Indonesia. *El Muhasaba: Journal of Accounting*, Vol. 11 No. 1, Pages: 36-50.
- Kamaliah. (2020). Disclosure of corporate social responsibility (CSR) and its implications on company value as a result of the impact of corporate governance and profitability. *International Journal of Law and Management*, 62(4): 339-354,
- Leo, J. Susilo and Karlen Simarmata. 2007. *Good Corporate Governance in the Bank: Responsibilities of the Board of Directors and Commissioners in Implementing It*. Jakarta: PT Hikayat Dunia.
- Mohammed, Mustafa Omar, and Dzuljastri Abdul Razak. 2008. "The Performance Measures of Islamic Banking Based on the Maqasid Framework". Malaysia: *Journal of International*
- Niati, D. R., Siregar, Z. M. E., & Prayoga, Y. (2021). The Effect of Training on Work Performance and Career Development: The Role of Motivation as Intervening Variable. *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 4(2), 2385–2393. <https://doi.org/10.33258/birci.v4i2.1940>
- Ramadan, Mohammad Iqbal Bagus, et al. 2018. Intellectual Capital and Performance of Islamic Maqashid Islamic Banking in Indonesia. *Journal of Islamic Accounting and Finance*. Volume 6 (1), p. 5-18. <http://doi.org/10.35836/jakis.v6i1.6>

Sopyan Syafri Harahap, Critical Analysis of Financial Statements, (Jakarta: PT. Raja Grafindo Persada, 2008), 304.

Wernerfelt, B. 1984. A resource-based view of the firm. Strategic management journal. 5(2), 171-180.
<http://links.jstor.org/sici?sici=01432095%28198404%2F06%295%3A2%3C171%3AARVOTF%3E2.0.CO%3B2-L>