



Article

THE INFLUENCE OF THE MAQASHID SHARIA INDEX AND PROFITABILITY ON THE FINANCIAL PERFORMANCE OF SHARIA BANKING LISTED ON THE INDONESIAN STOCK EXCHANGE IN 2020-2022

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Abstract: Sharia banking has the aim of seeking maximum profits to improve the financial performance of sharia banking in Indonesia. If sharia banking can achieve these goals, it can be considered to have good financial performance. The aim of this research is to find out whether there is an influence of the sharia maqashid index and profitability on the financial performance of sharia banking by using sharia banking data listed on the Indonesia Stock Exchange in 2020-2022. The benefit of this research is as a data reference for parties interested in information on the financial performance of Sharia Banks listing on the Indonesian Stock Exchange.

This study employs a quantitative method with a descriptive approach. The type of research used is associative research. The data collection technique used in this study is documentation, by collecting financial reports of Islamic banks listed on the Indonesia Stock Exchange from 2020 to 2022. The type of data in this study is secondary data. The data analysis techniques used in this study are the Maqashid Sharia Index ratio, the profitability ratio of Return On Equity (ROE), the financial performance ratio of Quick Ratio (QR), and the data analysis technique uses multiple correlation analysis.

The results of this study show that the Maqashid Sharia Index significantly influences the financial performance of Islamic banks listed on the Indonesia Stock Exchange from 2020 to 2022. Profitability, measured by Return On Equity (ROE), also significantly affects the financial performance of Islamic banks listed on the Indonesia Stock Exchange from 2020 to 2022, based on hypothesis testing. Therefore, the Maqashid Sharia Index and profitability, measured by Return On Equity (ROE), significantly impact the financial performance of Islamic banks listed on the Indonesia Stock Exchange from 2020 to 2022, based on hypothesis testing. Research suggestions to Sharia Banking is to further improve its financial performance so that can attract more investors to invest in this research useful in providing insight into significant factors influences financial performance, so it can be used to develop strategies which is more effective and provides relevant information for making decisions better investment in the Sharia Banking sector.

Keywords: Sharia Maqashid Index, Profitability and Financial Performance

1. Introduction

Sharia banking has the aim of seeking maximum profits to improve the financial performance of sharia banking in Indonesia. If sharia banking can achieve these goals, it can be considered to have good financial performance. On the other hand, sharia banking which cannot achieve its goals needs to analyze the financial performance of sharia banking so that it can take steps that can be used to make the financial performance of sharia banking better, so it is very necessary to measure the performance of sharia banking.

The increasingly fierce competition is encouraging sharia economic actors to improve their performance. The manifestation of the implementation of sharia economics can be seen from the massive development of the sharia financial and banking industry as an alternative solution, which is marked by the emergence of sharia banks in Indonesia. Meanwhile, the International Monetary Fund (IMF) warned that there would be serious challenges for the global economy, it was predicted that inflation would be higher than in previous decades, which would result in

many countries tightening their finances. Therefore, the growing issues regarding the potential for a recession that will occur in 2023 also raise questions, whether Islamic banks are ready to face a potential recession in 2023, and whether Islamic banks can survive like the crisis or recession that occurred in previous years or vice versa. experienced shocks and declines as happened to conventional banks in 1998.¹

The method used to determine the performance of a bank. One method that can be used in sharia banks is *the maqashid sharia index*. *The maqashid sharia index* is a method of measuring sharia banking performance which is based on *maqashid sharia principles*. One of the most important concepts in the study of Islamic law is *maqashid sharia*. The words *maqashid* and *syariah* are the plural form of *maqshad* meaning aim or purpose, and *syariah* regulates human relations with Allah SWT, human relations with humans and the natural environment based on the Al-Quran and hadith. As-Syathibi groups this *maqashid* or *maslahah* into three, namely needs (*dhoruriyyat*), complements (*hajiyaa*), and jewelry (*tahsiniyyaat*). These needs (*dhoruriyyat*) consist of five important aspects, namely religion (*din*), soul (*nafs*), reason (*aql*), lineage (*nasl*), and wealth (*mal*). Meanwhile, Abu Zahrah developed a performance measurement model, namely *the maqashid sharia index*. The *sharia maqashid index* measurement method can be used to measure the performance of sharia banking financial ratios which are based on the sharia *maqashid* concept. *The sharia maqashid index* developed by Abu Zahrah is divided into 3 sharia goals, namely *Tahdhib al-fard* (individual education), *Iqamah al-adl* (realization of justice), *Jalb al-maslahah* (community welfare).²

Development of Sharia Banking in Indonesia

(Billion Rupiah)

	2020	2021	2022
BUS	14	15	13
Third Party Funds (DPK)	322,853	365,421	429,029
Distributed Financing	246,532	256,219	322,599
Total Assets	397,073	441,789	531,860

Source: OJK Statistics December 2022

Based on table 1.1 of the development of sharia banking in Indonesia, it can be seen that the development of Indonesian Sharia Commercial Banks (BUS) has generally improved. There can be seen an increase from 2020 – 2022 based on total third party funds (DPK), total financing disbursed, and total assets.³ To maintain this increase, Sharia Commercial Banks (BUS) are required to maintain their health to increase efficiency and profitability so that they do not collapse and experience decline. To measure a bank's health in making a profit, it can be measured by the profitability ratio.

Based on the results of preliminary research data observations, it was identified that the value of the sharia *maqashid* index which had not been determined was an aspect that could influence the value of the financial performance of Sharia Banks, which gave rise to uncertainty about how banking financial performance, especially Sharia Banking, was. On the other hand, the lack of clarity in profitability ratios is the reason this research was conducted. By identifying profitability ratios, of course parties who need banking information can easily determine the investment steps. The concept of this research refers to identifying aspects of the Maqashid Syariah Index and Profitability on Sharia Banking Financial Performance which are considered to have an impact on the information needed by certain parties so that through this research they will be able to see how much influence the Maqashid Syariah Index and Profitability have on Financial Performance. Based on the problem formulation above, the objectives of this research are:

1. To determine the influence of *the Maqashid Syariah Index* on the financial performance of sharia banking listed on the Indonesia Stock Exchange in 2020-2022.

¹ Bahtiar Effendi and Mohammad Adi Windiarko. "Sharia Bank Readiness to Face the 2023 Recession". *Scientific Journal of Islamic Economics*, 9.01 (2023). 637–45.

² Anwar Sholihin, Feny Lestari, and Adella Sinky. "Analysis of the Sharia Maqashid Index Ratio in Sharia People's Financing Banks, Sharia Business Units and Sharia Commercial Banks for the 2016-2020 Period". *Scientific Journal of Islamic Economics*, 8.2 (2022), 1541–48. <<http://dx.doi.org/10.29040/jiei.v8i2.5754>>.

³ FSA. *Sharia Banking Statistics Sharia Banking Statistics*. (Jakarta, 2022). <<https://www.ojk.go.id>>.

2. To determine the effect of profitability on the financial performance of sharia banking listed on the Indonesia Stock Exchange in 2020-2022.
3. To determine the influence of *the Maqashid Syariah Index* and Profitability on the financial performance of Islamic banking listed on the Indonesia Stock Exchange in 2020-2022.

2. Methodology

The method used in this research is a quantitative method with a descriptive approach, meaning that research is carried out to determine the value of independent variables, either one or more variables (*independent*) without making comparisons or connecting them with other variables. The type of data used by the author in this research is quantitative data presented in numerical form. The quantitative data in the research is in the form of sharia banking financial report data listed on the Indonesia Stock Exchange for 2020-2022. The location of this research was carried out at sharia banking which is listed on the Indonesia Stock Exchange by collecting data on financial reports published and accessed through the official website of the Indonesia Stock Exchange, namely <https://www.idx.co.id>. The population of this research is all banking financial reports. Sharia listed on the Indonesia Stock Exchange (BEI), namely the financial reports of PT. Bank Syariah Indonesia Tbk, PT. Bank Panin Dubai Syariah Tbk, and PT. BTPN Syariah Tbk.

3. Result

3.1 Sharia Maqashid Index Ratio

Results of calculating the sharia maqashid index ratio from a sample of sharia banking listed on the Indonesia Stock Exchange in 2020-2022:

		N	Minimum	Maximum	Mean	Std. Deviation
PT. Bank Syariah Indonesia Tbk	Sample Data	3	21.09	45.93	95,666	9,087
PT. Bank Panin Dubai Syariah Tbk	Sample Data	3	0.87	33.68	49,666	12,890
PT. Bank BTPN Syariah Tbk	Sample Data	3	2.62	32.07	64,099	7,980

The descriptive test results above explain that for PT. Bank Syariah Indonesia Tbk, sample data consists of 3 years of observation. The Maqashid Syariah index ratio has a minimum value of 21.09 and a maximum value of 45.93. The average or mean of this index ratio is around 95.666, with a standard deviation of 9.087. PT. Bank Panin Dubai Syariah Tbk, sample data also consists of 3 observations. The Maqashid Syariah index ratio has a minimum value of 0.87 and a maximum of 33.68. The average index ratio for this bank is around 49.666, with a standard deviation of 12.890. PT. Bank BTPN Syariah Tbk, there are also 3 observations in the sample data. The Maqashid Syariah index ratio value ranges from 2.62 to 32.07, with an average of around 64.099 and a standard deviation of 7.980.

3.2 Profitability Ratio Return On Equity (ROE)

The Return On Equity ratio used in this research is as follows:

		N	Minimum	Maximum	Mean	Std. Deviation
PT. Bank Syariah Indonesia Tbk	Sample Data	3	0.10	0.12	0.11	0.01
PT. Bank Panin Dubai Syariah Tbk	Sample Data	3	0.04	0.36	0.28	0.19
PT. Bank BTPN Syariah Tbk	Sample Data	3	0.15	0.21	0.19	0.12

The test results above explain that PT. Bank Syariah Indonesia Tbk, sample data consists of 3 observations. The ROE profitability ratio has a minimum value of 0.10 and a maximum value of 0.12. The average or mean of this ROE ratio is around 0.11, with a standard deviation of 0.01. PT. Bank Panin Dubai Syariah Tbk, sample data also consists of 3 observations. The ROE profitability ratio has a minimum value of 0.04 and a maximum value of 0.36. The average ROE ratio for this bank is around 0.28, with a standard deviation of 0.19. for PT. Bank BTPN Syariah Tbk, sample data also consists of 3 observations. The ROE profitability ratio value ranges from 0.15 to 0.21, with an average of around 0.19 and a standard deviation of 0.12. Although the average ROE of this bank is relatively high.

3.3 Financial Performance Ratios Quick Ratio (QR)

Quick Ratio is a ratio used to measure a bank's ability to fulfill its obligations to depositors by using the most liquid assets owned by the bank. The following are the overall results of *Quick Ratio calculations* from a sample of sharia banking listed on the Indonesia Stock Exchange in 2020-2022:

Bank name	Year	Cash Assets	Total Deposit	Results (%)
PT. Indonesian Sharia Bank. Tbk	2020	82,420,895	61,210,143	1.35
	2021	93,898,004	57,363,828	1.63
	2022	63,485,692	68,230,954	0.93
PT. Bank Panin Dubai Syariah. Tbk	2020	1,737,997,993	536,566,962	3.23
	2021	5,355,326,165	672,611,067	7.96
	2022	2,530,956,030	1,489,714,423	1.70
PT. BTPN Syariah Bank. Tbk	2020	6,920,256	1,857,115	3.73
	2021	7,909,401	2,067,557	3.83
	2022	8,356,969	2,205,269	3.79

The table above is the entire result of the *Quick Ratio calculation*. Where in this research, the author uses data belonging to PT. Bank Syariah Indonesia Tbk, PT. Bank Panin Dubai Syariah Tbk, and PT. Bank BTPN Syariah Tbk for 2020-2022 according to the required data, which is then calculated using the *Quick Ratio formula* used in this research. Further explanation describes that PT. Bank BTPN Syariah Tbk shows higher stability in its QR value from year to year, with a relatively consistent value between 3.73 to 3.83. This indicates that this bank has a consistent strategy in maintaining the most liquid asset composition sufficient to meet its obligations to depositors.

3.4 Hypothesis Testing

3.4.1 Multiple Linear Regression Test

This analysis is to determine the direction of the relationship between the independent variable and the dependent variable, whether each independent variable is positively or negatively related and to predict the value of the dependent variable if the value of the independent variable increases or decreases.

Coefficients^a

Model	Unstandardized Coefficients		Beta	Q	Sig.
	B	Std. Error			
1	(Constant)	2,537	1,317	1,927	.102
	Sharia Maqashid Index	-.033	,015	-.357	-2,171
	Profitability	18,548	3,781	,806	4,906

a. Dependent Variable: Quick Ratio

- 1) Constant of 2.537; meaning that if the Sharia Maqashid Index (X_1) and Profitability (X_2) value is 0, then *the Quick Ratio* (Y') value is 2.537%.
- 2) The regression coefficient for the Maqashid Syariah Index variable (X_1) is -0.033; This means that if the value of the other independent variables remains constant and the Maqashid Syariah Index increases by 1%, then *the Quick Ratio* (Y') will decrease by 0.033%. The coefficient is negative, meaning that there is a negative relationship between the Maqashid Syariah Index and *the Quick Ratio*, the higher the Maqashid Syariah Index, the lower *the Quick Ratio*.
- 3) The regression coefficient for the Profitability variable (X_2) is 18.548; This means that if the value of other independent variables remains constant and Profitability increases by 1%, then *the Quick Ratio* (Y') will increase by 18.548%. The coefficient is positive, meaning there is a positive relationship between Profitability and *the Quick Ratio*, the higher the Profitability, the higher *the Quick Ratio*.

3.4.2 Partial Test (T)

This test is used to determine whether in the regression model the independent variables (X_1, X_2, \dots, X_n) partially have a significant effect on the dependent variable (Y).

Coefficients^a

Model	Unstandardized Coefficients		Beta	Q	Sig.
	B	Std. Error			
1	(Constant)	2,537	1,317	1,927	.102
	Sharia Maqashid Index	-.033	,015	-.357	-2,171
	Profitability	18,548	3,781	,806	4,906

a. Dependent Variable: Quick Ratio

From the results of the t test, the proposed hypothesis can be discussed as follows :

$$1) X1 = -Tcount < -Ttable = H_0 \text{ rejected, } H_a \text{ accepted (influential)}$$

$$= -2.171 < -2.447$$

So the calculated $-t$ value $< -t$ table ($-2.171 < -2.447$) then H_0 is rejected, meaning that it partially has a significant effect between the Maqashid Syariah Index and Financial Performance (*Quick Ratio*). So from this case it can be concluded that the Maqashid Syariah Index partially influences the Financial Performance (*Quick Ratio*) in sharia banking listed on the Indonesia Stock Exchange in 2020-2022.

$$2) X2 = Tcount > Ttable = H_0 \text{ rejected, } H_a \text{ accepted (influential)}$$

$$= 4.906 > 2.447$$

So the calculated t value $> t$ table ($4.906 > 2.447$) means H_0 is rejected, meaning that it partially has a significant effect between Profitability and Financial Performance (*Quick Ratio*). So from this case it can be concluded that profitability partially influences financial performance (*Quick Ratio*) in sharia banking listed on the Indonesia Stock Exchange in 2020-2022.

4. Discussion

A. The influence of the Maqashid Syariah Index on the financial performance of sharia banking

Based on the results of hypothesis testing, it shows that H_0 is rejected and H_a is accepted, which states that the sharia maqashid index has a significant effect on the financial performance of sharia banking listed on the Indonesia Stock Exchange in 2020-2022. The Maqashid Syariah Index has a very important objective, namely to improve the financial performance of Islamic banking and provide benefits for stakeholders and shareholders. By gaining legitimacy from investors, Islamic banking can survive and develop in an increasingly competitive market. Good implementation of the Maqashid Syariah Index in companies is the key to success in achieving this goal. In line with the results of research conducted by Rofi, the Maqashid Syariah Index has a significant influence on the financial performance of Islamic banking, especially in relation to the Quick Ratio. This means that there is a positive relationship between the implementation of the Maqashid Syariah Index and the financial performance of Islamic banking.⁴ This is proven by the calculated value being smaller than the table, which shows that there is a significant influence of the Maqashid Syariah Index on the financial performance of sharia banking.

The Maqashid Syariah Index has a significant impact on financial performance Syariah banking. The Maqashid Syariah Index concept provides a foundation for sharia banking to operate in accordance with sharia principles which include aspects of justice, sustainability and community welfare. By implementing these principles in its operational activities, sharia banking can gain trust and support from the community and other stakeholders. The explanation regarding maqasyid sharia is also explained in the results of research conducted by Andi Ayu Frihatni that *the resilience of Islamic banks, measured using competitiveness, diversification, capitalization, and credit risk, affects market share. In particular, culture captured using Hofstede's dimension is also included. This study covers a broader spectrum of Muslim countries in MENA and ASEAN*.⁵ Which is translated as Islamic bank resilience, which is measured using competitiveness, diversification, capitalization and credit risk, influences market share. Specifically, cultures represented using Hofstede's dimensions are also included. This study covers a broader spectrum of Muslim countries in MENA and ASEAN. The relevance of the research results to this research is that the competitiveness that regulates every aspect of banking transactions refers to Maqashid Syariah principles which are the measuring tool in this research.

B. The influence of profitability on the financial performance of sharia banking

Based on the test results, it is clear that H_0 is rejected and H_a is accepted, which states that the profitability of *Return On Equity (ROE)* has a significant effect on the financial performance of Islamic banking listed on the Indonesia Stock Exchange in 2020-2022. Profitability *Return on Equity (ROE)* is one of the main indicators in assessing the financial performance of Islamic banking. The main objective of ROE is to improve the financial performance of Islamic banking by providing benefits to stakeholders, including stakeholders and shareholders. When sharia banking is able to provide profits to shareholders and other stakeholders, this not only helps banks to survive and develop, but also strengthens their legitimacy in the eyes of investors. In other words, a good ROE is a marker of the success and sustainability of sharia banking in the long term.

⁴ Rofi, M. "Measuring the Financial Performance of Bank Muamalat Indonesia Using the Sharia Conformity and Profit Ability (SCnP) Method". *Malia: Journal of Islamic Economics*. (Volume 11 Number 2 June 2020, Pages 169-186, 2022).

⁵ Frihatni, Andi Ayu. "The impact of Islamic banks' resilience and culture on market share: Evidence from Muslim countries in MENA and ASEAN". *(International Journal of Innovative Research and Scientific Studies*, 6(4) 2023, pages: 1041-1049).

The test results which show a significant influence between ROE and Quick Ratio confirm the importance of ROE as a factor that influences the financial performance of sharia banking. With the positive influence between ROE and Quick Ratio, it can be concluded that increasing ROE can contribute positively to sharia banking liquidity.

This explanation indicates that a sharia banking strategy aimed at increasing ROE can have a positive impact on overall financial performance, including in terms of liquidity. Therefore, Islamic banking companies can consider focusing on strategies that can increase their ROE, such as increasing operational efficiency, good risk management, and product innovation that is in accordance with sharia principles.

The influence of profitability on the financial performance of sharia banking has a significant impact in maintaining the stability and growth of sharia-based financial institutions. Profitability, which is measured through Return On Equity (ROE), is one of the main indicators in evaluating the financial performance of Islamic banking.

The ROE indicator reflects the efficiency and productivity of capital invested by shareholders and other stakeholders in sharia banking. When ROE increases, this indicates that the company is able to generate greater profits from the invested capital. The positive impact of high ROE on the financial performance of sharia banking can be observed through various indicators, one of which is the Quick Ratio. Quick Ratio is an important parameter that measures the level of liquidity of a company, including sharia banking. With a high ROE, Islamic banks have more financial resources that can be used to maintain their liquidity, such as in terms of paying short-term obligations.

The strategies of Islamic banking aimed at increasing ROE can have a positive impact on overall financial performance, including liquidity. Therefore, Islamic banking institutions can consider focusing on strategies to enhance their ROE, such as improving operational efficiency, good risk management, and product innovation that aligns with Sharia principles. According to Andi Ayu Frihatni, the business world has driven the improvement of company performance in terms of ROA (Return on Assets), ROE (Return on Equity), and stock value, finding a positive impact on the relationship between gender diversity and company performance.⁶ The link between Islamic banking strategies aimed at increasing Return on Equity (ROE) can positively impact overall financial performance, including liquidity, because ROE is one of the main indicators reflecting the efficiency of capital utilization and the company's ability to generate profits for shareholders. In the context of Islamic banking, strategies to increase ROE typically include improving operational efficiency, good risk management, and product innovation in accordance with Sharia principles.

The influence of profitability on the financial performance of Islamic banking has a significant impact on maintaining the stability and growth of Sharia-based financial institutions. Profitability, measured by Return On Equity (ROE), becomes one of the main indicators in evaluating the financial performance of Islamic banking. As explained by Andi Ayu Frihatni, ROA is profitability used to show the function of COST (environmental cost), PROPER (reputation incentive), and X (a number of control variables believed to be related to ROA). Based on the accounting system, environmental activities are disclosed in the form of recording environmental cost accounts and corporate social responsibility reports related to the environment. Environmental costs are internal and external costs related to the environment incurred by the company and measured as environmental costs divided by net profit before tax. Internal costs include direct monetary expenditures including planning, construction, management, maintenance, and disposal for activities operated by the company.⁷

Increasing ROE also gives investors and shareholders confidence in the performance of sharia banking. This helps strengthen banking legitimacy in the financial market and increases public trust in Islamic banking institutions. Thus, high profitability not only provides benefits for the company itself, but also has a positive impact on the financial ecosystem as a whole. In the context of strategic decision making, understanding the relationship between profitability and Islamic banking financial performance is very important. Strategies aimed at increasing banking profitability, such as product diversification, increasing operational efficiency, and good risk management, can have a positive impact on a company's financial performance. Therefore, profitability is one of the main focuses in efforts to achieve growth and sustainability of Islamic banking in competitive financial markets.

⁶ Frihatni, Andi Ayu. "Gender diversity and firm performances suffering from financial distress: evidence from Indonesia". (Department of Sharia Accounting, Institut Agama Islam Negeri Parepare, Parepare, Indonesia). *Journal of Capital Markets Studies* Vol. 7 N, 2023: 93.

⁷ Frihatni, Andi Ayu. "Do Environmental Compliances Reduce Agricultural Profitability? An Inference from Indonesia". (IConARD 2021, E3S Web of Conferences 316, 04006 (2021).

C. The influence of the Maqashid Syariah Index and Profitability on the financial performance of Islamic banking

Based on the test results, it shows that H_0 is rejected and H_a is accepted which states that the Maqashid Syariah Index and Profitability *Return On Equity* (ROE) have a significant effect on the financial performance of Islamic banking listed on the Indonesia Stock Exchange in 2020-2022. Research that examines the relationship between the Maqashid Syariah Index and Profitability *Return on Equity* (ROE) on the financial performance of sharia banking provides an important picture in the context of the sustainability and growth of the sharia-based financial industry. Both the Maqashid Syariah Index and ROE have similar objectives, namely improving the financial performance of Islamic banking and providing profits and benefits for stakeholders and shareholders.

The results of this research show that in the modern context of sharia banking, the Maqashid Syariah Index is implemented as a framework that allows financial institutions to carry out their operations in accordance with established sharia principles. The main objective of the Maqashid Syariah Index is to ensure that sharia banking activities do not only focus on achieving profits, but also pay attention to aspects of justice, public benefit and other sharia goals.

The test results also explain that ROE is the main indicator in measuring the level of profitability of a sharia bank. ROE describes a company's efficiency in generating profits for shareholders relative to invested capital. A high ROE shows that the bank is able to generate high profits from the capital it has.

The research results show that both the Maqashid Syariah Index and ROE have a significant effect on the financial performance of sharia banking, as measured by *the Quick Ratio*. *The Quick Ratio*, which describes a bank's ability to meet short-term obligations with liquid assets, is a critical indicator in evaluating a bank's financial stability. The planning, implementation, and evaluation of marketing funding strategies at BNI Syariah Parepare reveal that the marketing funding team aims to increase the number of customers by first setting clear target goals. The primary target goals for marketing funding at BNI Syariah Parepare are institutions and individual customers.⁸ This approach is relevant when linked to research findings on the influence of the Maqashid Sharia Index and *Return on Equity* (ROE) on the financial performance of Islamic banking, which indicate that before implementing strategies, companies like BNI Syariah Parepare need to conduct strategic planning. Analogously, in research, the Maqashid Sharia Index and ROE are used as indicators to evaluate the financial performance of Islamic banking. Strategic planning in marketing and Islamic banking can include setting clear target goals, as done by BNI Syariah Parepare by targeting institutions and individual customers.

The results of the research discussion described above are relevant to research theory which states that the signal concept in Signaling Theory can be applied in the context of implementing the Maqashid Syariah Index and ROE. In this context, Islamic banking companies use positive signals to provide information to investors and stakeholders that they comply with sharia principles and have a good level of profitability, as reflected in their ROE.⁹ This signal reflects the company's strong financial performance and commitment to sharia principles, which is expected to increase investor confidence and obtain greater financial support.

The relationship between signals and Islamic banking financial performance is in line with the same objectives in previous research, namely improving the financial performance of Islamic banking and providing benefits for *stakeholders* and *shareholders*. The signals given by the company to the market will influence investors' perceptions and decisions regarding the company.¹⁰ If these signals are positive, investors tend to be more interested in investing in the company, which in turn can increase the company's value and support long-term growth. The influence of the Maqashid Syariah Index and *Profitability Return on Equity (ROE)* on the financial performance of Islamic banking on the Indonesia Stock Exchange in the 2020-2022 period. The results of the analysis show that these two factors have a significant effect on the financial performance of sharia banking, as measured by *the Quick Ratio*.

5. Conclusion

Based on the results of the analysis and discussion in this research, the author draws the following conclusions:

1. The Maqashid Syariah Index has a significant effect on the financial performance of sharia banking, which means that an increase or decrease in the Maqashid Syariah index has an effect on the financial performance of sharia banking.

⁸ Said, Zainal. "Marketing Funding Strategy in Increasing the Number of Customers in Banks BNI Syariah Parepare". *BANCO: Journal of Sharia Management and Banking* 3.2, 2021: 85-100.

⁹ Firmansyah. "Performance Analysis of Sharia Banks Using the Maqashid Syariah Index (Msi) and Profitability". (*Accounting Journal*, Volume 13 (1) (January – June 2018), 1-9.

¹⁰ Fahmi, I. *Financial Performance Analysis: A Guide for Academics, Managers and Investors and Analyzing Business from Financial Aspects*. (Alphabeta, 2018).

2. Profitability *Return on Equity* (ROE) has a significant effect on the financial performance of sharia banking, which means that growth and decline in profitability have an effect on the financial performance of sharia banking.
3. The Maqashid Syariah Index and Profitability have a significant effect on the financial performance of sharia banking, which means that increases and decreases in the maqashid sharia index and profitability have an effect on the financial performance of sharia banking.

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