

The Influence of Intellectual Capital and Characteristics of the Sharia Supervisory Board on the Performance of Islamic Maqashid

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ABSTRACT

This study aims to examine the implementation of Islamic maqasid performance in Islamic banks by considering the influence of the aspects of Intellectual Capital (IC) and the Sharia Supervisory Board. This study uses a sample of Islamic banks in Indonesia that are registered with the Financial Services Authority. The number of observational data is 148 data during the 2008-2020 period. To test the research hypothesis used panel data regression model analysis. The analytical tests used in this study were the preliminary test (Breusch-Pagan, likelihood test, hausman test) , diagnostic tests (heteroscedasticity test and autocorrelation test) and hypothesis testing. Based on the results of the three preliminary tests in determining the panel data regression model, this study will use a random effect model . The results of the study reveal that Intellectual Capital (IC) has a positive influence on the performance of Islamic maqashid . Utilization of Intellectual Capital (IC) that is more optimal can improve the performance of higher Islamic banking maqashid sharia.

INTRODUCTION

According to the Central Bureau of Statistics, the development of Islamic finance in Indonesia is currently very rapid, this has made competition between financial institutions increasingly competitive. Not only competition between Islamic banks and conventional banks, but also intense competition between Islamic banks. UU no. 21 of 2008 states that Islamic banks are banks that operate based on sharia principles, or the principles of Islamic law as stipulated in the fatwa of the Indonesian Ulema Council. Sharia principles consist of justice and balance, benefit, and there are no forbidden objects. Receiving zakat, infaq, alms, grants, or other social funds and then channeling them to waqf managers (nazhir) is one of the social functions of Islamic banks in accordance with the Sharia Banking Act (OJK, 2008).

The development of the Islamic finance industry in general is a representation of the majority of the Muslim population in Indonesia and is based on the main reason, namely the legal view that interest is forbidden in conventional banks because it is included in the category of usury which is prohibited in Islam (Prilevi et al, 2020). With the increasing growth of BUS in Indonesia, the performance of BUS is demanded to be better. Performance shows the bank's financial position during a certain period including aspects of funding and allocation (Zuliana & Aliamin, 2019) . Thus, it is necessary to develop a performance measurement tool for Islamic banking that is guided by Islamic law. Therefore, a measuring instrument for Islamic banks is needed that is in accordance with Islamic principles by conducting efforts to measure bank performance which is formulated from measurements based on Sharia principles (Index Maqashid Syariah) (Mohammed et al, 2015). Sharia performance measurement, such as measuring social performance, measuring sharia compliance , or measuring performance based on maqashid sharia (Aisyah et al, 2021).

According to Septiani, et al (2021), the benefit of humanity is a goal that can be achieved with the performance of maqashid sharia . The Maqashid sharia index is used to measure the performance of Islamic banking in accordance with sharia principles (Prilevi et al, 2020). Islamic banks must adhere to sharia principles in carrying out their business and must assess whether their activities are in line with sharia objectives or not (Cahya and Kusmaningtyas, 2020). So that making profits is not the only goal of Islamic banks, but also creating the benefit of the people (Cahya and Kusmaningtyas, 2020).

Mohammed et al (2015) have developed an evaluation of Islamic bank performance based on the maqashid index related to Abu Zahrah's concept of maqashid sharia . The dimensions of measurement in Maqashid Syariah are divided into 3 categories, namely: education, creation of justice and creation of prosperity. Individual Education, it means that Islamic banks must develop personal knowledge and expertise to increase spiritual values (Mohammed et al, 2015). Justice means that in every transaction and business activity included in the product, pricing , and contractual provisions must be guaranteed honesty and fairness by Islamic banks (Mohammed et al, 2015). Maslahah (Welfare)

means that Islamic banks must develop investment projects and social services to improve people's welfare (Mohammed et al, 2015).

The maqashid sharia index variables, namely education, justice and welfare, are then presented in the form of a table of company performance criteria in the maqashid sharia perspective accompanied by indicators formulated by Mohammed et al, (2015) in the form of the maqashid sharia index . Factors that affect the performance of Maqashid Syariah are Intellectual Capital (Septiani et al, 2021), Size of the Sharia Supervisory Board (Nomran, et al 2017), Competence of the Sharia Supervisory Board (Izzatika and Lubis, 2016).

The first factor that can affect the performance of sharia maqashid is that Intellectual capital can be a strategy to increase a company's competitive advantage so that it can compete with other companies and to improve company performance (Shabrina et al, 2021). According to Stewart (1997) everything about human resources in a company that can create competitive advantage is intellectual capital. Intellectual material consists of knowledge, information, intellectual property that can be utilized to create competitive advantage (Zuliana and Aliamin, 2019). That way, to develop business competition, Islamic banking must optimize its intellectual capital , so that it can become a factor in increasing the performance of Islamic banking in accordance with the principles of maqashid sharia (Septiani et al, 2021).

Intellectual Capital can be explained as the main driving force for the formation of value in a knowledge-based economy (Pratama et al, 2022). According to Siswanti et al (2017) intellectual capital has a positive effect on company performance & sustainable business. Strengthened by the opinion of Pulic (1998) which states that the main goal in a knowledge-based economy is to create Value Added . Intellectual Capital which influences the performance of Islamic Maqashid indicates that added value and competitive advantage of Islamic banking can be realized by properly maximizing intellectual capital (Ulum et al, 2017). According to Barney and Calrk (2007) companies can create competitive advantage by creating resources that can add positive value to the company, are difficult to imitate, are unique and cannot be replaced by competitors. Companies that can create competitive advantage can increase value for the company, and can be used to develop strategies so as to improve the performance of Islamic maqashid (Wijayani, 2017).

Research on intellectual capital , including Septiani et al (2021), Shabrina et al (2021), and Pratiwi (2017) found results that intellectual capital has a positive effect on the performance of Maqashid Syariah . Bontis (2002) states that the three elements of intellectual capital , namely human capital, structural capital and capital employed , are related and interact effectively to create a strong capital base that will form a company's competitive advantage so that it can affect company performance. It is believed that accounting has not been able to recognize and measure intellectual capital , because accounting tends to only focus on hard assets (Stewart, 1997). Therefore, it is very important to evaluate intellectual capital to produce more complete financial reports and company values (Susilaningih and Piliyanti, 2016). In addition, optimal management of intellectual capital is able to make the company increase its net profit, thus

providing added value to investors that the company has good performance and can attract investors to invest funds in the company (Ramadhany, 2017). The results of this study differ from Apriansyah (2020), Ramadhanty et al, (2019) and Fatah et al (2022) stating that intellectual capital has no influence on the performance of Maqasid Syariah. Because of the gap, the influence of Intellectual Capital on the Performance of Maqashid Syariah needs to be re-examined that the presence of Intellectual Capital can improve Maqashid Syariah .

To optimize the utilization of Intellectual Capital in improving Islamic Bank Performance, the Size and Competence of the Sharia Supervisory Board is needed, which is one of the main organs in Islamic banks to ensure that Islamic bank activities are in accordance with Islamic principles (Nugraheni, 2018).

The number of DPS members is based on Bank Indonesia Regulation Number. 11/33/PBI./2009 at least two people or a maximum of 50% of the total number of directors. According to Muttakin and Ullah (2012) more DPS have experience, expertise, and better professional and social networks can encourage better performance. More sharia supervisory boards are expected to lead to better oversight and higher levels of sharia compliance. Proper supervision is expected to reduce agency problems caused by Islamic banking controls. The sharia supervisory board is tasked with overseeing the compliance of Islamic banks with Islamic sharia law, so that this can suppress agency problems so that the performance of maqashid sharia is expected to be better for sharia banks (Kholid and Bachtiar, 2014).

Research on the size of the sharia supervisory board, including Milenia and Syafei (2021), Sutafa and Hanafi (2019) and Wahyulaili, et al (2018) states that the size of the DPS has a positive effect on the performance of maqashid sharia, the large number of DPS members with different experiences, perspectives and competencies -different so as to be able to exchange ideas to produce a more optimal decision. This makes bank performance more effective, especially in terms of improving the performance of maqashid sharia (Sutapa and Hanafi, 2019). The results of this study are different from the research of Khalid and Bachtiar (2014), Muhammad and Oktavianti (2020) which state that DPS size has no effect on the performance of Islamic maqashid.

PBI No. 11/3/PBI/2009 Concerning Sharia Commercial Banks Article 34 paragraph (2) part b states, DPS members at least have knowledge and experience in sharia mu'amalah and knowledge in banking and/or finance in general. To carry out supervision on the Islamic banking industry, requires knowledge such as Islamic law, economics, and financial and accounting practices (Rahma & Bukair, 2013). According to Farhana and Tarmidzi (2016), to become DPS requires two competencies at once, this is because understanding in the field of Sharia is required to ensure that Islamic financial institutions operate in accordance with Sharia, and an understanding of general finance and accounting is required to conduct sample audits. Competent DPS will provide positive added value to the company's performance, because they are considered to have known the background and dynamics of the company. Then, if DPS has experience in previous companies, DPS can provide more reliable suggestions, solutions and strategies (Octosiva et al, 2018). Company knowledge gained from

experience allows DPS to improve company performance in accordance with maqashid sharia principles (Octosiva, et al. 2018).

Research on the competence of the sharia supervisory board, namely Octosiva, et al (2018) states that the competence of the sharia supervisory board has a positive effect on company performance. This is due to the sharia supervisory board having knowledge, certification and experience in the fields of banking, financial accounting and sharia being able to improve the performance of maqasid sharia . The results of this study are different from Nugraheni's research (2018) that DPS education, which is one of the competency factors, has no effect on the performance of Islamic maqasid .

This study examines the effect of Intellectual Capital on the Performance of Islamic Maqashid with the Size and Competence of the Sharia Supervisory Board. This research develops the research conducted by Apriansyah (2020) which examines the Effect of Intellectual Capital on the Performance of Maqashid Syariah at Islamic Commercial Banks registered with the OJK for the 2016-2018 period. The difference between this research and research conducted by Apriansyah (2020) is the sampling period.

THEORETICAL REVIEW

Resource Bases Theory

Wernerfelt (1984) explains that RBT is the basis of competitive advantage lies in a set of tangible or intangible assets of the company. RBT describes a company's ability to create a sustainable competitive advantage when its resources are managed optimally, making it difficult for competitors to imitate or create their output (Mahoney and Pandian, 1992). Based on *the Resource-Based Theory* , it can be concluded that *Intellectual Capital (IC)* is a unique resource that is able to create a competitive advantage for the company so that it can create value for the company, and can be used to develop and implement strategies so that it can improve the company's performance for the better. Companies that successfully manage their competitive advantage and companies that attract *stakeholders* can survive in an era of intense competition (Purnama et al, 2018). According to Winarno (2020) the competitive advantage found in Intellectual capital can improve social performance, so that the implementation of *maqashid sharia performance* is higher.

Stakeholder Theory

According to Freeman and McVea (2001) a *stakeholder* is any group or individual that can affect or be affected by the achievement of organizational goals. Stakeholder theory is a theory that describes which parties a company is responsible for (Freeman, 1984). *Stakeholder theory* explains how to maintain good relationships between employees, communities, suppliers, investors and creditors with the aim of influencing each other and seeking profit (Faradina and Gayatri, 2016). The form of company concern for stakeholders is through information disclosure and corporate social performance (Bayoud et al., 2012). Stakeholders include depositors, shareholders, government, employees, management, suppliers and the community (Rahma & Bukair, 2013). According

to Farook, Hassan, and Lanis (2011), the performance of Islamic banks can be improved by maintaining the trust of shareholders and other stakeholders while involved in Islamic financing activities. From the explanation above, if it is related to the company's goals, namely increasing company performance based on the principles of *maqashid sharia*, a Sharia Supervisory Board is needed in the company's operating processes (Maskuroh, 2014).

The Influence of Intellectual Capital on the Performance of Maqashid Syariah

Intellectual Capital plays an important role in improving the performance of *Maqashid Syariah* (Fatah et al, 2022). According to *Resource Based Theory (RBT)*, by owning, acquiring, and using strategic assets effectively a company will gain a competitive advantage and achieve superior performance. The strategic assets at issue include tangible assets in the form of physical assets and intangible assets that are owned, developed and used by companies to maintain competitive and profitable strategies (Wernerfelt, 1984). According to Belkaoui (2003) by combining tangible assets and intangible assets is a potential strategy to improve company performance. Previous studies have succeeded in finding a relationship between *Intellectual Capital and Islamic Maqashid Performance*. Nugroho (2020) states that *human capital* has a positive effect on the performance of *maqashid sharia*, this is due to *human capital* explaining the level of utilization of employee knowledge abilities to improve company performance. Then, Pratiwi (2017) also stated that VACA and VAHU had an effect on banking performance in Indonesia. Companies with better *intellectual capital* will provide competitive advantages, which can be used to improve social performance based on the principles of *maqashid sharia* (Hartati, 2014). Based on this, the hypothesis proposed in this study is as follows:

H1: *Intellectual Capital* has a positive effect on the performance of *Islamic Maqashid*

The Effect of the Size of the Sharia Supervisory Board on the Performance of the Sharia Maqasid

The Sharia Supervisory Board plays a very important role in efforts to improve Islamic banking performance by overseeing company operations and product development so that they comply with sharia principles (Nugroho 2020). The number of DPS members is based on PBI regulations No. 11/33/PBI./2009 the number of DPS members is at least two people or a maximum of 50% of the total number of directors. A good DPS will have good supervision so that it is expected that Islamic banks can comply with the agreed upon Islamic provisions, and Islamic bank management does not take advantage of their *bargaining power* to deceive customers and enrich themselves so that they can improve the performance of *Islamic maqasid* (Sulistyawati, et al. 2020). The more DPS, the better the supervision and thus the higher the level of sharia compliance for Islamic banks. The existence of supervision and a good level of sharia compliance will improve the performance of the *maqasid sharia* of its sharia banks (Khalid and Bachtiar, 2015).

Research Sulistyawati, et al. (2020) stated that the number of members of the sharia supervisory board has a positive effect on the performance of *sharia*

maqasid of Islamic banks, a greater number of DPS with different experiences and skills, this will lead to a better interpretation of banking products and operations and have an impact on the performance of Islamic banks that are better. Anton (2018) also states that the number of DPS members influences the performance of *maqashid sharia* because the effectiveness and efficiency of the division of responsibilities among DPS members is based on the large number of people who sit as DPS. Based on the explanation above, the hypothesis proposed in this study is as follows:

H2: The size of the Sharia Supervisory Board has a positive effect on the performance of *Maqasid Syariah*.

The Influence of the Competence of the Sharia Supervisory Board on the Performance of Maqashid Syariah

Competence is the basic foundation of personal traits that show behavior and thoughts, identify situations and provide long-term support (Izzatika and Lubis, 2016). Competence is also defined as the characteristics of an individual related to the results achieved in the company (Spencer, 1993). DPS members who are highly educated will be able to solve not only sharia problems but also economic problems (Rahma & Bukair, 2013). The selection of DPS members who have been involved in Islamic banking and Islamic finance institutions is preferred by IFIs (Rahma & Bukair, 2013). DPS members who are educated, have certification and experience in the fields of finance, accounting, sharia and banking have better performance in carrying out their role, namely overseeing the performance of sharia banking, including the performance of *maqashid sharia* (Almutairi & Quttainah, 2017).

Previous studies have succeeded in finding a relationship between DPS competence and *Maqasid Syariah performance*. Octovios, et al (2018), Oktafiani, et al (2022) state that DPS education has a positive effect on the performance of *maqashid sharia*. Nomran, et al (2017) stated that reputation and experience have a positive effect on company performance. DPS who have adequate competence are able to carry out their duties and responsibilities in a professional manner, so that they are able to supervise the performance of sharia banking based on *maqashid sharia principles*. Based on this explanation, the hypothesis proposed in this study is as follows:

H3: The competence of the Sharia Supervisory Board has a positive effect on the performance of *Maqashid Syariah*.

METHODOLOGY

Data and Samples

This study uses secondary data. The data for this study were taken directly from the annual reports of Islamic banks in Indonesia, which are available on the websites of each bank. The data collection approach used in this study is using a pooled unbalanced panel, meaning that all existing samples are used, or the census method. However, the number of years is unequal for all companies. While the sample used is an Islamic bank company registered with the Financial

Services Authority (OJK) in 2008-2020. The sample selection took into account the following criteria:

- a. Annual reports from 2008-2020 published by Indonesian Islamic banks registered with OJK
- b. Islamic banks that have complete data according to the research variables.

Based on the sample criteria that have been selected in this study, the research samples obtained are 14 Islamic banks.

Independent Variables

The independent variable of this study is *Intellectual Capital* which consists of *Islamic banking Value Added Capital employed (iBVACA)*, *Islamic banking Value Added Human Capital (iBVAHU)*, *Islamic banking Value Added Structural Capital (iBSTVA)*. Pulic (1998, 2000) developed a " *Value Added Intellectual Coefficient* " (VAIC) to measure corporate IC. The VAIC method is designed to provide information on the efficiency of value creation from tangible and intangible assets owned by a company. The main components of VAIC™ can be seen from company resources, namely *physical capital (VACA - value added capital employed)*, *human capital (VAHU - value added human capital)*, and *structural capital (STVA - structural capital value added)*. Furthermore Pulic (1998) states that *intellectual ability*, which is then called VAIC™ shows how these two resources (*physical capital and intellectual potential*) have been efficiently utilized by the company.

Intellectual Capital Measurement

$$iBVAIC = iBVACA + iBVAHU + iBSTVA$$

Where:

iBVAIC	= Value added intellectual coefficient
iBVACA	= VA / CE; resource efficiency coefficient
iBVAHU	= VA / HC; capital structure efficiency coefficient
iBSTVA	= SC / VA; capital efficiency coefficient used
VA	= OUT - IN . VA can also be calculated by the formula: OP + EC + D + A; VA is the calculation of output (OUT) which is calculated from total income minus input (IN) which is calculated from operational costs and non-operational costs, except for staff/employee costs. While OP is operating profit; EC is employee cost; D is depreciation, and A is amortization.
HC	= employee cost
SC	= iBVA - HC; capital structure
CE	= total equity

Size of the Sharia Supervisory Board

The Sharia Supervisory Board has a very important position in efforts to improve the performance of Islamic banks by overseeing company operations and product development so that they remain in accordance with Islamic law (Nugroho 2020). The number of DPS members is based on PBI regulation No. 11/33/PBI./2009 the number of DPS members is at least two people or a maximum of 50% of the total number of directors. The number of members of the

Sharia Supervisory Board of each Islamic commercial bank in Indonesia at the end of each measurement year is the number of DPS members (Nomran et al, 2018).

$$\text{Jumlah Anggota DPS (SIZE)} = \Sigma \text{ Anggota DPS pada setiap akhir tahun}$$

Competence of the Sharia Supervisory Board

DPS Competency Measurement is the percentage of DPS members who have knowledge (education or certification) in accounting or finance, and experience working in financial organizations in general is a measurement for DPS Competence. (Nomran et al, 2018) and PBI No. 6/17/PBI/2004

Kompetensi Anggota DPS (EXPERT)

$$= \frac{\Sigma \text{ Anggota DPS yang memiliki pendidikan dan sertifikasi bidang akuntansi atau}}{\text{Total Anggota DPS}}$$

Dependent Variables

In the *maqashid sharia* index there are several steps that must be completed. In this step, there are four ratios with the aim of PI (O1) Education, three ratios related to PI (O2) Justice and three ratios related to PI (O3) Maslahah. A total of ten performance ratios were identified, but in this study only used eight performance ratios from the three PI objectives. The ratios that are not used are *profit equalization reserve* (PER) and *interest free income*, because these data are not contained in the annual reports published by Islamic banks which are used as research objects. Table 1 presents the ratio of *maqashid syariah* index indicators and table 2 explains the average weight of the *maqashid syariah* index variable:

Table 1. Maqashid Sharia Index

Draft	Dimensions	Element	Performance Ratio	Source
Education Individual	D1. Increase Knowledge	E1. Grant Education	R1. Grant education / Total cost	Report Annual
		E2. Research	R2. CostStudy/ Total cost	Report Annual
		E3. Training	R3. Cost Training/ Total cost	Report Annual
createn Justice	D2. Add and Increase Ability new	E4. Publicity	R4. Cost Publicity/ Total cost	Report Annual
		D3. Create Public Awareness of the Existence of Islamic Banks		
	D4. Contract which fair	E5. Returns Injustice	R5. Profit equalization Reserves (PER) / Net or Investments	Report Annual

		Income		
	D5. Products and servicesaffordable	E6. Function Distribution	R6.Mudharabah and Musharakah /Total Financing	Report Annual
	D6.Deletion Injustice	E7. Productnon interest	R7. Income Non Flower/Total Income	Report Annual
Interest General	D7. Profitability	E8. Ratio Profit	R8. Profit Clean/ Total Assets	Report Annual
	D8. Distribution of Wealthand profit	E9. Opinionn personal	R9. Zakat/Net Assets	Report Annual
	D9. Investation in the real sector vital	E10. Ratio Investation on Real Sector	R10. Distribution Investation on SectorReal/ Totaldistribution Investation	Report Annual

Source: Muhammed et al, 2008 and 2015

Table 2. Maqashid Index Variable Average Weight

Draft (Objective)	AverageWeight (100%)	Element	AverageWeight (100%)
. EducationIndividual	30	R1. Educational Donation	24
		R2. Study	27
		R3. Training	26
		R4. Publication	23
		Total	100
2. CreatingJustice	41	R5. Returnsfair	30
		R6. Function Distribution	32
		R7. Interest-free products	38
		Total	100
3. InterestsPublic	29	R8. RatioProfit	30
		R9. IncomePersonal	33
		R10. Real Sector Investment	37
		Total	100
Total	100		100

Source: Muhammed et al, 2008 and 2015

Data Analysis Techniques

This study uses a panel data regression model analysis. According to Gujarati & Porter (2009), research that uses panel data must be tested with a panel data regression model. Panel data analysis consisted of the *ordinary least squares regression model*, the *fixed effect model*, and the *random effect model*. In this study, *The Breusch and Pagan Lagrangian* are used to test the *ordinary least square model versus the random effect regression model*. Meanwhile, the *Likelihood test* was used to test the *fixed effect model versus the ordinary least square regression model* and the *Hausman test* was used to find the *fixed effect and random effect regression models*. In this study, an equation model is used to evaluate the assumptions. Model (1) is used to examine the effect of *intellectual capital*, size and competence of the Sharia Supervisory Board on *the performance of Islamic maqashid*. Model (2) is used to examine the effect of DPS Size and Competence in strengthening the relationship of *intellectual capital* to the performance of *Islamic maqashid*. The formulation of the model used to carry out the testing in this study consists of 2 models. Model 1 explains the influence of intellectual capital, DPS size and competence on the performance of Islamic maqashid. Model 2 explains the influence of DPS size and competence in strengthening the relationship between intellectual capital and the performance of Islamic maqashid:

Model (1) Effect of intellectual capital, DPS size and competence on the performance of Islamic maqashid:

$$MS = \alpha + 1iBVAIC + 2UkuranDPS + 3KompetensiDPS + \varepsilon \dots (1)$$

Information:

- MS = *Maqashid Syairah*
- α = Constant
- β = Regression coefficient
- iBVAIC = *Intellectual capital*
- Size = Number of Members of the Sharia Supervisory Board
- Competence = Competence of the Sharia Supervisory Board
- ε = errors

RESULTS AND DISCUSSIONS

Descriptive Statistics

Maqashid Syariah variable has a mean value of 0.2071531. This means that the average ability of Islamic Commercial Banks to carry out *Islamic maqashid performance* is 20.71% of the total *Islamic maqashid performance indicators*. The IC (*Intellectual Capital*) variable has a mean value of 3.823706. Kamath (2007) is a fairly good VAIC score range and shows that the sample companies have a fairly good ability to manage *Intellectual Capital*. On the other hand, the average DPS measure is 2.243243, in line with PBI regulation No. 11/33/PBI./2009 which states that the number of DPS members is at least two people or a maximum of 50% of the total number of directors. The average DPS competency score is 0.7452703, meaning that Islamic bank DPS members who have competence in the

fields of banking, accounting, finance and sharia are on average 74.52% of the total DPS members. Overall, descriptive statistics for each variable can be seen in Table 3.

Table 3. Descriptive Statistics

Variable	Means	std. Deviation	Min	Max
Ms	0.2071531	0.8002812	0.0036037	0.4781541
IC	3.823706	7.98032	-10.05218	69.10469
SSB	2.243243	0.6863253	0	5
KOM	0.7452703	0.3391557	0	1

Preliminary Test (Breusch And Pagan Lagrangian Multiplier Test, Chow Test, And Hausman Test)

The study has done the preliminary test which are breusch test and pagan lagrangiaan multiplier (Tabel 4), chow test (Tabel 5), hausman test (Tabel 6)

Heteroscedasticity Diagnostic Test and Serial Correlation

The result of this study use the random effect model to test the diagnostic Heteroscedasticity and Serial Correlation are presented in Tabel 7.

Hypothesis Testing Results

The results of hypothesis testing are used to determine the effect of the independent variable namely intellectual capital, sharia supervisory board on the dependent variable of maqasid sharia performance in Islamic banking in Indonesia. Table 8 explains the model, namely the influence of intellectual capital, DPS size and competence on the performance of Islamic maqashid .

Table 4. Results of Hypothesis Testing Model 1

Independent Variable	Dependent Variable			
	Ms			
	Coeff.	std. Err.	z	P>z
const	0.2449856	0.0390455	6,27	0.0000
IC	0.0012196	0.0005924	2.06	0.040*
SSB	-0.0255797	0.0124632	-2.05	0.040*
COMP	0.013529	0.0225446	0.60	0.548
R-square within	0.1559			
Wald Chi2	8,74			
Prob>Chi2	0.0329*			
No. observation	148			
*5% significance				

Test Results of the Effect of Intellectual Capital on the Performance of Maqashid Syariah

The first hypothesis is to test whether *intellectual capital* (IC) has a positive impact on the performance of *Maqashid Syariah* in Indonesian Islamic banks. Table 6 presents the results of testing the overall hypothesis of this study. Testing

the hypothesis of the Effect of *Intellectual Capital on Islamic Maqasid Performance* shows that *intellectual capital* has a positive effect on *Islamic maqasid performance*, with a coefficient of 0.0012196 at a significance level of 5%. This shows that the implementation of *intellectual capital* will affect the performance of *maqashid syariah*. Therefore, hypothesis 1 which states that there is a positive effect of *intellectual capital* on the performance of *Islamic maqasid*, is supported at a significance level = 5%.

The results of this study prove that *intellectual capital* has a positive effect on the performance of Islamic maqasid. Maximum utilization of *intellectual capital* can improve the performance of better *Islamic maqasid*. The sample companies have made optimal use of *Intellectual Capital*. Evidenced by the descriptive statistics of the *Intellectual Capital variable* shown in table 3 also shows that the mean value is 3.823706. Kamath (2007) states a mean score between 2.5 to 4 including *common performance*, which means that the application of *Intellectual Capital* in sample companies is quite good. If the company has utilized its *intellectual capital* well, it will produce a competitive advantage for the company which has an impact on increasing the performance of Islamic maqashid. The results of testing the first hypothesis are in accordance with the RBT theory that IC is able to provide a sustainable competitive advantage. RBT theory states that sustainable competitive advantage rests on organizational resources that are highly valuable, rare, difficult to imitate and difficult to replace in organizational settings that have policies and procedures in place to exploit those resources (Barney 1991; Barney and Clark, 2007). The company manages its intellectual capital (IC) well, so it has an impact on added value which can create a competitive advantage for the company so that it can improve the performance of its *sharia maqashid* (Hartono, 2018). Previous studies have also found that IC has a positive effect on improving the performance of *maqashid sharia in Islamic banking* (Pratama, et al. 2022). Hartono (2018) also stated that Ib-VAIC has a positive effect on the performance of *maqashid sharia*.

Test Results of the Effect of Size of the Sharia Supervisory Board on the Performance of Maqashid Syariah

The hypothesis of the Effect of Sharia Supervisory Board Size on the Performance of *Islamic Maqasid* is to test whether the size of the Islamic supervisory board has a positive impact on the performance of *Islamic Maqashid* in Indonesian Islamic banks. Table 9 presents the results of testing the overall hypothesis of this study. Testing the hypothesis of the Effect of Sharia Supervisory Board Size on *Islamic Maqasid Performance* shows that Islamic supervisory board size has a negative effect on *Islamic maqashid performance*, with a coefficient of -0.0255797 at a significance level of 5%. This can happen because there is a sharia supervisory board that holds concurrent positions in other financial institutions, so that the focus on supervision of DPS members is divided which causes members of the sharia supervisory board to be unable to carry out their responsibilities effectively because it can reduce the level of supervision carried out so that it can reduce the performance of maqashid sharia. Therefore, the hypothesis of the Effect of Sharia Supervisory Board Size on the Performance

of *Islamic Maqashid* which states that there is a positive effect of Islamic supervisory board size on the performance of *Islamic maqashid* is not supported.

The results of this study failed to prove the positive effect of the size of the sharia supervisory board on improving the performance of *sharia maqashid*. From the descriptive statistics of the variable Size of the Sharia Supervisory Board at Islamic commercial banks registered with the OJK, it can be seen in table 3 that the average value is 2.243243, meaning that the average number of DPS in each company is 2 people. According to PBI regulation No. 11/33/PBI./2009 the number of DPS members is at least two people or a maximum of 50% of the total number of directors needs to be reviewed because it is only capable of producing maqashid sharia performance of 20.71%. The PBI regulations can be adjusted by referring to international regulations, namely AAOIFI in GSIFI no.1 states that the membership of the DPS is at least 3 people. This research is in line with research conducted by Sulistyawati, et al (2020), Anton (2018) which states that the number of Sharia Supervisory Boards has a Negative Effect on the Performance of *Islamic Maqashid*.

Test Results of the Effect of Competency of the Sharia Supervisory Board on the Performance of Maqashid Syariah

The hypothesis of the Effect of Sharia Supervisory Board Competence on *Islamic Maqashid Performance* is to test whether the competence of the Islamic supervisory board has a positive impact on the performance of *Islamic Maqashid* in Indonesian Islamic banks. Table 9 presents the results of testing the overall hypothesis of this study. Testing the hypothesis of the Effect of Competence of the Sharia Supervisory Board on the Performance of the *Islamic Maqashid* shows that the competence of the Islamic supervisory board has no effect on the performance of the *Islamic maqashid*. This can happen because there are other competencies that are more relevant to be able to improve the performance of *maqashid sharia*. Therefore, hypothesis 3 which states that there is a positive effect of the competence of the sharia supervisory board on the performance of *maqashid sharia* is not supported.

The results of this study failed to prove the positive influence of the competence of the sharia supervisory board on improving the performance of *sharia maqashid*. Based on the descriptive statistics, the DPS competence is 74.52%, but in reality the performance achievement of maqashid sharia is only 20.71%. It can be concluded that other competencies are needed that are more relevant to improve the performance of maqashid sharia. Nugraheni (2018) states that the education of the Sharia Supervisory Board has no effect on the performance of Maqashid Syariah. DPS expertise with business knowledge will affect the performance of Islamic banks (Nomran, Haron, & Hassan, 2018). Research (Nomran, Haron, & Hassan, 2018) shows that most PhD holders of DPS members have sharia muamalah expertise rather than business knowledge, this can have an impact on DPS focus on transaction details. Imbalance of DPS competency between business knowledge and understanding of sharia can lead to a decrease in maqashid sharia performance.

CONCLUSIONS AND RECOMMENDATIONS

The conclusions that can be drawn from this study are as follows: *Intellectual capital* has a positive effect on the performance of Islamic maqashid, the size and competence of the Islamic supervisory board has a negative effect on the performance of Islamic maqashid. The limitation of this study is that it is unable to prove the positive effect of the size and competence of the sharia supervisory board on the performance of sharia maqashid. Future research can add more DPS characteristic variables. With the presence of other DPS characteristics, it is expected to be able to help improve the performance of Islamic maqasid and strengthen the influence of *intellectual capital* on the performance of Islamic maqasid.

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