

# 6<sup>th</sup> Southeast Asia International Islamic Philanthropy Conference

*Yogyakarta, 24-26 April 2018*

*Ummah Excellence Through Integrating  
Islamic Philanthropy and Islamic Social Finance  
Into The Mainstream Economy*

*Full Proceeding Book*

Editors:

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Agus Widarjono, M.A., PhD.

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Kushardanta Susilabudi, SE., MM.

Dr Mohamed Saladin Abdool Rasul, UiTM







PROGRAM STUDI ILMU EKONOMI  
FAKULTAS EKONOMI

PROCEEDING

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Islamic Social Finance Into The Mainstream Economy”*

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Cetakan ke 2

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## PREFACE

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*Assalamu'alaikum Warrohmatulloh Wabarokatuh*

In current development, zakah and waqf attract serious attention from many stakeholders in Indonesia and also in the neighbouring countries as well. Many events have been organized to discuss on how to establish zakah and waqf institution that enable government to improve the welfare of the society. Similar effort has been conducted to enable zakah and waqf system working effectively and efficiently within the Islamic Economic System. From legal and regulatory perspectives, the enactment of zakah and waqf in Indonesia might prove its serious efforts. In Indonesia there are many zakah and waqf institutions across the country, Badan Amil Zakat Nasional (BAZNAS) and Badan Wakaf Indonesia (BWI) are among the examples beside many zakah and waqf institutions initiated by society such as LAZIS. In Indonesia there are many LAZIS operated nationwide, such as Rumah Zakat Indonesia, Dompot Dhuafa, Darut Tauhid, etc. We can also find many LAZIS institutions operated in local areas. All these establishments put together might provide a very significant contribution in the society's development. The existence of various zakah and waqf institutions may lead to the importance of developing Islamic Philanthropy to support a more sound and healthy economic system.

The 6<sup>th</sup> SouthEast Asia International Islamic Philanthropy Conference, Ummah Excellence through Integrating Islamic Philanthropy and Islamic Social Finance into the Mainstream Economy on 24-26 April 2018 in Yogyakarta Indonesia, is therefore a timely event in facilitating the discussion on that subject. This conference, reaching the 6th series, is a very good platform to those actively contribute to the development of Islamic Philanthropy in general and zakah waqf in particular. Incorporating these institutions into mainstream economic system may give a constructive and positive effect on the economic development of the society. This 6th conference is organised by Universitas Islam Indonesia (UII), through its Department of Economics and Magister of Islamic Economics and Finance (MEK), in cooperation with Universiti Teknologi MARA (UiTM) Malaysia and Institut Manajemen Zakat. It is also supported by some other institutions, such as Islamic Economic Studies and Thought Centre (ISTC), and Malaysia Doctorate Support Group (MDSG).

The issues addressed in this conference is quite broad under the the scope of Islamic Philanthropy and its related areas. This conference managed to attract around 32 papers, 22 from various campuses in Indonesia and 10 from Malaysian and Brunei universities. Not only papers on zakah and waqf but also articles on Islamic Banking Finance and Economics have been sucessfully collected through this scientific event. Hopefully this conference can contribute to the development of Islamic Philanthropy for the welfare of the Ummah as it provides ideas, ways and steps for its development.

The Organizing Committee would like to sincerely express gratitude to the IMZ, MEK of UII, Department of Economics of UII, UiTM, IESTC and MDSG that jointly held and support the forum. Sincere appreciation should also be dedicated to the Technical Committee of this conference. Great thanks are also dedicated to all authors of the papers. Last but not least, many thanks to all members of the organizing committee who has been enthusiastically put hard works to make this event possible. We do apologize for any shortcomings. May Allah SWT bless us all for this endeavor to reveal and implement His Divine Knowledge for the best of the Ummah. Amin ya robbal 'alamin.

*Wassalamu'alaikum Warrohmatulloh Wabarokatuh*

Yogyakarta, 24 April 2018

Drs. Achmad Tohirin, M.A., Ph.D.  
Chairman of the Organizing Committee

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### Institut Manajemen Zakat (IMZ)

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*Assalamu'alaikum Warrohmatulloh Wabarokatuh*

Alhamdulillah wabihi nasta'in, wassholatu wassalamu'ala Rasulillah wa'ala alihi waashobihi ajmain.

Southeast Asia International Islamic Philanthropy Conference 6<sup>th</sup> terselenggara berkat kerjasama Institut Manajemen Zakat (IMZ), Universitas Islam Indonesia (UII) dan Center for Islamic Philanthropy and Social Finance (CIPSF), dan didukung oleh Dompot Dhuafa Republika, Mandiri Amal Insani, BAZNAS dan Inisiatif Zakat Indonesia.

Hasil Konferensi dibukukan dalam bentuk Prosiding ini tentunya menambah khazanah Literatur yang membahas mengenai Philantropi Islam. Tema besar kali ini "Ummah Excellence Through Integrating Islamic Philanthropy and Islamic Social Finance into Mainstream Economy".

Banyak hal yang dapat kita pelajari melalui Prosiding ini, dengan tema yang beragam mulai dari Zakat Performance and Management, Zakat and Social Empowerment, Islamic Philanthropy, Islamic Finance and Banking, Islamic Economics, Islamic Social Funds Management, Islamic Jurisprudence, Islamic Ethics, Corporate Governance, dan Shariah Issue.

Sudah menjadi kewajiban kita bersama sebagai Muslim untuk terus meningkatkan kesejahteraan Ummah. Dengan semakin banyaknya sumbangan pemikiran, akan menjadi kemudahan bagi Badan dan atau Lembaga Pengelola Zakat dan Wakaf untuk membuat program – program yang mampu mensejahterakan Ummah.

Semoga Prosiding ini menjadi inspirasi bagi kita semua, untuk selalu tidak pernah berhenti dalam belajar, mampu meningkatkan kompetensi, skill dan profesionalitas, serta tentunya buku ini menjadi sumbangsih bagi perkembangan Islamic Philanthropy di Asia Tenggara.

*Wassalamu'alaikum Warrohmatulloh Wabarokatuh*

Salam Takzim,  
Yogyakarta, April 2018

Kushardanta Susilabudi  
Direktur IMZ

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## The Effect Of Corporate Governance On Maqasid Shariah Performance: An Empirical Study Of Islamic Banks In Indonesia

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### Abstract

This study aims to obtain empirical evidence on the effect of corporate governance on the maqasid shariah performance. Corporate governance which consists of the number of members of board of commissioners, the number of shariah supervisory board members, the number of audit committee members, and managerial ownership. This research is based on agency theory by using samples of 10 Islamic banks in Indonesia from 2011-2016 and using multiple regression analysis method. The result of the research shows that the number of members of board of commissioners has a significant positive effect on the maqasid shariah performance, the number of shariah supervisory board members does not affect the maqasid shariah performance, the audit committee members have no effect on the maqasid shariah performance, and managerial ownership has a significant positive effect on the maqasid shariah performance. Although this study cannot prove all hypotheses, the results show that the elements of corporate governance applied in Islamic banks can improve the performance of maqasid shariah. With the increasing performance of maqasid shariah implies Islamic banks in Indonesia can support the achievement of shariah objectives. Therefore, the implementation of corporate governance in Islamic banks needs to get the attention of business practitioners, regulators and academician.

Keywords: corporate governance, maqasid shariah.

### Introduction

The rapid growth of Islamic banks in recent years has led to the implementation of good corporate governance in sharia banking becoming increasingly important (Chapra & Ahmed, 2008). Islamic banks should emerge as the leading pioneers in implementing good corporate governance. Several studies suggest the importance of implementing good corporate governance in Islamic banks. Some of them are Chapra and Ahmed (2008); Faozan (2013); Fauzi (2016); and Prasojo (2015). Bank Indonesia even has issued Bank Indonesia Regulation No 11/ 33/PBI/2009 on the Implementation of Good Corporate Governance for Islamic Commercial Banks and Islamic Business Units.

In the academic level, some researchers have studied the role of good corporate governance in improving banking performances i.e. Aprianingsih and Yushita (2016); Hartono and Nugrahanti (2014); Lidia, et al. (2016); Perdani (2016); and a research

conducted by Oemar (2014). Other researchers have also studied the effect of good corporate governance on the Islamic banks performance, among others Mollah and Zaman (2015); Sunarwan (2015); and Al Baidhani (2013). Mollah and Zaman's research (2015), which examined 147 Islamic banks in various countries found that the number of Shariah Supervisory Boards (SSB) has a significant positive effect on Return on Investment Average Equity or ROIAE. A research conducted by Mustaghfiroh (2016) has discovered that the number of shariah supervisory board members positively affects ROA. While Kholid (2014) in his research explains that the number of commissioner board members has a significant positive effect on the performance of maqasid shariah. Al Baidhani's study (2013), which measures bank performance using ROE, ROA, and profit margin in both conventional banks and Islamic banks in Yemen, found that the number of audit committee members has a significant positive effect on profit margin. Aprianingsih and Yushita (2016) explains that audit committee has a positive and significant effect on financial performance (ROA) of banking. Likewise, a research by Perdani (2016) shows the results that managerial ownership positively affects the financial performance (ROA) of company.

In Islamic perspective, the concept of performance is not merely about financial performance but it covers broader aspect. The assessment of Islamic bank performance is not only judged from its profitability but also the conformity with Islamic law (Reni, et al., 2014). The operations of Islamic banks must comply with Islamic law because Islamic law has the purposes of sharia (maqasid shariah) so that the purposes of Islamic banks will be more appropriate if they are derived from maqasid shariah in measuring the financial performance of sharia banking. As stated in Law of the Republic of Indonesia Number 21 Year 2008 on Sharia Banking article 3; article 4 paragraph (2) and 4 paragraph (3). Because the purpose is not only to maximize profits, then the measurement of Islamic banks performance becomes more complex.

Measuring the performance of Islamic banks using financial ratios adapted from conventional banking as what has been done by many researchers, evidently has not been able to show the actual assessment of Islamic banks performance as an Islamic economic subsystem which aims at realizing justice and balance of society as the manifestation of maqasid shariah so that most sharia banking seems to be profit-oriented rather than purely social purposes. (Mohammad & Shahwan, 2013). Some of the previous researches that have been described above both Islamic banks and conventional banks, most of them use

profitability as measure, such as ROA, ROE, and profit margin. Therefore, this study will focus on measuring the performance of Islamic commercial banks which measures the bank performance not only using profitability measurement but also using maqasid shariah performance of Islamic commercial banks developed by Mohammed et al. (2015). This study focuses on good corporate governance mechanism proxied by the number of members of the board of commissioners, the number of shariah supervisory board members, the number of audit committee members, and managerial ownership.

Kholid and Bachtiar (2015) have examined good corporate governance and maqasid shariah performance of Islamic commercial banks in Indonesia. The difference between this study and the study conducted by Kholid and Bachtiar (2015) is: Kholid and Bachtiar's study (2015) uses the measurement of maqasid shariah performance developed by Mohammed, et al. (2008) which consists of 3 concepts (objectives) namely, to educate individuals, to build justice and public interest. Whereas this study uses the measurement of maqasid shariah performance developed by Mohammed, et al. (2015) which consists of 5 concepts (objectives) namely religious protection (al-din), life protection (al-nafs), intelligence protection (al-'aql), hereditary protection (al-nasl) and wealth protection (al-mal). Mohammed, et al. (2015) use the classification of maqasid shariah based on maqasid shariah al-Ghazali (n.d.) theory and reinterpretation by Ibn Ashur (2006) to explain the elements of maqasid shariah in Islamic banks which adopt the analysis of Sekaran (2000). The method is constructed by identifying the dimensions of each shariah objective, in which from those dimensions, elements that show the achievement of the dimensions are determined. Mohammed, et al. (2015) say the method as a Maqasid Based Performance Evaluation Model (MPEM). The advantage of development method by Mohammed, et al. (2015) is to use the theory of Al-Ghazali (n.d.) while in the previous method, using the theory of Abu Zahran (1997). So far we know that Al-Ghazali (n.d.) is a great scholar whose works have become theoretical reference of academics such as Chapra and Ahmed (2008); Dusuki and Mokhtar (2010); Ascarya, et al. (2016); and Sahroni and Karim (2015) in their scientific researches. In addition, a study developed by Mohammed et al. (2015) is also supported by the statement of Basic Framework for the Preparation and Presentation of Islamic Financial Statements or KDPPLKS (2007) Paragraph 23 which states that sharia transactions which are considered benefit (mashlahat) must fulfill the overall elements of shariah objectives (maqasid shariah) namely, maintaining Islamic tenet, faith, piety (dien), intellectual ('aql),

heredity (nasl), life and safety (nafs), and property (maal).

The purpose of this study is to test empirically the effect of good corporate governance proxied with the number of members of board of commissioners, the number of shariah supervisory board members, the number of audit committee members, and managerial ownership on the maqasid shariah performance of Islamic commercial banks.

## Research Methods

### Population and Sample

Population in this study is Islamic Commercial Banks in Indonesia. The sample is selected using purposive sampling method with the following criteria:

1. Publishing an annual report of 2011-2016.
2. Publishing a report on the implementation of good corporate governance in 2011-2016

Table 1. Data Based on Purposive Sampling Criteria

Description	Number of Banks	Amount of Data
Number of Population	13	75
The Number Matches the Criteria	10	60
The Number does not Match the Criteria	3	15

Source: Data processed (2017)

### Operational Definitions and Variable Measurements

Independent variables in this study are the number of members of board of commissioners, the number of shariah supervisory board members, the number of audit committee members, and managerial ownership. Whereas the dependent variable is maqasid shariah performance. Mohammed, et al. (2015) states that measuring the performance of maqasid shariah-based Islamic banks is a process to determine whether or not Islamic banks can achieve the objectives of Islamic banks derived from maqasid shariah. This is because the objective of Islamic banks is not only to maximize profits, but also to play a role in social life as mentioned in the Law of the Republic of Indonesia Number 21 Year 2008 on Sharia Banking article 3; Article 4 paragraph (2); and Article 4 paragraph (3). As for the steps in measuring the performance of maqasid shariah are as follows:

- a. Measuring ratios which represent each dimension and element of maqasid shariah-based banks objectives. Dimensions, Elements and Ratios are presented in Table 2.

- b. Calculating the results of ratios from the dimensions of religious protection, life protection, intelligence protection, hereditary protection, and wealth protection.
- c. Calculating the Grand Total of maqasid shariah performance (maqasid shariah index) as presented in equation 1.

Table 2 Elements and Measurement Ratios of Five Maqasid Dimensions

Dimension	Element	Ratio
Religious Protection	Freedom of faith	Mudharabah and musyarakah investment / Total investment Interest-free income / Total income
Life Protection	a) Protection of Human Dignity b) Human Rights Protection	CSR spending / Total costs Distribution of zakat / Net Asset
Intelligence Protection	a) Development of Scientific Thinking b) Avoiding Brain Drain	Technology Investment / Total Assets Number of outgoing employees / Total employees
	Family Care in Limited Liability Company	Research costs / Total costs
Hereditary Protection		Training and development costs / Total costs Net profits / Total assets Number of non-performing financing / total financing Tax paid / Profit before tax
Wealth Protection	a) Community Welfare b) Minimizing Income and Wealth Gaps	Investment in real sector of economy / total investment Investment in SME / total investment Investment in agriculture / Total investment

Source: Mohammed, et al. (2015)

Maqasid index is a comprehensive welfare benchmark to measure the performance of Islamic banking (Antonio, et al., 2012). Maqasid Shariah Index (MSI) for each BUS represents the total of all performance indicators of maqasid shariah objectives. Therefore, Maqasid Shariah Index of each BUS can be formulated as follows:

$$IMS = IK(T1) + IK(T2) + IK(T3) + IK(T4) + IK(T5) \dots \dots \dots (1)$$

Where:

IMS = Maqasid Shariah Index

IK (T1) = Maqasid Performance Indicator of Religious Protection

IK (T2) = Maqasid Performance Indicator of Life Protection

IK (T3) = Maqasid Performance Indicator of Intelligence Protection

IK (T4) = Maqasid Performance Indicator of Hereditary Protection

IK (T5) = Maqasid Performance Indicator of Wealth Protection

According to Law of the Republic of Indonesia Number 40 Year 2007 on Limited Liability Company states that board of commissioners is company's organ in charge of general and/or specific supervision in accordance with the articles of association and gives advice to the board of directors. The number of members of board of commissioners can provide supervision of the results from the process of preparing qualified financial statements or to avoid fraudulent financial statements so that manager will lead to a better performance (Fauzi, 2016). The board of commissioners in this study is measured from the number of members of board of commissioners.

According to Bank Indonesia Regulation Number 11/33/PBI/2009, shariah supervisory board is a board in charge of giving advice and suggestion to the board of directors and oversee bank's activities to conform to sharia principles. The number of shariah supervisory board members according to Bank Indonesia Regulation Number 11/33/PBI/2009 is at least 2 people. In this study, shariah supervisory board is measured by the number of shariah supervisory board members.

According to Bank Indonesia Regulation Number 11/33/PBI/2009, audit committee is an independent party evaluating the implementation of internal audit in order to assess the adequacy of internal control including the adequacy of financial reporting process. The audit committee is responsible for overseeing the financial reporting process. The audit committee also connects shareholders and commissioners with management in an effort to handle

controlling. There is at least one independent commissioner member as the chairman of audit committee, and two people from the external party of company as members of audit committee (Oemar, 2014). In this study, audit committee is measured by the number of audit committee members.

According to Wahidahwati (2002) managerial ownership is a shareholder from the management party (board of directors and board of commissioners) who actively participates in decision making. In this study, dummy variable is used. If there is a proportion of share by managerial ownership, then it is given a value of 1, whereas if there is no managerial ownership, it is given a value of 0 (Rahmawati, 2013).

#### Data Analysis Technique

Data analysis technique in this study uses descriptive statistics, classical assumption test which includes normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test while hypothesis testing uses multiple regression. Multiple regression equation model to test the hypotheses is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \dots \dots \dots (2)$$

Where:

Y= Maqasid shariah performance as a dependent variable

$\alpha$  = constants

$\beta_1$ -  $\beta_4$  = regression coefficient of independent variables

$X_1$ = the number of members of board of commissioners as independent variable

$X_2$ = the number of shariah supervisory board members as an independent variable

$X_3$ = the number of audit committee members as an independent variable

$X_4$ = managerial ownership as an independent variable

$\varepsilon$  = error

#### Results And Discussion

Statistics of each variable are presented in table 3. The normality test results are presented in table 4, the multicollinearity test results are presented in table 5, the autocorrelation test results are presented in table 6, and the heteroscedasticity test results are presented in table 7.

Table 3: Descriptive Statistical Test Results

Name of Variable	Amount of Data	Minimum Data	Maximum Data	Average Value	Std. Deviation
Maqasid shariah performance	60	1,57	3,44	2,5835	,42174
The number of members of board of commissioners	60	2	6	3,77	1,110
The number of shariah supervisory board members	60	2	3	2,30	,462
The number of audit committee members	60	3	7	3,60	,924
Managerial Ownership	60	0	1	,12	,324

Source: Data processed (2017)

From table 4, the results of descriptive statistical test show that from 60 data taken from the annual report and reports on the implementation of good corporate governance of Islamic banks in 2011 to 2016 can be seen the amount of data, maximum data, minimum data, the average value and standard deviation of each research variable.

Table 4. Kolmogorov-Smirnov Normality Test			
			Unstandardized Residual
N		60	
Normal Parameters <sup>a,b</sup>		Mean	0,0000000
		Std. Deviation	0,32342497
Most Differences	Extreme	Absolute	0,098
		Positive	0,084
		Negative	-0,098
Test Statistic		0,098	
Asymp. Sig. (2-tailed)		,200 <sup>c,d</sup>	

Source: Data processed (2017)



Table 5. Multicollinearity Test Results

Name of Variable	Collinearity Statistics	
	Tolerance	VIF
The number of members of board of commissioners	,598	1,672
The number of shariah supervisory board members	,649	1,541
The number of audit committee members	,823	1,216
Managerial Ownership	,901	1,110

Table 6. Autocorrelation Test (Run Test)

	Unstandardized Residual
Test Value <sup>a</sup>	,01706
Cases < Test Value	30
Cases >= Test Value	30
Total Cases	60
Number of Runs	24
Z	1,823
Asymp. Sig. (2 tailed)	,068

Source: Data processed (2017)

Table 7: Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,659	,175		3,757	,000
	x1	-,010	,032	-,051	-,306	,761
	x2	-,103	,074	-,222	-1,400	,167
	x3	-,038	,033	-,163	-1,157	,252
	x4	-,072	,089	-,109	-,810	,421

Source: Data processed (2017)

Based on tables 5,6,7,8 above, the results have fulfilled the classical assumption test, so that the hypothesis testing with multiple regression analysis can be continued.

## Hypothesis Testing And Discussion

Table 8. Multiple Regression Analysis Test Results

<b>Description</b>	<b>B</b>	<b>t count</b>	<b>Sig t</b>	<b>Conclusion</b>
(Constant)	1,738	6,234	,000	
The number of members of board of commissioners	,158	3,104	,003	Ha1 is accepted
The number of shariah supervisory board members	,153	1,304	,198	Ha2 is rejected
The number of audit committee members	-,048	-,929	,357	Ha3 is rejected
<b>Managerial Ownership</b>	<b>,636</b>	<b>4,483</b>	<b>,000</b>	<b>Ha4 is accepted</b>

Adjusted R Square amounted to 0 ,369 (36,9 %) ; F count 9,629; sig- F ,000

Source: Data processed (2017)

Judging from table 9, it shows that the number of members of board of commissioners has a significant positive effect on maqasid shariah performance. This is consistent with the research conducted by Kholid and Bachtiar (2015); Muttakin and Ullah (2012). Board of Commissioners has a duty to advise and to supervise the duties and responsibilities of board of directors in relation to the bank's operations. The Board of Commissioners also has an obligation to ensure that the Board of Directors has followed up the findings and recommendations provided by the Shariah Supervisory Board related to the compliance of Islamic bank operations to Islamic law. The number of members of board of commissioners can provide supervision of the results from the process of preparing qualified financial statements or to avoid fraudulent financial statements so that manager will lead to a better performance (Fauzi, 2016). With the large number of members of the board of commissioners, the better supervision is able to perform, so that agency problem can be suppressed and the objectives or maqasid shariah can be achieved by the bank.

The variable test on the number of shariah supervisory board members show that the number of shariah supervisory board members does not affect the performance of maqasid shariah. These results are consistent with the research conducted by Kholid and Bachtiar (2015) which states that the number of shariah supervisory boards has no effect on maqasid shariah performance of Islamic banks. These results indicate that the large number

of shariah supervisory boards cannot boost the maqasid shariah performance of Islamic banks. According to Umam (2015) there is a shariah supervisory board in Indonesia which also becomes a shariah supervisory board in other financial institutions as well as there is a shariah supervisory board which at the same time becomes National Sharia Board. The existence of several shariah supervisory boards concurrently serve as shariah supervisory boards in other financial institutions and serve as a national sharia board indicates that the number of shariah supervisory boards in Indonesia is relatively still small. In addition, dual positions can reduce the level of supervision by shariah supervisory board, so that it has not been able to overcome the agency problem and the presence of shariah supervisory board has not been able to encourage the improvement of maqashid shariah performance of Islamic banks.

The variable test on the number of audit committee members show that the number of audit committee members has no effect on the performance of maqasid shariah. These results are consistent with researches conducted by Fauzi (2016) and Al-Matari, et al. (2012). The large number of audit committee members may trigger unnecessary debates and delays in decision-making. This can happen because the decision-making by the audit committee is more focused on making a structured decision so it does not require a lot of human resources involved in it. It will be better if Islamic banks do not only rely on the quantity to measure the performance but also the quality of audit committee should also be further enhanced by increasing the audit committee meetings to support the success of performance so as to reduce agency problem when the functions of audit committee run effectively and efficiently, which ultimately create maqasid shariah performance within Islamic commercial banks.

The variable test of managerial ownership has a significant positive effect on the performance of maqasid shariah. These results are consistent with the research conducted by Perdani (2016) which states that managerial ownership positively affects the financial performance in banking companies. Managerial ownership is one of corporate governance aspects where managers engage in share ownership or in other words managers also serve as shareholders. Such engagement would encourage managers to act cautiously because managers will also bear the consequences of their decisions, in addition, managers will be motivated to improve their performance in managing the company (Aprianingsih & Yushita, 2016). With reduced conflicts of interest, then sustainability in a company will contribute to

the welfare of stakeholders and shareholders (Tertius & Christiawan, 2014). With the existence of managerial ownership will create equality between shareholders and managers so that the conflict of interest between owners and agents can be avoided and the performance of maqasid shariah will be achieved.

## Conclusions

Based on agency theory, the results of this research can be concluded that the test on variable of the number of members of board of commissioners show that the number of members of board of commissioners has a significant positive effect on maqasid shariah performance of Islamic commercial banks. This indicates that the greater the number of members of the board of commissioners, then the maqasid shariah performance of Islamic commercial banks will be better. While the variable test on the number of shariah supervisory board members obtain results which are in contrast to the hypothesis formulated. The results of the second hypothesis testing show that shariah supervisory board has no effect on the maqasid shariah performance of Islamic commercial banks. These results indicate that the large number of shariah supervisory board members cannot encourage the maqasid shariah performance of Islamic commercial banks.

The variable test on the number of audit committee members obtain results which are in contrast to the hypothesis formulated. The results of the third hypothesis testing show that the number of audit committee members does not affect the maqasid shariah performance of Islamic commercial banks. The fewer members of audit committee will precisely be able to further improve the maqasid shariah performance of Islamic commercial banks than a large number of audit committees. Testing on the fourth hypothesis shows that managerial ownership has a significant positive effect on the maqasid shariah performance of Islamic commercial banks. With managerial ownership, then the maqasid shariah performance of Islamic commercial banks will be better. Simultaneously the number of members of the board of commissioners, the number of shariah supervisory board members, the number of audit committee members and managerial ownership have a significant effect on the maqasid shariah performance of Islamic commercial banks.

Implication of this research is that hypotheses related to good corporate governance show significant results on the maqasid shariah performance of Islamic commercial banks only at the number of members of board of commissioner and managerial ownership.

Variable of the number of members of board of commissioners obtains results that more number of members of board of commissioner, then maqasid shariah performance will be maximized. The presence of managerial ownership can improve the maqasid shariah performance. However, the measurement on variables of the number of shariah supervisory board members and the number of audit committee members show that the number of the shariah supervisory board members and the number of audit committee members have no effect on the maqasid shariah performance of Islamic commercial banks. The performance of banks will be better if what measured is maqasid shariah performance of Islamic commercial banks. This could happen because it is able to cover business and social aspects rather than to measure profitability only, as stated in Law of the Republic of Indonesia Number 21 Year 2008 on Sharia Banking article 3; 4 paragraph (2); and 4 paragraph (3).

Some limitations in this study include: the number of samples used only 10 Islamic commercial banks. The researchers are unable to use 13 Islamic commercial banks existing in Indonesia and the period of sampling is relatively short which was only 6 years from 2011-2016. This is because not all Islamic commercial banks in Indonesia present annual reports routinely on the website of Islamic commercial banks. Not all ratios in the measurement of maqasid shariah performance can be fulfilled due to data limitations in Islamic commercial banks in Indonesia, especially data related to technology investment and data on the number of outgoing employees.

Future studies should be able to add more samples of Islamic commercial banks and Islamic business units or by using samples of Islamic banks in other countries. The measurement of maqasid shariah performance should be further developed to be better, not only use secondary data but also can be added with primary data. Future researches can add proxy of good corporate governance from the external such as government and regulator to examine the effects on maqasid shariah performance of Islamic commercial banks.

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