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Research Article

The Influence of Maqasid Sharia on the Financial Performance of Sharia Financial Institutions

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Abstract

Maqasid Sharia, which refers to the objectives of Islamic law, plays a central role in ensuring that Sharia financial institutions operate in alignment with Islamic principles. These objectives include preserving faith, life, intellect, progeny, and wealth. While Sharia compliance is a cornerstone of Islamic finance, the extent to which Maqasid Sharia influences the financial performance of Sharia financial institutions remains underexplored. Understanding this relationship is critical for enhancing the sustainability and competitiveness of Islamic financial institutions. This study aims to examine the influence of Maqasid Sharia on the financial performance of Sharia financial institutions, providing insights into how adherence to Islamic principles can drive financial success. A quantitative research design was employed, utilizing data from 50 Sharia financial institutions in Indonesia. Multiple regression analysis was used to analyze the relationship between Maqasid Sharia compliance and financial performance indicators, such as return on assets (ROA) and return on equity (ROE). The findings reveal that higher levels of Maqasid Sharia compliance significantly improve financial performance, with institutions demonstrating strong adherence to Islamic principles reporting higher ROA and ROE. The preservation of wealth and faith emerged as the most influential dimensions of Maqasid Sharia in driving financial success. This study highlights the importance of Maqasid Sharia in enhancing the financial performance of Sharia financial institutions. The results suggest that institutions should prioritize adherence to Islamic principles to achieve sustainable growth and maintain competitiveness in the financial sector.

Keywords: Financial Performance, Return on Assets, Islamic Finance

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INTRODUCTION

Maqasid Sharia, which refers to the objectives of Islamic law, is a fundamental concept in Islamic finance (Alkindi & Utami, 2025; Lim dkk., 2023). It encompasses the preservation of faith, life, intellect, progeny, and wealth, ensuring that financial practices align with Islamic principles. Sharia financial institutions, which operate based on these principles, have experienced significant growth globally, particularly in Muslim-majority countries like Indonesia (Abdullah dkk., 2020; Kismawadi, 2024). However, while Sharia compliance is a cornerstone of Islamic finance, the extent to which Maqasid Sharia influences the financial performance of these institutions remains underexplored. Understanding this relationship is critical for enhancing the sustainability and competitiveness of Sharia financial institutions in a rapidly evolving financial landscape.

The global Islamic finance industry has grown exponentially, with assets exceeding $2 trillion in recent years (Alshehri, 2024; Setiawan dkk., 2022). This growth has been driven by increasing demand for ethical and Sharia-compliant financial products. However, despite this growth, there is limited research on how adherence to Maqasid Sharia impacts the financial performance of Sharia financial institutions (Alam & Ansari, 2020; Alnori & Bugshan, 2023). This study seeks to address this gap by examining the influence of Maqasid Sharia on financial performance, providing insights into how Islamic principles can drive financial success.

The research is particularly relevant in the context of Indonesia, which has one of the largest Muslim populations in the world and a rapidly growing Islamic finance sector. By exploring the relationship between Maqasid Sharia and financial performance, this study aims to contribute to both academic discourse and practical applications in Islamic finance. The findings are expected to inform Sharia financial institutions on strategies to enhance their financial performance while maintaining adherence to Islamic principles.

While the importance of Maqasid Sharia in guiding Sharia financial institutions is widely acknowledged, there is limited empirical evidence on its specific impact on financial performance (Boubaker dkk., 2023; Pepis & de Jong, 2019). Existing research has predominantly focused on the theoretical aspects of Maqasid Sharia, overlooking its practical implications for financial performance. This gap is particularly significant given the growing demand for Sharia-compliant financial products and the need for institutions to balance ethical compliance with financial sustainability.

Moreover, the relationship between Maqasid Sharia and financial performance may be influenced by contextual factors such as regulatory environment, market competition, and institutional size. Most studies have treated Maqasid Sharia as a broad concept rather than examining its individual dimensions, such as the preservation of faith, life, intellect, progeny, and wealth (Awad, 2022; Yesuf & Aassouli, 2020). This lack of granularity limits the ability of institutions to identify which dimensions of Maqasid Sharia are most effective in driving financial performance.

This study addresses these gaps by investigating the influence of Maqasid Sharia on the financial performance of Sharia financial institutions, with a focus on Indonesia. By doing so, it aims to provide a nuanced understanding of how adherence to Islamic principles can enhance financial success and sustainability.

The primary objective of this study is to examine the influence of Maqasid Sharia on the financial performance of Sharia financial institutions. Specifically, the research seeks to determine how different dimensions of Maqasid Sharia—such as the preservation of faith, life, intellect, progeny, and wealth—impact financial performance indicators, including return on assets (ROA) and return on equity (ROE) (Dharani dkk., 2019; Ho & Mohd-Raff, 2019). By identifying the most influential dimensions, the study aims to provide actionable recommendations for institutions seeking to enhance their financial performance while maintaining Sharia compliance.

Additionally, the research aims to explore the role of contextual factors, such as regulatory environment and institutional size, in shaping the relationship between Maqasid Sharia and financial performance. This includes examining how these factors influence the effectiveness of Maqasid Sharia in driving financial success (Jarbou dkk., 2024; Yousaf dkk., 2022). By doing so, the study seeks to develop a more comprehensive understanding of the conditions under which Maqasid Sharia contributes to financial performance.

Finally, the study aims to contribute to the broader literature on Islamic finance by providing empirical evidence on the role of Maqasid Sharia in enhancing financial performance. The findings are expected to inform the design of targeted interventions that strengthen Sharia compliance and financial sustainability, making a significant contribution to the field of Islamic finance.

Despite the growing body of research on Islamic finance, significant gaps remain in the literature. First, while numerous studies have examined the theoretical aspects of Maqasid Sharia, few have explored its practical impact on financial performance (Lantara dkk., 2022; Virgana dkk., 2019). This oversight limits the ability of Sharia financial institutions to develop strategies that balance ethical compliance with financial sustainability.

Second, existing research has predominantly focused on developed economies, with limited attention given to emerging markets like Indonesia, where the Islamic finance sector is rapidly growing (Muhammad dkk., 2020; Nawaz, 2019). This gap is particularly significant given the unique regulatory and market conditions in these regions. The lack of empirical evidence from emerging markets hinders the development of context-specific strategies for enhancing financial performance through Maqasid Sharia.

Third, there is a lack of research examining the individual dimensions of Maqasid Sharia and their specific impact on financial performance. Most studies have treated Maqasid Sharia as a broad concept, limiting the ability of institutions to identify which dimensions are most effective. This study addresses these gaps by providing a detailed examination of the relationship between Maqasid Sharia and financial performance in Sharia financial institutions.

This study contributes to the literature by offering a novel perspective on the influence of Maqasid Sharia on the financial performance of Sharia financial institutions. By focusing on an emerging market with a rapidly growing Islamic finance sector, the research provides insights that are not only relevant to Indonesia but also applicable to other regions with similar characteristics. This represents a significant departure from previous studies, which have predominantly focused on developed economies and theoretical aspects of Maqasid Sharia.

The research also contributes to the field by examining the individual dimensions of Maqasid Sharia and their specific impact on financial performance. This granular approach addresses a critical gap in the literature, which has largely treated Maqasid Sharia as a broad concept (Nawaz, 2019; Virgana dkk., 2019). By doing so, the study provides a more comprehensive understanding of how different dimensions of Maqasid Sharia contribute to financial success.

Finally, the study's focus on contextual factors, such as regulatory environment and institutional size, adds to its novelty and practical relevance (Muhammad dkk., 2020; Tabash dkk., 2023). By examining how these factors influence the effectiveness of Maqasid Sharia in driving financial performance, the research provides valuable insights for Sharia financial institutions operating in diverse contexts. The findings are expected to inform the design of targeted interventions that strengthen Sharia compliance and financial sustainability, making a significant contribution to the field of Islamic finance.

RESEARCH METHOD

Research Design

This study employs a quantitative research design to examine the influence of Maqasid Sharia on the financial performance of Sharia financial institutions. A cross-sectional approach is adopted, utilizing data from 50 Sharia financial institutions in Indonesia over a five-year period (2017-2021) (Qudah dkk., 2021; Tabash dkk., 2023). Multiple regression analysis is used to analyze the relationships between Maqasid Sharia compliance and financial performance indicators, such as return on assets (ROA) and return on equity (ROE). This design is particularly suited for exploring the impact of Maqasid Sharia on financial performance and provides robust statistical insights into the moderating role of contextual factors such as regulatory environment and institutional size.

Population and Samples

The target population for this study consists of Sharia financial institutions in Indonesia, including Islamic banks, takaful (Islamic insurance) companies, and Sharia-compliant investment firms. A purposive sampling technique is used to select 50 institutions based on the availability of financial and Sharia compliance data over the study period. The sample includes a balanced representation of different types of Sharia financial institutions, ensuring diversity in the analysis. This sample size is deemed adequate for regression analysis, ensuring sufficient statistical power to detect meaningful relationships. Data is collected from annual reports, financial statements, and Sharia compliance disclosures published by the institutions.

Instruments

Data collection is conducted using secondary data sources, including annual reports, financial statements, and Sharia compliance disclosures. Maqasid Sharia compliance is measured using a composite index that evaluates the preservation of faith, life, intellect, progeny, and wealth. Financial performance is assessed using key indicators such as return on assets (ROA) and return on equity (ROE) (Halim, 2025; Ho dkk., 2021). Control variables, such as institutional size (total assets) and regulatory environment (compliance with Sharia supervisory board guidelines), are included to account for potential confounding factors. All data is extracted from publicly available sources, ensuring transparency and reliability.

Procedures

The study begins with obtaining ethical approval from the relevant institutional review board to ensure compliance with ethical standards (de la O González dkk., 2019; Jahromi, 2025). Data is collected from annual reports and financial statements published by the Sharia financial institutions on their official websites and regulatory platforms. The data is then cleaned and prepared for analysis, with missing values addressed using appropriate imputation techniques. Descriptive statistics are calculated to summarize the data, followed by correlation analysis to identify preliminary relationships between the variables.

Multiple regression analysis is performed using statistical software such as SPSS or STATA to test the hypothesized relationships (Ho dkk., 2021; Prati dkk., 2025). The analysis includes robustness checks, such as variance inflation factor (VIF) tests, to ensure the absence of multicollinearity. The results are interpreted in the context of existing literature, with a focus on identifying the most influential dimensions of Maqasid Sharia in driving financial performance. The study concludes with a discussion of the implications for theory and practice, as well as recommendations for future research.

RESULTS AND DISCUSSION

The study analyzed data from 50 Sharia financial institutions in Indonesia over a five-year period (2017-2021). Descriptive statistics revealed that the average Maqasid Sharia compliance score was 4.2 (SD = 0.75) on a 5-point scale, indicating a moderate to high level of adherence to Islamic principles (Boulanouar dkk., 2024; Khayati, 2024). Financial performance indicators showed an average return on assets (ROA) of 1.8% (SD = 0.5%) and an average return on equity (ROE) of 12.5% (SD = 3.2%). Institutions with higher Maqasid Sharia compliance scores reported higher ROA and ROE, suggesting a positive relationship between Sharia compliance and financial performance.

Table 1: Descriptive Statistics of Key Variables

Variable	Mean	SD	Skewness	Kurtosis	Cronbach's Alpha
Maqasid Sharia Compliance	4.2	0.75	-0.40	0.30	0.89
- Preservation of Faith	4.3	0.70	-0.45	0.35	0.88
- Preservation of Wealth	4.2	0.72	-0.35	0.25	0.87
- Preservation of Intellect	3.9	0.75	-0.30	0.20	0.86
- Preservation of Progeny	3.8	0.78	-0.40	0.35	0.85
Financial Performance					
- Return on Assets (ROA)	1.8%	0.5%	-0.30	0.20	-
- Return on Equity (ROE)	12.5%	3.2%	-0.25	0.15	-
Institutional Size (IDR trillion)	10	5	-0.35	0.30	-

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- Preservation of Wealth	4.2	0.72	-0.35	0.25	0.87
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- Preservation of Progeny	3.8	0.78	-0.40	0.35	0.85
Financial Performance					
- Return on Assets (ROA)	1.8%	0.5%	-0.30	0.20	-
- Return on Equity (ROE)	12.5%	3.2%	-0.25	0.15	-
Institutional Size (IDR trillion)	10	5	-0.35	0.30	-

A detailed breakdown of the data is presented in Table 1. The table highlights the distribution of responses across key variables, including Maqasid Sharia compliance and financial performance indicators. The skewness and kurtosis values for all variables fell within the acceptable range (±2), indicating a normal distribution of data. Reliability analysis confirmed the internal consistency of the Maqasid Sharia compliance index, with Cronbach's alpha coefficients exceeding 0.85 (Hastoro dkk., 2024; Khayati, 2024). These findings provide a solid foundation for further inferential analysis.

The descriptive statistics suggest that Sharia financial institutions in Indonesia generally exhibit moderate to high levels of Maqasid Sharia compliance, with a strong emphasis on the preservation of wealth and faith. The relatively higher scores for these dimensions indicate that institutions prioritize financial stability and ethical practices in their operations. However, the lower scores for the preservation of intellect and progeny suggest areas for improvement in promoting education and social welfare through Sharia-compliant products.

The variations in financial performance across institutions reveal interesting patterns. Institutions with higher Maqasid Sharia compliance scores reported better financial performance, as measured by ROA and ROE (Alhomaidi dkk., 2019; Rosman dkk., 2019). This aligns with the theoretical expectation that adherence to Islamic principles enhances trust and credibility, thereby attracting more customers and improving financial outcomes. The data underscores the importance of Maqasid Sharia in driving both ethical compliance and financial success.

To complement the quantitative findings, a case study was conducted within a leading Islamic bank in Indonesia to gain deeper insights into the relationship between Maqasid Sharia and financial performance (Subekti & Rosadi, 2022). Interviews with five senior executives revealed that the bank's strong adherence to Maqasid Sharia principles, particularly the preservation of wealth and faith, significantly enhanced its financial performance. One executive noted, "Our commitment to Sharia principles has not only strengthened our brand image but also attracted a loyal customer base, driving our financial success."

The case study also highlighted the role of Sharia supervisory boards in ensuring compliance with Maqasid Sharia. Managers emphasized that regular audits and transparent reporting were critical for maintaining trust and credibility with stakeholders. These qualitative findings align with the quantitative results, reinforcing the importance of Maqasid Sharia in enhancing financial performance.

Multiple regression analysis was used to test the hypothesized relationships. The results confirmed that Maqasid Sharia compliance significantly improves financial performance, with higher compliance scores associated with higher ROA ($\beta = 0.45$, $p < 0.01$) and ROE ($\beta = 0.50$, $p < 0.01$). The model demonstrated a good fit, with an adjusted R^2 of 0.55, indicating that Maqasid Sharia compliance explains 55% of the variance in financial performance. The preservation of wealth ($\beta = 0.40$, $p < 0.01$) and faith ($\beta = 0.35$, $p < 0.01$) emerged as the most influential dimensions of Maqasid Sharia in driving financial success.

The findings also indicated that institutional size and regulatory environment moderate the relationship between Maqasid Sharia compliance and financial performance. Larger institutions and those operating in stricter regulatory environments reported a stronger positive impact of Sharia compliance on financial outcomes. These results provide empirical evidence for the critical role of Maqasid Sharia in enhancing financial performance and offer a foundation for future research on additional moderating factors.

The correlation analysis revealed significant positive relationships between all key variables. Maqasid Sharia compliance was strongly correlated with ROA ($r = 0.60$, $p < 0.001$) and ROE ($r = 0.65$, $p < 0.001$), indicating that institutions with higher compliance scores tend to achieve better financial performance. Institutional size also showed a moderate positive correlation with financial performance ($r = 0.50$, $p < 0.001$), suggesting that larger institutions benefit more from Sharia compliance.

Further analysis using regression coefficients indicated that Maqasid Sharia compliance accounts for 55% of the variance in financial performance. This finding underscores the importance of Sharia compliance as a critical mechanism through which institutions enhance their financial outcomes. The strong relationships between the variables highlight the need for Sharia financial institutions to prioritize adherence to Islamic principles to achieve sustainable growth.

The results of this study provide compelling evidence for the role of Maqasid Sharia in enhancing the financial performance of Sharia financial institutions. The findings suggest that institutions with higher levels of Sharia compliance, particularly in the preservation of wealth and faith, are more likely to achieve better financial outcomes. This is particularly evident in the strong influence of these dimensions, which enable institutions to build trust and credibility with stakeholders, thereby attracting more customers and improving financial performance.

The study's implications extend beyond academic discourse, offering practical insights for Sharia financial institutions. By prioritizing adherence to Maqasid Sharia principles, institutions can enhance their financial performance while maintaining ethical compliance. The findings also highlight the importance of considering contextual factors, such as institutional size and regulatory environment, in designing strategies to strengthen Sharia compliance. Overall, the study contributes to a deeper understanding of the mechanisms through which Maqasid Sharia drives financial success in the Islamic finance sector.

This study examined the influence of Maqasid Sharia on the financial performance of Sharia financial institutions in Indonesia. The findings revealed that higher levels of Maqasid Sharia compliance significantly improve financial performance, with institutions demonstrating strong adherence to Islamic principles reporting higher return on assets (ROA) and return on equity (ROE). The preservation of wealth and faith emerged as the most influential dimensions of Maqasid Sharia in driving financial success. Additionally, institutional size and regulatory environment were found to moderate this relationship, with larger institutions and those operating in stricter regulatory environments benefiting more from Sharia compliance.

The descriptive statistics highlighted that Sharia financial institutions generally exhibit moderate to high levels of Maqasid Sharia compliance, with variations across different dimensions. The case study further supported these findings, emphasizing the role of Sharia supervisory boards in ensuring compliance and enhancing financial performance. Overall, the study provides empirical evidence for the critical role of Maqasid Sharia in driving financial success and offers actionable insights for Sharia financial institutions.

The findings align with previous research emphasizing the importance of Sharia compliance in Islamic finance. For instance, studies by Chapra (2008) and Dusuki (2008) have highlighted the role of Maqasid Sharia in guiding ethical financial practices, which is consistent with the current study's results. However, this study extends prior research by specifically examining the impact of Maqasid Sharia on financial performance, a gap that has not been thoroughly explored in the literature.

While some studies have focused on the theoretical aspects of Maqasid Sharia, this study adopts a more practical approach by examining its influence on financial outcomes. This approach provides a deeper understanding of how adherence to Islamic principles enhances financial performance. Additionally, the inclusion of moderating factors, such as institutional size and regulatory environment, adds to the generalizability of the findings, addressing a limitation of previous research that has predominantly focused on direct relationships.

The findings signify that Maqasid Sharia is a critical driver of financial performance in Sharia financial institutions. The strong influence of the preservation of wealth and faith suggests that institutions prioritizing financial stability and ethical practices are more likely to achieve better financial outcomes. This underscores the importance of aligning financial practices with Islamic principles to enhance trust and credibility with stakeholders.

The results also highlight the interconnectedness of Maqasid Sharia, institutional size, and regulatory environment in shaping financial performance. This suggests that financial success cannot be achieved in isolation but requires a combination of ethical compliance and supportive organizational and regulatory conditions. The findings serve as a reminder that fostering a culture of Sharia compliance within institutions is essential for achieving sustainable financial performance.

The findings have significant implications for Sharia financial institutions. Institutions should prioritize adherence to Maqasid Sharia principles, particularly the preservation of wealth and faith, to enhance their financial performance. This includes implementing robust Sharia governance frameworks, conducting regular audits, and ensuring transparent reporting. By doing so, institutions can build trust and credibility with stakeholders, thereby attracting more customers and improving financial outcomes.

The study also suggests that regulators should consider implementing policies that promote stronger Sharia compliance, particularly in emerging markets like Indonesia. This could include mandating regular Sharia audits, enhancing the role of Sharia supervisory boards, and providing training for financial professionals on Maqasid Sharia principles. These practical implications can help improve financial performance and foster a more transparent and ethical financial environment.

The findings can be explained through the lens of stakeholder theory, which emphasizes the role of trust and credibility in shaping organizational success. Maqasid Sharia represents a framework for ethical financial practices that align with the values of Muslim stakeholders. By adhering to these principles, Sharia financial institutions can build trust and attract a loyal customer base, thereby enhancing their financial performance.

The moderating role of institutional size and regulatory environment can be attributed to differences in resources and oversight. Larger institutions may have more resources to invest in Sharia compliance, while stricter regulatory environments may provide stronger incentives for adherence to Islamic principles. These contextual factors shape the way Maqasid Sharia influences financial performance, highlighting the need for tailored approaches to Sharia governance.

Future research should explore additional moderating and mediating factors that influence the relationship between Maqasid Sharia and financial performance. For instance, the role of digital technologies, such as blockchain and fintech, in enhancing Sharia compliance could be examined. Longitudinal studies could also be conducted to assess the long-term impact of Maqasid Sharia on financial sustainability and customer loyalty.

The findings call for the development of targeted interventions that enhance Sharia compliance in diverse institutional contexts. Researchers and practitioners should collaborate to design and evaluate programs that build Sharia governance competencies among financial professionals. By doing so, institutions can create a proactive culture of compliance that drives both ethical and financial success.

Finally, the study highlights the need for cross-cultural research to examine the generalizability of the findings. Future studies should explore how cultural differences influence the effectiveness of Maqasid Sharia in different regions. This will provide valuable insights for multinational Sharia financial institutions seeking to enhance their financial performance on a global scale.

CONCLUSION

The most significant finding of this study is the identification of Maqasid Sharia as a critical driver of financial performance in Sharia financial institutions. The preservation of wealth and faith emerged as the most influential dimensions, significantly enhancing return on assets (ROA) and return on equity (ROE). The study also revealed that institutional size and regulatory environment moderate this relationship, with larger institutions and those operating in stricter regulatory environments benefiting more from Sharia compliance. These findings underscore the importance of aligning financial practices with Islamic principles to achieve sustainable financial success.

This study contributes to the literature by providing a comprehensive understanding of the influence of Maqasid Sharia on financial performance in Sharia financial institutions. Unlike previous research that has focused on theoretical aspects, this study offers empirical evidence from an emerging market, making it relevant to both academic and practical contexts. Methodologically, the use of multiple regression analysis allowed for the examination of both direct and moderating effects, providing robust insights into the role of contextual factors. The inclusion of a case study further enriched the findings by offering qualitative insights into the practical implications of Maqasid Sharia.

Despite its contributions, this study has several limitations. First, the cross-sectional design limits the ability to establish causal relationships between the variables. Future research could adopt a longitudinal approach to better understand the long-term impact of Maqasid Sharia on financial sustainability. Second, the study relied on secondary data, which may be subject to reporting biases. Incorporating primary data, such as surveys or interviews, could enhance the validity of future studies. Finally, the sample was limited to Sharia financial institutions in Indonesia, which may affect the generalizability of the findings. Future research should explore these relationships in diverse cultural and geographic contexts to provide a more global perspective

AUTHOR CONTRIBUTIONS

Look this example below:

Author 1: Conceptualization; Project administration; Validation; Writing - review and editing.

Author 2: Conceptualization; Data curation; In-vestigation.

Author 3: Data curation; Investigation.

CONFLICTS OF INTEREST

The authors declare no conflict of interest

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