The Impact of Maqashid Syariah Based Performance on Sustainable Finance Implementation of Indonesian Islamic Banks

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Abstract. This study aims to analyze the impact of Maqashid Sharia based performance as measured by the Tahzib Al-Fard, Iqamah Al-Adl and Jalb Al-Maslaha on the Implementation of Sustainable Finance. The data in this study used a sample of 12 (twelve) Islamic Commercial Banks taken from the Annual Report and/or Sustainability Report of companies in Indonesia using the observation period from 2014 to 2019. This study uses panel data regression analysis method in processing predetermined data. This study found that Maqashid Sharia based performance with aspects Iqamah Al-Adl has a positive effect on the implementation of sustainable finance and aspects Jalb Al-Maslaha has a significant negative effect on the implementation of sustainable finance. Meanwhile, performance based Maqashid Sharia with aspects Tahzib Al-Fard has no effect on the implementation of Sustainable Finance. Tahzib Al-Fard has not been able to influence sustainable finance implementation in Indonesia due to the low performance of banks in terms of aspects Tahzib Al-Fard so that it has not been able to encourage the implementation of sustainable finance. Jalb Al-Maslaha has not been able to influence sustainable finance implementation in Indonesia due to the fact that companies are more concerned with high profits than disclosure social responsibility. In addition, Islamic banking is more concerned with the interests of its shareholders than society. Jalb Al-Maslaha is measured using the profitability ratio ie return on assets and the weight of profitability in Jalb Al-Maslaha which is 33% while the weight used to calculate zakat receipts is only 30%. Future studies must improve Jalb Al-Maslaha measurement. The result indicate the significance of the Iqamah Al-Adl as one of Maqashid Sharia based performance that may increase the implementation of sustainable finance. Hence, from a policy point of view, institutions that regulate Islamic banking should consider ordering the disclosure of Maqashid Sharia based performance for Indonesian Islamic Banks.

Keywords: Sustainable Finance Implementation-1; Maqashid Syariah-2 Tahzib Al-Fard-3; Iqamah Al-Adl-4; Jalb Al-Maslaha-5

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1 Introduction

Recently, various parties have been committed to implementing a new paradigm in increasing economic growth, which is sustainable development. The prospect of sustainable development is predicted to reconcile economic interests and natural sustainability, contribute to economic transformation process, and expand people's access to escape poverty, and uphold justice. In 2014, the Financial Services Authority of Indonesia (OJK) has published the Sustainable Finance Roadmap in Indonesia 2015-2019. The preparation of the roadmap is a manifestation of OJK's role in realizing sustainable development through a sustainable finance program. Not only to raise the portion of financing, this program also aims to improve the competitiveness and strength of financial services institutions. Sustainable finance could be seen as a challenge for the Indonesian Financial Services Institutions (LJK), but it could also create plenty of new opportunities for their continuous growth and development (OJK, 2014).

The concept of sustainable development is in line with the concept maqashid sharia. According to Al-Ghazali in Mohammed, Tarique & Islam (2015), maqashid shariah includes maintaining religion, spirit, intellectual, descent, and welfare. Sustainable finance and its implementation are relevant to and in accordance with the main objectives of establishing a sharia bank, which is to assist national development in order to improve justice, sense of community, and equitable social welfare. Sharia banks are run based on sharia objectives (maqashid sharia).

According to Reza & Violita (2018), Islamic banks differ from conventional banks in five different ways. First is the fundamental philosophy. Islamic banks are based on Islamic values that emphasize mutual welfare. Meanwhile, conventional banks emphasize the welfare of shareholders. The second refers to the provision of interest-free products and services, while conventional banks implemented on an interest basis. Third, Islamic banks carry out transactions using contracts that are permitted by sharia. Fourth, apart from focusing on profit, Islamic banks focus on social goals. Fifth, there is compliance with the Sharia Supervision Agency (BSS). Batin (2017) states that Islamic banking is not only looking for profit, but must also prioritize Islamic principles in its business processes which free from the practice of usury (interest), maysir (gambling and speculative) and gharar (uncertainty).

Sharia banking whose activities are based on maqashid sharia is predicted to be better prepared to carry out sustainable finance practices which is being promoted by OJK. Relative to the concept of sustainable development with maqashid sharia, it could be interpreted that Islamic Banks will implement sustainable finance better than Conventional Banks. However, several studies show that the social dimension in the operational activities of Islamic banks still needs to be improved (see for example, Asutay, 2012; Nor & Hashim, 2015). Therefore, it is important for Islamic Banks to consider their position with regard to concern for social problems, pay more attention to the application of ethics and increase awareness of the welfare of the community in accordance with the concept of Islamic Economics. These can be implemented by increasing the effectiveness of implementation of Corporate Social Responsibility (CSR) which is one of the main implementations of sustainable development (see for example, Nor & Hashim, 2015).

The increasing efforts of the Government in implementing sustainable development, especially in the banking sector and its application in Islamic banking which is not yet optimal, indicate the need to conduct studies or research related to this matter. Aras, Tezcan & Furtunan (2018) state that companies that have high profitability will have high financial capacity to make sustainable investments that require high costs. This has also been proven by several previous studies. Campbell (2007) states that financial performance is a factor that can influence a company to be socially and environmentally responsible. Consistent with the findings of Campbell (2007), Chih, Chih & Chen (2010) which shows that companies that excel financially will tend to act more socially responsible. Widayuni & Harto (2014) have succeeded in finding that profitability has a positive influence on CSR disclosure in Indonesian and Malaysian Islamic Banks.

Previous studies that has succeeded in finding a positive effect of performance on CSR disclosure in Islamic banking still uses conventional performance measures such as Return on Asset. Research on the effect of performance on the implementation of sustainable development in Islamic banking using maqashid sharia concept-based performance measurement is very necessary, considering that Islamic banking is run based on sharia objectives (maqashid sharia). Moreover, previous research used CSR disclosure in measuring the implementation of sustainable development for the banking industry which has not emphasized the role of banking in sustainable development. In accordance with the Sustainable Finance Roadmap in Indonesia 2015-2019, it is stated that sustainable finance is a manifestation of OJK's role in realizing sustainable development in the financial services industry.

In this regard, this study aims to investigate the role of Islamic Commercial Banks in Indonesia, whose operational activities are based on sharia principles in sustainable development. Therefore, this study wants to examine the effect of the performance of Islamic-based banks maqashid sharia towards the implementation of sustainable finance. This research was conducted using a sample of commercial Sharia banks in Indonesia. The discussion will continue with the results of a literature review and hypothesis development. Then proceed with research methods, results of analysis and discussion. The discussion ends with conclusions, limitations and implications.

2 Literature Review and Hypothesis Development Literature

2.1 Literature Review

a) Stakeholder Theory

This theory focuses on the relationship of an institution with its stakeholders. McDonald & Puxty (1979) stated that a company is no longer just an instrument of shareholders, but also a part of society, so it also has a responsibility to society as well. Freeman & McVea (2001) state stakeholder approach in strategic management popularized by Freeman (1984) which is an answer to the problem of the traditional strategic management approach which emphasizes the interests of the company's shareholders. The purpose of the stakeholder approach is to devise methods of managing various groups and relationships in strategic management. Stakeholders are parties who have interests or parties with an interest in the company, these parties include employees, consumers, government, shareholders, creditors and others [13]. Stakeholders is an important factor in a company's operations, because in conducting their business activities, they will have to deal directly with their multiple stakeholders (Sari, 2012 in Lestari, 2016).

b) Legitimacy Theory

The main emphasis of legitimacy theory is on the company's obligation to recognize and weigh in the rights of the general public, instead of just the rights of investors. Inability to fulfil the community expectations will result in sanctions from the community in the form of restrictions on company operations, resources, and demand for company products [15]. This legitimacy theory suggests that a company carries out its operational activities in accordance with social value boundaries and there is an implicit social contract between the organization and the community. Therefore, the company seeks to convince the community to carry out its operational activities within the limits of the existing norms in the environment and the communities around the company (Deegan, Rankin & Tobin, 2002). Based on the legitimacy theory, the implementation of sustainable development is very important for companies because it will get legitimacy from the community. Sustainable development can be used as a means of aligning people's expectations and perceptions with company performance. This is because with efforts to fulfill community expectations, the company's reputation will increase and in turn will affect the company's performance in a sustainable manner.

c) Maqashid Sharia

Several authors have reviewed the concept maqashid sharia developed by Al-Syatibi and states that maqashid sharia (the purpose of sharia) is the benefit both in this world and in the here after (see for example, (Finarti & Putra, 2015; Wira, Handra & Syukria, 2018). According to Al-Syatibi as quoted by Djamil (1997) to create benefit in the world and the here after, there are five main elements, which are: maintaining religion, soul, reason, offspring and welfare (property). Maintaining religion implies that religion is the most important need. Humans act according to the will and pleasure of Allah SWT or in other words, humans are encouraged to believe in Allah SWT. Islam maintains the rights and freedom of belief and worship (Jauhar and Al-Mursi, 2009; QS. Al-Baqarah (2): 256).

Maintaining the soul means maintaining the freedom to live in a respectful manner while at the same time refraining from any act of ill-treatment, including consuming foods or substances that harm the body or are excessive in consumption. Maintaining reason means that reason must be preserved and protected. Therefore, Islam forbids various things that can damage the creativity of reason and work motivation, such as alcohol and illegal drugs. Maintaining offspring implies preserving healthy offspring in a peaceful atmosphere, so as to create community unity and integrity. Meanwhile, maintaining property implies that Islam recognizes one's personal rights. Maintaining property also refers to regulating muamalat on the foundation of justice and willingness, in order to cultivate wealth and leaving it in the hands of people who could protect it properly. This is because wealth becomes the strength of the people as a whole if it is properly channeled. Chapra (2008) states that the concept maqashid sharia which was coined by AlGhazali also emphasized the five maqashids which are faith (din), soul (nafs), knowledge (aql), descent (nasl), and wealth (maal). Grouping maqashid sharia also coined by Abu Zahrah (see for example, Mohammed & Taib, 2009):

1. Tahzib Al-Fard (educating individuals), cleaning humans to become sources good for the group and society by not being a source of evil for them. This can be done by doing worship.
2. Iqamah Al-Adl (establish justice), uphold justice in Islamic society, both internal justice between them and external justice between them and other people. In Islam, justice is the highest goal. It covers a variety of areas, both in law, justice, proof, muamalah, and social justice which has a wide scope. Justice can be realized when love and noble moral values have dominated society.

3. Jalb Al- Maslahah (welfare), creating benefits in all aspects of law. All the legal provisions that have been revealed in the Qur'an and the Sunnah must contain essential benefits.

d) Sustainable Development

The notion of sustainable development has been widely reviewed since the 1960s. This concept is closely related to moral and ethical values (Iqbal, 2005). This concept initially focused on environmental issues which were the negative impacts of industrial activities. The most frequently used definition of sustainable development was developed by The World Commission on Environment and Development in 1997 in its report entitled "Our Common Future" or often referred to as "Brundtland Report" [23]. Sustainable development is defined as: "Seeking to meet the needs of present without compromising the ability to meet the future generation to meet their needs." Hassan & Chachi (2005) state that sustainable development is related to 4 (four) things: 1) social progress that cater to everyone's needs; 2) effective preservation of the natural environment; 3) wise and ethical utilization of natural resources; 4) preserving a strong and steady level of economic growth.

Some literature states that the implementation of sustainable development within the company scope is called Corporate Social Responsibility (CSR). The concept of CSR is closely related to the concept of sustainable development in the sense that the CSR concept internalizes environmental issues and social sustainability in business practices [5], [25]. The concept of sustainable development and CSR is very close to Islamic thoughts. Usmani (2002) states that the philosophy underlying Islamic banking is to build distributive justice that is free from all kinds of exploitative misuse. In accordance with Islamic thoughts, business activities go hand in hand with the moral purpose of society. Islam teaches Unity (Tauhid) which states that Allah SWT is the creator, owner and origin of everything. God has entrusted humans to utilize resources and the use of resources will be accountable to God. In Islam it is also taught that personal interests must be aligned with social interests. Thus, individual freedom is protected only if it does not interfere with the greater interests of society or provided that the individual does not violate the rights of others (Farook, Hassan & Lanis, 2011).

e) Sustainable Finance

Sustainable finance is an implementation of sustainable development that is applied to the financial services industry. In the Roadmap Sustainable Finance in Indonesia 2015-2019 document compiled by OJK states that the definition of Sustainable Finance in Indonesia is as follows:

"Sustainable finance in Indonesia is defined as the overall support from the financial services industry for sustainable growth that results from the alignment of economic, social and environmental interests."

Sustainable finance has several dimensions: 1) achieving industrial, social and economic superiority as a way to mitigate the danger of global warming and to prevent other socio-environmental issues, 2) eventually shifting the targets towards a competitive low-carbon economy, 3) encouraging environmentally friendly investments in multiple sectors of economy and business, and 4) assisting Indonesia's development principles as stated in the Medium Term Development Plan (RPJM) which are pro-growth, projobs, pro-poor, and pro-environment (4P).

The objectives of a sustainable finance program in Indonesia are to:

1. Increase the competitiveness and resilience of LJK to create sustainable growth and development. Competitiveness refers to the ability of LJK to create innovative products/services that are environmentally friendly, while resilience refers to the ability to manage risks;
2. Provide required funding for the community by referring to the Long-Term Development Plan (RPJM) and the characterized RPJM pro-growth, pro-jobs, pro-poor, and pro-environment;
3. Contribute to the nation's commitment to tackle global warming by conducting business operations that are adaptative and preventive towards climate change with the hope to reach a competitive and low-carbon economy.

As stated in the Technical Guidelines for Banks Regarding the Implementation of POJK No. 51 / POJK.03 / 2017 concerning the Implementation of Sustainable Finance for Financial Service Institutions (LJK), Issuers, and Public Companies, there are 8 (eight) principles of Sustainable Finance as follows:

1. Principles of Responsible Investment. A responsible investment refers to an investment concept which takes various aspects into account, including: social, economic, environment, and governance, to assist with the bank's risk management in order to generate sustainable long-term profits. Principle of responsible investment is applicable to the acquisition and circulation of funds that are favorable towards increasing social welfare, economic benefits, environmental conservation, and governance enforcement as their final goal.
2. Principles of Sustainable Business Strategy and Practices. In order to put this principle into practice, every bank must formulate and implement sustainable business strategies and practices in their decision making process. These include the vision, mission, organizational structure, strategic plans, standard operating procedures, and work programs to the determination of risk factors in raising or distributing funds.
3. Principles of Environmental and Social Risk Management. Every bank must have a prudent principle in estimating the socio-environmental risks from fundraising and channeling operations. Such operations could consist of: identification, calculation, mitigation, supervision and observation. Socio-environmental risks in banking activities may include negative effects of the project being financed towards the society and the environment.
4. Principles of Governance. The enforcement of governance for banks is applied through the operational of business and management that includes transparency, accountability, responsibility, independence, professionalism, equality and fairness.
5. Principles of Informative Communication. Every bank must formulate and produce informative reports covering the strategy, governance, performance and prospects of the company/institution. Reports must be easy to understand, accountable and conveyed through effective communication media and accessible to all stakeholders.
6. Principles of Inclusion. Each bank must strive to guarantee that their products and services are available, affordable, and inclusive to all levels of community including those with no access to such products and services. Additionally, their products and services shall be able to encompass every economic sector to fulfill the communal needs and government policies.
7. Principles of Priority Leading Sector Development. Each bank shall consider the sectors listed by the Government through RPJM and RPJP in deciding the sector priorities as an effort to achieve sustainable development goals which include climate change mitigation.

8. Principles of Coordination and Collaboration. Each bank shall take part in forums/events/activities related to Sustainable Finance at regional or national level as a way to align and coordinate policies/strategies, business ventures, and product innovation with the national objectives.

2.2 Previous Research

Mohammed et al., (2015) have developed a measurement of the performance of Islamic banks using dimensions maqashid sharia developed by AlGhazali adapted to the interpretation made by Ibn Ashur. The five dimensions maqashid shariah is maintaining religion, life, intelligence, descent and wealth. Maqashid sharia-based performance measurement is expected to overcome the weaknesses of the performance measurement used by previous studies that still use conventional bank performance measurements. By analyzing the financial statements of the Sharia Commercial Bank, (\Firmansyah, Wahid, Fadillah & Kusmayadi (2018) have conducted research aimed at measuring the performance of Islamic banks in Indonesia using maqashid syariah index (MSI). The research was conducted for the 2012-2016 reporting period. The results showed that banks that are well-performed in maqashid sharia and in financial aspects are: BRI Syariah, Bank Muamalat, Bank Syariah Bukopin, Panin Syariah, and BCA Syariah.

Finarti & Putra (2015) have conducted research that aims to determine the implementation of the CSR BRI Syariah Bank program using the maqashid sharia perspective. The research results indicate that the implementation of CSR at BRI Syariah Bank is relevant to maqashid sharia. Regarding the implementation of sustainable development, several researchers have proven that bank performance has a positive effect on CSR disclosure. Widayuni & Harto (2014) have found a positive effect of profitability on CSR disclosure in Islamic banking in Indonesia and Malaysia. Siswanti, Salim, Sukoharsono & Aisjah (2017) have found that Islamic Financial Performance has a positive effect on the sustainability of the Islamic banking business.

2.3 Conceptual Framework

In accordance with the purpose of its establishment, the business activities of Islamic banks are carried out on a maqasid shariah. The concept of sustainable finance that is being promoted by OJK through Roadmap Sustainable Finance in Indonesia 2015-2019 which was followed by the issuance of POJK No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Service Institutions (LJK), Issuers, and Public Companies is a concept that is in line with maqashid sharia. With regard to the above explanation, Islamic banks based on maqashid sharia performance are getting better, then hoped the implementation of sustainable finance will be better. Therefore, the research framework is presented as follows:

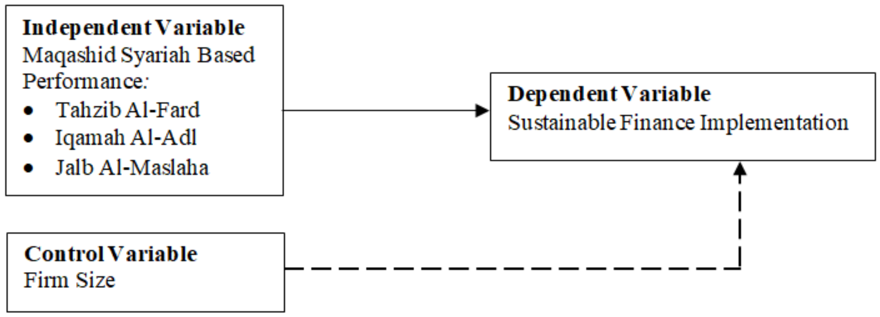

Fig. 1. Conceptual Framework

2.4 Hypothesis Formulation

Based on the framework in this study, the research hypothesis is stated as follows:

Islamic banking operational activities that emphasize the spiritual dimension, not only emphasize non-usury business, but also emphasize the ability to provide welfare for the wider community [30]. Thus, the performance of Islamic banking is measured based on sharia objectives (maqashid sharia) to assess the suitability of Islamic banking operations with Islamic principles [31].

The Law of the Republic of Indonesia No.21 of 2008 concerning Sharia Banking states that the objective of Islamic banking is to assist the implementation of national development which aims to improve justice, sense of community and equal distribution of social welfare. This is in line with the Islamic view of holistic CSR which is an integralistic spiritual view based on the teachings of the Al-Qur'an and Sunnah regarding human interaction with the universe and each other [32]. Turmudi (2018) states that the Islamic banking CSR program must truly address the human needs of the community which can create equitable economic welfare, so the social responsibility carried out by Islamic banking can make them capable of prospering the community. Salman, Anshori & Tjaraka (2018) found that maqashid sharia had a positive effect on the level of CSR disclosure. Highly performing companies tend to conduct social responsibility at a higher level in order to gain the trust of the society, hence maintaining their performance for the future. This is also in line with studies that concluded that company performance has a positive effect on corporate social responsibility (see for example, Othman et al., 2009; Sunarsih & Ferdiyansyah, 2017).

Based on this explanation, the research hypothesis is developed as following:

H_1: Performance based Maqashid Sharia as measured by Tahzib Al-Fard has a positive effect on the Implementation of Sustainable Finance

H_2: Performance based Maqashid Sharia as measured by Iqamah Al-Adl has a positive effect on the Implementation of Sustainable Finance

H_3: Performance based Maqashid Sharia as measured by Jalb Al-Maslaha has a positive effect on the Implementation of Sustainable Finance

3 Research Methods

3.1 Operational Definition of Variables and Measurement

This study uses three independent variables which are performance-based Maqashid Sharia on Tahzib Al-Fard aspect, Iqamah Al-Adl aspect, and Jalb Al-Maslaha aspect. The dependent variable is the implementation of sustainable finance which using company size as a control variable.

a) Independent Variable

The independent variable in this study is performance based Maqashid Sharia. Maqashid sharia (the purpose of sharia) is the benefit both in this world and in the hereafter (for example, Finarti & Putra, 2015; Wira et al., 2018). Maqashid sharia in this study is measured using the following formula:

Table 1. Maqashid Syariah

Syariah Objectives	Dimensions (D)	Elements (E)	Performance Ratio (R)	Data Source
Tahzib Al-Fard (*Educating Individual*)	D1. Advancement Knowledge	E1. Education Grant	R1. Education grant/ Total Expense	Annual Report
		E2. Research	R2. Research Expense/ Total Expense	Annual Report
	D2. Instilling new skill and improvement	E3. Training	R3. Training Expense/ Total Expense	Annual Report
	D3. Creating Awareness of islamic banking	E4. Publicity	R4. Publicity Expense/ Total Expense	Annual Report
Iqamah al-Adl (*Establishing Justice)*	D4. Fair Returns	E5. Fair Returns	R5. Profit Equalization Reserves (PER) / Net or Investment Income	Annual Report
	D5. Cheap Products and services	E6. Functional Distribution	R6. Mudharabah and Musyarakah Modes/ total Investment Mode	Annual Report
	D6. Elimination of injustice	E7. Interest free Product	R7. Interest free income/total Income	Annual Report
Jalb al-Maslaha (*Public Interest*)	D7. Profitability of Bank	E8. Profit ratios	R8. Net Income/total asset	Annual Report
	D8. Redistribution of Income & Wealth	E9. Personal Income	R9. Zakah paid/Net Income	Annual Report
	D9. Investment in real sector	E10. Investment Ratios in Real Sector	R10. Investment in Real Economic Sectors/total Investment	Annual Report

Source: Mohammed & Taib (2015)

Tabel 2. Average Weight of Maqasid Sharia's Measurements

Objectives	Elements (E)	Weighted Average (100%)
Tahzib al-Fard (*Educating Individual*)	E1. Education Grant	24
	E2. Research	27
	E3. Training	26
	E4. Publicity	23
	Total	**100**
Iqamah al-Adl (*Establishing Justice*)	E5. Fair returns	30
	E6. Functional Distribution	32
	E7. Interest free Product	38
	Total	**100**
Jalb al-Maslaha	E8. Profit ratios	33

Objectives	Elements (E)	Weighted Average (100%)
(*Public Interest*)	E9. Personal Income	30
	E10. Investment Ratios in Real Sector	37
	Total	**100**

Source: Mohammed & Taib (2015)

b) Dependent Variables

The dependent variables in this study is the sustainable finance implementation using an index based on various literature and guidelines issued by the United Nation Environment Program Financial Initiative (UNEP FI), World Wildlife Fund (WWF), and the Sustainability Accounting Standard Board (SASB). The index has been used by several researchers such as Khoirudin (2013), (Platonova, Mehmet, Dixon & Mohammad, 2018), Kusuma & Sudarman (2017) which are grouped into 9 (nine) aspects. The nine aspects are funding and investment, products and services, employees, society, environment, corporate governance, vision and mission, commitment to debtors and operational activities. Each of these aspects has several indicators with a total of 135 indicators. Sustainable finance in this study is measured as follows:

$$\text{Sustainable Finance} = \frac{\text{Number of indicators implemented}}{135} \quad (1)$$

Author uses content analysis by giving a value of 1 (one) if the bank implements sustainable finance indicators and a value of 0 (zero) if the bank does not apply sustainable finance indicators. If the bank implements all sustainable financial indicators, the maximum score that will be obtained is 1 (one), meaning that the company is implementing 135 (one hundred and thirty five) indicators.

c) Control Variables

The control variable in this study is company size. Large companies will get more public and government attention. This encourages companies to follow community ethics and norms, especially in order to gain legitimacy from the community [41]. Company size can be calculated using formulas that have been developed by several previous researchers (for example, Prasetyoningrum, 2018; Santoso & Dhiyaul-Haq, 2017; Umiyati & Danis, 2018). It can be calculated using the following formula:

Size = Log natural Total Asset (2)

Information:
Size = Company Size
Total Asset = Total Company Assets

3.2 Method of Determination of Samples and Data Collection

This study uses a population of Islamic Commercial Banks in Indonesia which operate from 2014 to 2019. Then the selected Islamic banks are:

a. Bank BCA Sharia
b. Bank BNI Sharia
c. Bank BRI Sharia

d. Bank BJB Sharia
e. Bank Muamalat
f. Bank Maybank Sharia
g. Bank Panin Dubai Sharia
h. Bank Bukopin Sharia
i. Bank Mandiri Sharia
j. Bank Mega Sharia
k. Bank Victoria Sharia
l. Bank BTPN Sharia Indonesia
m. Bank Aceh Sharia
n. Bank BPD NTB Sharia

Two (2) of the 14 (fourteen) banks that were newly established in 2017 are Bank Aceh Syariah and Bank BPD NTB Syariah, so the sample used in this study amounted to 12 (twelve). Data collection techniques in this study is secondary data. Data is obtained from the Annual Report and/or Sustainability Report for Islamic Commercial Banks for the period 2014 to 2019 which is downloaded from the page (website) firms. Thus the total observations amount to 72 firm-years.

3.3 Data Analysis Methods

The analysis method used is panel regression analysis with the following equation 1 as below:

$$\text{Sustainable Finance} = a + b1\ \text{Tahzib} + b2\ \text{Iqamah} + b3\ \text{Jalb} + b4\ \text{Size} + e \qquad (3)$$

Informations:

a	= Constant
b1-b4	= Coefficient
Tahzib	= Tahzib Al-Fard
Iqamah	= Iqamah Al-Adl
Jalb	= Jalb Al-Maslaha

4 Analysis and Discussion

4.1 Descriptive Statistics

Descriptive statistics produce an explanation of the maximum and minimum value, the mean or average value, and standard deviation of each variable [45]. The results of the descriptive statistical test from this study are presented in table 3 below:

Table 3. Descriptive Statistics

Variable	Minimum Score	Maximum Score	Average	Standard Deviation
Sustainable Finance Implementation	0,3259	0,9037	0,5888	0,1581
Tahzib Al-fard	2,83E-07	0,1737	0,0147	0,0274
Iqamah Al-Adl	-0,1122	1,7817	0,4882	0,3672
Jalb Al-Maslaha	-0,3403	0,3231	0,0168	0,0674
Company Size	27,2184	32,3521	29,9587	1,2955

Source: Data Analyzed in 2020

Based on Table 3, the conclusions that can be drawn are as follows:

a. The Sustainable Finance Implementation variable has a minimum value of 0.3259 which is Victoria Sharia Bank and a maximum value of 0.9037 which is Mandiri Sharia Bank. The average and standard deviation value respectively are 0.5888 and 0.1581.
b. Tahzib Al-Fard variable has a minimum value of 2.83E-07 (0.0000000283) which is BJB Sharia Bank and a maximum value of 0.1737 which is Mega Sharia Bank. The average and standard deviation value respectively are 0.0147 and 0.0274.
c. Iqamah Al-Adl variable has a minimum value of -0.1122 which is Mandiri Sharia Bank and a maximum value of 1.7817 which is Muamalat Bank. The average and standard deviation value respectively are 0.4882 and 0.3672.
d. Jalb Al-Maslaha variable has a minimum value of -0.3403 which is Mandiri Sharia Bank and a maximum value of 0.3231 which is BRI Sharia Bank. The average and standard deviation value respectively are 0.0168 and 0.0674.
e. The company size variable has a minimum value of 27.2184 which is Maybank Sharia Bank and a maximum value of 32.3521 which is Mandiri Sharia Bank. The average and standard deviation value respectively are 29.9587 and 1.2955.

4.2 Hyphotesis Testing Analysis

The data used in this study were panel data. Based on the test results, the approach used is Random Effect Model. The results of hypothesis testing can be seen in table 4 below:

Table 4. Estimation Result – Random Effect

Variable	Coeffiecient	Prob.	Result
Constant	-2,1031	0,0000	
Tahzib Al-Fard	0,4540	0,1832	Rejected
Iqamah Al-Adl	0,0753	0,0269	Accepted
Jalb Al-Maslaha	-0,3335	0,0459	Rejected
Size	0,0886	0,0000	Accepted
R-Squared		0,5014	
Adjusted R-Squared		0,4716	
Probability (F-Statistic)		0,0000	
F-Stat		16,8428	

Source: Data Analyzed in 2020

The adjusted R-squared value 0.4716 or 47.16% means that 47.16% of the independent variables affect the dependent variable and 52.84% are influenced by other variables outside of this study. Based on table 4.2, it can be seen that the F-Statistical probability value is 0.0000 <0.05. It can be concluded that all independent variables simultaneously affect the dependent variable. Thus, the hypothesis which states that Tahzib Al-Fard, Iqamah Al-Adl, Jalb-Al Maslaha and company size simultaneously influence the implementation of sustainable Islam is proven.

Meanwhile, the results of the t-test can be concluded as follows:

H_1: Tahzib Al-Fard on Sustainable Finance Implementation

The result of the Tahzib Al-Fard coefficient is 0.4540. This suggests that the theory test which states that there is a positive effect of Tahzib Al-Fard on the sustainable finance implementation (passed the theory test). Thus, it can be continued into statistical test. The results of statistical test obtain p-value 0.1832 (0.1832> 005). Thus, it can be concluded that H_0 is accepted and H_1 is rejected.

H_2: Iqamah Al-Adl on Sustainable Finance Implementation

The result of the Iqamah Al-Adl coefficient is 0.0753. This suggests that the theory test which states that Iqamah Al-Adl has a positive and significant effect on the sustainable finance implementation is proven (passed the theory test). Thus, it can be continued into the statistical test. The results of statistical test obtain p-value 0.0269 (0.0269 <0.05). Thus, it can be concluded that H_0 is rejected, H_2 is accepted.

H_3: Jalb Al-Maslaha on Sustainable Finance Implementation

The result of the Jalb-Al Maslaha coefficient is -0,0335. This suggests that the theory test which states that there is a positive influence of Jalb Al-Maslaha on the sustainable finance implementation is not proven so that the p-value for this variable is not analyzed further. Based on the analysis, it can be concluded that H_0 is rejected and H_3 is accepted.

H_4: Company Size on Sustainable Finance Implementation

The result of the company size coefficient is 0.0886. This suggests that the theory test which states that company size has a positive and significant effect on the sustainable finance implementation is proven (passed the theory test). Thus, it can be continued into statistical tests. The results of statistical test obtain p-value 0.0000 (0.0000 <0.05). Thus, it can be concluded that H_0 is rejected and H_4 is accepted.

4.3 Discussion of Research Results

a) The Influence Tahzib Al-Fard on Sustainable Finance Implementation

The result of testing the first hypothesis indicates that Tahzib Al-Fard has no effect on the sustainable finance implementation, so the first hypothesis is rejected. This finding contradicts research conducted by Salman et al., (2018) who found that the index maqashid sharia has a positive effect on the level of CSR disclosure. However, this study is supported by research by (Ningrum, Fachrurozie & Jayanto, 2013; Rachmania & Alviana, 2020) which stated that financial performance has no effect on Islamic Social Reporting. Tahzib Al-Fard has not been able to influence sustainable finance implementation in Indonesia due to the low performance of banks in terms of aspects Tahzib Al-Fard so that it has not succeeded in encouraging the implementation of sustainable finance.

b) The Influence Iqamah Al-Adl on Sustainable Finance Implementation

The result of testing the second hypothesis indicates that Iqamah Al-Adl influences sustainable finance implementation. The result of this study is in line with the findings of Salman et al., (2018) who found that the index maqashid sharia has a positive impact on the level of CSR disclosure. Highly performing companies tend to conduct social responsibility at a higher level in order to gain the trust of the society so that they can continue to perform as well in the future. This is also consistent with previous study which stated that company performance had a positive effect on corporate social responsibility (see for example, Othman, Thani & Ghani, 2009; Sunarsih & Ferdiyansyah, 2017).

c) The Influence Jalb Al-Maslaha on Sustainable Finance Implementation

The result of testing the third hypothesis indicates that Jalb Al-Maslaha has a negatif effect on sustainable finance implementation. This finding contradicts research conducted by Salman et al., (2018) who found that the index maqashid sharia has a positive impact on the level of

CSR disclosure. However, this study is supported by research by Rachmania & Alviana (2020); Ningrum et al., (2013) which stated that financial performance has not positively effect on Islamic Social Reporting. Jalb Al-Maslaha has not been able to positively influence sustainable finance implementation in Indonesia due to the fact that companies are more concerned with high profits than disclosure social responsibility. In addition, Islamic banking is more concerned with the interests of its shareholders than society. Jalb Al-Maslaha measurement also is assessed using the profitability ratio ie return on assets and the weight of profitability in Jalb Al-Maslaha which is 33% while the weight used to calculate zakat receipts is only 30%.

5 Conclusions, Limitations and Implications

5.1 Conclusions

This research was conducted with the aim of knowing the effect of performance-based maqashid sharia on sustainable finance implementation with firm size as the control variable. Based on the analysis of the results of research conducted on 12 (twelve) samples of Islamic Commercial Banks for the period 2014 to 2019, it can be concluded as follows:

a. The results of testing the first hypothesis indicated that the Tahzib Al-Fard had no significant effect on the sustainable finance implementation in Islamic banking Indonesia in 2014-2019.
b. The results of testing the second hypothesis indicated that the Iqamah Al-Adl had a positively significant effect towards sustainable finance implementation in Islamic banking Indonesia in 2014-2019.
c. The results of testing the third hypothesis indicated that the Jalb Al-Maslaha had a negative and significant effect on sustainable finance implementation in Islamic banking Indonesia in 2014-2019.
d. From the test results of the coefficient determination, it can be concluded that all independent variables are able to explain the dependent variable by 47.16%, while 52.84% is influenced by other variables outside of this study.

5.2 Limitations

This study has several limitations in its implementation. This limitation is expected to be an update for further research. These limitations include:

a. Measurement of Maqashid Sharia only uses 3 (three) indicators. Measurement of Maqashid Sharia can use 5 (five) indicators. Several studies have used measurement of Maqashid Sharia by using 5 (five) indicators (for example, Finarti and Putra, 2015). This research has not accommodated Maqashid Sharia with 5 (five) indicators because the measurement instrument is used for primary data.
b. Data on Sustainable Finance Implementation is measured using secondary data taken from the Annual Report and/or Sustainability Report. Sustainable Finance Implementation would be better gathered using a survey method.
c. Performance data based on Maqashid Sharia using data for the same year. The impact of Sustainable Finance Implementation will be better measured in the following years.

5.3 Implications

The implications of the results of this study can be aimed at contributing to the literature, for investors to know the importance of corporate social responsibility and regulators in evaluating policies that have been issued. Then the implications that can be put forward are as follows:

a. For Literature, this research is expected to enrich the literature related to sustainable development and sustainability accounting. Additionally, this research is expected to be the basis for conducting further research related to sustainable development in Indonesia.
b. For Investors, this research is expected to contribute to the business environment, especially for prospective Islamic commercial bank investors. In making investment decisions at Islamic Commercial Banks, Investor can consider aspects of corporate social responsibility.
c. For Regulators, this research is expected to be an input for regulators, especially in making regulations regarding the effectiveness of maqashid syariah and sustainable finance implementation in Indonesian syariah banks.

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