



Does Sharia Supervisory Board Size and Rotation Affect Islamic Banking in Asia Oic Countries Compliance? Measured By The Maqashid Sharia

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Abstract. *This study evaluates the influence of the size and rotation of the Sharia Supervisory Board (SSB) on the Maqashid Sharia Performance (MSP) in Islamic banks in 12 member countries of the Organization of Islamic Cooperation (OIC) in Asia. Using data from 49 Islamic banks during the 2021-2023 period accessed through annual reports, the analysis was carried out using a Random Effect Model (REM). Independent variables include SSB size, which is measured by the number of members, and SSB rotation, which is assessed based on member turnover in a year. MSP is measured using the Maqashid Sharia Index with the Abu Zahrah approach involving the dimensions of education, community welfare, and public interest. The results showed that the size and rotation of SSB did not have a significant influence on MSP. These findings indicate weaknesses in Islamic banking governance in OIC member countries, including a suboptimal SSB recruitment system and a lack of effective supervision from high-level Islamic authorities. In addition, the contribution of independent variables to MSP performance is considered low, so it is concluded that other factors, such as SSB experience, sharia internal control system, and regulatory policies, can have a more significant influence.*

Keywords Maqashid Sharia Performance, Sharia Supervisory Board, Governance

1. INTRODUCTION

In recent years, Islamic banking has experienced significant growth due to increased demand from a society that is more sensitive and inclined towards banks adhering to sharia principles (Nomran et al., 2018). The reason for this development is that society in the 21st century is beginning to return to its origins, recognize the Divine reality, and turn towards God (Winesa et al., 2021). This public awareness helps individuals recognize the differences between the principles of Islamic and conventional banking, thereby increasing their interest in utilizing Islamic banking services. The primary distinction between the two lies in their operational systems. Conventional banks rely on an interest-based system as their main source of income, whereas Islamic banks operate on a profit-sharing model. In this model, profits are divided between the bank and the customer according to a predetermined agreement outlined in the contract. More specifically, Islamic banks pursue four key goals: Islamic, economic, social, and ethical objectives (Taufik et al., 2023). Islamic banks aim not only to generate profits but also to enhance people's welfare and support social development. This contrasts with conventional banks, whose primary focus is profit-making. The differing characteristics of these two types of banks influence how their quality is assessed. Since Islamic banks have broader goals, their evaluation must be conducted uniquely considering all four objectives they strive to achieve.

It is assumed that the growth of Islamic financial institutions, particularly Islamic banks, in this century follows the global development of Islamic financial system governance. (Grassa, 2015). Therefore, it can be concluded that Islamic financial institution governance is essential to ensuring the growth and stability of these institutions. However, it appears that a number of cases have raised concerns regarding the quality of the system of Islamic bank governance, including the one involving South African Islamic banks in 1997, the Dubai Islamic Banks case in 2004 and 2007, and the Bank Syariah Mandiri case in 2012. This indicates that although Islamic banks are known for their commitment to sharia principles and compliance, there are still challenges in ensuring that they are fully avoided from potential fraud cases.

In terms of quality, the most important factor for Islamic banks is sharia compliance, which makes them the preferred choice for customers (Ullah & Khanam, 2018). To assess the quality of Islamic banks, it is essential to evaluate their compliance with Sharia. This necessity has led to the development of an ideal method known as the Maqashid Sharia Index (MSI). The IMS model used in this study was first introduced by Abu Zahrah in 1997, later developed by Mohammed and Razak in 2008, and is divided into three dimensions: 1) Education, 2) Community Welfare, and 3) Public Interest (Qathrunnada et al., 2023). Hence, this study aims to measure the compliance of Islamic banks in Asian countries listed in the OIC using the Maqashid Sharia Index.

There are several factors that can influence the performance of sharia-compliant banks. One important factor is the Sharia Supervisory Board (SSB). The primary role of this board is to guide, review, and oversee the bank's adherence to religious, social, and legal principles, as well as to ensure proper governance (Taufik et al., 2023). This statement is supported by Resource Dependence Theory, which emphasizes that a company requires various resources for operational effectiveness, which cannot be achieved without the assistance of board members or directors (Khalil & Boulila Taktak, 2020). According to Resource Dependence Theory, board members utilize their expertise and experience in their roles as directors, reviewers, and supervisors to gain access to external resources that influence strategic decisions. Therefore, while the duties of the Sharia supervisory board may not be directly involved in Islamic banking operations, their influence on decision-making can significantly impact the company's financial performance.

Research conducted by (Mergaliyev et al., 2021) and (Farag et al., 2018) demonstrates that the characteristics of the Sharia Supervisory Board significantly impact financial performance. Specifically, factors such as the composition and effectiveness of the board in

controlling and supervising activities have been found to influence the performance of Maqashid Sharia. Additionally, a study by (Taufik et al., 2023) supports these findings, highlighting that the size, education, and reputation of the Sharia supervisory board positively affect the performance of Maqashid Sharia in Islamic banks in Malaysia. Furthermore, (Taufik et al., 2023) also revealed that both the size and expertise of the Sharia supervisory board contribute positively to the performance of Sharia banking in Indonesia. Previous studies have shown contrasting results regarding the influence of various factors on the performance of Maqashid Sharia in Indonesian Islamic banking. (Taufik et al., 2023) found that the size, cross-membership, reputation, and rotation of the Sharia Supervisory Board (SSB) had no significant impact, while the level of education was found to have a negative effect. Additionally, this study indicated that cross-membership, remuneration, and SSB rotation also did not affect Islamic banking performance in Malaysia, although the expertise and educational level of the SSB had a negative influence. Research by (Mergaliyev et al., 2021) suggested that the level of information disclosure by the SSB does not significantly affect performance. Furthermore, (Hakimi et al., 2018) reported that the size of the SSB does not significantly impact Islamic banking performance, a finding that aligns with Grassa's (2012) research, which reached the same conclusion. Given these conflicting findings, this study has chosen to focus on the characteristics of the SSB as an independent variable.

This study examines two variables related to Sharia Supervisory Boards (SSB). The size of the SSB and SSB rotation within 12 Asian countries that are members of the Organization of Islamic Cooperation (OIC). Additionally, the study aims to analyze the influence of the Sharia Supervisory Board on the Maqashid Sharia Index of these Asian countries.

2. LITERATURE REVIEW

Resource Dependence Theory

The Resource Dependence Theory, introduced by Pfeffer and Salancik in 1978, emphasizes the relationship between organizations and the environmental resources they rely on. This theory views organizations as open systems that depend on their external environment for survival, and it highlights the importance of managing and protecting these resources (Khalil & Boulila Taktak, 2020). Resource Dependence Theory emphasizes the importance of having a large board size, as well as the inclusion of women, competent directors, and foreign directors. These elements help to foster relationships with external companies. Additionally, the theory suggests that the characteristics of the board can significantly impact the financial

performance of the company (Assenga et al., 2018). According to Resource Dependence Theory, the sharia supervisory board possesses essential resources, including capabilities, experience, and reputation. Additionally, it holds relationship capital, which refers to its ability to build connections with external stakeholders and understand their impact on other institutions (Taufik et al., 2023).

Maqashid Sharia

The purpose of Maqashid Sharia is to ensure compliance with sharia through transactions that adhere to sharia parameters, including contracts and related documents (Taufik et al., 2023). The measurement of maqashid sharia in this study utilizes the Abu Zahrah method, developed by Mohammed in 2008. It is classified into three main dimensions: 1) Education, 2) Community Welfare, and 3) Public Interest. Each of these dimensions is further broken down into ten specific ratios. This concept can be elaborated as follows:

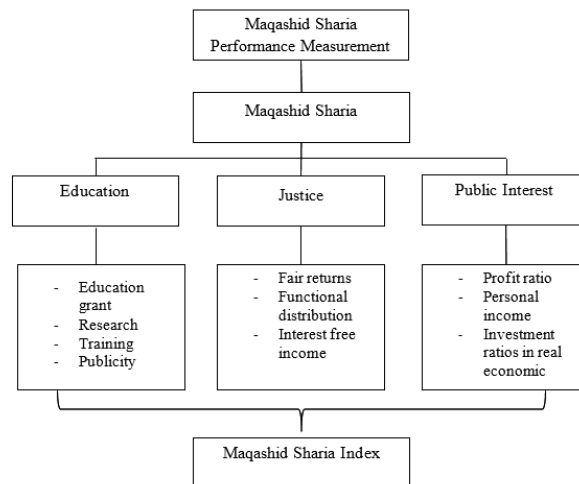


Figure 1. Maqashid Sharia Framework

Source: (Prasetyowati & Handoko, 2019)

The Maqashid Sharia framework is divided into 3 main objectives, including :

- 1) Individual education (*Tahdzib al-Fard*) states that Islamic banking increases spiritual worth by fostering the growth of personal knowledge and skills. This objective is being realized through the creation of training and education initiatives to develop the quality of the human resources (Winesa et al., 2021). Therefore, Islamic banks should implement comprehensive education and training programs to cultivate a workforce that is knowledgeable, highly skilled, and guided by strong moral principles (Adzhani & Rini, 2019).

- 2) Justice (*Iqamah al-'Adl*), this objective indicates that Islamic banking must ensure honesty and fairness in all transactions and operations, as indicated by the product, price, and contract terms. This objective means Islamic banking should avoid unfair practices like usury, fraud, and corruption in all aspects of its operations (Winesa et al., 2021).
- 3) Public interest (*Jalb al-Maslahah*), Islamic banking must develop social services and investment projects to boost community wealth. This indicates that Islamic banking invests in sectors that aim to improve the welfare of the community, for example financing housing projects and investments in important sectors (Winesa et al., 2021).

Sharia Supervisory Board

One of the primary organs of Islamic banks (IBs) is the Sharia Supervisory Board (SSB), which is responsible for ensuring that the activities conducted by Islamic banks comply with sharia principles (Nugraheni, 2018). This statement is supported by Governance Standard No. 1 on the Sharia Supervisory Board, issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The Sharia Supervisory Board is an independent body made up of legal experts specializing in Fiqh Al-Muamalat (Islamic commercial jurisprudence). It is responsible for directing, reviewing, and supervising the activities of financial institutions to ensure compliance with Sharia rules and principles.

Hypotheses Development

Sharia Supervisory Board Size and Maqashid Sharia Performance

Resource Dependence Theory assumes that a larger board of directors is preferable. Because a larger board of directors should include individuals with a range of skills and backgrounds, this naturally leads to improved performance. This argument is supported by research by (Akram & Abrar Ul Haq, 2022) which reveals that the size of the board has a positive and significant effect on the company's financial performance. This argument is supported by several previous studies by (Al Thnaibat et al., 2024; Farag et al., 2018; Mergaliyev et al., 2021; Taufik et al., 2023).

However, in the context of the sharia supervisory board, it will be easier for the management and the board of directors to control the sharia supervisory board with a smaller number (Nomran et al., 2018). Another study that supports this argument is by Matousi and Grassa (2012), which reveals that the board of directors has a negative impact on the performance of Islamic banks in GCC countries and Southeast Asia. Research by (Taufik & Budiarsyah, 2024) additionally demonstrated that sharia compliance is negatively impacted by the board. It can be concluded that having a smaller board of directors leads to better

performance in Islamic banks (Hakimi et al., 2018). Research by (Assenga et al., 2018) indicated that the size of the board of directors has an insignificant impact on financial performance. In addition, recent research by (Marhamah & Andraeny, 2024) shows that the size of the sharia supervisory board has no effect on the performance of maqashid sharia.

H1: Sharia Supervisory Board Size affects Maqashid Sharia Performance

Sharia Supervisory Board Rotation and the Maqashid Sharia Performance

Board rotation is the annual rotation of board members to increase the experience, knowledge, and encouragement of the Sharia Supervisory Board (Taufik et al., 2023). Research conducted by (Nomran et al., 2018) indicates that the rotation of the Sharia Supervisory Board has a negative and significant impact on performance. This finding is further supported by (Taufik et al., 2023), who revealed that the rotation of the Sharia Supervisory Board does not affect the performance of Maqashid Sharia in both Indonesia and Malaysia. Research by (Marhamah & Andraeny, 2024) also supports the same argument that the rotation of the sharia supervisory board does not affect the performance of the maqashid sharia of Indonesian Islamic banks.

H2 : Sharia Supervisory Board Rotation affects Maqashid Sharia Performance

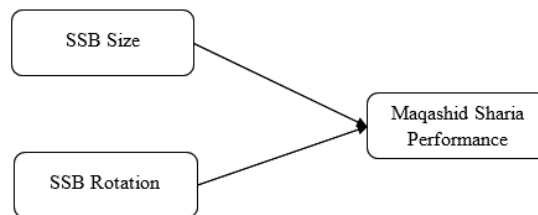


Figure 2. Research Framework

Source: Authors' compilation (2024)

3. METHODS

Population and Sample

This study employs purposive sampling focusing on Islamic banks that provide English-language Annual Reports from 2021 to 2023, accessible on their respective websites. It specifically examines data regarding the size and rotation of the Sharia Supervisory Board. The sample for this study was obtained from Islamic banks registered with the central bank of each respective country, and information was accessed through the websites of the individual Islamic banks. Based on the list of members of countries in Asia that are members of the OIC, which include Azerbaijan, Jordan, Afghanistan, the United Arab Emirates, Indonesia, Uzbekistan, Iran, Pakistan, Bahrain, Brunei-Darussalam, Bangladesh, Tajikistan, Turkmenistan, Saudi Arabia, Syria, Iraq, Oman, Palestine, Kyrgyzstan, Qatar, Kazakhstan,

Kuwait, Lebanon, Maldives, Malaysia, and Yemen. In the list of countries, 12 out of 26 countries meet the criteria, with a total of 49 Islamic banks.

Table 1. Research Sample

Description	2021	2022	2023	Total
Islamic Banks Asia OIC Countries	109	109	109	327
Islamic Banks Asia OIC Countries whose Annual Report is not Available	55	55	55	(165)
Islamic Banks Asia OIC Countries whose data is not available in full	5	5	5	(15)
Total Sample				147

Source: Authors' Compilation (2024)

Table 2. List of Countries and Islamic Banks

Countries	Islamic Banks	Total selected
Jordania	Safwa Islamic Bank Islamic International Arab Bank PLC	2
Uni Emirat Arab	Dubai Islamic Bank Abu Dhabi Islamic Bank Emirates Islamic Bank Sharjah Islamic Bank	4
Indonesia	Bank Syariah Indonesia Bank Muamalat Indonesia Bank BCA Syariah Bank Panin Dubai Syariah	4
Pakistan	Bank Meezan Bank Islami Pakistan MCB Islamic Bank Al Salam Bank Bahrain Islamic Bank Ithmaar Bank Khaleeji Bank	7
Brunei-Darussalam	Bank Islam Brunei Darussalam Berhad	1
Bangladesh	Al Arafah Islami Bank First Security Islami Bank Global Islami Bank Shahjalal Islami Bank Social Islami Bank Exim Bank	6
Arab Saudi	Al Rajhi Bank Bank Al Bilad Bank Aljazira Saudi Investment Bank	4
Oman	Bank Dhofar	1
Qatar	Qatar Islamic Bank Qatar International Islamic Bank Masraf AL Rayan	3
Quwait	Kuwait International Bank Kuwait Finance House Boubyan Bank Warba Bank	4
Maldives	Maldives Islamic Bank	1
Malaysia	Affin Islamic Bank Berhad Alliance Islamic Bank Berhad Bank Islam Malaysia Berhad Bank Muamalat Malaysia Berhad CIMB Islamic Bank Berhad Hong Leong Islamic Bank Berhad Maybank Islamic Berhad MBSB Bank Berhad OCBC Al-Amin Bank Berhad Public Islamic Bank Berhad RHB Islamic Bank Berhad Standard Chartered Saadig Berhad	12
	Total	49

Source: Authors' Compilation (2024)

Variables

The independent variables in this study are two characteristics of SSB: SSB size and SSB rotation, as presented in Table 3. Several previous studies have utilized the SSB measure as an independent variable (Assenga et al., 2018; Hakimi et al., 2018; Marhamah & Andraeny, 2024; Mergaliyev et al., 2021; Muhammad et al., 2021). The dependent variable examined is the performance of maqashid sharia, which is measured by the maqashid sharia index. This index is further broken down into ten different ratios, as shown in Table 4.

This study employs regression panel data to analyze the relationship between the size and rotation of SSB and the performance of maqashid sharia in Islamic banks, utilizing EViews 12 software. The analysis based on the linear regression model follows the approach by (Taufik et al., 2023) using the regression formula:

$$MSP_{it} = \beta_0 + \beta_1 ssbsz_1 + \beta_2 ssbrot_2 + \epsilon$$

Table 3. Operational Definition of Variables

No	Variables	Abbreviations	Definition	Indicators
1	SSB Size	ssbsz	SSB Size refers to the number of SSB members (Muhammad et al., 2021).	Number of SSB (Taufik et al., 2023).
2	SSB Rotation	ssbrot	SSB Rotation refers to the entry and exit of scholars during a year (Nomran et al., 2018).	Dummy : 1 if there is a change of SSB members, 0 if no change occurs (Taufik et al., 2023)

Source: Authors' compilation (2024)

Maqashid Sharia Index with Simple Additive Weighting Method

The Maqashid Sharia Index used in this study consists of 2 steps, namely, literacy survey and weighted score. The weighted score method used in this study refers to the concept adapted by Sekaran and Bougie (2016) which mentions Concept (C) or Objective (O), Dimension (D), and Element (E) (Prasetyowati & Handoko, 2019). Experts have verified a weighting proportion for each elements, which can be described as follows:

Table 4. Proportion of Maqashid Sharia Index

Objectives	Average Weight (Out of 1)	Dimension	Elements	Performance Ratio	Average Weight (out of 1)
1. Pendidikan (Tahdhib al-Fardh)	0.30	D1. Advancement of Knowledge	E1. Education Grants/Donation	R1. Education grant or scholarship/Total expenses	0.24
			E2. Research	R2. Research expenses/Total expenses	0.27
		D2. Instilling new skills and improvement	E3. Training	R3. Training expenses/Total expenses	0.26
			D3. Creating awareness of islamic banking	E4. Publicity	R4. Publicity expenses/Total expenses
		Total			

2. Justice (Al-'Adl)	0.41	D4. Fair returns	E5. Fair Returns	R5. Profit equalization reserves/Net or Investment Income	0.30
		D5. Cheap product and services	E6. Fair Price	R6. Mudharabah and Musharakah Modes/Total investment modes	0.32
		D6. Eliminations of negative elements that breed injustices	E7. Interest Free Product	R7. Interest free income/Total income	0.38
Total					1
3. Public Interest (Al-Maslahah)	0.29	D7. Profitability	E8. Bank's Profit Ratio	R8. Net income/Total assets	0.33
		D8. Redistribution of income & wealth	E9. Personal Income Transfer	R9. Zakah/Net assets	0.30
		D9. Investment in vital real sector	E10. Investment Ratios in Real Sector	R10. Investment in real economic sector/Total investment	0.37
		Total			

Source: (Antonio et al., 2012)

4. RESULTS

The results of the analysis conducted with Eviews 12 are as follows:

Descriptive Statistics

Table 5. Descriptive Statistic

	MSP	SSBSZ	SSBROT
Mean	0.110271	4.632653	0.380952
Median	0.110435	4.000000	0.000000
Maximum	0.311483	12.000000	1.000000
Minimum	0.009335	1.000000	0.000000
Std. Dev.	0.055081	2.373027	0.487281
Skewness	0.462081	1.228854	0.490290
Kurtosis	3.187177	4.274722	1.240385
Jarque-Bera	5.445791	46.94963	24.85393
Probability	0.065684	0.000000	0.000004
Sum	16.20989	681.0000	56.00000
Sum Sq. Dev.	0.442946	822.1633	34.66667
Observations	147	147	147

Source: Processed Data (2024)

Table 5 shows that the performance of maqashid Sharia (MSP) shows an average value of 0.110271 with a standard deviation of 0.055081, indicating a significant and stable data distribution. The minimum value of MSP is 0.009335 from RHB Islamic Bank Malaysia in 2023, while the highest value reaches 0.311483 from Bank Muamalat Indonesia in 2021.

The SSBSZ variable (X1) has an average of 4.632653 with a standard deviation of 2.373027, with a minimum value of 1.000000 from Al Rajhi Bank Saudi Arabia and a maximum value of 12.000000 from Maybank Islamic Berhad Malaysia. Meanwhile, the SSBROT variable (X2) shows a mean value of 0.380952 with a standard deviation of 0.487281, with a minimum value of 0.000000 and a maximum value of 1.000000 because it is a dummy variable.

Chow Test

The chow test was carried out to determine which model was the most efficient, between the Common Effect Model (CEM) and the Fixed Effect Model (FEM).

Table 6. Chow Test

Effect Test	Statistic	d.f.	Prob.
Cross-section F	9.002613	(48,96)	0.0000
Cross-section Chi-Square	250.632883	48	0.0000

Source : Processed Data (2024)

The cross-section F is 9.002613 which means that it is significant that the fixed effects model is more appropriate for this study. However, Chi-Square shows the number 250.632883 which means it also shows significantly that the random effect model is more accurate. Therefore, the Hausman Test must be used to identify the best model..

Hausman Test

The Hausman test needs to be carried out to determine what model is most efficient to use. Because as seen in table 6, both Fixed Effect (FEM) and Random Effect (REM) models show equally significant results.

Table 7. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.994691	2	0.2237

Source: Processed Data (2024)

Based on the results of the hausman test which showed a p-value of $0.2237 > 0.05$, so the null hypothesis was rejected. So it can be concluded that the Random Effect (REM) model is more appropriate and efficient to be used in this study.

Lagrange Multiplier Test

The Lagrange Multiplier test is conducted to compare which model is most appropriate to use, between the Common Effect Model (CEM) or the Random Effect Model (REM).

Table 8. Lagrange Multiplier Test

	Cross-section	Time	Both
Breusch-Pagan	74.63057 (0.0000)	0.171917 (0.6784)	0.2237 (0.0000)

Source: Processed Data (2024)

Based on the results of the Lagrange Multiplier Test presented in the table, it shows a probability of Breusch-Pagan (BP) of 0.00 which means that the Random Effect (REM) model is more appropriate to be used in this study.

Panel Data Regression Analysis

Based on the model selection test that has been carried out, the selected model is the Random Effect Model (REM), which is considered more capable to explain the variables in this study better.

Table 9. Regression Results with Random Effect Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.094352	0.013806	6.833940	0.0000
SSBSZ	0.003054	0.002527	1.208718	0.2288
SSBROT	0.004651	0.006512	0.714207	0.4763

Source: Processed Data (2024)

Table 10. R-Squared and Adjusted R-Squared

R-Squared	0.014448
Adjusted R-Squared	0.000760

Source : Processed Data (2024)

Based on the regression analysis in table 9, the following equation is obtained:

$$\text{MSP} = 0.094352 + 0.003054 * \text{SSBSZ} + 0.004651 * \text{SSBROT}$$

It can be seen in table 9 that the value of the constant shows the number 0.094352, meaning that when the SSBSZ and SSBROT variables have a value of zero, then the value of the MSP variable is 0.094352. The SSBSZ coefficient shows that every increase of one unit in SSBSZ will increase the MSP variable by 0.003054. The SSBROT coefficient shows that every increment of one unit in SSBROT will increase the dependent variable by 0.004651. Lebih jauh lagi, koefisien kedua variabel SSBSZ dan SSBROT juga menunjukkan nilai positif, yang dapat diasumsikan bahwa pengaruh SSBSZ dan SSBROT dapat ditingkatkan namun tidak signifikan terhadap MSP.

Based on table 10, it can be seen that R-Squared shows a value of 0.014448 which means that only 1.44% of the variation in the dependent variable can be explained by the independent variable. Furthermore, the Adjusted R-Squared value shows 0.000760 or 0.08% which means that after the adjustment, the contribution of the independent variable in explaining the variability of the dependent variable is still relatively small. Consequently, it can be concluded that the MSP variable (Y) fluctuation cannot be adequately explained by the variables SSBSZ (X1) and SSBROT (X2). Therefore, it can be assumed that there are many other factors of 99.92% that affect MSP or Maqashid Sharia performance.

Hypothesis Test Results

The results of the t-test on SSBSZ (the size of the Sharia Supervisory Board) obtained a calculated t-value of 1.21 smaller than 7.25 and a sig. 0.22, this result indicates that H1 is rejected, suggesting that the size of the Sharia Supervisory Board does not have a significant effect on the Maqashid Shariah Performance (MSP). These results are in line with research by (Hakimi et al., 2018) and (Marhamah & Andraeny, 2024) which revealed that the size of SSB had no effect on the performance of Maqashid Sharia Islamic banking. The results of this analysis are also supported by research of Grassa and Matoussi (2012) which state that the size of SSB has no effect and has a negative impact on capital returns. This finding is suspected to be due to the lack of quality of Islamic banking governance in Asian countries that are OIC member countries as expressed by (Grassa, 2015) or it can be concluded that the capabilities of SSBs in these countries are not enough to improve the performance of Maqashid Sharia. In addition, another factor that is also considered to affect this finding is the existence of regulations from the government or central bank that require the number of SSB members, so that the size of the SSB has no effect.

The results of the t-test on SSBROT (rotation of the Sharia Supervisory Board) obtained a calculated t-value of 0.71 smaller than 7.25 and a sig. 0.48 then means that H1 is rejected and H0 is accepted, meaning that the rotation of the sharia supervisory board has no effect on the MSP (Maqashid Sharia performance). These results support previous research by (Marhamah & Andraeny, 2024; Taufik et al., 2023) which also revealed that rotation of SSB had no effect on the performance of Maqashid Sharia. The factors that affect the results of this finding are suspected to be due to the ineffective SSB recruitment system in obtaining SSB members with better capabilities (Taufik et al., 2023). Alternatively, it can be concluded that this finding is influenced by weak and ineffective governance practices in Islamic banks, particularly in OIC member countries (Grassa, 2015). This occurs because higher Sharia authorities often fail to function effectively as a control mechanism to oversee Sharia decisions and products at the institutional level, potentially leading to negative implications for the stability of the Sharia financial industry.

5. DISCUSSION

The results of regression analysis show that the size of the Sharia Supervisory Board (SSB) has no effect on the performance of Maqashid Sharia as measured by the Maqashid Sharia Index using the Abu Zahrah method. The results of this finding are consistent with the results of research conducted by (Hakimi et al., 2018; Marhamah & Andraeny, 2024) and

supported by a statement by (Nomran et al., 2018).² This is suspected because the quality of governance is not optimal in OIC member Asian countries, and there are government or central bank provisions regarding the number of members of the sharia supervisory board, so the size of the sharia supervisory board has no effect.

The results of the regression analysis show that the rotation of the Sharia Supervisory Board (SSB) has no effect on the performance of Maqashid Sharia as measured by the Abu Zahrah method. These findings are consistent with previous research by (Taufik et al., 2023) and (Marhamah & Andraeny, 2024). This is suspected to be due to the ineffective recruitment system of the sharia supervisory board, the lack of a control or supervision mechanism from higher sharia authorities, and the weak governance of Islamic banks in OIC member Asian countries.

6. CONCLUSION

Based on the results and testing of the research, it can be concluded that the size and rotation of the Sharia Supervisory Board (SSB) have no effect on the performance of Maqashid Sharia (MSP). This finding is suspected to be due to the existence of regulations that regulate the provisions on the number of SSBs, the ineffectiveness of the Islamic banking governance system, especially the ineffectiveness of the SSB recruitment system in attracting competent members, and the lack of supervision or control from higher sharia authorities. So, most of the influencing factors are related to governance, specifically, the existing SSB system in Islamic banks, especially in Asian countries that are OIC members. The relatively small value of the variation of the dependent variable also shows that the size and rotation of the Sharia Supervisory Board cannot explain the performance of Maqashid Sharia, so it can be concluded that there are many other factors that can affect and explain the performance variables of Maqashid Sharia better.

LIMITATION

Future researchers are advised to add other variables related to the characteristics of the Sharia Supervisory Board (SSB) that affect the performance of Maqashid Sharia (MSP), such as the qualifications and experience of SSB members, sharia internal control systems, policies and procedures, and regulations related to sharia that may have a direct or indirect effect on the performance of Maqashid Sharia. What's more, future researchers may use other Maqashid Sharia methods for comparison and show which method shows more precise and comprehensive results.

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