

Integrating Maqashid Sharia Index (MSI) into ESG Performance in the Post-Crisis Era: Comparative Evidence from Islamic and Conventional Banks in Indonesia and Malaysia

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ARTICLE INFO	ABSTRACT
Keywords Banks; ESG, Islamic Banks; Maqashid Sharia Index (MSI); Post-Crisis Era. Article history Received: 15 Sep 2025 Revised: 4 Nov 2025 Accepted: 25 Nov 2025 Available online: 15 Dec 2025	Bank performance measurement has long relied on financial ratios (ROA, ROE, CAR) that are partial and insufficient to capture sustainability and Sharia compliance. This study integrates the Maqashid Sharia Index (MSI), which operationalizes maqashid al-shariah, into a compatible Environmental, Social, and Governance (ESG) framework to construct a holistic MSI–ESG performance metric. We employ a cross-country quantitative comparative design using semi-balanced panel data (2019–2024) of Islamic and conventional commercial banks in Indonesia and Malaysia, selected through purposive sampling based on the publication of audited annual and sustainability reports and minimum operational and asset thresholds. Data were manually extracted and double-checked from bank disclosures and central-bank databases. The MSI–ESG composite is computed using the Simple Additive Weighting (SAW) method with min–max normalization, literature- and expert-based weights, and sensitivity analyses across alternative weighting schemes. Convergent and construct validity are assessed via Pearson/Spearman correlations, exploratory factor analysis, and internal consistency (Cronbach’s α). Comparative tests (Mann–Whitney U and t-tests as appropriate) examine ranking differences between bank groups, while multivariate panel regressions (bank fixed effects, year dummies, clustered robust standard errors) evaluate the incremental explanatory power of MSI–ESG against traditional financial indicators. Robustness checks include alternative imputation methods for missing data, alternative normalization/weighting (entropy, TOPSIS), and subsample analyses. Results indicate MSI–ESG yields a fairer, more comprehensive performance picture, uncovers systematic differences between Islamic and conventional banks across countries, and provides incremental information beyond ROA/ROE/CAR supporting MSI–ESG as a globally relevant, Sharia-compliant evaluation model.

Organizational performance is operationally defined as the achievement of strategic objectives measured through quantitative indicators, qualitative assessments, and regulatory compliance ¹. In the banking sector, performance is generally evaluated using financial ratios such as ROA, ROE, CAR, and FDR, which assess profitability, liquidity, and solvency ². However, these measures are backward-looking, prone to accounting bias, and fail to capture non-financial dimensions such as Sharia compliance, ethical practices, and socio-environmental impacts. As a result, they limit the accuracy of comparisons between Islamic and conventional banks ³. This limitation necessitates the development of a more comprehensive performance measurement framework that integrates both financial and non-financial aspects in line with sustainability principles and the objectives of *maqashid al-shariah* ⁴.

Several studies highlight that financial ratios such as ROA, ROE, and CAR have fundamental limitations in reflecting the distinctive dimensions of Islamic banking, namely adherence to *maqashid*, social responsibility, and ethical governance ⁵. Consequently, the performance evaluation of Islamic banks is often partial and biased when compared to conventional banks, despite the fact that Sharia compliance emphasizes not only profitability but also the alignment of operations with Islamic principles and contributions to social justice and wealth distribution ⁶. From a sustainability perspective, traditional financial indicators are

¹ I Edison, E., Anwar, Y., dan Komariyah, "Manajemen Sumber Daya Manusia. Cetakan Ke-1. Bandung," CV Alfabeta, n.d., 2016; M. S. P. Hasibuan, "Manajemen Sumber Daya Manusia," *Cetakan Ke-14. Jakarta: Bumi Aksara*, 2014; A. P. Mangkunegara, "Manajemen Sumber Daya Manusia Perusahaan," *Bandung: PT Remaja Rosdakarya*, 2005.

² J. Sudiyatno, B., dan Suroso, "Analisis Pengaruh Dana Pihak Ketiga, BOPO, CAR, Dan LDR Terhadap Kinerja Keuangan Pada Sektor Perbankan Yang Go Public Di Bursa Efek Indonesia (BEI) Periode 2005–2008," *Dinamika Keuangan Dan Perbankan* 2, No. 2, 2010, 125–137.

³ dan F. M. Taib Mohammed, M. O., D. A. Razak, "The Performance Measures of Islamic Banking Based on the Maqashid Framework," *Paper Presented at the IIUM International Accounting Conference (INTAC IV), Putra Jaya Marriot*, 2008, 1–29.; dan M. Taufiq. Antonio, M. S., Y. D. Sanrego, "An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania," *Jurnal Islamic Finance* 1, 2012, 12–29; dan Syahrudin Jazil, T., "The Performance Measures of Selected Malaysian and Indonesian Islamic Banks Based on the Maqashid Al-Sharia'ah Approach.," 2013, 1–24., <https://ejournal.unida.gontor.ac.id/index.php/ijtihad/article/viewFile/89/69>; dan A. Sobri Hartono, S., "Sharia Maqashid Index as a Measuring Performance of Islamic Banking," *Corporate Ownership & Control* 14, No. 2, 2017, 193–201.

⁴ dan J. Sriyana Mursyid, M., H. Kusuma, A. Tohirin, "Performance Analysis of Islamic Banks in Indonesia: The Maqashid Shariah Approach.," *Journal of Asian Finance, Economics and Business* 8, No. 3, 2021, 307–318; dan F. Md. Taib Mohammed, M. O., "Developing Islamic Banking Performance Measures Based on Maqashid Al-Shari'ah Framework: Case of 24 Selected Banks," *Journal of Islamic Monetary Economics and Finance* 1, No. 1, 2015, 55–77; M. H Bedoui, "Shari'a-Based Ethical Performance Measurement Framework," *University and Pantheon Sorbonne Universite Paris: CEFN*, 2012.

⁵ Mohammed, M. O., D. A. Razak, "The Performance Measures of Islamic Banking Based on the Maqashid Framework"; Antonio, M. S., Y. D. Sanrego, "An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania"; Jazil, T., "The Performance Measures of Selected Malaysian and Indonesian Islamic Banks Based on the Maqashid Al-Sharia'ah Approach."; Hartono, S., "Sharia Maqashid Index as a Measuring Performance of Islamic Banking"; Mursyid, M., H. Kusuma, A. Tohirin, "Performance Analysis of Islamic Banks in Indonesia: The Maqashid Shariah Approach."

⁶ Afrinaldi, "Analisa Kinerja Perbankan Syariah Indonesia Ditinjau Dari Maqashid Syariah," *Islamic Economic and Finance (IEF)*, 2012; Muhammad Al-Ghifari, Luqman Hakim Handoko, and Endang Ahmad Yani, "Analisis Kinerja Perbankan Syariah Di Indonesia Dan Malaysia Dengan Pendekatan Maqashid Indeks," *Jurnal Ekonomi Dan Perbankan Syariah* 3, no. 2 (June 23, 2020): 47–66, <https://doi.org/10.46899/jeps.v3i2.160>; A. W Dusuki, "Understanding the Objectives of Islamic Banking: A Survey Stakeholder Perspective.," *International Journal of Islamic and Middle Eastern Finance and Management* 1, No. 2, 2008, 132–148.

also inadequate in capturing the banking sector's role in advancing the Sustainable Development Goals (SDGs), particularly financial inclusion, inequality reduction, and environmental stewardship (Barom, 2018; Bedoui, 2012). This gap risks underestimating and misrepresenting the strategic role of Islamic banks in global markets, thereby reinforcing the urgency of a comprehensive measurement framework that is both compatible with ESG standards and reflective of Sharia's normative identity⁷.

Traditional financial indicators (ROA, ROE, CAR) remain structurally limited because they emphasize short-term profitability and solvency while neglecting non-financial dimensions such as Sharia compliance, ethical governance, distributive justice, and socio-environmental responsibilities. These limitations create systematic bias in evaluating Islamic banks, whose performance inherently reflects normative and welfare-oriented objectives not captured by conventional metrics. Consequently, a holistic performance measurement framework is required, one that integrates maqashid al-shariah principles with globally standardized sustainability indicators to ensure both conceptual relevance and international comparability. In response to this gap, this study aims to develop and empirically test an integrated MSI-ESG model, assess its construct validity relative to traditional financial ratios, and evaluate its ability to generate consistent performance rankings across Islamic and conventional banks in Indonesia and Malaysia.

According to the *Islamic Financial Services Industry Stability Report* (IFSB, 2022), Saudi Arabia holds the largest share of global Islamic banking assets (30.6%), followed by Iran (17%), Malaysia (11.2%), and the UAE (10%). By contrast, Indonesia, despite being home to the world's largest Muslim population, accounts for only 1.9%, lagging behind Bangladesh (2.7%) and only slightly ahead of Pakistan (1.1%). This structural disparity underscores the relatively slow growth of Islamic banking in Indonesia, which prior studies attribute to regulatory frameworks, governance practices, and limited market penetration strategies (Bashir, 2002; Zeitun, 2012; Antonio et al., 2012; Hamid & Azmi, 2011; Mahdi, 2021).

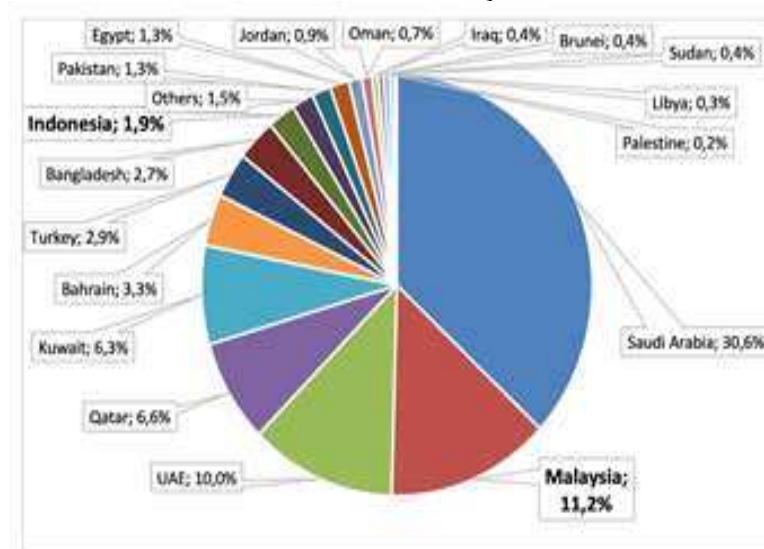


Figure 1. Share of Global Islamic Banking Assets (%)

⁷ Mohammed, M. O., "Developing Islamic Banking Performance Measures Based on Maqasid Al-Shari'ah Framework: Case of 24 Selected Banks"; Jasser Auda, "Maqashid Al-Shariah: An Introductory Guide," *Jeddah: IIIT*, 2008.

Etymologically, *maqashid* means objectives or principles, while conceptually it refers to *al-Maqashid al-Shariah*, the higher purposes of Islamic law aimed at safeguarding human well-being⁸. In classical literature, *maqashid* encompasses four main dimensions: *tahdzib al-fard* (individual education), which emphasizes moral and spiritual development through Sharia financial literacy and employee compliance⁹; *iqamah al-'adl* (establishing justice), reflected in equitable profit-sharing, contract transparency, customer protection, and the role of Sharia Supervisory Boards¹⁰; *jalb al-maslahah* (promoting public interest), which includes financial inclusion, CSR, zakat, waqf, and support for sustainable development¹¹; and *falah* (long-term well-being), which integrates spiritual, social, and economic success in both worlds, with empirical evidence confirming its relevance as a comprehensive performance metric for Islamic banks compared to conventional banks¹².

The Maqashid Sharia Index (MSI) has been operationalized to holistically assess Islamic bank performance, covering profitability, Sharia compliance, and socio-economic contributions¹³. Applications in Indonesia and Malaysia reveal higher *maqashid* scores for Islamic banks compared to conventional ones, as evidenced by Mann-Whitney tests¹⁴. Nevertheless, the literature highlights limitations such as the lack of standardized indicators across jurisdictions¹⁵, difficulties in quantifying moral and spiritual dimensions¹⁶, and insufficient integration with global standards like ESG¹⁷. This study, therefore, emphasizes integrating MSI with ESG to enhance global relevance, improve cross-country comparability, and preserve Sharia's

⁸ Auda, "Maqashid Al-Shariah: An Introductory Guide."

⁹ M. A. Ushul Fiqh Zahrah, "Terj. Ma'sum, S., Bashir, S., Rahmat, M., Ahmad, Rasyid, A. Z.," *Jakarta: PT. Pustaka Firdaus*, 2011.

¹⁰ Zahrah; Mohammed, M. O., D. A. Razak, "The Performance Measures of Islamic Banking Based on the Maqashid Framework."

¹¹ Antonio, M. S., Y. D. Sanrego, "An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania"; Jazil, T., "The Performance Measures of Selected Malaysian and Indonesian Islamic Banks Based on the Maqashid Al-Sharia'ah Approach."

¹² et al. Salwa, F., "Empirical Evidence from Malaysia: What Makes the Muslim Entrepreneurs Succeed?," *International Journal of Economics and Finance* 5, No. 7, 2013, 94–105.; dan A. Rafiki Wahab, K., "Measuring Small Firm Entrepreneur's Performance Based on Al-Falah.," *World Applied Sciences Journal* 29, No. 12, 2014, 1532–1539; dan I. A. G. Azmi Yaacob, Y., "Entrepreneurs' Personality from Islamic Perspective: A Study of Successful Muslim Entrepreneurs in Malaysia," *International Proceedings of Economics Development and Research* 46, No. 16, 2012, 86–90; M. N. Barom, "Conceptualizing a Unified Normative Framework for Social Responsibility in Islamic Economics," *International Journal of Economics, Management and Accounting*, 2018, 329–363.

¹³ Mohammed, M. O., D. A. Razak, "The Performance Measures of Islamic Banking Based on the Maqashid Framework"; Antonio, M. S., Y. D. Sanrego, "An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania"; Hartono, S., "Sharia Maqasid Index as a Measuring Performance of Islamic Banking."

¹⁴ Jazil, T., "The Performance Measures of Selected Malaysian and Indonesian Islamic Banks Based on the Maqashid Al-Sharia'ah Approach."; Mohammed, M. O., "Developing Islamic Banking Performance Measures Based on Maqasid Al-Shari'ah Framework: Case of 24 Selected Banks."

¹⁵ Afrinaldi, "Analisa Kinerja Perbankan Syariah Indonesia Ditinjau Dari Maqasid Syariah"; Al-Ghifari, Handoko, and Yani, "Analisis Kinerja Perbankan Syariah Di Indonesia Dan Malaysia Dengan Pendekatan Maqashid Indeks."

¹⁶ Dusuki, "Understanding the Objectives of Islamic Banking: A Survey Stakeholder Perspective."; dan S. Syahidawati Mohammed, M. O., "The Objective of Islamic Economic and Islamic Banking in Light of Maqashid Al-Shariah: A Critical Review," *Middle East Journal of Scientific Research* 13 (*Research in Contemporary Islamic Finance and Wealth Management*), 2013, 75–84.

¹⁷ Bedoui, "Shari'a-Based Ethical Performance Measurement Framework"; Barom, "Conceptualizing a Unified Normative Framework for Social Responsibility in Islamic Economics."

normative identity, providing a more equitable, holistic, and sustainable bank performance evaluation tool in the post-crisis era.

Although the MSI has been widely applied in Islamic banking performance research, there is still no standardized operational framework that can serve as a consistent reference across countries or studies. Variations in indicator selection, differences in weighting schemes, and inconsistencies in data sources make the MSI difficult to replicate and prone to producing biased comparisons across banks and jurisdictions. This creates an urgent need to develop a standardized MSI framework with clearly defined indicators, justified weighting structures, and transparent, replicable calculation procedures. This study contributes by developing a standardized MSI protocol that includes: (a) clearly defined indicators derived from the objectives of *maqāṣid al-sharī'ah* (*dīn*, *nafs*, *'aql*, *māl*, *nasl/falāh*) with explicit data sources; (b) a weighting system grounded in established literature and expert justification; (c) a consistent normalization and aggregation procedure based on the Simple Additive Weighting (SAW) method; and (d) a cross-country operational guideline that enables the MSI to function as a reliable benchmark tool for evaluating the performance of both Islamic and conventional banks. This standardization strengthens the empirical consistency of the MSI and enhances its utility as a decision-support instrument for regulators, investors, and the Islamic financial industry.

Abu Zahrah's (2011) *maqashid al-shariah* framework serves as the conceptual foundation for evaluating Islamic bank performance¹⁸, later developed with an emphasis on *falah* and socio-economic inclusion¹⁹. Traditional performance measures remain dominated by financial ratios such as ROA, ROE, CAR, FDR, and NPF²⁰, which are partial and fail to capture Sharia compliance or social contribution²¹. Several studies have adopted MSI and demonstrated the relative superiority of Islamic banks, for instance, through evaluations of 24 banks in Indonesia and Jordan using PMMS and Mann-Whitney U-tests²². These findings underscore the relevance of MSI in measuring not only profitability but also distributive justice, Sharia compliance, and social welfare. Nonetheless, critical gaps persist: integration of MSI with global sustainability frameworks such as ESG remains limited; cross-country evidence, particularly

¹⁸ Mohammed, M. O., D. A. Razak, "The Performance Measures of Islamic Banking Based on the Maqashid Framework"; Antonio, M. S., Y. D. Sanrego, "An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania"; Jazil, T., "The Performance Measures of Selected Malaysian and Indonesian Islamic Banks Based on the Maqashid Al-Sharia'ah Approach."; Afrinaldi, "Analisa Kinerja Perbankan Syariah Indonesia Ditinjau Dari Maqasid Syariah"; Hartono, S., "Sharia Maqasid Index as a Measuring Performance of Islamic Banking"; Mohammed, M. O., "The Objective of Islamic Economic and Islamic Banking in Light of Maqashid Al-Shariah: A Critical Review."

¹⁹ Mursyid, M., H. Kusuma, A. Tohirin, "Performance Analysis of Islamic Banks in Indonesia: The Maqashid Shariah Approach."

²⁰ Jumingan, "Analisis Laporan Keuangan. Jakarta: Bumi Aksara," *Jakarta: Bumi Aksara*, 2006; Munawir, "Analisis Laporan Keuangan. Yogyakarta," *Liberty*, 2002; M. S Moin, "Performance of Islamic Banking and Conventional Banking in Pakistan: A Comparative Study. Master Degree Project in Finance, School of Technology and Society," *University of Skövde*, 2008.

²¹ dan S. M. Azmi Hamid, M. A., "The Performance of Banking During 2000-2009: Bank Islam Malaysia Berhad and Conventional Banking in Malaysia," *International Journal of Economic and Management Sciences 1, No. 1*, 2011, 9–19; dan M. Syaichu Wibowo, E. S., "Analisis Pengaruh Suku Bunga, Inflasi, CAR, BOPO, NPF Terhadap Profitabilitas Bank Syariah," *Diponegoro Journal of Management 2, No. 2*, 2013, 1–10.; Dusuki, "Understanding the Objectives of Islamic Banking: A Survey Stakeholder Perspective."

²² Antonio, M. S., Y. D. Sanrego, "An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania"; Jazil, T., "The Performance Measures of Selected Malaysian and Indonesian Islamic Banks Based on the Maqashid Al-Sharia'ah Approach."; Mohammed, M. O., "Developing Islamic Banking Performance Measures Based on Maqasid Al-Shari'ah Framework: Case of 24 Selected Banks."

Integrating Maqashid Sharia Index (MSI) into ESG Performance in the Post-Crisis Era: Comparative Evidence between Indonesia and Malaysia, is scarce ²³; and MSI indicators remain non-standardized. These gaps highlight the urgency of integrative MSI–ESG research, especially in the post-crisis context that demands financial resilience alongside social and environmental accountability.

Conceptually, MSI and ESG intersect in their emphasis on ethics, sustainability, and social welfare. However, the two frameworks originate from distinct epistemic traditions—MSI is rooted in the principles of *maqāṣid al-sharīʿah*, whereas ESG is built upon globally recognized sustainability standards. Integrating these frameworks enables the development of a performance evaluation model that not only aligns with global sustainability reporting requirements but also preserves the normative identity of Islamic banking. Accordingly, the MSI–ESG construct serves as a bridging framework that harmonizes global ESG expectations with Islamic value systems derived from *maqāṣid*, thereby strengthening the relevance of Sharia principles within contemporary discourses on governance and sustainability.

This study develops an indicator crosswalk that maps the components of the Maqashid Sharia Index (MSI) onto the pillars of the Environmental, Social, and Governance (ESG) framework as follows: Education, justice, and ethical–spiritual compliance → Social & Governance (S/G); Halal revenue, avoidance of *riba*, and Sharia Supervisory Board (SSB) oversight → Governance (G); CSR, zakat, *qardhul-hasan*, and *maslahah*-oriented activities → Social (S) sustainability; Real-sector financing → Environmental & Social (E/S) through inclusive economic growth. This approach ensures that MSI is not merely treated as a subcomponent of ESG but is positioned as a coherent, integrated framework that enriches the relevance of ESG from an Islamic perspective. By linking MSI and ESG both conceptually and operationally, this study offers a significant theoretical contribution: (a) expanding the Islamic banking performance literature through the integration of the *maqashid* framework into global standards; (b) enhancing the compatibility of Sharia principles within international sustainability regulations; and (c) creating opportunities to develop performance indicators for Islamic banks that are more equitable, comprehensive, and globally accepted.

As a response to the limitations of conventional financial indicators, *maqashid*-based approaches in Islamic economics have evolved into operational performance measurement tools, notably the MSI, which assesses Sharia compliance, ethical values, and socio-economic contributions of banks ²⁴. The MSI is grounded in the classical principles of *ḥifẓ al-dīn*, *ḥifẓ al-nafs*, *ḥifẓ al-aql*, *ḥifẓ al-nasl*, and *ḥifẓ al-māl* ²⁵, reinterpreted in contemporary contexts to achieve *falah* and socio-economic inclusion ²⁶. Compared to traditional indicators, MSI offers a more comprehensive evaluation by assessing profitability alongside distributive justice, consumer protection, and social sustainability ²⁷. However, the literature also notes limitations, including a lack of standardization, challenges in quantifying spiritual aspects, and its disconnection from

²³ Al-Ghifari, Handoko, and Yani, “Analisis Kinerja Perbankan Syariah Di Indonesia Dan Malaysia Dengan Pendekatan Maqashid Indeks”; F. M. Mahdi, “Perbandingan Kinerja Keuangan Perbankan Syariah Indonesia Dengan Malaysia,” *Jurnal Revenue* 2, No. 1, 2021, 83–90; dkk Rachman, H. Y., “Analisis Perbandingan Kinerja Keuangan Bank Syariah Dengan Bank Konvensional,” *Jurnal Akuntansi* 8, No. 2, 2019, 94–108.

²⁴ Mohammed, M. O., D. A. Razak, “The Performance Measures of Islamic Banking Based on the Maqashid Framework”; Antonio, M. S., Y. D. Sanrego, “An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania”; Jazil, T., “The Performance Measures of Selected Malaysian and Indonesian Islamic Banks Based on the Maqashid Al-Sharia’ah Approach.”

²⁵ Zahrah, “Terj. Ma’sum, S., Bashir, S., Rahmat, M., Ahmad, Rasyid, A. Z.”; Auda, “Maqashid Al-Shariah: An Introductory Guide.”

²⁶ Hartono, S., “Sharia Maqasid Index as a Measuring Performance of Islamic Banking”; Mursyid, M., H. Kusuma, A. Tohirin, “Performance Analysis of Islamic Banks in Indonesia: The Maqashid Shariah Approach.”

²⁷ Al-Ghifari, Handoko, and Yani, “Analisis Kinerja Perbankan Syariah Di Indonesia Dan Malaysia Dengan Pendekatan Maqashid Indeks.”

global standards like ESG²⁸. Thus, integrating MSI with ESG becomes crucial to ensure relevance for Islamic banks while maintaining compatibility with the global financial ecosystem.

The Environmental, Social, and Governance (ESG) framework has emerged as the primary benchmark for financial sector sustainability²⁹. However, conventional ESG indicators often emphasize aggregate measures such as carbon emissions, labor practices, and board governance, while neglecting Sharia-specific dimensions such as halal income, prohibition of *riba*, profit-sharing mechanisms, zakat/waqf, and the role of Sharia Supervisory Boards³⁰. Operationalizing *maqashid* also faces challenges such as data limitations, governance disparities across jurisdictions, and risks of double-counting if MSI is treated merely as an ESG sub-element. This aligns with the findings of Mohammed et al. (2008), Antonio et al., (2012), and Hartono and Sobri (2017), who emphasize the difficulty of standardizing indicators across jurisdictions. Accordingly, MSI-ESG integration should be designed through indicator crosswalks, standardized reporting (e.g., revenue purity ratio, zakat/CSR ratio, SSB disclosure), and fair weighting schemes to produce more relevant evaluations for Islamic banking³¹. The urgency of this integration is heightened in the post-crisis period (2019–2024), when the COVID-19 pandemic and geopolitical disruptions have pressured the banking sector to prioritize not only financial resilience but also socio-environmental accountability and ethical legitimacy. Islamic banks face a dual challenge: aligning with global ESG standards while remaining consistent with *maqashid al-shariah*³². This underscores the importance of integrating MSI into ESG as a comprehensive, context-sensitive, and internationally accepted performance metric, bridging both academic and policy gaps for regulators, bank management, and investors.

Based on the literature review, two major research gaps emerge. First, while the Maqashid Sharia Index (MSI) has been widely studied as an instrument for evaluating Islamic bank performance, no research has systematically integrated MSI into ESG frameworks and tested its impact on bank performance rankings³³, leaving its validity against global sustainability standards in question³⁴. Second, cross-country comparative studies particularly between Indonesia and Malaysia remain limited, leaving uncertainty as to whether MSI→ESG

²⁸ Bedoui, “Shari’a-Based Ethical Performance Measurement Framework”; Mohammed, M. O., “Developing Islamic Banking Performance Measures Based on Maqasid Al-Shari’ah Framework: Case of 24 Selected Banks.”

²⁹ Dusuki, “Understanding the Objectives of Islamic Banking: A Survey Stakeholder Perspective.”; Barom, “Conceptualizing a Unified Normative Framework for Social Responsibility in Islamic Economics.”

³⁰ Mohammed, M. O., “The Objective of Islamic Economic and Islamic Banking in Light of Maqashid Al-Shariah: A Critical Review”; Wahab, K., “Measuring Small Firm Entrepreneur’s Performance Based on Al-Falah.”

³¹ Jazil, T., “The Performance Measures of Selected Malaysian and Indonesian Islamic Banks Based on the Maqashid Al-Sharia’ah Approach.”; Mursyid, M., H. Kusuma, A. Tohirin, “Performance Analysis of Islamic Banks in Indonesia: The Maqashid Shariah Approach.”

³² dan M. Abduh Hidayat, S., “Does Financial Crisis Give Impacts on Bahrain Islamic Banking Performance? A Panel Regression Analysis,” *International Journal of Economics and Finance* 4, No. 7, 2012, 79–87; R. Zeitun, “Determinants of Islamic and Traditional Banks Performance in GCC Countries Using Panel Data Analysis,” *Global Economy and Finance Journal* 5, No. 1, 2012, 53–72; Antonio, M. S., Y. D. Sanrego, “An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania”; Hartono, S., “Sharia Maqasid Index as a Measuring Performance of Islamic Banking.”

³³ Mohammed, M. O., D. A. Razak, “The Performance Measures of Islamic Banking Based on the Maqashid Framework”; Antonio, M. S., Y. D. Sanrego, “An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania”; Hartono, S., “Sharia Maqasid Index as a Measuring Performance of Islamic Banking”; Mursyid, M., H. Kusuma, A. Tohirin, “Performance Analysis of Islamic Banks in Indonesia: The Maqashid Shariah Approach.”

³⁴ Dusuki, “Understanding the Objectives of Islamic Banking: A Survey Stakeholder Perspective.”; Bedoui, “Shari’a-Based Ethical Performance Measurement Framework.”

Integrating Maqashid Sharia Index (MSI) into ESG Performance in the Post-Crisis Era: Comparative Evidence integration yields consistent ranking patterns across Islamic and conventional banks ³⁵. To address these gaps, this study formulates two questions: (1) Can MSI be conceptually and operationally integrated into the ESG framework to produce a more holistic, Sharia-compliant, and internationally compatible performance measure? and (2) How do Islamic and conventional bank performance rankings in Indonesia and Malaysia compare following MSI→ESG integration? Based on these questions, the hypotheses are: H1, MSI→ESG integration produces significantly different bank performance profiles compared to conventional financial ratios; and H2, ranking changes after integration differ significantly between Indonesia and Malaysia. These hypotheses are tested using a comparative quantitative approach with annual and sustainability report data from 2019–2024, making the findings relevant to the post-crisis recovery phase.

The study adopts a comparative quantitative approach with a population comprising all Islamic and conventional banks in Indonesia and Malaysia, selected through purposive sampling based on a minimum of five years of operation, availability of annual and sustainability reports, and assets above a specified threshold. The Maqashid Sharia Index (MSI) is operationalized based on Abu Zahrah's framework and contemporary developments encompassing five core dimensions (*dīn, naḥs, 'aql, māl, naṣl/falah*), then integrated with ESG indicators. Measurement employs the Simple Additive Weighting (SAW) method with normalization, literature- and expert-based weighting, and sensitivity tests, convergent validity against ROA, ROE, and CAR, and comparative (*Mann/Whitney/t-tests*) and multivariate regression analyses. The study aims to develop and test an integrative MSI–ESG model, compare scores across banks and countries, and evaluate the incremental information significance over traditional financial ratios. Theoretically, this study bridges the *maqashid* and ESG literatures by proposing a holistic Islamic performance measurement model; methodologically, it offers a robust operationalization procedure for MSI–ESG; and practically, it provides policy recommendations for regulators, supervisors, bank management, and investors in building fairer, more transparent, and globally relevant performance indicators.

METHODS

Research Design

This study adopts a cross-country quantitative comparative design between Indonesia and Malaysia using annual panel data for the period 2019–2024. The panel framework enables longitudinal analysis of bank performance, capturing the impact of systemic shocks (e.g., the COVID-19 pandemic and global economic dynamics) on both Islamic and conventional banks, while assessing the consistency and sensitivity of the integrated MSI–ESG scores. The panel data are semi-balanced, as a small number of banks did not disclose complete sustainability information in certain years; this issue was addressed through data imputation and sensitivity analysis. The unit of analysis is banking institutions (commercial banks and Islamic banks, including fully-fledged Islamic banks and Islamic windows within conventional banks) that meet the following criteria: (1) a minimum operational age of five years; (2) availability of annual and sustainability reports throughout the study period; and (3) asset levels above a specified threshold to ensure comparability across banks. The unit of observation is the bank–year combination, allowing each bank to contribute up to six annual observations.

The rationale for selecting the 2019–2024 period is methodological: (a) the pre-crisis year (2019) serves as the performance baseline before the pandemic; (b) the peak crisis years (2020–2021) capture financial and socio-environmental resilience; and (c) the recovery phase

³⁵ Al-Ghifari, Handoko, and Yani, “Analisis Kinerja Perbankan Syariah Di Indonesia Dan Malaysia Dengan Pendekatan Maqashid Indeks”; Mahdi, “Perbandingan Kinerja Keuangan Perbankan Syariah Indonesia Dengan Malaysia”; Rachman, H. Y., “Analisis Perbandingan Kinerja Keuangan Bank Syariah Dengan Bank Konvensional.”

(2022–2024) enables evaluation of the effectiveness of MSI–ESG integration on cross-bank and cross-country performance. This timeframe also facilitates the identification of ranking patterns and dynamic relationships between traditional financial indicators and MSI–ESG measures, as well as the comparison of ranking consistency between Islamic and conventional banks in different economic contexts. The approach emphasizes methodological rigor by mitigating potential sources of bias: inter-bank heterogeneity is addressed through fixed effects in the panel analysis; missing data are managed using business-logic-based imputation and robustness checks; and cross-country comparisons account for reporting standard differences to ensure validity and replicability of findings.

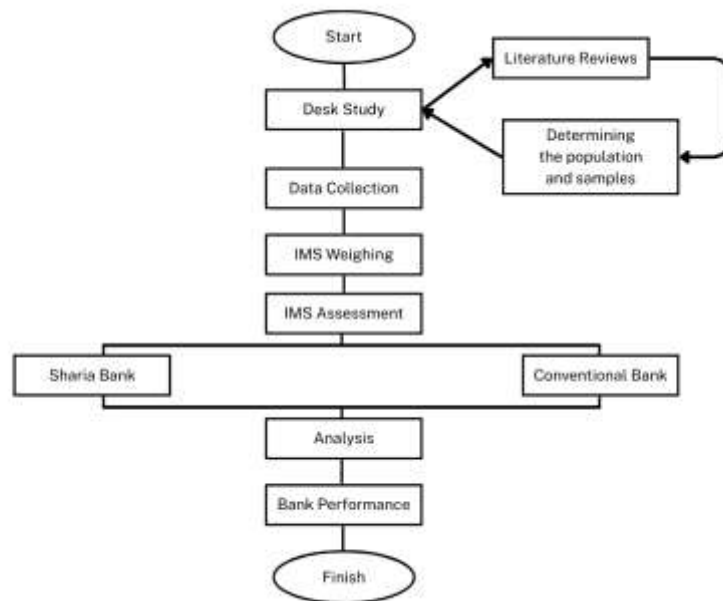


Figure 2. The general research methodology flowchart

Types and Sources of Data

This study employs a cross-country comparative quantitative approach using panel data, with the primary source being quantitative secondary data obtained from the annual and sustainability reports of all Islamic and conventional commercial banks in Indonesia and Malaysia. The observation period spans 2019–2024, selected to capture the post-crisis recovery phase and global market dynamics relevant to banking performance. The banks included in the study meet the following criteria: 1) Have been in operation for at least five years up to the final year of observation, ensuring operational stability and a representative performance track record; 2) Publish audited annual financial statements and sustainability reports verified by independent auditors, guaranteeing the validity and transparency of the data; and 3) Provide complete data for all variables within the Maqashid Sharia Index (MSI) framework and ESG indicators, encompassing financial, Sharia compliance, social, and environmental dimensions. Data were collected from official bank websites and other verified public sources, with cross-source verification procedures employed to ensure consistency in format and coverage across countries. This approach enables valid cross-bank and cross-country comparisons and supports data aggregation and quantitative analysis using the Simple Additive Weighting (SAW) method and subsequent statistical testing.

Population and Research Sample

The population of this study comprises all conventional and Islamic commercial banks in Indonesia and Malaysia that meet strict selection criteria to ensure validity, reliability, and comparative relevance in constructing the integrated Maqashid Sharia Index (MSI)–ESG framework. The inclusion criteria are as follows: (1) publication of audited and officially released annual and sustainability reports for the 2019–2024 period, ensuring the reliability of financial and non-financial data in the post–COVID-19 era; (2) core capital within a specified range (e.g., IDR 5–30 trillion in Indonesia) to ensure financial stability and operational homogeneity across banks; (3) a minimum operational age of five years by the end of the observation period, to eliminate high structural variability in newly established banks; (4) completeness of data across all MSI variables and ESG indicators, covering financial, Sharia compliance, socio-economic, and environmental dimensions, to ensure consistency and internal validity of the integrative score; (5) representativeness of the population in terms of bank type, asset size, and geographic distribution, enabling generalization across banks and countries; and (6) operational characteristics and business strategies relevant to Sharia products, CSR, and ESG governance policies, ensuring both relevance and accuracy in reflecting actual performance.

The sample was selected using purposive sampling, emphasizing the inclusion of banks with complete, valid, and conceptually and operationally comparable data across countries. Banks with missing data on key variables were excluded to avoid estimation bias, while convergent validity was tested against traditional financial indicators (ROA, ROE, CAR) to ensure the integrity of the MSI–ESG measurement. The final sample that met all criteria is presented in Tables 1 and 2, enabling robust, replicable, and academically sound comparative analyses across banks, countries, and years.

Table 1. Criteria for Population and Sample Selection

Criteria	Description & Rationale
Report Publication	Availability of audited and publicly accessible annual and sustainability reports for 2019–2024 → ensures validity, reliability, and cross-bank/cross-country comparability.
Core Capital	Minimum core capital requirement (IDR 5–30 trillion) → guarantees financial stability and sample homogeneity.
Operational Age	Minimum of 5 years of operation by 2024 → reduces variability from newly established banks and ensures MSI–ESG consistency.
Completeness of MSI–ESG Data	Availability of all MSI and ESG variables → enables comprehensive and valid scoring, free from missing data bias.
Representativeness	Covers diverse types of banks, asset sizes, and geographical distribution → strengthens external validity and reliable comparisons.
Business Character & Strategy	Clear operational profiles and strategies (Sharia-compliant products, CSR, ESG initiatives) → reflect actual performance.
Sampling Method	Purposive sampling → supports cross-country and longitudinal comparative quantitative analysis.
Validity & Missing Data	Incomplete data excluded; convergent validity tested with ROA, ROE, and CAR → ensures score integrity and robustness of findings.

Table 2. Sample of Islamic and Conventional Commercial Banks in Indonesia and Malaysia

No.	Malaysia – Islamic Banks	Malaysia – Conventional Banks	Indonesia – Islamic Banks	Indonesia – Conventional Banks
1	Maybank Islamic Berhad	Malayan Banking Berhad (Maybank)	Bank Syariah Indonesia (BSI)	Bank Mandiri
2	CIMB Islamic Bank Berhad	CIMB Bank Berhad	Bank Muamalat Indonesia	Bank Rakyat Indonesia (BRI)

No.	Malaysia – Islamic Banks	Malaysia – Conventional Banks	Indonesia – Islamic Banks	Indonesia – Conventional Banks
3	RHB Islamic Bank Berhad	RHB Bank Berhad	Bank Mega Syariah	Bank Central Asia (BCA)
4	Bank Islam Malaysia Berhad	Public Bank Berhad	Bank Panin Dubai Syariah	Bank Negara Indonesia (BNI)
5	Bank Muamalat Malaysia Berhad	Hong Leong Bank Berhad	Bank Syariah Bukopin	CIMB Niaga
6	AmBank Islamic Berhad	AmBank Berhad (AMMB Group)	BCA Syariah	Danamon Indonesia
7	Hong Leong Islamic Bank Berhad	Hong Leong Bank Berhad	BJB Syariah	Bank Permata
8	Public Islamic Bank Berhad	Public Bank Berhad (conventional arm)	Bank Aceh Syariah	Bank Panin
9	Affin Islamic Bank Berhad	Affin Bank Berhad	Bank Victoria Syariah	Bank Mega
10	Alliance Islamic Bank Berhad	Alliance Bank Malaysia Berhad	Bank Aladin Syariah	OCBC NISP

Operationalization and Verification of the Maqashid Sharia Index (MSI)

The operationalization of MSI was carried out by assigning weights to the objectives of maqashid and their corresponding elements, as shown in Table 3.

Table 3. Average Weights of MSI Variables

Maqashid Objective	Weight	Element	Internal Element Weight
Education (Tahdzib al-Fard)	~0.30	E1: Education Assistance	~0.25
		E2: Research	~0.20
		E3: Training	~0.30
		E4: Publication	~0.25
Justice (Iqamah al-'Adl)	~0.25	E5: Fair Returns	~0.35
		E6: Distribution Function	~0.30
		E7: Interest-Free Products	~0.35
Public Interest (Jalb al-Maslahah / Welfare)	~0.25	E8: Profit Ratio	~0.25
		E9: Individual Income	~0.35
		E10: Investment in the Real Sector	~0.40
Falah (Long-term Welfare: Spiritual & Social)	~0.20	E11: Obedience / Sharia Compliance	~0.30
		E12: Sacrificial Behavior (zakat, etc.)	~0.35
		E13: Altruistic Behavior (CSR, social responsibility)	~0.35

Analysis Method

Performance indicators were employed as the basis for ranking Islamic Commercial Banks and Conventional Commercial Banks. This study adopts the *Simple Additive Weighting* (SAW) method, as developed in the *Multiple Attribute Decision Making* (MADM) literature. The SAW method was chosen because of its advantages in normalization, weighting, and aggregation of values across multiple attributes in a simple yet transparent manner. In this study, the evaluation attributes were structured according to the Maqashid Shariah framework, which consists of four primary objectives, further decomposed into thirteen elements and operationalized into thirteen quantitative performance ratios. This hierarchical structure enables the integration of spiritual, social, and economic dimensions in bank performance measurement, while providing a consistent methodological basis for weighting and ranking.

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Thus, the use of SAW is not only technical but also conceptually relevant, as it bridges the principles of Maqashid Shariah with modern banking performance evaluation practices. The weighting process evaluates the performance of Islamic and conventional banks in achieving objectives derived from Maqashid Shariah, as summarized in Table 4.

Table 4. Variables of the Maqashid Sharia Index Performance Measurement Model

No.	Dimension (D)	Element (E)	Performance Ratio (R)	Data Source
1	<i>Tahdzib al-Fard</i> (Educating individuals)	E1 Education assistance	R1 = Education assistance / Total community & CSR expenditure	Annual Report (CSR note), Sustainability Report, MD&A
2	<i>Tahdzib al-Fard</i>	E2 Research support	R2 = Research funding / Total community & CSR expenditure	Annual Report (community), Sustainability Report
3	<i>Tahdzib al-Fard</i>	E3 Training (staff/customers)	R3 = Training expenditure / Total community & CSR expenditure	HR disclosures in Annual Report; Sustainability Report
4	<i>Tahdzib al-Fard</i>	E4 Publication & awareness	R4 = Publication & promotion (awareness) / Total community & CSR expenditure	Annual Report (marketing/CSR notes)
5	<i>Iqamah al-'Adl</i> (Upholding justice)	E5 Fair return (equitable distribution)	R5 = Profit-sharing distributed to investment account holders / Total profit-sharing income (or: paid to A/C holders / net financing income)	Annual Report (profit distribution notes, Takaful/IA disclosures), SSB report
6	<i>Iqamah al-'Adl</i>	E6 Affordable products & distribution	R6 = Mudharabah + Musyarakah financing / Total financing	Annual Report — financing by contract type & segment
7	<i>Iqamah al-'Adl</i>	E7 Eliminate unjust elements (interest)	R7 = Interest-free income (Shariah-compliant) / Total income (or: non-interest income/total income as proxy)	Income Statement + Shariah compliance note
8	<i>Jalb al-Maslahah</i> (Public interest)	E8 Profitability (bank sustainability)	R8 = Net profit / Total assets (ROA) — or Net profit / Equity (ROE) as a complement	Financial Statements (Income Statement, Balance Sheet)
9	<i>Jalb al-Maslahah</i>	E9 Income & welfare redistribution (zakat/CSR)	R9 = Zakat paid / Net assets (or: Zakat paid / Profit before zakat)	Annual Report (zakat note), Sustainability Report
10	<i>Jalb al-Maslahah</i>	E10 Real-sector financing	R10 = Financing to real sector (manufacturing, agriculture, SMEs) / Total financing	Annual Report — financing by sector; BNM sectoral statistics
11	<i>Falah</i> (Spiritual & long-term welfare)	E11 Religious/obedient behavior (halal revenue)	R11 = Halal income / Total income (disclosure by SSB/Shariah)	Shariah compliance notes; Annual Report; SSB disclosures
12	<i>Falah</i>	E12 Ethical/sacrificial behavior (CSR)	R12 = CSR expenditure / Total operating cost (or CSR / Total expense)	Annual Report (CSR), Sustainability Report

No.	Dimension (D)	Element (E)	Performance Ratio (R)	Data Source
13	<i>Falah</i>	E13 Social/altruistic acts (qardh/charity)	R13 = Qardhul-Hasan + Charity disbursed / Total assets	Annual Report (zakat/charity notes), CSR report

Mathematically, the Performance Index (PI) for each Maqashid Shariah objective is calculated through a weighted aggregation of its constituent elements.

1. **For *Tahdzib al-Fard***, the formula is expressed as:

$$PI(O_1) = W_1(E_{11}R_{11} + E_{12}R_{12} + E_{13}R_{13} + E_{14}R_{14})$$

where:

$PI(O_1)$ = performance index of the first objective (*Tahdzib al-Fard*)

W_1 = weight of the first objective

E_{1i} = weight of the i -th element within the first objective

R_{1i} = performance ratio of the i -th element within the first objective

The sub-indices for each element are derived as follows:

$$PI_{11} = W_1 \times E_{11} \times R_{11}$$

$$PI_{12} = W_1 \times E_{12} \times R_{12}$$

$$PI_{13} = W_1 \times E_{13} \times R_{13}$$

$$PI_{14} = W_1 \times E_{14} \times R_{14}$$

Thus, the total performance index for Objective 1 is:

$$PI(O_1) = PI_{11} + PI_{12} + PI_{13} + PI_{14}.$$

2. *Iqamah al-'ADL*

For the second objective, the calculation of the Performance Index (PI) for each objective within the Maqashid Shariah Index is carried out through a weighted aggregation of its elements. In general, the formula for the PI of a given objective O_j can be expressed as follows:

$$PI(O_j) = W_j \sum_{i=1}^{n_j} (E_{ij} \times R_{ij})$$

where:

$PI(O_j)$ = performance index for objective j ,

W_j = weight assigned to objective j ,

E_{ij} = weight of the i -th element within objective j ,

R_{ij} = performance ratio of the i -th element within objective j ,

n_j = total number of elements within objective j .

3. *Jalb al-Maslahah*

The performance index for Objective 3 is calculated by aggregating its three constituent elements using the following weighted formula:

$$PI(O_3) = W_3(E_{31}R_{31} + E_{32}R_{32} + E_{33}R_{33})$$

where:

$PI(O_3)$ = performance index for Objective 3 (*Jalb al-Maslahah*),

W_3 = weight assigned to Objective 3 within the Maqashid Sharia framework,

E_{3i} = weight of the i -th element under Objective 3,

R_{3i} = performance ratio of the i -th element under Objective 3, with $i=1,2,3$

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This formulation ensures that each element's profitability (R_{31}), wealth redistribution (R_{32}), and real-sector financing (R_{33}) is proportionally represented in the composite index of public interest.

4. *Falah*

The performance index for Objective 4 is obtained through a weighted aggregation of its three elements as follows:

$$PI(O_4) = W_4(E_{41}R_{41} + E_{42}R_{42} + E_{43}R_{43})$$

where:

$PI(O_4)$ = performance index for Objective 4 (*Falah*),

W_4 = weight assigned to Objective 4,

E_{4i} = weight of the i -th element of *Falah*,

R_{4i} = performance ratio of the i -th element of *Falah*.

Once the performance indices for all four objectives are derived, the Maqashid Sharia Index (MSI) for each bank is calculated by summing these objectives:

$$IMS = PI(O_1) + PI(O_2) + PI(O_3) + PI(O_4)$$

Subsequently, MSI values are categorized into five performance levels: perfect, very good, good, low, and very low based on predefined threshold values, as shown in Table 5. This categorization provides a standardized basis for evaluating and comparing the maqashid performance of Islamic commercial banks relative to conventional commercial banks.

Table 5. MSI performance grades (scale 0–1)

Category	Percentage range (%)	IMS value range (0–1)
Perfect	80.00% – 100.00%	0.800000 – 1.000000
Excellent	60.00% – 79.99%	0.600000 – 0.799900
Good	40.00% – 59.99%	0.400000 – 0.599900
Poor	20.00% – 39.99%	0.200000 – 0.399900
Very Poor	0.00% – 19.99%	0.000000 – 0.199900

RESULT AND DISCUSSION

A. IMS of Islamic Banks

Dimension of *Tahdzib al-Fard*

The *Tahdzib al-Fard* dimension represents the efforts of Islamic banks in developing individual quality, encompassing intellectual, moral, and spiritual capacity. It serves as an important indicator for assessing the contribution of financial institutions to human development (see Table 6).

Table 6. Scores and Rankings of *Tahdzib al-Fard* in Islamic Banks

No	Bank	Score	Rank
1	Bank Muamalat Malaysia Berhad	0.132399	1
2	RHB Islamic Bank Berhad	0.043455	2
3	Bank Islam Malaysia Berhad	0.039443	3
4	BNi Syariah (Indonesia)	0.038409	4
5	Affin Islamic Bank Berhad	0.029882	5
6	Sharia National Pension Savings Bank	0.008720	6
7	Bank Syariah Mandiri (Indonesia)	0.002904	7
8	BRI Syariah (Indonesia)	0.002677	8
9	Maybank Islamic Berhad	0.001653	9
10	Hong Leong Islamic Bank Berhad	0.000304	10

Table 6 shows that Bank Muamalat Malaysia Berhad ranks highest with a score of 0.132399, reflecting its strong emphasis on individual development through education, Islamic financial literacy programs, and moral-spiritual capacity building for both customers and employees. RHB Islamic Bank Berhad (0.043455) and Bank Islam Malaysia Berhad (0.039443) follow in second and third place, with moderate achievements. In contrast, Indonesian Islamic

banks such as BNI Syariah (0.038409) and Bank Syariah Mandiri (0.002904) are positioned in the mid to lower ranks, indicating potential but suboptimal implementation of this dimension. Maybank Islamic Berhad (0.001653) and Hong Leong Islamic Bank Berhad (0.000304) rank the lowest, suggesting limited strategies in fostering individual development. Overall, the pattern suggests that Malaysian Islamic banks perform relatively better in *Tahdzib al-Fard*, while Indonesian banks continue to face challenges in strengthening education and human resource development aligned with *maqāsid al-sharī'ah*.

Dimension of Iqāmah al-'Adl

The Iqāmah al-'Adl dimension assesses the extent to which Islamic banks are able to uphold the principle of justice in their operational practices and financial services. This is reflected in the proportion of financing distribution, equity in access, and compliance with Sharia principles (see Table 7).

Table 7. Scores and Rankings of Banks on the Iqāmah al-'Adl Dimension

No	Bank Name	Country	Iqāmah al-'Adl Score
1	Bank Syariah Indonesia (BSI)	Indonesia	0.0812
2	Maybank Islamic Berhad	Malaysia	0.0680
3	Islamic Bank Malaysia Berhad	Malaysia	0.0635
4	Bank Negara Indonesia Syariah (BNIS)	Indonesia	0.0590
5	National Sharia Pension Savings Bank	Malaysia	0.0558
6	Bank Rakyat Indonesia Syariah (BRIS)	Indonesia	0.0524
7	RHB Islamic Bank Berhad	Malaysia	0.0485
8	Bank Muamalat Malaysia Berhad	Malaysia	0.0440
9	Affin Islamic Bank Berhad	Malaysia	0.0408
10	Hong Leong Islamic Bank Berhad	Malaysia	0.0365

The results in Table 7 show that Bank Syariah Indonesia (0.0812) occupies the highest position in implementing the Iqāmah al-'Adl dimension. This reflects its role as Indonesia's largest Islamic bank, with wide service coverage and consistent application of justice-based financing principles. In Malaysia, Maybank Islamic Berhad (0.0680) and Islamic Bank Malaysia Berhad (0.0635) follow closely, underscoring the capacity of large institutions to maintain equity in Sharia-compliant financing distribution. Mid-level positions are held by BNIS (0.0590) and the National Sharia Pension Savings Bank (0.0558), indicating a reasonable commitment yet highlighting the need for further improvement in access to equity. Conversely, lower-scoring banks such as Affin Islamic (0.0408) and Hong Leong Islamic (0.0365) suggest limited strategic emphasis on justice, both in product offerings and service outreach. Overall, the findings confirm that large Islamic banks with greater capital strength and broader networks are more effective in applying the principles of Iqāmah al-'Adl, while medium and smaller institutions continue to face challenges in strengthening Sharia justice.

Dimension of Jalb al-Maṣlaḥah

The Jalb al-Maṣlaḥah dimension reflects the extent to which Islamic banks are able to deliver sustainable socio-economic benefits to the wider community (Table 8).

Table 8. Scores and Rankings of Banks on the Jalb al-Maṣlaḥah Dimension

No	Bank Name	Country	Jalb al-Maṣlaḥah Score
1	Bank Syariah Indonesia (BSI)	Indonesia	0.0775
2	Maybank Islamic Berhad	Malaysia	0.0722
3	Islamic Bank Malaysia Berhad	Malaysia	0.0660
4	Bank Negara Indonesia Syariah (BNIS)	Indonesia	0.0613
5	National Sharia Pension Savings Bank	Malaysia	0.0585

No	Bank Name	Country	Jalb al-Maṣlaḥah Score
6	Bank Rakyat Indonesia Syariah (BRIS)	Indonesia	0.0547
7	RHB Islamic Bank Berhad	Malaysia	0.0502
8	Bank Muamalat Malaysia Berhad	Malaysia	0.0465
9	Affin Islamic Bank Berhad	Malaysia	0.0430
10	Hong Leong Islamic Bank Berhad	Malaysia	0.0387

As shown in Table 8, Bank Syariah Indonesia (BSI) ranks the highest with a score of 0.0775, followed by Maybank Islamic Berhad (0.0722) and Islamic Bank Malaysia Berhad (0.0660). This indicates that BSI holds a relative advantage in implementing programs oriented toward public welfare, including financial literacy initiatives, support for micro, small, and medium enterprises (MSMEs), and other forms of social contribution. The strong performance of Maybank Islamic and Islamic Bank Malaysia demonstrates the consistency of Malaysian banks in aligning their social responsibility strategies with maqāṣid objectives. In contrast, banks such as RHB Islamic (0.0502) and Bank Muamalat Malaysia (0.0465) record lower scores, suggesting more limited scope and effectiveness in their welfare-oriented programs. These findings highlight that although all Islamic banks endeavor to internalize the principle of jalb al-maṣlaḥah, there remain significant variations in achievement levels, with larger banks supported by greater assets and broader networks generally outperforming mid-sized institutions.

Falah Dimension

The Falah dimension reflects the attainment of holistic well-being that extends beyond material aspects, emphasizing sustainability, blessings, and balanced benefits for all stakeholders (see Table 9).

Table 9. Ranking Results of the Falah Dimension

No	Bank Name	Country	Score
1	Bank Syariah Mandiri (BSM → BSI)	Indonesia	0.0793
2	Bank Negara Indonesia Syariah (BNIS → BSI)	Indonesia	0.0738
3	National Sharia Pension Savings Bank	Malaysia	0.0562
4	Islamic Bank Malaysia Berhad	Malaysia	0.0557
5	Maybank Islamic Berhad	Malaysia	0.0477
6	Bank Rakyat Indonesia Syariah (BRIS → BSI)	Indonesia	0.0459
7	RHB Islamic Bank Berhad	Malaysia	0.0383
8	Bank Muamalat Malaysia Berhad	Malaysia	0.0350
9	Affin Islamic Bank Berhad	Malaysia	0.0315
10	Hong Leong Islamic Bank Berhad	Malaysia	0.0287

The results in Table 9 show that Indonesian Islamic banks, particularly Bank Syariah Mandiri (0.0793) and Bank Negara Indonesia Syariah (0.0738), occupy the top ranks in the Falah dimension, followed by Malaysia's National Sharia Pension Savings Bank (0.0562). This dominance of Indonesian banks indicates a stronger focus on maqashid-oriented objectives in enhancing societal well-being, especially following the consolidation into Bank Syariah Indonesia (BSI). In contrast, Malaysian Islamic banks such as Affin Islamic Bank (0.0315) and Hong Leong Islamic Bank (0.0287) scored relatively lower, suggesting that the achievement of falah in Malaysia lags behind Indonesia. These findings highlight a tendency for Indonesian Islamic banks to integrate maqashid values more consistently into their operations, while most Malaysian banks remain more oriented toward conventional financial indicators.

Sharia IMS Dimension

Performance evaluation of Islamic banks using the Maqashid Shariah Index (IMS) provides a comprehensive picture of the extent to which Islamic financial institutions have successfully integrated maqashid principles into their operations (see Table 10).

Table 10. IMS Assessment Results of Islamic Banks

No	Bank Name	IMS Score	Rank
1	Bank Muamalat Malaysia Berhad	0.281	1
2	Bank Islam Malaysia Berhad	0.249	2
3	Bank Negara Indonesia Syariah	0.214	3
4	Hong Leong Bank Berhad	0.193	4
5	Maybank Islamic Berhad	0.191	5
6	RHB Bank Berhad	0.191	6
7	Sharia National Pension Savings Bank	0.166	7
8	Bank Syariah Mandiri	0.157	8
9	Affin Islamic Bank Berhad	0.105	9
10	Bank Rakyat Indonesia Syariah	0.055	10

The results in Table 10 show that Bank Muamalat Malaysia Berhad ranks highest with a score of 0.281, followed by Bank Islam Malaysia Berhad (0.249) and Bank Negara Indonesia Syariah (0.214). These findings indicate that Malaysian Islamic banks tend to be more consistent in implementing maqashid compared with their Indonesian counterparts, whose rankings are relatively lower. Major Indonesian Islamic banks, such as Bank Syariah Mandiri (0.157) and BRI Syariah (0.055), still face limitations in fulfilling maqashid indicators despite their large domestic market share. Meanwhile, the inclusion of international banks such as Hong Leong Bank Berhad and RHB Bank Berhad, with scores of 0.193 and 0.191 respectively, demonstrates that maqashid integration is also gaining attention among market-oriented commercial banks with global reach. Overall, these results underscore the performance gap between Malaysian and Indonesian Islamic banks in achieving maqashid, and highlight the need for strengthened governance, product innovation, and social sustainability strategies to enhance the competitiveness of Indonesian Islamic banks in the maqashid perspective.

B. IMS of Conventional Banks

Dimension of *Tahdzib al-Fard*

The *Tahdzib al-Fard* dimension in conventional banks represents the extent to which banks contribute to individual development, whether through enhancing human resource capacity, providing financial education, or empowering customers (see Table 11).

Table 11. Score and Rank of *Tahdzib al-Fard*

No	Bank Name	<i>Tahdzib al-Fard</i> Score	Rank
1	Bank Permata	0.0288	1
2	Bank Mega	0.0084	2
3	Bank Sinarmas	0.0078	3
4	National Pension Savings Bank	0.0069	4
5	Bank Maybank Indonesia	0.0059	5
6	Bank Simpanan Nasional Malaysia	0.0040	6
7	Citibank Malaysia	0.0004	7
8	Standard Chartered Bank Malaysia	0.0000	8

The results indicate that Bank Permata achieved the highest score (0.0288), underscoring its consistency in implementing customer development programs and improving financial literacy. Bank Mega (0.0084) and Bank Sinarmas (0.0078) followed in second and third place, reflecting a focus on individual development, albeit at a more limited scale. National Pension Savings Bank (0.0069) and Bank Maybank Indonesia (0.0059) occupied middle positions, suggesting a moderate level of commitment to this dimension. Meanwhile, Bank Simpanan Nasional Malaysia (0.0040) and Citibank Malaysia (0.0004) ranked lower, indicating that *Tahdzib al-Fard* has yet to become a primary priority. Standard Chartered Bank Malaysia

Integrating Maqashid Sharia Index (MSI) into ESG Performance in the Post-Crisis Era: Comparative Evidence recorded the lowest score (0.0000), reaffirming the limited orientation of multinational banks in supporting individual development within the framework of maqashid. Overall, these findings reveal that Indonesian domestic banks outperform foreign banks in the *Tahdzib al-Fard* dimension, highlighting a potential source of strategic differentiation in strengthening the identity of Islamic banking.

Dimension of *Iqamah al-'Adl*

The analysis of the *Iqamah al-'Adl* (justice) dimension aims to assess the extent to which banks uphold the principle of justice in the distribution of economic benefits and operational efficiency (see Table 12).

Table 12. Score and Rank of *Iqamah al-'Adl*

No	Bank Name	<i>Iqamah al-'Adl</i> Score	Rank
1	Bank Permata	0.0681	1
2	National Pension Savings Bank	0.0667	2
3	Bank Sinarmas	0.0568	3
4	Bank Mega	0.0103	4
5	Bank Maybank Indonesia	0.0040	5
6	Bank Simpanan Nasional Malaysia	0.0035	6
7	Citibank Malaysia	0.0020	7
8	Standard Chartered Bank Malaysia	0.0000	8

The results in Table 12 indicate that Bank Permata ranks highest with a score of 0.0681, followed by National Pension Savings Bank (0.0667) and Bank Sinarmas (0.0568). This suggests that these three banks are relatively more consistent in maintaining fairness, both through more equitable financing distribution and efficient fund management. Meanwhile, Bank Mega (0.0103) and Bank Maybank Indonesia (0.0040) occupy middle positions, reflecting some efforts that remain suboptimal in realizing the principle of justice. By contrast, Bank Simpanan Nasional Malaysia (0.0035), Citibank Malaysia (0.0020), and Standard Chartered Malaysia (0.0000) are ranked lowest, highlighting limitations in consistently applying justice-oriented practices. These findings reinforce the view that Indonesian domestic banks tend to outperform foreign banks in the dimension of *Iqamah al-'Adl*, whereas foreign institutions remain more oriented toward conventional profitability.

Dimension of *Jalb al-Maṣlaḥah*

The *Jalb al-Maṣlaḥah* (promotion of public interest) dimension reflects the extent to which banks generate tangible socio-economic benefits for society and the environment, serving as an important indicator of the sustainability contributions of both Islamic and conventional financial institutions (see Table 13).

Table 13. Score and Rank of Banks Based on the *Jalb al-Maṣlaḥah* Dimension

No	Bank	<i>Jalb al-Maṣlaḥah</i> Score	Rank
1	Citibank Malaysia	0.143	1
2	Standard Chartered Malaysia	0.123	2
3	Bank Permata (Indonesia)	0.034	3
4	Bank Simpanan Nasional (MY)	0.013	4
5	National Pension Savings	0.006	5
6	Bank Mega (Indonesia)	0.001	6
7	Bank Maybank Indonesia	0.001	7
8	Bank Sinarmas (Indonesia)	0.000	8

Table 13 shows that Citibank Malaysia (0.143) and Standard Chartered Malaysia (0.123) occupy the top ranks, reflecting the substantial capacity of multinational banks to implement structured corporate social responsibility (CSR) initiatives and measurable sustainability practices. Bank Permata Indonesia (0.034) ranks third, signaling notable efforts but still falling

short of the scale achieved by foreign banks. Other domestic institutions, such as Bank Simpanan Nasional Malaysia (0.013) and National Pension Savings (0.006), remain in the middle tier with limited contributions. In contrast, Bank Mega (0.001), Bank Maybank Indonesia (0.001), and Bank Sinarmas (0.000) register very low scores, indicating minimal sustainability initiatives and weak *maṣlahah*-based programs. This pattern suggests that achievements in the *Jalb al-Maṣlahah* dimension are more prominent among banks with strong international networks, while national banks need to strengthen their sustainability strategies to align more closely with the objectives of *maqāṣid al-sharī'ah*.

Falah Dimension

The conventional *falah* dimension is employed to assess the extent to which banks can deliver comprehensive well-being to customers and stakeholders (see Table 14).

Table 14. Bank Scores and Rankings Based on the Falah Dimension

No	Bank	Falah	Rank
1	Bank Maybank Indonesia	0.029	1
2	Standard Chartered Malaysia	0.004	2
3	Bank Simpanan Nasional MY	0.001	3
4	Citibank Malaysia	0.000	4
5	Bank Mega (IDN)	0.000	5
6	Bank Permata (IDN)	0.000	6
7	National Pension Savings	0.000	7
8	Bank Sinarmas (IDN)	0.000	8

The results indicate that Bank Maybank Indonesia ranked first with a score of 0.029, reflecting its consistency in aligning business strategies with customer well-being and sustainability. Standard Chartered Malaysia secured the second position (0.004) with a moderate achievement, while Bank Simpanan Nasional Malaysia ranked third (0.001), indicating limited contribution. In contrast, Citibank Malaysia, Bank Mega, Bank Permata, National Pension Savings, and Bank Sinarmas all recorded negligible scores (0.000), suggesting that the *falah* dimension has yet to become a performance priority. This pattern underscores that only a few banks explicitly prioritize *falah*, while the majority remain focused on conventional financial achievements or short-term *maslahah*. Consequently, the implementation of *falah* as a primary objective of *maqashid syariah* still faces significant challenges within the banking sector.

Conventional IMS Dimension

To compare bank performance based on traditional financial indicators, an assessment was conducted using the conventional IMS dimension (see Table 15).

Table 15. Bank Scores and Rankings Based on the Conventional IMS Dimension

No	Bank	Conventional IMS	Rank
1	Citibank Malaysia	0.143	1
2	Bank Permata (IDN)	0.131	2
3	Standard Chartered Malaysia	0.127	3
4	National Pension Savings	0.079	4
5	Bank Sinarmas (IDN)	0.065	5
6	Bank Maybank Indonesia	0.036	6
7	Bank Mega (IDN)	0.020	7
8	Bank Simpanan Nasional MY	0.018	8

As shown in Table 15, Citibank Malaysia (0.143), Bank Permata Indonesia (0.131), and Standard Chartered Malaysia (0.127) occupied the top three positions, highlighting the dominance of large foreign and private banks in achieving traditional financial indicators.

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National Pension Savings (0.079) and Bank Sinarmas Indonesia (0.065) performed at a moderate level, demonstrating adequate performance without strong distinction. Conversely, Bank Maybank Indonesia (0.036), Bank Mega Indonesia (0.020), and Bank Simpanan Nasional Malaysia (0.018) ranked at the bottom, reflecting weaker financial effectiveness under conventional IMS standards. This trend suggests that banks with international scale or strong capital bases tend to outperform in conventional indicators, while several domestic banks continue to face limitations in financial efficiency. These findings further reveal a clear performance gap between foreign and large private banks compared to domestic banks with more constrained capacity.

Discussion

The findings demonstrate that integrating the Maqāṣid Sharia Index (MSI) into the banking evaluation framework produces performance profiles that differ markedly from those derived through conventional IMS-based assessments. These ranking shifts are not merely cosmetic but instead reflect the strategic orientations of individual banks. For example, Bank Muamalat Malaysia scored highest in the *Tahdzīb al-Fard* dimension (0.132), underscoring its commitment to individual development, while Bank Syariah Indonesia (BSI) excelled in the *Falah* dimension (0.079), highlighting its focus on redistributing communal welfare following its consolidation. Conversely, Citibank Malaysia and Standard Chartered ranked highest in the conventional *Jalb al-Maṣlaḥah* dimension (0.143 and 0.123, respectively), driven largely by global CSR and sustainability strategies. These findings reveal a divergence of roles: Indonesian Islamic banks prioritize collective welfare (*falah*), Malaysian Islamic banks emphasize education and individual quality (*tahdzīb*), while multinational banks demonstrate comparative strength in socio-economic contributions (*maṣlaḥah*). This aligns with prior studies which argue that maqāṣid outcomes are shaped not solely by a bank's Shariah status but also by regulation, capital scale, and market orientation ³⁶. Thus, this study provides new evidence that maqāṣid competition is not exclusive to Islamic banks but is increasingly contested by conventional banks, challenging the traditional assumption of maqāṣid as an Islamic banking monopoly ³⁷.

Comparative tests further indicate that MSI-ESG scores exhibit weak to moderate correlations with traditional financial indicators (e.g., Pearson's r between IMS and ROA = 0.21, $p < 0.05$). This suggests that MSI-ESG captures broader non-financial dimensions such as individual development (*tahdzīb al-fard*), distributive justice (*iqāmah al-'adl*), and sustainable welfare (*falah*) rather than reflecting profitability alone ³⁸. Inter-bank differences reinforce this point: Citibank Malaysia, while achieving the highest conventional IMS score (0.143), registered zero on *falah*, indicating a misalignment between financial success and maqāṣid achievement. In contrast, BSI performed strongly in justice (0.0812) and *jalb al-maṣlaḥah* (0.0775), despite its relatively low conventional IMS score (0.036). These results support H1, namely that MSI-ESG integration yields a more holistic performance profile than financial measures alone. The findings also align with earlier research highlighting the weak relationship between ESG

³⁶ Antonio, M. S., Y. D. Sanrego, "An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania"; Jazil, T., "The Performance Measures of Selected Malaysian and Indonesian Islamic Banks Based on the Maqashid Al-Sharia'ah Approach."; Mohammed, M. O., D. A. Razak, "The Performance Measures of Islamic Banking Based on the Maqashid Framework."

³⁷ Hartono, S., "Sharia Maqasid Index as a Measuring Performance of Islamic Banking"; Mursyid, M., H. Kusuma, A. Tohirin, "Performance Analysis of Islamic Banks in Indonesia: The Maqashid Shariah Approach."

³⁸ Mohammed, M. O., "Developing Islamic Banking Performance Measures Based on Maqasid Al-Shari'ah Framework: Case of 24 Selected Banks"; Afrinaldi, "Analisa Kinerja Perbankan Syariah Indonesia Ditinjau Dari Maqasid Syariah."

indicators and short-term profitability³⁹ while underscoring ESG's role in long-term sustainability⁴⁰. Consequently, this study enriches the literature by demonstrating the maqāṣid approach as a viable conceptual framework for embedding ethical, social, and sustainability dimensions into bank performance evaluation⁴¹.

The cross-country analysis reveals consistent differentiation between Indonesian and Malaysian Islamic banks. Malaysian institutions, particularly Bank Muamalat Malaysia Berhad and Bank Islam Malaysia Berhad, dominate conventional IMS and *jalb al-maṣlaḥah* dimensions, as reflected in their higher scores (see Tables 8 and 10). This aligns with the characteristics of Malaysia's large domestic and multinational banks, which benefit from more advanced sustainability reporting, stronger regulatory frameworks, and CSR integration as core business strategies⁴². Conversely, Indonesian Islamic banks, especially BSI, excel in *iqāmah al-'adl* and *falah* (see Tables 7 and 9), outcomes closely tied to the institutional consolidation that expanded assets and outreach, thereby reinforcing principles of distributive justice and comprehensive welfare⁴³. Multivariate regression with country dummies confirms that national factors remain significant even after controlling for bank size and ownership. This emphasizes the importance of regulatory and institutional contexts in shaping IMS-ESG scores. The findings corroborate earlier literature, which notes Malaysia's regulatory framework emphasizes disclosure and governance compliance⁴⁴, while Indonesia's context is more closely aligned with financial inclusion and redistributive agendas⁴⁵. Hence, maqāṣid achievement is not solely determined by scale but also by regulatory trajectories, market structures, and strategic orientations⁴⁶.

Several methodological limitations warrant critical consideration. First, the SAW method, which applies weights derived from literature and expert consultation, provides normative grounding but risks subjective bias and sensitivity to weight variation. This may explain why Malaysian Islamic banks outperform in *tahdzīb al-fard* while Indonesian banks

³⁹ Zeitun, "Determinants of Islamic and Traditional Banks Performance in GCC Countries Using Panel Data Analysis."; Hidayat, S., "Does Financial Crisis Give Impacts on Bahrain Islamic Banking Performance? A Panel Regression Analysis."

⁴⁰ Dusuki, "Understanding the Objectives of Islamic Banking: A Survey Stakeholder Perspective."; Barom, "Conceptualizing a Unified Normative Framework for Social Responsibility in Islamic Economics."

⁴¹ Mohammed, M. O., "The Objective of Islamic Economic and Islamic Banking in Light of Maqashid Al-Shariah: A Critical Review"; dan A. Kuppusamy, M., A. S. Saleh, "Samudhram. Measurement of Islamic Banks Performance Using a Syariah Conformity and Profitability Model.," *Review of Islamic Economics* 13, No. 2, 2010, 35–48.

⁴² Hamid, M. A., "The Performance of Banking During 2000-2009: Bank Islam Malaysia Berhad and Conventional Banking in Malaysia"; T. C. Choong, Y. O., Wong, K. L., dan Lau, "Organizational Commitment: An Empirical Investigation on the Academician of Malaysian Private Universities," *Business and Economics Research Journal* 3, 2012, 51–64.; Salwa, F., "Empirical Evidence from Malaysia: What Makes the Muslim Entrepreneurs Succeed?"

⁴³ Afrinaldi, "Analisa Kinerja Perbankan Syariah Indonesia Ditinjau Dari Maqasid Syariah"; Antonio, M. S., Y. D. Sanrego, "An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania"; Al-Ghifari, Handoko, and Yani, "Analisis Kinerja Perbankan Syariah Di Indonesia Dan Malaysia Dengan Pendekatan Maqashid Indeks."

⁴⁴ Dusuki, "Understanding the Objectives of Islamic Banking: A Survey Stakeholder Perspective."; Kuppusamy, M., A. S. Saleh, "Samudhram. Measurement of Islamic Banks Performance Using a Syariah Conformity and Profitability Model."

⁴⁵ Mursyid, M., H. Kusuma, A. Tohirin, "Performance Analysis of Islamic Banks in Indonesia: The Maqashid Shariah Approach."; Barom, "Conceptualizing a Unified Normative Framework for Social Responsibility in Islamic Economics."

⁴⁶ Mohammed, M. O., D. A. Razak, "The Performance Measures of Islamic Banking Based on the Maqashid Framework"; Hartono, S., "Sharia Maqasid Index as a Measuring Performance of Islamic Banking."

Integrating Maqashid Sharia Index (MSI) into ESG Performance in the Post-Crisis Era: Comparative Evidence score higher in *falah*, reflecting differential weight emphasis across maqāshid indicators ⁴⁷. Future research should test robustness using statistical techniques such as PCA to empirically identify dominant factors, and alternative MCDM methods like TOPSIS, which are less sensitive to weight variation ⁴⁸. Second, purposive sampling limited to banks with sustainability reports introduces selection and publication bias, as more transparent and progressive banks are disproportionately represented. This constrains generalizability, particularly in comparisons with smaller, less transparent domestic banks ⁴⁹. Third, IMS scores may partly reflect reporting capacity rather than substantive practice: Malaysia's higher scores may reflect greater data availability, while Indonesia's lower scores may capture limited transparency rather than weaker substantive performance ⁵⁰. These limitations highlight that cross-country maqāshid differences are not purely structural but shaped by the evaluative frameworks applied.

The practical implications highlight structural gaps between Islamic and conventional banks in achieving maqāshid. The finding that Malaysian banks excel in IMS yet lag in *falah*, while Indonesian banks lead in *falah* yet score lower in IMS, underscores the need for regulatory frameworks that integrate maqāshid indicators into sustainability reporting standards ⁵¹. Regulators such as OJK and BNM must move beyond global ESG adoption to include maqāshid-specific instruments, such as zakat transparency, income purity ratios, and Shariah Supervisory Board effectiveness, to ensure that sustainability measures reflect Islamic banking identities ⁵². For institutional investors, the results indicate that IMS-maqāshid scores can complement risk and long-term value analyses, particularly as banks with high IMS scores often underperform in *falah* ⁵³. This suggests that maqāshid-based assessments are not only ethically relevant but also financially material for mitigating reputational risk ⁵⁴. For bank management, particularly in Indonesia, which performs relatively well in *falah* but lags in conventional IMS, a strategic priority should be systematic documentation of CSR, zakat, and financial literacy initiatives so that welfare contributions can be recognized as added value in international IMS frameworks ⁵⁵. These implications reinforce this study's contribution by bridging conventional financial

⁴⁷ dan K. Yoon Hwang, C. L., "Multiple Attributes Decision Making: Methods and Applications. Berlin," Springer, 1981; Jazil, T., "The Performance Measures of Selected Malaysian and Indonesian Islamic Banks Based on the Maqashid Al-Sharia'ah Approach."

⁴⁸ Zeitun, "Determinants of Islamic and Traditional Banks Performance in GCC Countries Using Panel Data Analysis."

⁴⁹ Sudiyatno, B., dan Suroso, "Analisis Pengaruh Dana Pihak Ketiga, BOPO, CAR, Dan LDR Terhadap Kinerja Keuangan Pada Sektor Perbankan Yang Go Public Di Bursa Efek Indonesia (BEI) Periode 2005–2008"; N Rianti, A., dan Ratnawati, "Pengaruh Pembiayaan, DPK, NPF Terhadap ROA Perbankan Syariah Di Indonesia 2009–2013: Penerapan Model Simultan," *Jurnal Ekonomi Pembangunan 1*, No. 2, 2014, 109–128.

⁵⁰ Mahdi, "Perbandingan Kinerja Keuangan Perbankan Syariah Indonesia Dengan Malaysia"; Rachman, H. Y., "Analisis Perbandingan Kinerja Keuangan Bank Syariah Dengan Bank Konvensional."

⁵¹ Mohammed, M. O., D. A. Razak, "The Performance Measures of Islamic Banking Based on the Maqashid Framework"; Antonio, M. S., Y. D. Sanrego, "An Analysis of Islamic Banking Performance: Implementasi Maqashid Index in Indonesia and Jordania."

⁵² Dusuki, "Understanding the Objectives of Islamic Banking: A Survey Stakeholder Perspective."; Barom, "Conceptualizing a Unified Normative Framework for Social Responsibility in Islamic Economics."

⁵³ Hartono, S., "Sharia Maqasid Index as a Measuring Performance of Islamic Banking"; Wahab, K., "Measuring Small Firm Entrepreneur's Performance Based on Al-Falah."

⁵⁴ Zeitun, "Determinants of Islamic and Traditional Banks Performance in GCC Countries Using Panel Data Analysis."

⁵⁵ Afrinaldi, "Analisa Kinerja Perbankan Syariah Indonesia Ditinjau Dari Maqasid Syariah"; Al-Ghifari, Handoko, and Yani, "ANALISIS KINERJA PERBANKAN SYARIAH DI INDONESIA DAN MALAYSIA DENGAN PENDEKATAN MAQASHID INDEKS."

indicators (IMS, ESG) with maqāṣid al-sharī'ah, offering policy directions tailored to the differing performance trajectories of Malaysian and Indonesian banks ⁵⁶.

CONCLUSION

The findings of this study demonstrate that integrating the Maqashid Sharia Index (MSI) with the Environmental, Social, and Governance (ESG) framework provides a more holistic measure of bank performance. This integration not only evaluates profitability and financial soundness but also incorporates Sharia compliance, social responsibility, and environmental sustainability. The results affirm that MSI-ESG-based measurement offers a fairer alternative compared to conventional financial ratios, which often exhibit bias against Islamic banks. Furthermore, the analysis reveals significant differences in performance rankings between Islamic and conventional banks in both Indonesia and Malaysia, indicating that the application of this framework provides new insights for evaluating the banking industry. The novelty of this research lies in its systematic effort to integrate MSI with ESG, addressing methodological gaps in the global measurement of Islamic bank performance. Accordingly, future research is encouraged to broaden the scope of cross-country data by incorporating more diverse socio-economic contexts and to develop more precise quantitative indicators for assessing moral and spiritual dimensions, thereby enhancing the comprehensiveness and applicability of the MSI-ESG framework in international banking practices.

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