

Green Banking Performance in Indonesian and Malaysian Islamic Banks: A Maqasid Shariah Framework

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Abstract

Purpose – This study analyzes the performance of green banking in Islamic banking in Indonesia and Malaysia using the *maqasid al-Shariah* framework. **Method** – This study is a quantitative study. The sampling technique used is purposive sampling, yielding a sample of 21 banks, which includes 11 Indonesian Islamic banks and 10 Malaysian Islamic banks. The data source is secondary, consisting of annual financial reports of Islamic banks from 2022 to 2024. The data analysis technique uses the *maqasid al-Shariah* Index approach and the Simple Additive Weighting method. The difference in performance between the two countries is tested using an independent samples t-test in SPSS. **Findings** – The results of this study indicate a significant difference in the green banking performance of Islamic banks in Indonesia and Malaysia, as measured by the *maqasid al-Shariah* index. **Implications** – This study can provide insights and contribute to the literature on green finance performance within the *maqasid al-Shariah* framework, particularly in the banking sectors of Indonesia and Malaysia. This study implies that Malaysian Islamic banks need to improve their preserving faith, preserving self, preserving intellect, preserving posterity, and preserving wealth dimensions, in which Indonesian Islamic banks have demonstrated relatively superior performance, thereby aligning better with *maqasid al-Shariah*. This study can serve as a guide for Islamic banks in Indonesia and Malaysia to understand the extent to which green banking performance contributes to achieving sustainability and social welfare goals and provide recommendations for improving green finance.

Keywords: green banking, *maqasid al-Shariah* index, islamic finance

Introduction

Currently, the Earth's environment is facing a worsening crisis. Deforestation, air and water pollution, climate change, global warming, and loss of biodiversity are indicators that human activity has exceeded the planet's capacity. According to a report from the Intergovernmental Panel on Climate Change (IPCC 2021), with global warming of 2°C, extreme heat will more frequently reach critical tolerance thresholds for agriculture and health. The adverse effects of the global climate crisis on human health and well-being will worsen as the crisis intensifies, requiring sustainable development efforts from all sectors to support environmental conservation. Sustainable development is a concept that emphasizes the balance between human needs and environmental sustainability to achieve long-term prosperity. The first principle that underpins sustainable development is environmental sustainability. The Intergovernmental Panel on Climate Change emphasizes the importance of swift, sustained action to reduce emissions and adapt to climate change to avoid more severe

consequences in the future. To that end, sustainable development has become a global framework that encourages all sectors, including the financial sector, to transform towards a greener and fairer future (Ramadhan et al. 2024). The financial sector plays a crucial role in allocating capital and managing risk, presenting significant opportunities to advance the transition toward a more sustainable economy. In this era of rapid technological development, the growth of financial institutions such as banks has become a benchmark. This will affect a country's economic growth. The more developed a banking system is, the more developed the country's economy will be (Fitriyah et al. 2024). Banks play an important role because, as intermediary institutions, the public funds they collect are returned in the form of financing products such as *mudarabah* financing, *musharakah* financing, and others (Pratama and Oktaviana 2025). In addition, the most important foundation in banking is trust, both in collecting and distributing funds (Febrin and Sulhan 2022). This financing and fund distribution can be among the efforts of Islamic banks to support the green economy. According to the Organisation for Economic Co-operation and Development (OECD), financial institutions are important actors in the transition to a low-carbon economy (OECD 2022). If sustainability principles are not internalized in the financial system, it will be difficult for countries to achieve their climate targets. Conversely, when banks begin to adopt green finance principles, they can become catalysts for significant change in promoting a green and inclusive economy. The concrete application of the green finance principle in Islamic banking is green banking. If green finance encompasses all financial instruments that support sustainability, then green banking is its manifestation in the form of environmentally friendly bank policies, operations, and products. Banks have a responsibility not only as financial institutions, but also as agents of change that can encourage more sustainable business practices. Green banking is a banking strategy that focuses on environmental sustainability through environmentally friendly policies and operations (Safira and Fasa 2025).

Indonesia and Malaysia are also not lagging in adopting green banking policies. Otoritas Jasa Keuangan (OJK) has developed a second-phase sustainable finance roadmap (2021-2025) that requires all banks to develop sustainable finance action plans. The OJK has mandated financial service industry players to prepare reports detailing the implementation of environmental, social, and governance principles in their business strategies, as well as to submit public reports on the implementation of ESG (Environmental, Social, and Governance) principles (OJK 2021). In Malaysia, the Value-Based Intermediation (VBI) initiative, led by Bank Negara Malaysia, encourages Islamic banks to incorporate sustainability values, social responsibility, and positive impact into their missions, such as placing greater emphasis on clean and green carbon financing, to ensure a platform that supports a high-value green economy. As of October 2023, Islamic banks have disbursed more than RM16.5 billion for clean and green carbon financing in 2022. This funding supports green building and renewable energy projects, among others (BNM 2023). It shows that Indonesia and Malaysia have begun taking concrete steps to steer banking towards sustainability. Despite this progress, green banking in Indonesia and Malaysia remains dominated by a secular, value-neutral ESG framework. In Indonesia, the commitment to achieve Net-Zero Emissions by 2060 and the implementation of the SDGs position the banking sector as a key actor in financing the green economic transition (Riananda and Fasa 2025). Market participants' lack of understanding of ESG concepts has contributed to low ESG acceptance in Islamic banking. Sharia banks in Indonesia and Malaysia that implement green banking often merely imitate ESG models without fully adapting them to Islamic principles and values. A significant challenge in integrating ESG principles into Islamic finance stems from unclear legislative restrictions and the lack of a standardized reporting framework. This regulatory ambiguity creates confusion among Islamic financial institutions regarding the exact requirements for ESG compliance, thereby hindering effective implementation (Wardiman et al. 2024). It creates a normative

vacuum, in which the values of *maqasid syariah* have not yet truly become the basis for assessing the sustainability of Islamic banks. In other words, the current sustainability approach does not fully reflect the distinctiveness of the Islamic economic paradigm.

Maqashid al-Shariah is a method in Islamic law. Allah revealed Shariah to achieve certain objectives. The theory of *maqasid al-Shariah* is similar to the theory of *maslahah*, which seeks to obtain *maslahah*. *Maqashid syariah* has five basic objectives of protection, namely preserving faith (*hifz ad-din*), preserving self (*hifz an-nafs*), preserving intellect (*hifz al-aql*), preserving posterity (*hifz an-nasl*), and preserving wealth (*hifz al-mal*). These principles form the basis for formulating Islamic legal policies (Nazifah 2024). According to Syuhada (2023), the concept of *maqasid al-Shariah* holds that Islamic law not only regulates rituals of worship but also social, economic, political, and environmental life. The main objective of *maqasid al-Shariah* is to improve human welfare in this world and the hereafter. Thus, the *maqasid* approach is not merely a legalistic framework but can also serve as a normative evaluative framework to assess whether a policy or practice is in accordance with Sharia objectives. In the context of green banking, *maqasid al-Shariah* provides strong ethical parameters for assessing the ecological and social impacts of Islamic banking policies, going beyond technical, religion-neutral ESG standards. Thus, this is an important aspect of *maqasid al-Shariah* that must be considered to continue operating in accordance with Islamic law. Moreover, this is the philosophical basis of Sharia in implementing the idea of Green Banking in Islamic commercial banks (Anggraini, Iqbal Fasa, and Fachri 2022). In addition, as businesses, Islamic banks must keep pace with the times, including technological developments, innovations, and knowledge acquired by their human resources (Inayah and Prajawati 2023). It aligns with the objectives of *maqasid al-Shariah* in preserving intellect. Although *maqasid al-Shariah* has enormous potential to support the sustainability agenda, there is still little research that systematically integrates *maqasid al-Shariah* and green banking practices, especially in the context of Islamic banks in Indonesia and Malaysia. It is supported by a Scopus database search indicating that research specifically addressing the integration of *maqasid al-Shariah* with green banking remains very limited, with only around 10 publications between 2019 and 2026.

Meanwhile, studies on green banking more often take a technical or ESG approach without considering the Islamic normative framework. As a result, there is no holistic evaluative framework available to assess the compatibility between green banking practices and *maqasid al-Shariah* values. It creates an epistemic gap in the development of sustainable Islamic banking. The integration of *maqasid al-Shariah* in green banking is an important and urgent step to ensure that sustainability practices in Islamic banks not only follow secular trends (ESG) but are also rooted in the Islamic value framework. By adopting the *maqasid* approach, Islamic banks ensure that their policies and practices not only meet ESG standards but also reflect the *maqasid al-Shariah*, which define the identity and core values of the bank's operations (Sabrina and Sisdianto 2024). In this way, Islamic banks consider not only the economic and ecological impacts, but also the moral, social, and spiritual implications of financing decisions. Indonesia and Malaysia are highly relevant research areas. These two countries were chosen for study because the majority of their populations are Muslim. According to a report by The Royal Islamic Strategic Studies Center (RISSC) entitled The Muslim 500, 2023 edition, Indonesia has the largest Muslim population in Southeast Asia, with 237.55 million people, or around 86.7% of Indonesia's total population. Malaysia ranks second with 19.84 million Muslims, accounting for around 61.3% of its national population (RISSC 2023). In addition, among ASEAN countries, Indonesia and Malaysia have the most Islamic banks. Because Indonesia and Malaysia are home to large Muslim populations, the development of Islamic banking has great potential. The ASEAN region, which includes Indonesia and Malaysia, is in transition towards sustainable development, as evidenced by regional initiatives such as the ASEAN Taxonomy for Sustainable Finance (ASEAN 2021). In addition, many Islamic banks

in the region have begun implementing green banking. However, they do not yet have *maqasid*-based frameworks to differentiate themselves from conventional banks. Therefore, this study is highly significant for strengthening Islamic banks' sustainability practices at the regional level and for providing policy input to financial authorities in Indonesia and Malaysia.

Based on all of the above, this study occupies a strategic position in addressing the gap in the literature and practice regarding green banking based on Sharia objectives. So far, research on comparing the performance of green banking between Islamic banks in Indonesia and Malaysia has been limited. Research by Aisah, Utomo, and Setyawan (2024) analyzes the effect of green banking on integrated *maqasid al-Shariah* performance. It examines the moderating role of Islamic Social Reports. The study focuses more on examining the causal relationship between green banking and performance variables than comparing green banking performance between the two countries. Research by Hudaefi and Noordin (2019) focuses more on developing a framework for measuring and assessing the performance of Islamic banks in general, without analyzing differences in *maqasid*-based performance across countries. In addition, research by Hudaefi and Noordin (2019) uses samples from 11 Islamic banks across various countries worldwide, with a very limited number of samples per country, so it does not focus solely on Indonesia and Malaysia. Most previous studies rely on regression methods, while the use of multi-criteria decision-making methods, such as Simple Additive Weighting (SAW), combined with the *maqasid al-Shariah* index, remains limited. Therefore, this study aims to fill this gap by measuring and comparing the green banking performance of Islamic banks in Indonesia and Malaysia using the *maqasid al-Shariah* index. This study contributes to the literature in three ways. First, it integrates the concept of green banking with the *maqasid al-Shariah* performance framework. Second, this study conducts a comparative analysis of the specific performance of Islamic banks in Indonesia and Malaysia for the period 2022-2024, the most recent period. Third, this study examines whether there are significant differences between the two countries using an independent sample t-test, which has not been used in any previous studies. This study reviews the performance of Islamic banks in Indonesia that offer green financing and compares them with Islamic banks in Malaysia, focusing on green services and products, using the *maqasid al-Shariah* framework. This study aims not only to explain how green banking is implemented by Islamic banks in Indonesia and Malaysia, but also to critically assess the suitability of these practices with the objectives of *maqasid*. The results of this study can serve as a guide for many stakeholders on the benefits of green finance.

Literature review

Green Banking

As a member of the general public with determination, banks will play an important role in promoting and raising public awareness of carbon reduction efforts around the world through the implementation of green banking, also known as sustainable banking (Milza et al. 2021). Green banking involves integrating environmental considerations into all aspects of banking, including customer interactions, marketing, service provision, internal operations, and project financing decisions. Green banking is a concept that encourages ecologically responsible behavior and can be applied as a business model (Aisah, Utomo, and Setyawan 2024). The implementation of green banking practices is crucial not only for fulfilling social and environmental responsibilities but also for improving banks' operational efficiency. Innovation in Islamic banking products and services, oriented to the needs of the community and in accordance with Islamic principles, is essential to achieving competitive advantage (Dewi and Fasa 2025). By adopting green banking practices, affiliated Islamic banks provide services to customers while upholding basic environmental principles, such as integrating information technology into customer services and encouraging responsive customer behavior through digital banking (Ajrina Gustya, Fasa, and Suharto 2023). Most previous studies in the context of

green banking have relied solely on regression approaches, leaving a gap in research using multi-criteria decision-making methods combined with the Sharia Maqasid Index. Research by Aisah, Utomo, and Setyawan (2024) analyzes the influence of green banking on integrated *maqasid al-Shariah* performance. It examines the moderating role of Islamic Social Reports, focusing on the causal relationship between green banking and performance variables rather than on cross-country comparisons of green banking performance. Hence, this study contributes to filling this gap by assessing Islamic green banking performance not only on the conventional sustainability framework but also using the T-test statistical analysis tool and the *maqasid al-Shariah* index, in line with the concept of Shariah. This green banking approach can be a bank's effort to contribute to environmental sustainability by integrating its operational activities and business strategies. This approach involves integrating environmental considerations into project financing and banking services as a whole.

Maqasid Shariah

Maqasid al-Shariah refers to a system that aims to realize the ideals of Islamic teachings to attain a happy life in this world and the hereafter by reaping all benefits while rejecting harm. This results in benefits for humanity. *Maslahah* symbolizes the perfection of human goodness. The objectives of *maqasid al-Shariah* are based on the idea of benefit, and their legal basis is the Qur'an and Hadith (Alwi et al. 2022). According to research by scholars of *usul al-fiqh*, five main elements must be present in order to achieve benefit in this world and the hereafter. These five elements are faith, self, intellect, posterity, and wealth. These five basic elements can be explained as follows (Alwi et al. 2022): First, preserving faith. Religion is paramount because all Sharia teachings command humans to act in accordance with God's will and pleasure. Second, preserving self is intended to protect the right to live with dignity and preserve the soul. Third, preserving intellect, Sharia views human intellect as a precious gift from Allah SWT that must be preserved and protected. Fourth, preserving posterity. Allah desires that worldly and spiritual blessings continue from one generation to the next. Fifth, preserving wealth. Islam prohibits usury and fraudulent practices and establishes rules for *muamalat*, which includes buying and selling, renting, borrowing, pawning, and so on.

In addition to serving as a performance measurement tool, *maqasid al-Shariah* can also be used to adjust Islamic banking products (Koeswandana and Zahra 2025). It is because the majority of Islamic banking products are replicas of conventional banking products, which are clearly prohibited and need to be adjusted. Julia and Kassim (2020) conducted a study comparing the performance of green banking between Islamic and conventional banks. The results showed that Islamic banks outperformed conventional banks in green banking policies. This result occurred because the objectives of green banking policies are closely aligned with the theory of *maqasid al-Shariah*. Based on previous studies, *maqasid al-Shariah* is a performance measurement tool aligned with shariah objectives to preserve the environment, and thus shares similar principles with shariah financial institutions that must pay attention to the values in Islamic teachings.

Green Banking Performance Based on *Maqasid al-Shariah*

A study by Bouteraa, Hisham, and Zainol (2020) argues that green banking promotes sustainable and balanced human well-being across various dimensions, namely social, environmental, economic, and spiritual. From an Islamic perspective, green banking supports humanity by protecting wealth, posterity, faith, and intellect. It aligns with the five primary objectives of *maqasid al-Shariah*, namely the preservation of faith, self, intellect, posterity, and wealth (Alwi et al. 2022). Research by Aisah, Utomo, and Setyawan (2024) found that green banking has a positive influence on the Integrated *Maqasid al-Shariah*-Based Performance Measure. The concept of green banking must uphold all aspects of *maqasid al-Shariah*, as it is

crucial for raising awareness of green banking's value to economic development and fostering greater commitment to green banking practices (Aisah, Utomo, and Setyawan 2024).

Based on research by Hudaefi and Noordin (2019), the operationalization of the concept of *maqasid al-Shariah* into green banking indicators is carried out by breaking down the concept of *maqasid al-Shariah* into key dimensions that represent the five fundamental objectives of sharia: the preservation of faith, self, intellect, posterity, and wealth. Each dimension is then broken down into specific elements relevant to banking activities, which are subsequently measured using quantitative indicators, including performance ratios, interest-free products, distribution of zakat and charity, agricultural financing, and operational efficiency. These aspects align with green banking practices, where green banking involves integrating environmental considerations into all aspects of banking, including marketing—which aligns with aspects of publicity or promotion, expanding the adoption of sustainable financial practices in society—which aligns with the expansion of Islamic bank branches, internal operations such as reducing energy and paper usage in daily operations—which aligns with operational efficiency, financing decisions for environmentally friendly projects, and environmental risk considerations when evaluating projects to be financed—all of which align with the financing aspects within the *maqasid al-Shariah* (Aisah, Utomo, and Setyawan 2024).

Green Banking in Indonesia and Malaysia

The performance of Islamic banks in Indonesia and Malaysia shows significant differences, particularly in terms of operational efficiency and profitability. The Malaysian government's policies are more proactive in supporting the development of Islamic banking, and the country has a more mature Islamic financial infrastructure. In contrast, Islamic banking in Indonesia faces challenges in managing productive assets and controlling operational costs, which affect its financial performance (Fadila, Wahyudi, and Khotijah 2025). The green banking program sponsored by Bank Syariah Indonesia is part of a green economy aligned with Islamic economics. Every year, Bank Syariah Indonesia reviews its funding clients to ensure that their operational activities do not harm the environment. By issuing several laws and regulations, Bank Indonesia can encourage banks to contribute more to improving environmental management standards. Bank Syariah Indonesia is dedicated to helping protect the environment. Islamic banking in Indonesia has adopted green banking practices, such as reducing electricity and water consumption, minimizing waste, and using less paper in construction. The concept of tauhid in the Islamic economic system, which is often applied to the green banking business model, is upheld by the green banking model created at Bank Syariah Indonesia. In line with Islamic economics and green economics, the green banking program seeks to promote sustainable development (Lelawati et al. 2023).

In the context of green banking, the World Bank Group's Global Knowledge and Research Center has collaborated with the technical working group of Bank Negara Malaysia (BNM) and the Securities Commission to support green financing programs and promote the concept of green banking among the Malaysian public. The Islamic finance industry in Malaysia has consistently played a major role in promoting and implementing green banking programs. Recently, Malaysia issued its first green sukuk to finance ES projects. Despite several efforts and the launch of green programs, their success depends entirely on bankers' green behavior (Ali et al. 2020). It creates a conceptual gap between green banking practices and the Islamic economic paradigm, where green banking in Islamic banks remains instrumental rather than transformational and oriented towards Sharia objectives. Based on previous studies, green banking performance is influenced not only by bank commitment but also by the strength of the macro policy framework and coordination among financial institutions. Green banking in Islamic banking should not only serve as an environmental management instrument but also as a mechanism for achieving the *maqasid al-Shariah* objectives in the Islamic financial system.

Hypothesis Development

Maqasid al-Shariah refers to a system that aims to realize the ideals of Islamic teachings to attain a happy life in this world and the hereafter by reaping all benefits while rejecting harm. This results in benefits for humanity. With the existence of *maqasid al-Shariah*, there is synergy between syariah as law and the achievement of objectives in providing benefits (Alwi et al. 2022). Research by Hudaefi and Noordin (2019) shows that, although it did not explicitly test for differences, the study measured green banking performance using the *maqasid al-Shariah* framework across 11 countries, yielding *maqasid al-Shariah* index scores of 0.995 for Indonesian Islamic banks and 0.370 for Malaysian Islamic banks. This difference in *maqasid al-Shariah* Index results indicates that there is a significant difference between the green banking performance of Islamic banks in Indonesia and Malaysia based on the *maqasid al-Shariah* framework.

H1: There is a significant difference in the performance of green banking in Islamic banking in Indonesia and Malaysia when viewed based on the *Maqasid Shariah* Index.

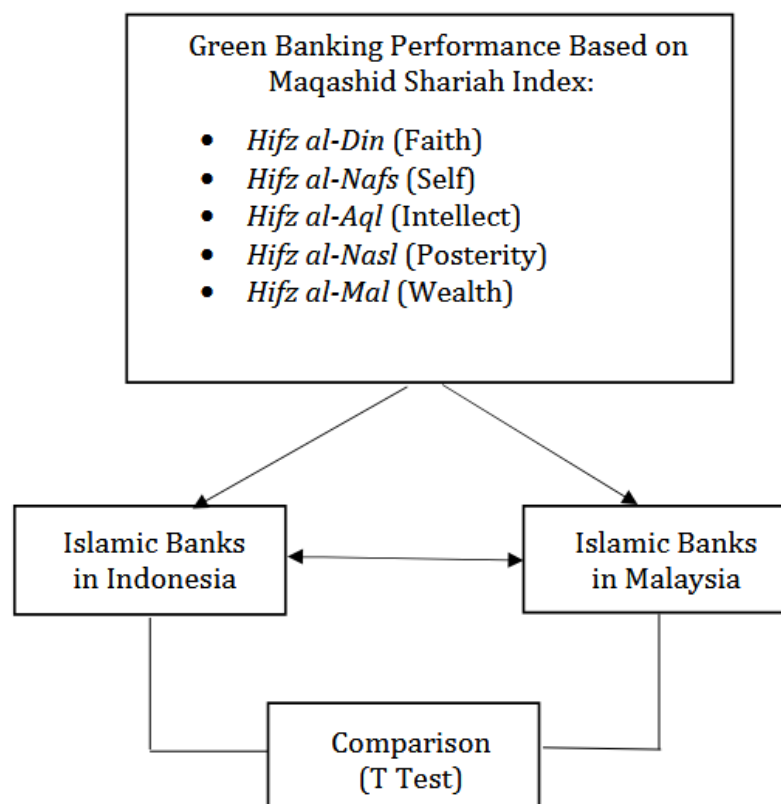


Figure 1 Research Framework

Method

This study uses a descriptive quantitative approach. This study uses a cross-sectional analysis of 3-year observation of secondary data from Islamic banking financial reports registered with Bank Indonesia and Bank Negara Malaysia for 2022-2024. This study uses the MADM (Multiple Attribute Decision Making) and quantitative SAW (Simple Additive Weighting) approaches. The Simple Additive Weighting (SAW) method was used in this study to combine various green banking performance indicators based on the *maqasid al-Shariah* Index. SAW is widely used in multi-criteria decision-making problems because it allows

integrating various performance indicators by assigning weights to each criterion and calculating composite scores via weighted summation. The number of comparisons between the weights of each attribute and the attribute rankings in a variable produces a total value for each variable (Ramadhani and Mutia 2016). Research by Hudaefi and Noordin (2019) used this approach to measure shariah-based performance indicators at Islamic banks. In this study, SAW was applied to combine green banking indicator values related to the *maqasid al-Shariah* dimension into a single performance score for each bank. The resulting scores were then used to compare the performance of Islamic banks in Indonesia and Malaysia.

All Islamic commercial banks registered with Bank Indonesia (BI) and Bank Negara Malaysia (BNM) constitute the population of this study. There will be a total of 30 Islamic banks between 2022 and 2024, comprising 16 in Malaysia (BNM 2025) and 14 in Indonesia (OJK 2025). The samples in this study were selected based on data availability and financial statement relevance, namely 11 Islamic banks registered with Bank Indonesia and 10 Islamic banks registered with Bank Negara Malaysia during 2022-2024. Several Islamic banks were excluded from the research sample, which included three Indonesian Islamic banks, namely Bank Jabar Banten Syariah, Bank NTB Syariah, and Bank Nano Syariah, as well as 6 Malaysian Islamic banks—namely MBSB Bank Berhad, HSBC Amanah Malaysia Berhad, Hong Leong Islamic Bank Berhad, Public Islamic Bank Berhad, RHB Islamic Bank Berhad, and Standard Chartered Saadiq Berhad because they were difficult to access online or lacked sufficient data relevant to this study. Based on the specified criteria, the number of objects used in this study is shown in Table 1.

Table 1 research sample criteria

No	Criteria	Islamic Bank in Indonesia	Islamic Bank in Malaysia
1	Registered with their respective central banks	14	16
2	Banking financial reports that are difficult to access online and lack sufficient data relevant to the research	(3)	(6)
	Number of samples	11	10
	Total samples		21
	Total samples during 3 years of observation		63

Source: secondary data (processed, 2026)

Table 2 research samples

No	Indonesian Islamic Banks	Malaysian Islamic Banks
1	PT Bank Syariah Indonesia	Affin Islamic Bank Berhad
2	PT Bank Muamalat Indonesia	Al Rajhi Banking & Investment Corporation Berhad
3	PT Bank Mega Syariah	Alliance Bank Islamic Berhad
4	PT Bank Panin Dubai Syariah	AmIslamic Bank Berhad
5	PT Bank Victoria Syariah	Bank Muamalat Malaysia Berhad
6	PT Bank BCA Syariah	Bank Islam Malaysia Berhad
7	PT Bank BTPN Syariah	CIMB Islamic Bank Berhad
8	PT Bank Aceh Syariah	Kuwait Finance House (Malaysia) Berhad
9	PT Bank Aladin Syariah	Maybank Islamic Berhad
10	PT Bank KB Bukopin Syariah	OCBC Al-Amin Bank Berhad
11	PT Bank Riau Kepri Syariah	

Source: secondary data (processed, 2026)

This study uses secondary data in the form of Islamic banking financial reports registered with Bank Indonesia and Bank Negara Malaysia for the period 2022-2024. Data

collection techniques were carried out through documentation and the review of annual reports of the Islamic banks that were the subject of the study.

Several experts in fiqh, Islamic banking, and Islamic economics have developed a *maqasid al-Shariah* index to measure performance. They then identified appropriate performance ratios and assigned weights to each component of the ratio (Ramadhani and Mutia 2016). Table 3 and Table 4 provide further information on the Green Banking performance measurement approach based on *maqasid al-Shariah* and variable weights.

Table 3 *maqashid syariah* performance measurement model

Variable	Theory/Concept	Elements	Performance Ratios
Preserving Faith (<i>Hifz al-Din</i>)	Maintaining faith is the main goal of Sharia law, ensuring that spirituality, morality, and the relationship between humans and Allah are preserved (Chapra 2008).	Interest-free products	$\frac{\text{Interest – free income}}{\text{Total income}}$
		Publicity	$\frac{\text{Publicity expense}}{\text{Total expenses}}$
Preserving Self (<i>Hifz al-Nafs</i>)	Preserving human life is the most fundamental goal and the foundation for sustainable development (Chapra 2008).	Charity	$\frac{\text{Charity gained}}{\text{Total charity distributed}}$
		Employee welfare	$\frac{\text{Employee expenses}}{\text{Total income}}$
		Zakat fund	$\frac{\text{Zakat paid}}{\text{Net assets}}$
		Total no. of branches	$\frac{\text{Total no. of branches this year}}{\text{Total no. of branches in the previous year}}$
Preserving Intellect (<i>Hifz al-Aql</i>)	Intellect is the primary tool for understanding revelation, science, and development. Therefore, intellect must be protected and developed through education (Chapra 2008).	Education grants	$\frac{\text{Education grants}}{\text{Total income}}$
		Research expense	$\frac{\text{Research expense}}{\text{Total income}}$
Preserving Posterity (<i>Hifz al-Nasl</i>)	Preserving posterity includes stable, harmonious family institutions that raise morally and physically healthy generations (Chapra 2008).	Agricultural financing	$\frac{\text{Bay'al – salam financing}}{\text{Total financing}}$
		Training	$\frac{\text{Training expense}}{\text{Total expenses}}$
Preserving Wealth (<i>Hifz al-Mal</i>)	The protection and development of wealth is important for supporting human welfare and fair distribution. Islam emphasizes the fair distribution of wealth, the prohibition of usury, the obligation of zakat, and the	Non performing financing	$\frac{\text{NPF(L)}}{\text{Total financing}}$
		Mudharabah financing	$\frac{\text{Mudharabah financing}}{\text{Total financing}}$
		Musharakah financing	$\frac{\text{Musharakah financing}}{\text{Total financing}}$

avoidance of waste and exploitation (Chapra 2008).

Restructured
Mudarabah financing

Total restructured
mudarabah financing
Total restructured
financing

Restructured
Musharakah financing

Total restructured
musharakah financing
Total restructured
financing

Return on
Asset (ROA)

Net income
Total Asset

Return on
Equity (ROE)

Net Income
Total Equities

Operational efficiency

Operating expenses
Operating revenue

Source: (Hudaefi and Noordin 2019)

Table 4 variable weights in the *maqasid syariah* index

Variable	Variable Weight in percent	Elements	Elements Weight in percent
1. Preserving Faith (<i>Hifz al-Din</i>)	20	E1. Interest-free products	50
		E2. Publicity	50
		Total	100
2. Preserving Self (<i>Hifz al-Nafs</i>)	20	E3. Charity	25
		E4. Employee welfare	25
		E5. Zakat fund	25
		E6. Total no. of branches	25
		Total	100
3. Preserving Intellect (<i>Hifz al-Aql</i>)	20	E7. Education grants	50
		E8. Research expense	50
		Total	100
4. Preserving Posterity (<i>Hifz al-Nasl</i>)	20	E9. Agricultural financing	50
		E10. Training	50
		Total	100
		E11. Non performing financing	12,5
		E12. <i>Mudarabah</i> financing	12,5
5. Preserving Wealth (<i>Hifz al-Mal</i>)	20	E13. <i>Musharakah</i> financing	12,5
		E14. Restructured <i>Mudarabah</i> financing	12,5
		E15. Restructured <i>Musharakah</i> financing	12,5
		E16. Return on Asset (ROA)	12,5
		E17. Return on Equity (ROE)	12,5
		E18. Operational efficiency	12,5
		Total	100

Source: (Hudaefi and Noordin 2019)

When using the *maqasid al-Shariah* index, the measurement process involves several steps, including identifying performance indicators, evaluating Islamic banks against each

indicator, and determining their rankings based on the *maqasid al-Shariah* index (Ramadhani and Mutia 2016). These steps are:

1. Determining performance indicators:

- a. Interest-free income/total income ($R1^1$)
- b. Publicity expense/total expenses ($R1^2$)
- c. Charity gained/total charity distributed ($R2^3$)
- d. Employee expenses/total income ($R2^4$)
- e. Zakat paid/net assets ($R2^5$)
- f. Total no. of branches this year/total no. of branches in the previous year ($R2^6$)
- g. Education grants/total income ($R3^7$)
- h. Research expense/total income ($R3^8$)
- i. *Bay' al-salam financing*/total financing ($R4^9$)
- j. Training expense/total expenses ($R4^{10}$)
- k. NPF(L)/total financing ($R5^{11}$)
- l. *Mudharabah financing*/total financing ($R5^{12}$)
- m. *Musharakah financing*/total financing ($R5^{13}$)
- n. Total restructured *mudharabah financing*/total restructured financing ($R5^{14}$)
- o. Total restructured *musharakah financing*/total restructured financing ($R5^{15}$)
- p. Net Income/total asset ($R5^{16}$)
- q. Net Income/total equities ($R5^{17}$)
- r. Operating expenses/operating revenue ($R5^{18}$)

2. Calculating the green banking performance of Islamic banks based on each Performance Indicator (PI).

The performance ratio weight for each attribute is then multiplied by the variable's weight. Performance Indicator (PI) is the mathematical name for the performance indicator calculation model. It is described by (Hudaefi and Noordin 2019) as follows:

a. Preserving Faith (O1)

$$PI(O1) = W1^1 \times E1^1 \times R1^1 + W1^1 \times E1^2 \times R1^2$$

Or

$$PI(O1) = W1^1 (E1^1 \times R1^1 + E1^2 \times R1^2)$$

Where: O1 is the first *maqashid* index of the concept of *maqashid syariah*, which is to preserving faith.

$W1^1$ is the weight of preserving faith

$E1^1$ is the weight for the first element in O1 (Interest-free products)

$E1^2$ is the weight for the second element in O1 (Publicity)

$R1^1$ is the performance ratio for the first element in O1

$R1^2$ is the performance ratio for the second element in O1

b. Preserving Self (O2)

$$PI(O2) = W2^2 \times E2^3 \times R2^3 + W2^2 \times E2^4 \times R2^4 + W2^2 \times E2^5 \times R2^5 + W2^2 \times E2^6 \times R2^6$$

Or

$$PI(O2) = W2^2 (E2^3 \times R2^3 + E2^4 \times R2^4 + E2^5 \times R2^5 + E2^6 \times R2^6)$$

Where: O2 is the second *maqashid* index of the concept of *maqashid syariah*, which is to preserving self.

$W2^2$ is the weight of preserving self

$E2^3$ is the weight for the first element in O2 (Charity)

$E2^4$ is the weight for the second element in O2 (Employee welfare)

$E2^5$ is the weight for the third element in O2 (Zakat fund)

$E2^6$ is the weight for the fourth element in O2 (Total no. of branches)

R2³ is the performance ratio for the first element in O2
R2⁴ is the performance ratio for the second element in O2
R2⁵ is the performance ratio for the third element in O2
R2⁶ is the performance ratio for the fourth element in O2

c. Preserving Intellect (O3)

$$PI(O3) = W3^3 \times E3^7 \times R3^7 + W3^3 \times E3^8 \times R3^8$$

Or

$$PI(O3) = W3^3 (E3^7 \times R3^7 + E3^8 \times R3^8)$$

Where: O3 is the third *maqashid* index of the concept of *maqashid syariah*, which is to preserving intellect.

W3³ is the weight of preserving intellect

E3⁷ is the weight for the first element in O3 (Education grants)

E3⁸ is the weight for the second element in O3 (Research expense)

R3⁷ is the performance ratio for the first element in O3

R3⁸ is the performance ratio for the second element in O3

d. Preserving Posterity (O4)

$$PI(O4) = W4^4 \times E4^9 \times R4^9 + W4^4 \times E4^{10} \times R4^{10}$$

Or

$$PI(O4) = W4^4 (E4^9 \times R4^9 + E4^{10} \times R4^{10})$$

Where: O4 is the fourth *maqashid* index of the concept of *maqashid syariah*, which is to preserving posterity

W4⁴ is the weight of preserving posterity

E4⁹ is the weight for the first element in O4 (Agricultural financing)

E4¹⁰ is the weight for the second element in O4 (Training)

R4⁹ is the performance ratio for the first element in O4

R4¹⁰ is the performance ratio for the second element in O4

e. Preserving Wealth (O5)

$$PI(O5) = W5^5 \times E5^{11} \times R5^{11} + W5^5 \times E5^{12} \times R5^{12} + W5^5 \times E5^{13} \times R5^{13} + W5^5 \times E5^{14} \times R5^{14} + W5^5 \times E5^{15} \times R5^{15} + W5^5 \times E5^{16} \times R5^{16} + W5^5 \times E5^{17} \times R5^{17} + W5^5 \times E5^{18} \times R5^{18}$$

Or

$$PI(O5) = W5^5 (E5^{11} \times R5^{11} + E5^{12} \times R5^{12} + E5^{13} \times R5^{13} + E5^{14} \times R5^{14} + E5^{15} \times R5^{15} + E5^{16} \times R5^{16} + E5^{17} \times R5^{17} + E5^{18} \times R5^{18})$$

Where: O5 is the fifth *maqashid* index of the concept of *maqashid syariah*, which is to preserving wealth

W5⁵ is the weight of preserving wealth

E5¹¹ is the weight for the first element in O5 (Non-performing financing)

E5¹² is the weight for the second element in O5 (*Mudarabah* financing)

E5¹³ is the weight for the third element in O5 (*Musharakah* financing)

E5¹⁴ is the weight for the fourth element in O5 (Restructured *Mudarabah* financing)

E5¹⁵ is the weight for the fifth element in O5 (Restructured *Musharakah* financing)

E5¹⁶ is the weight for the sixth element in O5 (Return on Asset (ROA))

E5¹⁷ is the weight for the seventh element in O5 (Return on Equity (ROE))

E5¹⁸ is the weight for the second eighth in O5 (Operational efficiency)

R5¹¹ is the performance ratio for the first element in O5

R5¹² is the performance ratio for the second element in O5

R5¹³ is the performance ratio for the third element in O5

R5¹⁴ is the performance ratio for the fourth element in O5

- R5¹⁵ is the performance ratio for the fifth element in O5
R5¹⁶ is the performance ratio for the sixth element in O5
R5¹⁷ is the performance ratio for the seventh element in O5
R5¹⁸ is the performance ratio for the eighth element in O5

The ranking of Islamic banks is determined based on the total of all performance indicators from the five *maqashid syariah* variables, which can be formulated as follows (Hudaefi and Noordin 2019):

$$\text{Index Maqashid Syariah (IMS)} = \text{PI (O1)} + \text{PI (O2)} + \text{PI (O3)} + \text{PI (O4)} + \text{PI (O5)}$$

Where: PI is the Performance Index

- O1 is the first *maqashid* index of the concept of *maqashid syariah*, which is to preserve faith
O2 is the second *maqashid* index of the concept of *maqashid syariah*, which is to preserve self
O3 is the third *maqashid* index of the concept of *maqashid syariah*, which is to preserve intellect
O4 is the fourth *maqashid* index of the concept of *maqashid syariah*, which is to preserve posterity
O5 is the fifth *maqashid* index of the concept of *maqashid syariah*, which is to preserve wealth

In this study, an independent-samples t-test was conducted to test the research hypothesis that there is a difference in green banking performance between Islamic banks in Indonesia and Malaysia, based on the *maqasid al-Shariah* framework. The T-Test is one of the testing methods used in parametric statistical testing. (Magdalena and Krisanti 2019) The t-test shows how well a single independent variable explains the dependent variable. The t-test is conducted using a significance level of 0.05 ($\alpha=5\%$). The acceptance or rejection of this hypothesis test is based on the decision of whether the significance. (2-tailed) If the value is > 0.05 , then the null hypothesis (H0) is accepted, and the alternative hypothesis (H1) is rejected. It means that there is no significant difference between Islamic banking in Indonesia and Malaysia. If the sig. value (2-tailed) < 0.05 , then the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted. It means there is a significant difference between Islamic banking in Indonesia and in Malaysia.

Results and discussion

Table 5 green banking performance ratio based on the first *maqashid syariah* for 2022-2024

Islamic Banks	Preserving Faith (O1)	
	R11	R12
Islamic Banks in Indonesia		
BRIS	1.00000	0.06453
BBMI	1.00000	0.01389
BMS	1.00000	0.01849
PNBS	1.00000	0.00611
BVIS	1.00000	0.00159
BCAS	1.00000	0.03923
BTPS	1.00000	0.00245
BAS	1.00000	0.01078
BANK	1.00000	0.15699
BKPS	1.00000	0.01049
BRKS	1.00000	0.02722
Islamic Banks in Malaysia		
AIBB	1.00000	0.00239



ARBB	1.00000	0.01990
ABIB	1.00000	0.01586
ABB	1.00000	0.01153
BMMB	1.00000	0.01658
BIMB	1.00000	0.02212
CIBB	1.00000	0.00395
KFHB	1.00000	0.02051
MIB	1.00000	0.00381
OCBC	1.00000	0.00200

Source: secondary data (processed, 2026)

When looking at the results of green banking performance based on *maqasid al-Shariah*, the two countries in the first objective, namely preserving faith, showed no difference in the R11 ratio throughout 2022-2024. The highest R12 ratio in Indonesia in 2022-2024 was recorded by BANK at 0.15699. BVIS ranked last with a ratio of 0.00159.

In Islamic banking in Malaysia, BIMB had the highest R12 ratio during 2022-2024, at 0.02212. OCBC recorded the lowest R12 ratio at 0.00200. In terms of this ratio, Islamic banks in Indonesia are superior to those in Malaysia. However, the difference is not very significant. With this percentage, Islamic banks have promoted their banking services to the maximum extent possible.

Table 6 green banking performance ratio based on the second *maqashid syariah* for 2022-2024

Islamic Banks	Preserving Self (O2)			
	R23	R24	R25	R26
Islamic Banks in Indonesia				
BRIS	0.93950	0.24423	0.00080	0.85417
BBMI	1.00980	0.55361	0.00012	0.99300
BMS	0.86487	0.27319	0.00083	1.01365
PNBS	1.13509	0.22383	0.00031	0.96970
BVIS	1.04852	0.18471	0.00001	0.73333
BCAS	1.12261	0.25199	0.00001	1.01370
BTPS	3.53985	0.26232	0.00000	0.88406
BAS	1.47085	0.42570	0.00021	1.10042
BANK	0.40138	1.09574	0.00005	0.00000
BKPS	1.26448	0.36005	0.00000	1.28102
BRKS	15.81540	0.43002	0.00002	3.00000
Islamic Banks in Malaysia				
AIBB	1.34780	0.34488	0.00174	0.33333
ARBB	0.00000	0.41974	0.00008	0.93750
ABIB	0.33333	0.27344	0.00019	0.00000
ABB	0.08660	0.02368	0.00077	0.16667
BMMB	1.73678	0.37361	0.00205	1.01478
BIMB	1.14861	0.36235	0.00180	0.98582
CIBB	0.33333	0.01184	0.00125	0.00000
KFHB	2.19660	0.44496	0.00000	0.89827
MIB	0.70222	0.00969	0.00280	1.00000
OCBC	0.00000	0.04747	0.00002	1.00000

Source: secondary data (processed, 2026)

Table 6 shows variations in the green banking performance of Islamic banks in Indonesia and Malaysia during the 2022–2024 period based on ratios within the *maqasid syariah* framework. In general, Islamic banks in Indonesia have a wider range of values than those in Malaysia. For example, the R23 ratio shows that the highest value is 15.81540, which

is much higher than Malaysia's range of only 2.19660. It shows that banks in Indonesia have a fairly large range of performance. Conversely, Islamic banks in Malaysia tend to show a more even distribution of values, with some banks even having values close to zero. For the R24 ratio, both countries show similar patterns, with only small differences. The ratio in Indonesia is between 0.18471 and 1.09574, and in Malaysia, it is between 0.00969 and 0.44496. Still, the difference in Indonesia is bigger than in Malaysia.

For the R25 ratio, both countries fall within a very narrow range, specifically below 0.001 for all Islamic banks in Indonesia and not exceeding 0.00280 in Malaysia. The dimension measured by this ratio still has a relatively limited contribution to overall green banking performance. Furthermore, the R26 ratio shows a fairly clear contrast between the two countries. Indonesia has a high maximum value of 3.00000, but there are also banks with a value of 0, indicating a gap in implementation. Malaysia, on the other hand, has a more even distribution, with values ranging from 0 to 1.01478. It means that performance equity is better.

Table 7 green banking performance ratio based on the third *maqashid syariah* for 2022-2024

Islamic Banks	Preserving Intellect (O3)	
	R37	R38
Islamic Banks in Indonesia		
BRIS	0.00102	0.00508
BBMI	0.00354	0.00000
BMS	0.00009	0.00000
PNBS	0.00000	0.00383
BVIS	0.00000	0.00441
BCAS	0.01319	0.01163
BTPS	0.00000	0.00000
BAS	0.00045	0.00082
BANK	0.00000	0.02088
BKPS	0.00000	0.00000
BRKS	0.00564	0.01265
Islamic Banks in Malaysia		
AIBB	0.00000	0.00000
ARBB	0.00000	0.00000
ABIB	0.00000	0.00000
ABB	0.00034	0.00000
BMMB	0.02439	0.00000
BIMB	0.00079	0.02926
CIBB	0.00000	0.00000
KFHB	0.00000	0.00000
MIB	0.00000	0.00000
OCBC	0.00000	0.00000

Source: secondary data (processed, 2026)

Based on Table 7, the performance of Islamic banks in Indonesia and Malaysia in terms of the R37 ratio shows relatively high variation among banks. The values range from 0 to 0.01319 for Islamic banks in Indonesia, and from 0 to 0.02439 for Islamic banks in Malaysia, with only a few banks recording a positive contribution, while the rest remain at zero. There is a noticeable difference in how the principle of preserving intellect is being applied by Islamic banks in both countries.

At the R38 ratio, a similar trend is clear. In Indonesia, the figures range from 0 to 0.02088, which suggests that only a handful of banks are stepping up to contribute. In contrast, many others have yet to make a meaningful impact. Meanwhile, in Malaysia, the highest value was recorded by BIMB at 0.02926, the only Malaysian Islamic bank to contribute to the R38

ratio. Other banks, such as AIBB, ARBB, ABIB, ABB, BMMB, CIBB, KFHB, MIB, and OCBC, were at the lowest position, with a value of 0. Overall, these results show that the preserving intellect dimension of *maqasid syariah* is not being used consistently in either Indonesia or Malaysia. Performance is mostly limited to a small number of banks, with the highest values being less than 0.03. Most banks have not yet shown a significant contribution.

Table 8 green banking performance ratio based on the fourth *maqashid syariah* for 2022-2024

Islamic Banks	Preserving Posterity (O4)	
	R49	R410
Islamic Banks in Indonesia		
BRIS	0.07964	0.01286
BBMI	0.02024	0.03513
BMS	0.05419	0.01766
PNBS	0.00000	0.00507
BVIS	0.00000	0.00544
BCAS	0.15087	0.02700
BTPS	0.14993	0.01002
BAS	0.01196	0.01401
BANK	0.00000	0.00903
BKPS	0.01928	0.00637
BRKS	0.12600	0.04635
Islamic Banks in Malaysia		
AIBB	0.02493	0.00000
ARBB	0.02262	0.00000
ABIB	0.03250	0.00000
ABB	0.03482	0.00000
BMMB	0.00358	0.00757
BIMB	0.01090	0.00234
CIBB	0.03162	0.00000
KFHB	0.00000	0.00000
MIB	0.01012	0.00000
OCBC	0.03689	0.00000

Source: secondary data (processed, 2026)

Table 8 shows that Islamic banks in Indonesia have a wide range of R49 ratios, with values ranging from 0 to 0.15087. Some banks have reached high values, while others are still at zero. It shows that there are differences in how green banking is being put into practice in this area. In contrast, Islamic banks in Malaysia exhibit lower and more concentrated R49 values, ranging from 0 to 0.03689. It indicates that performance on the R49 ratio in Malaysia is relatively more homogeneous, although at a lower level compared to Indonesia.

A similar pattern is observed for the R410 ratio. Islamic banks in Indonesia show even more dynamic performance variations, with a value range from 0.00507 to 0.04635. It shows that the banks are using different levels of implementation. At the same time, Islamic banks in Malaysia tend to have lower and more concentrated values, from 0 to 0.00757, with the majority of banks even at zero. This condition reflects the still-limited achievement of this indicator in Malaysia.

Table 9 green banking performance ratio based on the fifth *maqashid syariah*: ratios R511-R514 for 2022-2024

Islamic Banks	Preserving Wealth (O5)			
	R511	R512	R513	R514
Islamic Banks in Indonesia				
BRIS	0.02133	0.00795	0.37177	0.00275

BBMI	0.02730	0.02636	0.64686	0.00000
BMS	0.00993	0.02573	0.61135	0.00000
PNBS	0.03447	0.11535	0.81221	0.00000
BVIS	0.01373	0.04287	0.64729	0.00760
BCAS	0.01333	0.07746	0.67123	0.00124
BTPS	0.03113	0.00000	0.01971	0.00000
BAS	0.01310	0.00228	0.35178	0.00000
BANK	0.00013	0.00000	0.44827	0.00000
BKPS	0.05060	0.04883	0.82428	0.00558
BRKS	0.02473	0.00052	0.25811	0.00000
Islamic Banks in Malaysia				
AIBB	0.01011	0.00000	0.35040	0.00000
ARBB	0.00503	0.00000	0.00000	0.00000
ABIB	0.02496	0.00000	0.00000	0.00000
ABB	0.01401	0.00000	0.00099	0.00000
BMMB	0.00943	0.00000	0.00000	0.00000
BIMB	0.01088	0.00000	0.00000	0.00000
CIBB	0.01315	0.00000	0.00000	0.00000
KFHB	0.05901	0.01235	0.00159	0.00000
MIB	0.01043	0.00000	0.00782	0.00000
OCBC	0.03708	0.00603	0.00768	0.00000

Source: secondary data (processed, 2026)

The analysis of ratios R511-R518 shows that Islamic banks in Indonesia and Malaysia had different levels of green banking performance between 2022 and 2024. Some ratios, such as R511 and R512, show clear differences in performance among Islamic banks in Indonesia. It is shown by the fact that some banks have higher values than others. It shows that Indonesia's use of *maqasid shariah*-based green banking principles remains uneven across the banking sector. The R511 ratio shows that Islamic banks in Malaysia exhibit varying performance levels, but the differences are not large. The emerging pattern for the R512 ratio, on the other hand, is more limited. Only a few banks had positive values; most stayed at 0.00000. This condition indicates that the dimension assessed by R512 has not yet been widely adopted in Malaysia's Islamic banking sector or is still in the early stages of development.

The R513 ratio in both countries indicates a significant difference in achievement levels, reflecting variations in the effectiveness of implementing certain aspects of the *maqasid al-shariah*. In Indonesia, this variation is more pronounced, with a wide range of values; for instance, BANK and BTPS differ by 0.82025, whereas in Malaysia it is largely limited to a few banks demonstrating standout performance, such as AIBB, ABB, KFHB, MIB, and OCBC.

For the R514 ratio, both in Indonesia and Malaysia, most banks reported a value of zero or close to 0.00000. In fact, among Islamic banks in Malaysia, all reported the same value, namely 0.00000. It shows that there was no measurable contribution to the aspect represented by this ratio during the time of observation. This condition indicates that the dimension measured by the R514 ratio has not yet become a primary focus in green banking practices or is still facing challenges in its implementation and reporting.

Table 10 green banking performance ratio based on the fifth *maqashid shariah*: ratios R515-R518 for 2022-2024

Islamic Banks	Preserving Wealth (O5)			
	R515	R516	R517	R518
Islamic Banks in Indonesia				
BRIS	0.59400	0.01574	0.14331	0.72333
BBMI	0.08422	0.00031	0.00373	0.98357
BMS	0.85533	0.01556	0.09684	0.73887

PNBS	0.99461	0.01178	0.07105	0.83823
BVIS	0.22954	0.00390	0.01083	0.86866
BCAS	0.95608	0.01032	0.04926	0.79933
BTPS	0.00000	0.06110	0.14955	0.69910
BAS	0.91537	0.01440	0.12012	0.77033
BANK	0.33333	-0.03194	-0.06042	1.97533
BKPS	0.84715	-0.02501	-0.26097	1.39547
BRKS	0.28498	0.01062	0.09592	0.78360
Islamic Banks in Malaysia				
AIBB	0.00000	0.00468	0.07008	0.17258
ARBB	0.00000	0.00456	0.05762	0.34325
ABIB	0.00000	0.00921	0.10954	0.20250
ABB	0.00000	0.00813	0.10452	0.15351
BMMB	0.00000	0.00485	0.05509	0.29740
BIMB	0.00000	0.00615	0.07853	0.32734
CIBB	0.00000	0.00654	0.10678	0.18648
KFHB	0.00000	-0.00012	0.00632	0.61852
MIB	0.00000	0.00917	0.17940	0.18829
OCBC	0.00000	0.01191	0.10669	0.22546

Source: secondary data (processed, 2026)

For the R515 ratio, Islamic banks in Indonesia showed a more even distribution of values, with PNBS recording the highest value at 0.99461. In Malaysia, on the other hand, Islamic banks showed a pattern like R514, where all Islamic banks had a value of 0.00000. It means that there was no way to measure the effect that the R515 ratio had during the time of observation. Thus, this ratio also reflects that the related dimension has not yet become a top priority or still faces challenges in implementation and reporting within the context of green banking.

For ratios R516 and R517, performance fluctuations are evident, with both positive and negative values, particularly in Indonesia. BANK and BKPS both had bad results for ratios R516 and R517, which shows this. It shows that the implementation of green banking policies is not equally effective or stable across all banks. In Malaysia, the resulting values are generally more stable, with deviations typically less than 1.00000. However, there are still some differences.

The R518 ratio indicates differences in performance characteristics between the two countries. Sharia banks in Indonesia have a wider range of values, leading to greater performance differences. On the other hand, sharia banks in Malaysia have a more concentrated distribution of values, with almost all banks getting results below 1.00000. It means that performance is more stable and consistent across banks.

Table 11 ranking of Islamic banks in Indonesia and Malaysia based on the *maqashid syariah* index for 2022-2024

Islamic Banks	01	02	03	04	05	Total	Ranking of Each Country	Ranking Overall Research Object
Islamic Banks in Indonesia								
BRKS	0.10272	0.96227	0.00183	0.01724	0.03646	1.12052	1	1
BTPS	0.10025	0.23431	0.00000	0.01600	0.02401	0.37457	2	2
BKPS	0.10105	0.14528	0.00000	0.00257	0.07215	0.32104	3	3
BAS	0.10108	0.14986	0.00013	0.00260	0.05468	0.30834	4	4
BCAS	0.10392	0.11942	0.00248	0.01779	0.06446	0.30806	5	5
PNBS	0.10061	0.11645	0.00038	0.00051	0.07194	0.28989	6	7
BBMI	0.10139	0.12783	0.00035	0.00554	0.04431	0.27941	7	8

BMS	0.10185	0.10763	0.00001	0.00719	0.05884	0.27551	8	9
BRIS	0.10645	0.10193	0.00061	0.00925	0.04700	0.26525	9	11
BANK	0.11570	0.07486	0.00209	0.00090	0.06662	0.26017	10	12
BVIS	0.10016	0.09833	0.00044	0.00054	0.04561	0.24508	11	13

Islamic Banks in Malaysia								
KFHB	0.10205	0.17699	0.00000	0.00000	0.01744	0.29648	1	6
BMMB	0.10166	0.15636	0.00244	0.00111	0.00917	0.27074	2	10
BIMB	0.10221	0.12493	0.00301	0.00132	0.01057	0.24204	3	14
AIBB	0.10024	0.10139	0.00000	0.00249	0.01520	0.21932	4	15
MIB	0.10038	0.08574	0.00000	0.00101	0.00988	0.19701	5	16
ARBB	0.10199	0.06787	0.00000	0.00226	0.01026	0.18238	6	17
OCBC	0.10020	0.05237	0.00000	0.00369	0.00987	0.16613	7	18
ABIB	0.10159	0.03035	0.00000	0.00325	0.00866	0.14384	8	19
CIBB	0.10040	0.01732	0.00000	0.00316	0.00782	0.12870	9	20
ABB	0.10115	0.01389	0.00003	0.00348	0.00703	0.12558	10	21

Source: secondary data (processed, 2026)

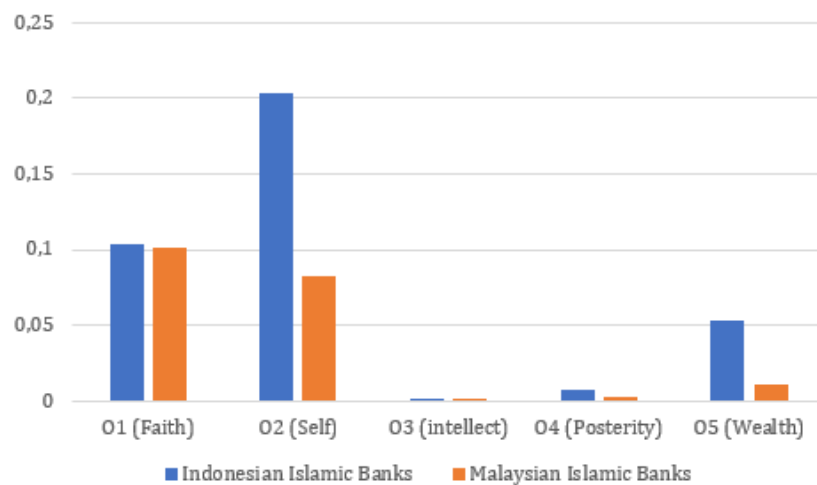


Figure 2 Average Performance of Green Banking Based on the *maqashid syariah* index for 2022-2024

Source: secondary data (processed, 2026)

The best Islamic bank in Indonesia, according to the *maqashid* index, is BRKS, which ranked first during the observation period with a *maqasid syariah* index score of 1.12052, while the bank with the best performance in Malaysia is KFHB, with a *maqasid* index score of 0.29648. The lowest green banking performance among Islamic banks in Indonesia, as measured by the *maqashid* index, was recorded by BVIS with a score of 0.24508. Among Islamic banks in Malaysia, the lowest score was recorded by ABB at 0.12558 during the observation period.

Table 12 group statistics results from the independent sample t-test

Banks		N	Mean	Std. Deviation	Std. Error Mean
Maqasid Shariah Index Results	Indonesian Islamic Banks	11	0.3700	0.25128	0.07576
	Malaysian Islamic Banks	10	0.1980	0.05922	0.01873

Source: secondary data (processed, 2026)

Table 13 independent sample t-test Results



		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2- tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Maqasid Shariah Index Results	Equal variances assumed	1.883	0.186	2.107	19	0.049	0.17200	0.08162	0.00117	0.34283
	Equal variances not assumed			2.204	11.213	0.049	0.17200	0.07804	0.00063	0.34337

in Indonesia, accounted for 16% of total operating expenses. However, the overall difference between Islamic banks in Indonesia and Malaysia is not too significant. It concludes that both countries recognize the importance of publications that can influence consumer decision-making. It aligns with the *maqasid al-Shariah* theory, which aims to preserve faith by promoting green products that comply with shariah principles.

The average green banking performance of Islamic banks in Indonesia in terms of preserving self is 0.20347, while that of Islamic banks in Malaysia is 0.08272. Research by Hudaefi and Noordin (2019) shows that Islamic banks in Indonesia outperform those in Malaysia in green banking performance. In this study, the aspect of preserving self in Islamic banks in Indonesia and Malaysia shows insignificant differences in employee welfare and zakat distribution. It shows that both countries fulfill their obligations regarding employee welfare and distribute zakat funds, which are important for preserving self under the *maqasid al-Shariah* theory. In terms of charity and total branches, Islamic banks in Indonesia are significantly superior to Islamic banks in Malaysia. It can be used as input by Islamic banks in Malaysia to contribute more to distributing charity and to increase the total number of banking branches, so that the public can access green products in banking more easily.

In terms of intellectual preservation, Indonesian Islamic banks have an average performance of 0.00076. In contrast, Malaysian Islamic banks have an average performance of 0.00055. This study supports the findings of Ramadhani and Mutia (2016), who concluded that Indonesian Islamic banks outperform those in Malaysia. In general, although the average value of Islamic banks in Indonesia is slightly higher than in Malaysia, there is no significant gap between the two countries in terms of preserving intellect. Islamic banks in both countries perform well in distributing educational grants and contributing to research funding. It shows that both countries align with the theory of *maqasid al-Shariah* in contributing to the preservation of intellect, which is the main tool for understanding revelation and science, and therefore needs to be protected and developed through education (Chapra 2008).

The average performance of Islamic banks in Indonesia in terms of preserving posterity is 0.00728, while Malaysia's is 0.00218. In terms of agricultural financing, Islamic banks in both countries perform well at channeling funds to support environmental sustainability. However, in terms of employee training/education, Islamic banks in Indonesia are superior, as they actively allocate funds to develop their human resources. This study aligns with research by Ramadhani and Mutia (2016), which shows that Indonesia is superior in terms of training compared to Islamic banks in Malaysia. It can be used as input for Islamic banks in Malaysia to be more active in financing human resource development programs within their companies in order to maximize their performance for the advancement of Islamic banks themselves, so that they can contribute more to preserving posterity, which is an important aspect in the theory of *maqasid al-Shariah*.

Based on the theory of *maqasid al-Shariah*, the protection and development of wealth are important for supporting human welfare and fair distribution. Islam emphasizes the fair distribution of wealth, the prohibition of usury, the obligation of zakat, and the avoidance of waste and exploitation (Chapra 2008). The average performance of Islamic banks in Indonesia in terms of wealth preservation is 0.05328, while that of Islamic banks in Malaysia is 0.01059. Research by Hudaefi and Noordin (2019) shows that the green banking performance of Islamic banks in Indonesia is superior to that of Islamic banks in Malaysia. In terms of non-performing financing, Return on Assets (ROA), Return on Equity (ROE), and operational efficiency, the majority of Islamic banks in Indonesia and Malaysia have performed quite well, contributing significantly to wealth preservation. However, regarding restructured *mudharabah* financing, Islamic banks in Indonesia and Malaysia have not been transparent about the amount of restructuring costs, which has affected asset preservation outcomes in each country. In terms of *mudharabah* financing, *musharakah* financing, and restructured *musharakah* financing,

Islamic banks in Indonesia are superior to Islamic banks in Malaysia. Sharia banks in Indonesia contribute to asset preservation by financing in accordance with Islamic contracts. PNBS, one of Indonesia's sharia banks with the highest results in asset preservation, allocates 11% of its total financing to *mudarabah* and 81% to *musharakah*. It can be learned by Islamic banks in Malaysia to contribute more to financing that is in accordance with Islamic principles and can be explicitly stated in financial reports so that they can further contribute to preserving wealth, which is an important aspect in the theory of *maqasid al-Shariah*. Overall, Islamic banks in Indonesia have achieved better green banking performance, as measured by the *maqasid al-Shariah* index, than those in Malaysia. However, both countries still need to implement green banking that is more closely integrated with their banking business models. Regulators in both countries need to explicitly develop a green banking policy framework aligned with *maqasid al-Shariah*, so that Islamic banking can be more focused on carrying out its green financial activities. Islamic banks in both countries need to explicitly present aspects of green banking aligned with Sharia objectives more clearly in their financial reports, so they can produce better performance figures that support green finance aligned with Islamic principles.

Conclusions

Based on the results and discussion, there is a significant difference in the *maqasid al-Shariah* index scores between Islamic banking in Indonesia and Malaysia. The results of the independent-samples T-test show that Islamic banking in Indonesia has a higher average of 0.3700 than Islamic banking in Malaysia, with an average of 0.1980. It is because the results of the Islamic banking performance index in Indonesia are significantly superior to those of Islamic banking in Malaysia in terms of the objectives of preserving faith, preserving self, preserving intellect, preserving posterity, and preserving wealth.

Theoretically, this study can broaden our understanding of green banking performance in Islamic banking in Indonesia and Malaysia based on the *maqasid al-Shariah* index measurement tool. However, this study still has limitations, such as being limited to 2022-2024 and including only 11 Islamic banks in Indonesia and 10 in Malaysia, so it cannot serve as a benchmark for other Islamic banks. In addition, the companies sampled in this study were Islamic banks, so the findings cannot be applied to other Islamic institutions, such as Islamic pawnshops or Islamic insurance companies. Furthermore, there is a lack of secondary data on the reasons for data disclosure, as data availability is greatly influenced by the formats of financial reports and accounting systems at each bank.

This study can contribute to the performance of green banking in Islamic banks in Indonesia and Malaysia using the *maqasid* index measurement tool in accordance with Islamic Sharia. For this reason, future research is expected to examine all Islamic banks in Indonesia and Malaysia to obtain more robust conclusions. In addition, future research is expected to include additional time periods or Islamic segments, such as insurance companies and Islamic pawnshops.

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