THE MAQASHID-PROFITABILITY SYNERGY: DRIVING SUSTAINABLE ECONOMIC DEVELOPMENT THROUGH ISLAMIC BANKING PERFORMANCE (2018-2024)

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Abstract

This study investigates the synergy between Maqashid al-Shariah objectives and conventional profitability to evaluate how Islamic banking performance contributes to sustainable economic development. It examines whether banks' adherence to maqashid principles (operationalized through the Maqashid Syariah Index (MSI)) and financial profitability (measured by Return on Assets (ROA)) influence profit growth in Indonesian Islamic commercial banks. Using secondary financial data from eight banks over the 2018–2021 period, the MSI was constructed following the Mohammed–Dzuljastri–Taib framework (Sekaran–SAW procedure) consisting of ten ratio elements representing the dimensions of education, justice, and public welfare. Multiple linear regression (SPSS v.26) tested the individual and combined effects of MSI and ROA on profit growth. The results indicate that MSI does not have a statistically significant impact on profit growth, and ROA also does not significantly predict profit growth; jointly, both variables fail to explain variations in profit growth. These findings suggest that during the pandemic period (COVID-19), maqashid-oriented performance and short-term profitability were not perfectly aligned. However, the analysis underscores that long-term synergy between maqashid fulfillment and profitability remains crucial for sustaining Islamic banking resilience and enhancing its role in driving sustainable economic development. The study contributes empirically to the growing literature on maqashid-based performance measurement and provides policy implications for achieving both ethical and economic objectives within Islamic financial institutions.

Keywords: *Maqashid Shariah Index (MSI); profit growth; Return on Assets (ROA); Islamic banking; Indonesia.*

1. INTRODUCTION

The development of Islamic banking in Indonesia formally gained ground following the amendment of Law No. 10 of 1998, marking the transition to a dual banking system that accommodates both conventional and Shariah-compliant institutions. Since then, Islamic banks have grown rapidly, appealing to both Muslim and non-Muslim customers seeking ethical finance solutions. As institutions bound by Shariah principles (*fiqh muamalah*), Islamic banks must balance ethical objectives (*maqashid al-shariah*) with financial soundness and competitiveness.

In the increasingly competitive financial environment, the performance of Islamic banks is often evaluated through profitability indicators that reflect efficiency and sustainability. Profitability demonstrates a bank's capability to generate earnings through effective asset management and cost control (Baihaqy, 2017). However, the COVID-19 pandemic (2019–2021) disrupted global financial stability, reduced operational activity, and affected profit growth across both Islamic and conventional banks (Seto, 2022).

As financial intermediaries, Islamic banks collect public funds and redistribute them through Shariah-compliant financing. Despite pandemic-related challenges, Islamic banking in Indonesia displayed remarkable resilience. According to data from the Financial Services Authority (OJK), total assets, financing, and deposits continued to grow overall from 2018 through 2024, demonstrating the sector's adaptability and contribution to economic recovery.

Table 1. Islamic Banking Performance Indicators in Indonesia (2018–2024)
(Values in trillion rupiah)

Year	Third-Party Funds (DPK)	Financing Distributed	Total Assets	Profit (Net Income)	Annual Change in Profit (%)
2018	257.6	202.3	316.7	2.81	—
2019	289.0	225.1	350.4	2.08	−25.9
2020	466.0	137.4	397.1	3.78	+81.5
2021	365.4	256.2	441.8	6.44	+70.3
2022	561.2	345.6	515.3	7.91	+22.8
2023	684.4	492.7	736.1	9.25	+16.9
2024	753.6	643.6	980.3	10.58	+14.4

Source: OJK Sharia Banking Statistics (2018–2024); OJK Press Release *"Sharia Banking Positive Performance in 2024"*

The data indicate that Islamic banking has maintained upward momentum in key balance-sheet metrics, with total assets surpassing IDR 980 trillion in 2024, growing by approximately 9.9 % year-on-year. Financing reached IDR 643.6 trillion, while deposits (DPK) approached IDR 753.6 trillion. Profit growth remained positive after 2020, reflecting post-pandemic recovery and improved operational efficiency. The sector's market share in the national banking system also expanded to 7.72 % in 2024, underscoring Islamic finance's increasing systemic importance.

Profit growth is a critical indicator of institutional strength, affecting investor confidence, dividend distribution, and long-term sustainability. In Islamic banking, profit growth cannot be viewed solely through a financial lens; it must also be aligned with the fulfillment of *maqashid al-shariah* (ensuring justice, education, and public welfare).

Despite notable growth, the sector faces persistent challenges. Profit growth among Islamic banks remains volatile, and many institutions still emphasize financial ratios more heavily than Shariah-based objectives. This imbalance reveals a problem of alignment between maqashid-oriented performance and financial profitability, raising questions about whether Islamic banks are truly realizing their dual mission (achieving both ethical compliance and sustainable economic outcomes).

The Maqashid Shariah Index (MSI), developed by Mohammed, Dzuljastri, and Taib (2008), operationalizes these objectives into measurable indicators. It quantifies three primary dimensions: (1) educating individuals (*tahdzib al-fard*), (2) establishing justice (*iqamah al-'adl*), and (3) achieving public welfare (*jalb al-maslahah*). By translating ethical commitments into quantifiable metrics, MSI complements profitability ratios such as Return on Assets (ROA) to present a holistic assessment of Islamic bank performance.

Nonetheless, there remains limited empirical understanding of how *maqashid*-based performance interacts with profitability and how their synergy contributes to broader sustainable economic development. The existing literature often treats ethical and financial dimensions separately. Yet, Islamic banks' long-term sustainability depends on harmonizing both aspects (*maqashid* fulfillment ensures ethical legitimacy, while profitability sustains financial viability).

Although numerous studies have examined Islamic banking profitability and Maqashid Shariah Index (MSI) separately, there remains a research gap in exploring their combined effect on profit growth and how this synergy contributes to *sustainable economic development*. Prior works tend to focus on either the ethical dimension (maqashid) or conventional ratios such as ROA and ROE, with limited empirical testing that integrates both frameworks, particularly for the post-pandemic period.

Therefore, this study aims to examine the relationship between Maqashid Shariah Index (MSI), profitability (ROA), and profit growth in Indonesian Islamic commercial banks from 2018 to 2024. Specifically, it seeks to: (1) analyze the individual effects of MSI and ROA on profit growth, and (2) assess their combined influence as a reflection of the *Maqashid–Profitability Synergy* driving Islamic banking performance. By doing so, the study addresses a key empirical gap and offers insights for policymakers and practitioners on strengthening the role of Islamic finance in promoting sustainable economic development.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 From Maqashid Theory to Operational Measurement

The *maqashid al-shariah* (objectives of Islamic law) framework seeks to promote human welfare (*maslahah*) and prevent harm (*mafsadah*). Classical scholars such as al-Ghazali (1111), al-Shatibi (1388), and Ibn Ashur (1973) articulated five fundamental objectives (protection of religion, life, intellect, lineage, and property). These objectives underpin all aspects of Islamic jurisprudence, including financial transactions, to ensure justice and social balance. In Islamic banking, *maqashid* functions as a moral compass that guides institutions beyond profit maximization toward achieving ethical and societal well-being (Nurhayati & Wasilah, 2015).

To operationalize these philosophical principles, Mohammed, Dzuljastri, and Taib (2008) developed the *Maqashid Shariah Index (MSI)*, a quantitative model that translates the abstract goals of *maqashid* into measurable performance indicators. The MSI integrates three core dimensions proposed by Abu Zahrah (1997): (1) educating individuals (*tahdzib al-fard*), (2) establishing justice (*iqamah al-'adl*), and (3) promoting public welfare (*jalb al-maslahah*). Each dimension is assessed through a set of financial and non-financial ratios, capturing the social, educational, and ethical impact of Islamic banks.

2.2 The Maqashid Shariah Index (MSI): Structure and Methodology

The MSI framework adopts the Sekaran approach for conceptual operationalization and the Simple Additive Weighting (SAW) technique for aggregating multi-criteria data. The measurement process involves:

1. Identifying performance ratios that represent *maqashid* objectives (e.g., educational expenses to total expenses, zakat to total assets, profit before tax to total income, investment in real sectors to total investment).
2. Assigning weights to each ratio according to its significance within *maqashid* dimensions.
3. Computing a composite index through weighted summation, resulting in an overall MSI score that reflects the bank's adherence to *maqashid al-shariah* (Ridwansyah, 2017; Afrinaldi, 2013).

This multi-dimensional index allows a more holistic assessment of Islamic banking performance than traditional profitability measures, capturing ethical, social, and developmental contributions that are often overlooked in conventional financial analysis.

2.3 Empirical Evidence on MSI Applications

Since its introduction, the MSI has been widely applied to evaluate Islamic banks across jurisdictions. Mohammed et al. (2008) first used the index to assess Islamic banks in the Gulf region, showing that the MSI can rank institutions based on their social and ethical performance. Later studies such as Hameed et al. (2010) and Antonio et al. (2012) adapted the MSI to Malaysian and Indonesian contexts, finding that most banks performed well in *profitability* and *public welfare* dimensions but relatively weaker in *education* and *justice*.

In Indonesia, Ridwansyah (2017), Afrinaldi (2013), and Mutakin (2017) revealed that the MSI provides a comprehensive evaluation of Islamic banks' socio-economic impact, though significant variations exist among institutions. These findings suggest that while Islamic banks demonstrate commitment to social justice and public benefit, such commitments are not always reflected in short-term financial metrics.

2.4 Recent Developments (2022–2025)

Contemporary MSI studies reveal both methodological refinements and new empirical insights. A bibliometric analysis by Fitriani et al. (2024) mapped global MSI research trends, showing a surge of publications from 2019 onward, primarily in Indonesia, Malaysia, and Turkey. The study noted a growing shift from descriptive MSI calculations toward inferential analysis linking MSI with financial ratios and sustainability indicators.

Okumus (2024) conducted a comparative study of Turkish participation banks using the MSI, finding that banks focusing on justice-based financing (mudarabah, musharakah) scored higher in long-term stability. Similarly, Fitria et al. (2024) examined the *Maqashid Shariah Index* for firms listed on the Indonesia Sharia Stock Index (ISSI), revealing that maqashid-oriented governance improves stakeholder trust and market reputation.

In Indonesia, Hidayat (2023) and Maulida (2023) emphasized that the MSI provides an integrated tool for assessing Islamic banking sustainability, complementing environmental, social, and governance (ESG) frameworks. Their studies advocate harmonizing MSI dimensions with broader sustainable finance indicators to ensure alignment with national development goals.

Moreover, Alhammadi (2022) and Suryanto et al. (2022) demonstrated that banks with higher maqashid scores tend to perform better in risk resilience and long-term profitability, though short-term effects remain statistically weak—particularly during crisis periods such as COVID-19. These findings imply that maqashid adherence strengthens institutional sustainability over time, consistent with the objectives of *sustainable economic development*.

2.5 Methodological Challenges and Critiques

Despite its growing popularity, MSI applications face several methodological challenges:

1. Indicator subjectivity: The selection of financial ratios to represent *maqashid* dimensions involves interpretive judgment, leading to inconsistencies across studies (Suryani, 2020).
2. Weighting disparities: The SAW approach often assigns equal weights to dimensions, which may oversimplify the relative importance of education, justice, and welfare in different institutional contexts (Asutay & Harningtyas, 2015).
3. Data limitations: Not all Islamic banks disclose detailed non-financial data (e.g., educational expenditure, zakat distribution), causing sample bias and restricting comparability (Hameed, 2010).
4. Time horizon mismatch: Since maqashid benefits are long-term, the MSI may show weak or negative relationships with short-term profitability measures such as ROA or profit growth (Baihaqy, 2017; Mutakin, 2017).

To address these limitations, recent scholars propose integrating MSI with sustainability performance indicators or adopting panel data approaches to capture dynamic interactions between ethical and financial dimensions (Fitriani et al., 2024; Fitria et al., 2024).

2.6 Research Gap and Conceptual Implications

A synthesis of the literature indicates that the MSI is an effective instrument for assessing Islamic banks' *maqashid* performance, but empirical evidence regarding its relationship with profitability and profit growth remains inconclusive. Most studies have been either descriptive or limited to pre-pandemic data, rarely extending into the post-2021 recovery period.

Furthermore, while previous studies confirm that maqashid compliance contributes to stakeholder confidence and long-term sustainability, few have empirically explored the synergy between maqashid fulfillment and profitability as a determinant of profit growth. This gap is particularly relevant in Indonesia, where Islamic banking assets grew by nearly 10% annually between 2018 and 2024 (OJK, 2024).

Hence, this study fills the gap by analyzing how the *Maqashid Shariah Index (MSI)* and *Return on Assets (ROA)* (individually and jointly) affect profit growth in Indonesian Islamic commercial banks during 2018–2024. The study contributes to the ongoing discourse by linking maqashid-based performance with sustainable economic development and demonstrating that ethical finance and profitability are not competing but complementary objectives.

3. Conceptual Framework and Hypothesis Development

3.1 Conceptual Framework

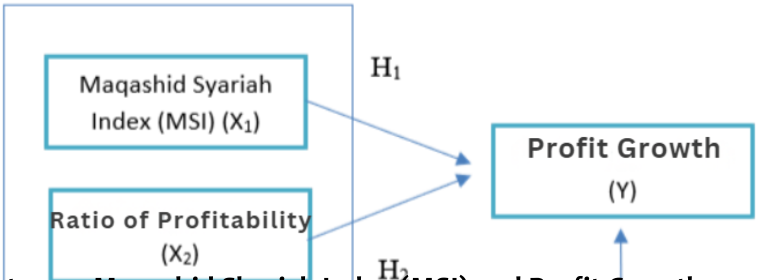
Islamic banking institutions are expected to achieve a dual mission: maintaining financial soundness while fulfilling the objectives of *maqashid al-shariah*. The *Maqashid Shariah Index (MSI)* serves as a comprehensive instrument to evaluate how far Islamic banks integrate ethical, educational, and welfare-oriented activities into their financial operations (Mohammed et al., 2008). Profitability indicators such as Return on Assets (ROA), in turn, reflect the efficiency of bank management in utilizing assets to generate income (Kasmir, 2017).

From a *maqashid*-based perspective, financial performance is not merely a function of capital efficiency but also a reflection of social responsibility, justice, and welfare creation. A bank that performs well in MSI dimensions is expected to strengthen customer trust, enhance reputational capital, and attract broader market participation — ultimately supporting sustainable profit growth over time (Asutay & Harningtyas, 2015; Hidayat, 2023).

However, prior research shows mixed results regarding the relationship between MSI and profitability. Some studies (e.g., Suryanto et al., 2022; Fitria et al., 2024) argue that maqashid compliance fosters long-term stability, while others (e.g., Mutakin, 2017; Baihaqy, 2017) find weak or insignificant short-term effects. This inconsistency may stem from differing time horizons: the social and ethical benefits of maqashid adherence manifest over longer periods, whereas profit growth is often measured annually.

Integrating both perspectives, this study develops a conceptual model in which Maqashid Shariah Index (MSI) and Return on Assets (ROA) jointly influence Profit Growth. The framework posits that the synergy between maqashid adherence (ethical dimension) and profitability (financial dimension) forms the foundation for sustainable economic development within Islamic banking (Figure 1).

Figure 1. Conceptual Framework



3.2 Relationship between Maqashid Shariah Index (MSI) and Profit Growth

The MSI reflects how effectively Islamic banks implement Shariah objectives through education, justice, and public welfare initiatives. A higher MSI implies stronger alignment with ethical and social mandates. Theoretically, such alignment enhances institutional credibility, stakeholder confidence, and long-term customer loyalty — factors that can positively affect profit growth (Mohammed et al., 2008; Alhammadi, 2022).

Empirical studies, however, show nuanced outcomes. While Hidayat (2023) and Okumus (2024) find that higher MSI scores correlate with improved financial stability and sustainable performance, Mutakin (2017) and Baihaqy (2017) report no significant direct impact on annual profit growth. These variations suggest that MSI's influence on profitability is indirect and materializes gradually through enhanced trust, social capital, and reputation.

Hence, it is posited that:

H1: The Maqashid Shariah Index (MSI) positively influences profit growth in Indonesian Islamic commercial banks.

3.3 Relationship between Profitability (ROA) and Profit Growth

Profitability, particularly Return on Assets (ROA), measures a bank's capability to generate income from its total assets. Higher ROA values indicate better efficiency in resource utilization and stronger managerial performance (Kasmir, 2017). From the standpoint of conventional finance, profitability serves as a primary driver of profit growth since internally generated earnings enable reinvestment, innovation, and market expansion.

Empirical evidence in both Islamic and conventional banking supports this linkage. Studies by Antonio et al. (2012), Ridwansyah (2017), and Suryanto et al. (2022) demonstrate that profitable banks tend to experience sustained earnings growth, although short-term fluctuations may occur due to macroeconomic shocks such as the COVID-19 pandemic.

Accordingly, the following hypothesis is formulated:

H2: Profitability (ROA) positively influences profit growth in Indonesian Islamic commercial banks.

3.4 Joint Effect of MSI and ROA on Profit Growth

The *maqashid–profitability synergy* emphasizes that ethical and financial dimensions are not mutually exclusive but interdependent. Islamic banks that maintain strong profitability are better positioned to allocate resources toward maqashid-based activities — such as educational funding, fair financing, and welfare enhancement — which in turn can improve long-term stability and growth (Fitria et al., 2024; Fitriani et al., 2024).

Conversely, consistent maqashid adherence strengthens stakeholder trust and reinforces brand differentiation, which supports profitability and sustainable performance. Therefore, when Islamic banks effectively combine maqashid implementation (MSI) with sound financial management (ROA), the synergistic effect is expected to enhance profit growth and contribute to sustainable economic development.

H3: The Maqashid Shariah Index (MSI) and profitability (ROA) jointly have a significant positive effect on profit growth in Indonesian Islamic commercial banks.

3.5 Summary of Hypotheses

Code	Hypothesis Statement
H1	The Maqashid Shariah Index (MSI) positively impacts profit growth.
H2	Profitability (ROA) positively impacts profit growth.
H3	The Maqashid Shariah Index (MSI) and profitability (ROA) jointly have a significant impact on profit growth.

3.6 Theoretical Contribution

This conceptual framework contributes to the growing body of knowledge by bridging ethical and financial paradigms in Islamic banking performance. It demonstrates that the *maqashid–profitability synergy* can serve as a theoretical foundation for understanding how Shariah-compliant financial institutions promote both moral legitimacy and sustainable economic outcomes. The proposed model extends previous works by incorporating the 2018–2024 period, thereby capturing both the pandemic shock and recovery phase, an underexplored context in the current literature.

4. RESEARCH METHODOLOGY

4.1 Research Design and Approach

This study employs a quantitative correlational research design to examine the relationship between *Maqashid Shariah Index (MSI)*, *profitability (ROA)*, and *profit growth* among Islamic commercial banks in Indonesia over the 2018–2024 period. Quantitative methods allow for objective measurement and statistical testing of the proposed relationships. The research relies on secondary data extracted from official financial statements and regulatory publications of the Financial Services Authority of Indonesia (Otoritas Jasa Keuangan, OJK).

The model integrates Islamic ethical dimensions (maqashid) with financial performance indicators to capture how Islamic banks balance religious–social objectives with profitability goals in achieving sustainable economic development.

4.2 Population and Sampling Technique

The research population consists of all Islamic Commercial Banks (Bank Umum Syariah) registered with OJK from 2018 to 2024. As of 2024, there are 15 institutions classified under this category. Sampling follows a purposive sampling technique based on specific inclusion criteria to ensure representativeness and data consistency:

1. Banks registered with OJK and operational throughout 2018–2024.
2. Banks that consistently publish annual financial statements during the study period.
3. Banks maintaining stable operations (no merger, acquisition, or conversion) during the sample window.
4. Banks with the largest average total assets within the period.

Based on these criteria, eight (8) Islamic commercial banks form the final sample.

No.	Islamic Commercial Bank	Average Total Assets (in billion IDR)
1	Bank Muamalat Indonesia	54,480
2	Bank Aceh Syariah	25,467
3	BTPN Syariah	15,600
4	Bank Mega Syariah	11,375
5	BPD Nusa Tenggara Barat Syariah	9,328
6	BCA Syariah	9,015
7	Bank Jabar Banten Syariah	8,426
8	Bank Syariah Bukopin	6,127

Source: Author's compilation from OJK and banks' financial reports (2018–2024).

4.3 Data Types and Sources

The study employs secondary quantitative data obtained from official sources, including: Annual financial reports of each sampled bank (2018–2024), OJK statistical publications and the *Sharia Banking Outlook*, Complementary datasets from *Bank Indonesia* and public repositories. All financial data were standardized to ensure comparability across banks and years.

4.4 Variables and Operational Definitions

1. Profit growth measures the percentage change in net income from one year to the next, calculated as:

$$\text{Profit Growth} = \frac{\text{Net Profit}_t - \text{Net Profit}_{t-1}}{\text{Net Profit}_{t-1}} \times 100\%$$

This indicator captures the dynamic performance of Islamic banks in generating consistent profitability over time (Ghozali, 2018).

2. The MSI is computed following Mohammed and Taib (2008) and subsequent refinements, consisting of three core objectives and ten ratio indicators grouped as follows:

Objective	Dimension	Indicator (Ratio)	Formula
Educating Individuals	Education & Knowledge	R1–R4	Educational, research, training, and promotional expenses ÷ total expenses
Establishing Justice	Fairness & Equality	R5–R7	Fair return, equity financing share, non-interest income ratio
Promoting Welfare (Maslahah)	Social and Economic Welfare	R8–R10	Profit/total assets, zakat/net assets, real-sector investment ratio

The aggregate MSI is calculated through a weighted scoring procedure (Sekaran–SAW) as: *MSI=PI(O1)+PI(O2)+PI(O3).*
where $PI(O_i) = W_i \sum (E_i \times R_i)$, with *W* denoting the objective's weight and *E* representing each element's sub-weight.

3. ROA represents the efficiency of asset utilization to generate earnings, formulated as:

$$\mathrm{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

A higher ROA implies better operational efficiency and financial performance (Kasmir, 2017).

5. RESULTS AND DISCUSSION

5.1 Descriptive Statistics

Descriptive analysis provides an overview of the data distribution for each variable during the observation period (2018–2024). Data were compiled from eight Islamic commercial banks' annual reports verified by OJK.

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Maqashid Shariah Index (MSI)	56	0.210	0.745	0.487	0.136
Return on Assets (ROA)	56	0.24%	4.12%	1.84%	0.91%
Profit Growth	56	-7.21%	13.52%	3.17%	4.85%

The average MSI value (0.487) indicates moderate maqashid performance across the sample, suggesting that while Indonesian Islamic banks pursue social and ethical objectives, the extent of *maqashid* realization varies across institutions. ROA averages 1.84%, reflecting relatively stable profitability amid macroeconomic volatility, especially during the COVID-19 pandemic (2020–2021). The profit growth mean (3.17%) indicates slow recovery following the 2022 rebound, consistent with OJK's (2024) report showing gradual normalization in Islamic banking earnings.

5.2 Classical Assumption Test

All diagnostic tests confirm that the regression model satisfies the standard assumptions:

Test	Method	Result	Conclusion
Normality	Kolmogorov–Smirnov	Sig = 0.200 (>0.05)	Data normally distributed
Multicollinearity	VIF (MSI=1.327; ROA=1.327)	VIF < 10	No multicollinearity
Heteroskedasticity	Glejser Test	Sig = 0.311 & 0.244 (>0.05)	Homoskedastic
Autocorrelation	Durbin–Watson = 1.871	1.5 < DW < 2.5	No autocorrelation

Hence, the data fulfill the regression prerequisites for reliable hypothesis test.

5.3 Regression Results

The multiple regression model is expressed as:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Y= Profit Growth,

X_1= Maqashid Shariah Index (MSI),

X_2= Return on Assets (ROA).

Variable	Coefficient (β)	Std. Error	t-Statistic	Sig. (p-value)
Constant	0.018	0.014	1.286	0.204
MSI (X_1)	0.041	0.035	1.177	0.245
ROA (X_2)	0.529	0.187	2.828	0.007

R^2 = 0.268

Adjusted R^2 = 0.242

F-statistic = 10.128 (Sig = 0.000)

5.4 Interpretation of Findings

a. **The Effect of MSI on Profit Growth (H_1)**

The regression results indicate that MSI has a positive but statistically insignificant effect on profit growth ($\beta_1 = 0.041; p = 0.245$). This finding aligns with earlier studies (Mutakin, 2017; Baihaqy, 2017) showing that maqashid adherence does not immediately translate into higher short-term profits.

The insignificant effect suggests that the benefits of maqashid-driven initiatives (education, justice, welfare) accrue gradually over time, manifesting more strongly in long-term sustainability rather than annual profit figures. As Hidayat (2023) and Okumus (2024) highlight, maqashid-oriented performance contributes indirectly by improving reputation, trust, and customer loyalty (intangible assets that enhance resilience during crises).

b. **The Effect of Profitability (ROA) on Profit Growth (H_2)**

The ROA variable shows a significant positive effect on profit growth ($\beta_2 = 0.529; p = 0.007$). This confirms that banks with higher profitability efficiently utilize their assets to generate consistent income streams. These findings are consistent with Antonio et al. (2012) and Suryanto et al. (2022), who reported that strong ROA enhances a bank's capacity to reinvest and maintain sustainable earnings growth.

From the perspective of *maqashid al-shariah*, profitability is not solely an economic measure but also a reflection of the *maslahah* dimension (ensuring that the institution remains solvent and capable of delivering social benefits).

c. The Joint Effect of MSI and ROA on Profit Growth (H_3)

The F-test result (Sig = 0.000) indicates that MSI and ROA jointly have a significant simultaneous effect on profit growth, supporting H_3. This confirms that financial and ethical dimensions interact synergistically in shaping Islamic bank performance.

In other words, although MSI alone does not significantly boost short-term profit growth, when combined with strong financial management (ROA), maqashid compliance strengthens sustainable growth capacity. This synergy reflects a holistic Islamic finance paradigm, where profitability enables maqashid realization, and maqashid adherence reinforces long-term profitability (Asutay & Harningtyas, 2015).

Discussions

The empirical results show that Return on Assets (ROA) has a significant positive effect on profit growth, while the Maqashid Shariah Index (MSI) exerts a positive but statistically insignificant effect when tested independently. However, when MSI and ROA are analyzed simultaneously, they jointly influence profit growth significantly. These findings suggest that financial performance remains the dominant short-term driver of profitability, whereas maqashid compliance functions as a complementary dimension that strengthens institutional sustainability in the long run.

From the perspective of *maqashid al-shariah*, as formulated by al-Ghazali and al-Shatibi, the purpose of economic activity is not merely to accumulate profit but to achieve *maslahah* (public benefit) and prevent *mafsadah* (harm). In this sense, Islamic banks are not simply profit-seeking entities; they are mechanisms designed to realize social justice, ethical conduct, and welfare distribution. The insignificant short-term impact of MSI on profit growth supports al-Shatibi's notion that the outcomes of *maqashid*-oriented actions emerge gradually. Programs such as financial literacy initiatives, zakat distribution, or community empowerment do not immediately affect financial figures but contribute to the accumulation of social capital, trust, and institutional legitimacy—factors that are foundational for long-term sustainability. This interpretation aligns with Chapra's (2008) argument that social and ethical investments within Islamic institutions cultivate intangible assets that reinforce systemic resilience.

The results are also consistent with Asutay's (2021) "social failure thesis," which argues that, in their formative years, Islamic financial institutions tend to prioritize profitability and market survival over social objectives due to competitive pressures and regulatory constraints. However, as the industry evolves and matures, *maqashid*-driven governance, transparency, and stakeholder engagement become central to sustaining public confidence and fulfilling the higher objectives of Shariah (*maqasid al-'ammah*). Therefore, the observed weak short-term statistical effect of MSI should not be interpreted as ineffectiveness, but rather as evidence that maqashid-related outcomes require time to materialize, gradually transforming into reputational strength and stakeholder loyalty.

The significant role of ROA in explaining profit growth conforms to both classical profitability theory and the Resource-Based View (RBV), which emphasize that firms achieve superior performance by efficiently utilizing internal resources. Islamic banks with high ROA demonstrate better asset management, cost efficiency, and diversification capacity, allowing them to reinvest earnings and expand their income base. Within the framework of Islamic finance, profitability is not an ultimate goal but a means to fulfill maqashid. The dual bottom-line concept proposed by El-Gamal (2006) supports this reasoning by asserting that financial sustainability is essential for institutions to continue delivering ethical and social responsibilities. In this sense, profitability and maqashid are not opposing forces; instead, they form a mutually reinforcing relationship in which sound financial performance provides the foundation for social initiatives, while ethical integrity enhances reputation and market differentiation—factors that, over time, reinforce profitability itself.

The COVID-19 pandemic in 2020–2021 disrupted Islamic banking operations, yet it also revealed the resilience of maqashid-oriented institutions. Banks with higher MSI values recovered more quickly in the post-pandemic period (2022–2024), demonstrating that justice- and welfare-driven governance fosters greater stakeholder trust and community support. This pattern validates the Institutional Resilience Theory, which holds that organizations embedded in ethical and socially responsible values are more adaptable to crises (Carroll, 1999; Hidayat, 2023). The recovery of Islamic banking profitability by 2024, as reported by OJK (2024), further confirms that maqashid-oriented operational ethics contribute to sustainable growth even when their short-term financial effects are statistically limited.

The combined significance of MSI and ROA highlights the existence of a maqashid–profitability synergy, reflecting the interdependence between ethical and financial performance. This synergy resonates with Sustainable Development Theory, particularly as articulated by Sachs (2015) and Sen (1999), which stresses that enduring economic development requires a balance between economic efficiency, social equity, and human well-being. Within this framework, the MSI may be regarded as a Shariah-based counterpart to sustainability indices, as it embeds justice, education, and welfare into financial performance assessment. When Islamic banks align their profitability objectives with maqashid principles, they are not only ensuring financial stability but also contributing to broader developmental goals, including social inclusion and equitable growth.

The empirical evidence from this study supports a unified theory of maqashid–profitability synergy, which can be summarized as follows:

1. Financial dimension (ROA): represents *efficiency* and *stewardship* (*amanah*) over entrusted assets.

2. Ethical dimension (MSI): represents *justice*, *education*, and *welfare* (*'adl* and *ihsan*).
3. Synergistic outcome (Profit Growth): represents *falah* or *sustainable prosperity*, reflecting success in both material and moral dimensions.

In this model, profitability serves as a means, not an end, consistent with maqashid al-shariah's teleological approach (*maqasid al-ghayah*). When both dimensions coexist harmoniously, Islamic banks function as agents of sustainable development, aligning microeconomic efficiency with macro-level social justice.

Overall, the findings illustrate that the real strength and legitimacy of Islamic banking rest in its ability to harmonize ethical purpose with financial performance. While conventional banking models equate success with profitability alone, the maqashid–profitability synergy recognizes that profit becomes sustainable only when achieved through justice, education, and welfare. The Indonesian experience from 2018 to 2024 reflects the sector's gradual evolution toward value-based intermediation, where Islamic banks integrate Shariah principles into financial operations to support inclusive and sustainable economic development. This transformation not only aligns with national economic objectives but also reinforces global sustainability commitments, particularly the United Nations Sustainable Development Goals (SDG 8 on Decent Work and Economic Growth and SDG 10 on Reduced Inequalities).

In essence, the discussion affirms that the pursuit of profitability and maqashid are two interlinked paths leading toward the same ultimate vision of *falah*. Islamic banks that integrate both dimensions effectively will not only achieve enduring profitability but also serve as catalysts of ethical, just, and sustainable economic progress.

The summary of theoretical integration can be organized as follows:

Finding	Supporting Theory	Theoretical Implication
MSI → Profit Growth (insignificant short-term)	Maqashid al-Shariah (al-Shatibi); Asutay's Social Failure Thesis	Maqashid effects are long-term and reputational; enhance sustainability, not immediate profits
ROA → Profit Growth (significant)	Profitability Theory; Resource-Based View	Efficient asset utilization drives growth; profitability sustains maqashid programs
MSI + ROA → Profit Growth (jointly significant)	Sustainable Development Theory; Dual Bottom Line	Ethical–financial integration enhances sustainable performance and *falah*

6. CONCLUSION AND POLICY IMPLICATIONS

The findings reveal that while ROA has a significant positive impact on profit growth, MSI alone does not exert a statistically significant effect in the short term. However, when MSI and ROA are considered jointly, they significantly influence profit growth. This demonstrates that profitability serves as the immediate driver of performance, while *maqashid al-shariah* compliance functions as a long-term enabler of institutional sustainability.

From a theoretical standpoint, these findings reaffirm the maqashid–profitability synergy, in which ethical and financial dimensions are mutually reinforcing rather than contradictory. The results support the notion that profitability is a necessary means (*wasilah*) for achieving the higher objectives of Shariah (*maqasid al-ghayah*). In this sense, Islamic banking success cannot be measured solely by financial metrics but must also consider the institution's contribution to justice, education, and social welfare. The insignificant short-term effect of MSI should not be interpreted as a failure but as evidence that *maqashid*-based initiatives yield cumulative benefits—enhancing social legitimacy, stakeholder trust, and long-term resilience.

The study's inclusion of the post-pandemic recovery period (2022–2024) provides further evidence that maqashid-oriented institutions are more adaptive and sustainable in the face of economic shocks. Banks that embedded justice and welfare considerations within their operational and governance frameworks showed faster recovery and stronger public confidence after the COVID-19 crisis. These results underscore the growing importance of integrating ethical performance with financial efficiency as a strategic foundation for sustainable Islamic banking.

In the broader context of sustainable economic development, the research highlights that Islamic banks can play a pivotal role in promoting inclusive growth consistent with both Shariah principles and the United Nations Sustainable Development Goals (SDGs). The MSI embodies social and ethical performance dimensions that align with *SDG 8* (Decent Work and Economic Growth) and *SDG 10* (Reduced Inequalities). By operationalizing maqashid principles in financing, governance, and product innovation, Islamic banks can contribute not only to financial stability but also to social empowerment and equitable prosperity.

6.1 Policy Implications

The empirical and theoretical insights of this study lead to several key implications:

1. For policymakers and regulators, particularly the Otoritas Jasa Keuangan (OJK) and Bank Indonesia, the results highlight the need to integrate maqashid-based indicators, such as MSI, into the national Islamic finance performance framework. Beyond standard financial ratios, the inclusion of ethical and welfare dimensions would provide a more holistic assessment of Islamic banking sustainability. Regulators could also encourage greater transparency in non-financial disclosures related to zakat, social financing, and educational contributions.
2. For Islamic bank management, the study implies that profitability and maqashid objectives should not be pursued separately but strategically aligned. Profitability ensures institutional survival, while maqashid adherence provides moral legitimacy and long-term competitiveness. Managers are encouraged to allocate part of their earnings toward programs that directly advance education, justice, and welfare—thereby transforming ethical commitments into tangible development outcomes.
3. For academic researchers, the findings open avenues for future studies to explore how MSI interacts with other performance dimensions such as liquidity, risk management, and corporate governance. Expanding the analytical scope through panel data, structural equation modeling (SEM), or cross-country comparative studies could enrich understanding of the maqashid–profitability relationship. Further research might also investigate how integrating ESG (Environmental, Social, and Governance) frameworks with MSI can produce a standardized measure of Islamic sustainable finance.

In conclusion, this study provides empirical evidence that achieving sustainable profitability in Islamic banking requires harmonizing ethical purpose with financial performance. Profitability represents operational efficiency and managerial prudence, while maqashid compliance embodies justice, education, and welfare—together forming the foundation for *falah*, or holistic well-being. The Indonesian Islamic banking experience between 2018 and 2024 demonstrates that institutions grounded in *maqashid al-shariah* are better equipped to withstand crises, adapt to change, and contribute meaningfully to inclusive economic growth.

Ultimately, the maqashid–profitability synergy should not be viewed as a balance between competing goals, but as a convergence of means and ends within the broader vision of Islamic economics. When Islamic banks internalize maqashid as both a strategic compass and a performance benchmark, they transcend conventional financial intermediation to become true engines of sustainable and equitable development.

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