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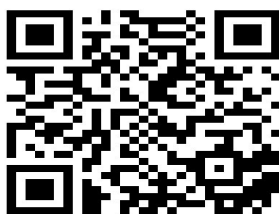
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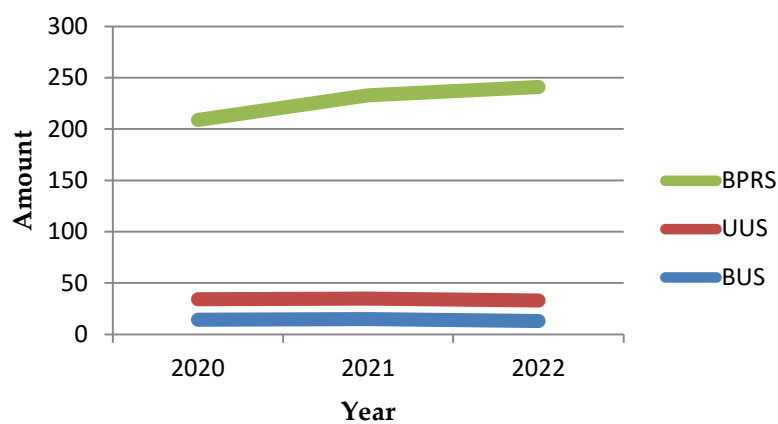
The Ethical Identity Index Based on Contemporary *Maqāṣid al-Sharī'ah* in Islamic Banking in Indonesia

Abstract: Ethical disclosure constitutes a central pillar of accountability in Islamic banking; however, existing measurement tools, particularly the Ethical Identity Index (EII), have not sufficiently captured recent developments in reporting practices within the Indonesian context. Prior studies predominantly employ static ethical frameworks, thereby limiting their responsiveness to evolving governance standards and contemporary interpretations of Islamic ethical principles. This study aims to address this gap by developing a Modified Sharia-Based Ethical Identity Index (MSBEII) grounded in Jasser Auda's contemporary *Maqāṣid al-Sharī'ah* framework, which emphasises a dynamic, multidimensional approach to Islamic ethics. This research adopts a quantitative design by analysing annual reports of Islamic banks in Indonesia and comparing ethical disclosure quality before and after the implementation of the MSBEII. The Wilcoxon signed-rank test is utilised to examine statistically significant differences between disclosure scores derived from the original EII and the modified index. The findings demonstrate a significant improvement in ethical disclosure scores following the application of the MSBEII, indicating that the modified index is more sensitive in capturing previously underrepresented ethical dimensions, particularly those related to governance transparency, social responsibility, and value-based compliance. These results confirm that integrating a contemporary *Maqāṣid al-Sharī'ah* perspective enhances the analytical depth and contextual relevance of ethical disclosure measurement. Theoretically, this study contributes to advancing the Islamic banking literature by bridging the gap between normative Islamic ethical frameworks and empirical assessment tools. Practically, the MSBEII provides a more comprehensive and adaptable instrument for regulators, standard-setters, and industry practitioners to strengthen governance quality and ethical accountability.

Keywords: Ethical Identity Index; Islamic Banking; *Maqāṣid al-Sharī'ah*; Sharia Compliance.

INTRODUCTION

As a developing country, Indonesia continues to conduct economic activities to support sustainable national development. The banking system is a part of the monetary system and acts as an intermediary, collecting and distributing customer funds to productive economic units.¹ The growth of Islamic banking in Indonesia is evident in the numerous Islamic financing institutions that have emerged in the country.² Based on statistical data published by the Financial Services Authority (OJK), the development of Islamic banking in Indonesia from 2020 to 2022 is depicted in Figure 1.



Source: Islamic Banking Statistics, OJK, 2022

Figure 1. Development of Indonesian Islamic banking

Figure 1 illustrates that Indonesia had 13 Islamic Commercial Banks (BUS), 20 Islamic Business Units (UUS), and 208 Islamic People's Financing Banks (BPRS) as of 2022. Nowadays, Islamic banking in Indonesia is at an early to middle stage in the mainstream market. This means that an early majority in the primary market is characterised by intense competition and rapid growth.

¹ Muhamad Abduh, Shaheen Bibi Ramjaun, and Muhamad Mustaqim, 'Bank Selection Criteria and ServQual Survey among muSlimS in Mauritius', *Qudus International Journal of Islamic Studies* 6, no. 2 (2018): 221-249, <https://doi.org/10.21043/qijis.v6i2.3756>.

² Hasan et al., 'Reassessing Islamic Banking Supervision in Indonesia: A Contemporary Islamic and Socio-Legal Perspective on OJK's Integrated Model', *MILRev: Metro Islamic Law Review* 4, no. 1 (June 2025): 619-644, <https://doi.org/10.32332/milrev.v4i1.10851>.

Banking, which functions as an intermediary in managing public funds, needs ethical standards. Furthermore, stakeholders also focus on ethical commitment because ethical awareness arises in response to concerns about unethical elements in the corporate sector, which can later serve as a general guideline.³ Thus, performance yields the best results when guided by strong ethical principles.⁴ Ethics are integral to every business or financial institution, and Islamic financial institutions are rooted in Islamic moral principles.⁵ Without ethics, it could be argued that Islamic banks would be no different from conventional banks.⁶

Islamic banking is a form of business whose operational activities are based on Islamic values.⁷ In business activities, Islam views a healthy business as one rooted in ethics.⁸ Therefore, businesspeople, especially those in Islamic banking, should adhere to a strong ethical framework to ensure their business practices are both comfortable and blessed.⁹ The normative foundation of Islamic business ethics comprises at least four essential elements in systemic ethics: monotheism, balance, free will, and accountability.¹⁰ These elements should be incorporated into Islamic banking's business activities to ensure they are considered ethical.

³ Tuan Azma, Fatiema Tuan, and Hafiza Aishah Hashim, *Ethical Values and Bank Performance : Evidence from Fi Nancial Institutions in Malaysia*, 11, no. 1 (2020): 233–256, <https://doi.org/10.1108/JIABR-11-2016-0139>.

⁴ Ahmad Dahlan, Mawardi Mawardi, and Shaifurrohman Mahfudz, 'The Crucial History of Sharia Banking Law Development in Indonesia', *Al-Manahij: Jurnal Kajian Hukum Islam* 17, no. 1 (April 2023): 27–40, <https://doi.org/10.24090/mnh.v17i1.7191>.

⁵ et al Turisno, 'Jurnal Hukum UNISSULA', *Journal of Law* 40, no. 1 (2020): 1–13.

⁶ Masyitah As Sahara and Doddy Setiawan, *The Effect of Ethical Values*, 3, no. 2 (2022): 34–42, <https://doi.org/10.22495/cbsrv3i2art3>.

⁷ Tunis Abu Bakr Rahman, Widad Mahdi Jasim, and Nooruldeen Mustafa Al-Gburi, 'Legal and Sharia Analysis of Commercial Paper Discounting and Islamic Banking Finance Alternatives', *Nusantara: Journal of Law Studies* 5, no. 1 (February 2026): 84–101, <https://doi.org/10.5281/zenodo.18676735>.

⁸ Ely Maskuroh, 'Kinerja Bank Syariah Dan Konvensional di Indonesia', in *Justitia Islamica*, no. 2, preprint, 2014, 11:187–218.

⁹ Abdul Hamid et al., *Implementasi Etika Islam Dalam Pemasaran Produk Bank Syariah*, 1, no. 1 (2019): 88–100.

¹⁰ Nurul Iman Maulana et al., *Islamic Business Ethics In Human Resources Management*, 3, no. 2 (2024): 71–79, <https://doi.org/10.51805/ijsbm.v3i2.210>.

Haniffa & Hudaib developed the Ethical Identity Index (EII) based on Sharia/Islamic and business ethics.¹¹ Their study assessed the suitability of Islamic banks, using annual reports from the 2002-2004 period published by Islamic banks in the Arabian Peninsula as the research samples. The EII comprises 78 components, organised into five themes. The themes included the company's values or basic philosophy, the provision of interest-free products and services, restrictions on transactions in accordance with Sharia, a focus on development and social goals, and the obligation to be reviewed by Islamic Supervisory Boards. The results showed that of the seven banks in the sample, only Bahrain Islamic Bank had a higher index of 0.65. Nevertheless, Hudaib and Haniffa observed Islamic banks only across the Arabian Peninsula, so that several components may be suitable only for use in Islamic banks in those regions.¹²

Additionally, several researchers have studied the ethical identity of Islamic banking in Indonesia. Still, the limitation is that they assessed ethical identity only by referring to the components used by Hudaib & Haniffa. However, the elements proposed by Hudaib & Haniffa cannot be implemented immediately, given several discrepancies with conditions in Indonesia, such as differences in culture from previous research samples.¹³ Furthermore, there are no regulations regarding ethical identity that Islamic banking regulators in Indonesia have explored. The disclosure of ethical identity plays a vital role because the trust and loyalty of fund owners help Islamic banks develop effective business strategies and advance.

Hamid has contributed to the evolution of EII in Islamic banking in Indonesia. His research was relatively interesting because he modified the items in the index dimension from 8 to 9 points, and the results showed that the difference was not statistically significant from the average. Nevertheless, his research was limited to assessing the results of the *Maqāsid al-Syarī'ah*-based Ethical Identity Index (MSBEII). Therefore, it becomes

¹¹ Roszaini Haniffa and Mohammad Hudaib, 'Exploring the Ethical Identity of Islamic Banks via Communication in Annual Reports', *Journal of Business Ethics* 76, no. 1 (2007): 97-116, <https://doi.org/10.1007/s10551-006-9272-5>.

¹² Haniffa and Hudaib.

¹³ Haniffa and Hudaib.

attractive for researchers to conduct further studies by modifying EII, deriving it from *Maqāṣid al-Syarī'ah*, and analysing its influence on the performance of Islamic banking in Indonesia.

Maqāṣid al-Syarī'ah is a concept that concerns the purposes of Islamic law. It serves as a guide for Muslims to understand the purpose of the Sharia for humanity.¹⁴ In the economic field, it serves as a paradigm and forms the basis for analysing economics, finance, and Islamic institutions. This relevance stems from the belief that *Maslahah* values must be developed and serve as a framework for evaluating the performance of Islamic economics, behavior, and financial institutions. Thus, using *Maqāṣid al-Syarī'ah* as a basis for assessing the performance of Islamic banks must be considered for use in banking management.¹⁵

Accordingly, prior research has been limited to measuring EII levels in Islamic banking, with several studies applying the exact dimensions used by Hudaib and Haniffa.¹⁶ Unlike prior studies, this research modified the EII items to align with the needs and current development of Islamic banking, drawing on the *Maqāṣid al-Syarī'ah* theory. This is necessary because the EII assessment proposed by Hudaib and Haniffa was outdated, as many changes have occurred in Islamic banking. Additionally, it establishes *Maqāṣid al-Syarī'ah* as the basis for MSBEII assessment, thereby strengthening the evaluation of Islamic ethics in Islamic banking.

Based on the background outlined above, this study is directed at addressing a single main research question: how can the modification of the Ethical Identity Index (EII) based on *Maqāṣid al-Syarī'ah* (MSBEII) better reflect Islamic ethical values and influence the performance of Islamic banking in Indonesia? This study holds both theoretical and practical significance. Theoretically, it contributes to the development of Islamic economics

¹⁴ Nur Aqila Mohd Zahari and Mohd Hafiz Safiai, 'Maqasid Sharia and the Biomedical Ethics of E-Cigarettes: A Contemporary Islamic Legal Assessment', *MILRev: Metro Islamic Law Review* 4, no. 1 (2025): 295–318, <https://doi.org/10.32332/milrev.v4i1.10398>.

¹⁵ Salah Alhammadi, Khaled O. Alotaibi, and Dzikri F. Hakam, *Analysing Islamic Banking Ethical Performance from Maqāṣid al-Syarī'ah Perspective: Evidence from Indonesia* *Analysing Islamic Banking Ethical Performance from Maqāṣid al-Syarī'ah*, 2022, <https://doi.org/10.1080/20430795.2020.1848179>.

¹⁶ Haniffa and Hudaib, 'Exploring the Ethical Identity of Islamic Banks via Communication in Annual Reports'.

by proposing a more comprehensive ethical evaluation framework by integrating *Maqāṣid al-Syarī'ah* into the measurement of ethical identity. Practically, the findings offer implications for regulators, practitioners, and stakeholders in formulating ethically grounded policies and strategies, while also enhancing transparency, accountability, and public trust in Islamic banking to support sustainable and equitable industry growth.

METHODOLOGY

This research utilised secondary data from the annual reports of Islamic banking for the period 2020-2023. The selection was based on the need for general banking information on the latest Islamic banking and on the relatively broad reach of previous research, which made general Islamic banking more likely to be implemented. The population in this study consisted of BUS and UUS registered with the Authority Service Finance (OJK), totalling 36, including 13 BUSs and 23 UUSs.

The samples were taken using a purposive sampling technique based on specific criteria. The criteria included: (a) BUSs and UUSs registered with OJK from 2020-2023; (b) BUSs and UUSs having accessible active official websites not under maintenance; (c) BUSs and UUSs having annual reports more than 5 years; and (d) availability of research data and reports published annually on the company website, as presented in Table 1.

Table 1. Availability of Research Data

No	Bank Name	Company Website	Annual Report
Name of Commercial Islamic Bank (BUS)			
1	Bank 1	√	-
2	Bank 2	√	-
3	Bank 3	√	-
4	Bank 4	√	√
5	Bank 5	√	√
6	Bank 6	√	√
7	Bank 7	√	√
8	Bank 8	√	√
9	Bank 9	√	√
10	Bank 10	√	√
11	Bank 11	√	√
12	Bank 12	√	-

13	Bank 13	√	√
Name of Islamic Business Unit (UUS)			
1	Bank 14	√	√
2	Bank 15	√	√
3	Bank 16	√	√
4	Bank 17	√	√
5	Bank 18	√	√
6	Bank 19	√	√
7	Bank 20	√	√
8	Bank 21	√	√
9	Bank 22	√	√
10	Bank 23	√	√
11	Bank 24	√	√
12	Bank 25	√	√
13	Bank 26	√	√
14	Bank 27	√	√
15	Bank 28	√	√
16	Bank 29	√	√

Source: Statistics of Islamic Banking, OJK, 2023, processed

Table 1 reveals that from 13 Commercial Islamic Banks and 16 Islamic Business Units, only 9 BUSs and 16 UUSs were suitable for use as research data. The banks that did not meet the study criteria were excluded because they did not show an annual report on their website. They were Bank 1, Bank 2, Bank 3, and Bank 12, as they were identified in the research data.

Maqashid Shariah by Jasser Auda can be used as a company measurement plan, with tangible elements that can be operationalised and measured. Five goals from *Sharia* include *hifdz al-din* (guarding one's faith), *hifdz al-maal* (protecting one's wealth), *hifdz al-nafs* (guarding one's soul), *hifdz al-nasl* (guarding one's descendants), and *hifdz alaql* (guarding one's intellect).¹⁷ These are *Sharia* concepts (C), which can then be contextualised in light of contemporary needs (D). Dimensions are first split into elements (E) and then into indicators (I). The difference with other measurement indices is that the results of this

¹⁷ Mesi Herawati, 'Analyzing the Islamic Securities Crowdfunding System through the Lens of Maqashid Sharia', *Jurnal Ilmiah Mizani* 11, no. 2 (2024): 464-475, <https://doi.org/10.29300/mzn.v11i2.4785>.

measurement will later be included in indicators aligned with contemporary needs, as a logical consequence of the meaning it conveys.

The operationalisation of design research translated Auda's *Maqāṣid Syariah* model by drawing on indicators from previous research. Table 1 displays how each item mark can be entered in the MSBEII calculation using Equation 1.

$$MSBEII_j = \frac{\sum_{i=1}^{n_j} X_{ij}}{n_j} \quad (1)$$

Information:

$MSBEII_j$: *Maqāṣid al-Syarī'ah-Based Ethical Identity Index*

n_j : amount points expressed assessment by Islamic bank j, value $n_j \leq 100$ and

$X_{ij} = 1$, so mark $MSBEII$ is $0 \leq MSBEII_j \leq 1$.

RESULTS AND DISCUSSION

Ethical Identity Index Parameters

EII is a measure of Islamic banking's commitment to conducting its operations in accordance with Sharia, or Islamic law.¹⁸ EII indicators can potentially influence the performance of Islamic banks and measure their compliance with Islamic rules. Status, attitude, and dedication to business are reflected in one's identity ethics¹⁹. Higher ethical standards indicate a better financial industry that complies with Islamic principles. Additionally, it also supports positive perceptions from stakeholders. Enhancing the company's image and reputation can help Islamic banks achieve better performance, ultimately leading to the expected financial results.²⁰

EII can be interpreted as a technique for comparing the information that should be disclosed with the information disclosed by Islamic banks in their annual reports, in line

¹⁸ Haniffa and Hudaib, 'Exploring the Ethical Identity of Islamic Banks via Communication in Annual Reports'.

¹⁹ Rafik Issa Beekun, 'Islamic Business Ethics', in *Islamic Business Ethics* (2019), <https://doi.org/10.2307/j.ctvk8w1zv.4>.

²⁰ Zenubia Maulida, *Shariah Conformity Dan Profitability: Apakah Ethical Identity Berpengaruh Di Bank Syariah?*, 9, no. 2 (2021): 113–130.

with Islamic ethical values.²¹ According to Hudaib & Haniffa, EII is the index used to evaluate the level of difference between communicated ethical identity and ideal ethical identity. Communicated ethical identity refers to the corporate identity closely tied to the company's image and reputation. In contrast, the ideal ethical identity is the stakeholder identity that is assumed to be the optimal corporate identity.²²

Communicated ethical identity in the study of Hudaib & Haniffa sourced from the annual Islamic banking reports for 2002-2003. The reports served as a basis for assessing the communicated ethical identity, as they provided an overview of the Islamic bank management's thinking during a specific period. Another reason was their significant influence, enabled by their wide distribution, which allowed more stakeholders to access and utilise them. Meanwhile, the ideal ethical identity for Islamic banks is guided by Islamic teachings, which serve as an internal benchmark for business operations, enabling them to achieve optimal business goals.

Modification of Parameters Index with Contemporary *Maqāṣid al-Sharī'ah* Theory

The development and improvement of Islamic financial institutions have been criticised for prioritising the commercial over the social aspects of Muammalah (*Maqāṣid*) in Islamic economics, which aims to achieve *Maslahah* (human welfare).²³ Conventional benchmarks have been unable to measure the performance of Islamic banking accurately. Therefore, benchmarking measuring instruments based on *Maqāṣid* is necessary to assess the performance of Islamic banks.²⁴ Hence, Islamic banking practices must follow its ideals, combining commercial and social interests, individual and public interests, and worldly and afterlife goals.²⁵

²¹ Lince &. Muh Ruslim Akbar Bulutoding, 'Perbandingan Kinerja dan Pengungkapan Etika Islam PA', *ALMASHRAFIYAH: Jurnal Ekonomi, Keuangan Dan Perbankan Syariah* 2, no. 1 April (2018): 27-41.

²² Haniffa and Hudaib, 'Exploring the Ethical Identity of Islamic Banks via Communication in Annual Reports'.

²³ Astrid Fionna Harningtyas, *Developing Maqasid Al-Shari'ah Index to Evaluate Social Performance of Islamic Banks: A Conceptual and Empirical Attempt*, no. 1 (2015): 5-64.

²⁴ Yusida Fitriyati et al., *Nurani*: 25, no. 1 (2025).

²⁵ Dini Maulana Lestari, 'Analisis Jaminan Pada Pembiayaan Muḍārabah Dalam Perspektif *Maqāṣid Al-Sharī'Ah*', *Al-Manahij: Jurnal Kajian Hukum Islam* 13, no. 2 (2019): 217-227, <https://doi.org/10.24090/mnh.v13i2.1679>.

Mohammed et al. & Alharbi stated that the formal assessment of Islamic bank performance has not yet been conducted. Hence, effort and breakthrough are required to develop a draft measurement of the Islamic bank's performance. This statement is supported by differences in the purposes of Islamic and conventional banks, so the performance assessment must also differ. The evaluation of Islamic banking performance based on *Maqāṣid* must begin with the application of Islamic *Maqāṣid* in the financial realm.²⁶ This refers to the framework and objectives of Islamic finance, implying that financial transactions must be conducted within the Islamic economic system. The frameworks include the smooth circulation of wealth, fair and transparent financial practices, and justice at the micro and macro levels. The facilities developed in accordance with Sharia include financial contracts, value standards, and a sense of responsibility, which can be reflected in the *Maqāṣid al-Syarī'ah* index.²⁷

This study modified the EII in line with the Contemporary *Maqāṣid al-Syarī'ah* theory. Hudaib and Haniffa (2017) previously formulated the EII based on the *Maqāṣid al-Shariah* in a general manner. This study explored the application of the Contemporary *Maqāṣid al-Syarī'ah* theory, developed by Jasser Auda. Auda is a contemporary Muslim scholar who has reconstructed the *Maqāṣid al-Syarī'ah*. Jasser Auda's efforts to rebuild *Maqāṣid al-Syarī'ah* deserve appreciation. Auda criticised the traditional *Maqāṣid al-Shariah*, which is oriented towards two areas: protection and preservation. According to Auda, the reconstruction of *Maqāṣid* Syariah should not only move towards these two goals but also be more oriented towards development and the right to reproduction. The approach used is considered suitable for addressing contemporary issues.

This study applied Contemporary *Maqāṣid al-Syarī'ah*, as outlined by Jasser Auda, as a parameter for compiling the modifications to EII. The researchers explored the *Maqāṣid* theories from the classical period, such as *Maqāṣid al-Syarī'ah* by Syatibi, known as the

²⁶ Mulizar, Asmuni, and Dhiauddin Tanjung, 'Maqashid Sharia Perspective of Legal Sanction for Khalwat Actors in Aceh', *Al-Istinbath: Jurnal Hukum Islam* 7, no. 1 (2022): 161-182, <https://doi.org/10.29240/jhi.v7i1.3587>.

²⁷ Mohamad Akram Laldin and Hafas Furqani, *The Foundations of Islamic Finance and The Maqāṣid Al-Sharī'ah Requirements*, 2, no. 1 (2013): 31-37.

Father of *Maqāṣid*. According to Auda's economic theory, the *Maqāṣid* approach is more appropriate for modifying the EII, as it aligns with current developments. According to Jasser Auda, al-Syatibi's *Maqāṣid al-Syarī'ah* presents a rigid, narrow, and hierarchical pattern. At certain levels, it does not have a positive impact on the development of Islam, particularly in the realm of Islamic law. In introducing and discussing Islamic law, focusing solely on Sharia or useful Fiqh is not enough. However, it should also be approached from several interdisciplinary perspectives. Furthermore, Auda proposed a method, in the form of a systems approach to learning *Maqāṣid al-Syarī'ah*, as a philosophy of Islamic law.

Formulation of *Maqāṣid Syariah-Based Ethical Identity Index* (MSBEII)

The *Maqāṣid Syariah-Based Ethical Identity Index* (MSBEII) is a new name chosen by the authors to refer to the modified formulation of the EII, initially proposed by Hudaib and Haniffa (2007). The EII modification was based on Jaser Audah's *Maqāṣid Syariah*. The formulated MSBEII was then used in trials to assess Islamic ethical identity in Islamic banking in Indonesia during the 2020-2023 period. By applying the *Maqāṣid al-Syarī'ah* theory as an approach to Islamic law, Jasser Auda identified six key features as analytical tools, including cognitive nature, wholeness, openness, interrelated hierarchy, multidimensionality, and purposefulness. Further, Auda divided the *Maqāṣid* hierarchy into three categories, including *Maqāṣid al'Ammah* (General *Maqāṣid*), *Maqāṣid Khassah* (Specific *Maqāṣid*), and *Maqāṣid Juz'iyah* (Partial *Maqāṣid*). General *Maqāṣid* is a Concept that encompasses all the *Maslahah* contained in Tasyri's behaviour, which is universal. It comprises justice, equality, tolerance, and convenience, including aspects of *Dharuriyyat* in the Classical *Maqāṣid*.²⁸ Specific *Maqāṣid* are related to *Maslahah* in certain issues, such as the prohibition of harming women in the family and cheating in trade.²⁹ Meanwhile, partial *Maqāṣid* is the core *Maqāṣid* in a legal incident. This *Maslahah* is also referred to as wisdom

²⁸ Risma Nur Arifah, Siti Zulaichah, and M. Faiz Nasrullah, 'Membuka Rahasia Bank Dalam Pembagian Harta Bersama Perspektif Maqashid Syariah', *De Jure: Jurnal Hukum Dan Syar'iah* 11, no. 2 (2019): 113-127, <https://doi.org/10.18860/j-fsh.v11i2.7999>.

²⁹ Oluwaseun Adeyemi Ogunleeye, 'Advancing Vocational Education and Skills Development to Meet Modern Workforce Demands Effectively', *Nusantara Education* 5, no. 1 (March 2026): 13-28, <https://doi.org/10.66325/nusantaraeducation.v5i1.255>.

or a secret. One example of *Maqaṣid* is the need for honesty and a strong memory when testifying.³⁰

The assessment points on the MSBEII in this research comprised 10 dimensions. The first dimension was the vision and mission statement, with the same assessment points as in the previous EII, plus two new ones. The additional points comprised commitment to employee development and engagement in entrepreneurial activities. In recognition of the commitment to employee development, this assessment point was based on Jaser Auda's *Maqaṣid al-Syarī'ah* parameters, which stipulate clear procedures for the community. The methods require employees and their representatives to carry out their duties in accordance with the code of business ethics, which requires them to act fairly and honestly. According to Auda, human resource development should be one of the themes for the benefit of people today and should become one of Sharia's primary goals (*Maqaṣid*), which are realised through Islamic law. Thus, the realisation of *Maqaṣid* can be measured empirically by using the UN version of human resource development targets, in line with current scientific standards, as referred to in other *Maqaṣid al-Syarī'ah*. This assessment point refers to the implementation of *hifdz al-nasl*, specifically protection for descendants, as reflected in the development of human resources in Islamic banking.

The vision and mission of Islamic banking are not only to achieve company profitability and the superiority of its resources. Furthermore, a commitment to entrepreneurial activities was an additional assessment criterion important to evaluate in Islamic banking. A bank is a financial institution that collects and distributes public funds and facilitates trade transactions. Small, Medium, and Micro Enterprises (SMMEs) are among the forces driving economic growth. MSMEs are currently experiencing rapid development, providing Islamic banking with an opportunity to contribute to the economic development of these regions. According to Muhammad, Islamic banks operate on a profit-sharing basis, without interest, enabling them to meet the capital needs of small

³⁰ Solikhah Solikhah et al., 'Reformulating Islamic Digital Finance Regulation in the Contemporary Era: Toward Inclusive and Sustainable Development in Indonesia', *Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi Dan Keagamaan* 12, no. 2 (December 2025): 789-802, <https://doi.org/10.29300/mzn.v12i2.9649>.

entrepreneurs. The efforts of Islamic banks to provide loans are not only for individuals with excess funds but also aim to provide capital to low-income individuals to help them develop their businesses. It is expected that the targets, which are poor communities with the potential to develop their businesses, can optimise their existing resources. This assessment point is an implementation of *hifdz al-maal*, namely, the protection of assets. This means that Islamic banking helps protect Muslims' assets by financing the MSME sector.

The second dimension was the Board of Commissioners (BOC). It added dimension by separating this dimension from the Board of Directors (BOD), whereas in the previous index (EII), they were treated as a single unit. In Indonesia, a distinction is made between the BOC and BOD in banking. The assessment items were the same as those in the last index, with an additional 6 points. First was the commissioner's report, for which there was no assessment in the EII, despite this assessment item being essential to the financial report. This is because the commissioner's report explains the results of the supervisory function through internal meetings held by the BOC, as well as discussions with committees and joint meetings with the BOD. The BOC reviews financial reports related to banking activities and various information. Additionally, it aligns multiple corrective and preventive actions to enhance the performance of the banking business. The transparency and goals of this company illustrate the existence of *Maqāṣid al-Syarī'ah* and *hifdz al-din*.

The second assessment item was the BOC's statement on responsibility for the annual report, for which this point was not assessed in EII. The third item was the working experience of commissioner members. This assessment point was added in connection with the evaluation of the commissioner's principal capabilities. The benchmarking was conducted by reviewing the work experience of all board directors across all banks. The highest level of work experience served as a benchmark for other commissioners. The fourth item was the number of course attendances, where this assessment point was explicitly for commissioners. This assessment point was also added concerning the Islamic bank commissioners' capability principle. Comparisons will be made between Islamic bank commissioners.

Furthermore, the fifth item was the number of awards, which was also assessed explicitly for commissioners. This point was also related to the commissioner's capabilities. Meanwhile, the awards here were for the commissioner's work. The awards received by a commissioner reflect the recognition of the commissioner's capabilities in a particular field by the award-giver. Finally, the sixth item was the number of conference attendances, specifically for assessing commissioners. This point is also connected to the principle of capability, which holds that commissioners' participation in a conference can provide them with new knowledge.

Next, the third dimension of the MSBEII was the BOD, which was separated from Top Management. Like the BOC, the assessment items of this dimension consisted of 6 points. Next, the fourth dimension was Top Management, with the same assessment points as the previous EII. Furthermore, the fifth dimension was labelled 'product,' with two additional assessment points for this component. The first point concerned the products' operations and procedures, which complemented the product definition assessment. This assessment point was added in accordance with the principle of informing clients. The required information included the type of product offered, how to obtain it, and for whom the product was intended. Next, the second assessment point was providing information via the company's website. This was also an additional assessment point to fulfil the principle of information to clients. Websites are information media that have the most expansive access capabilities. By providing information on the website, it is hoped that the information clients obtain will be helpful.

The sixth dimension comprised zakah, charity, and benevolent loans, and used the same assessment points as the previous EII. The seventh dimension was employees; the assessment points were the same as the previous EII. The eighth dimension was debtors, with assessment points identical to those in the previous EII. The ninth dimension, called Community, had two assessment points. There was one additional point from the previous EII and one new assessment point replacing the prior point. The latest point was a Special

branch that replaced the women's branch assessment points.³¹ The Special Branch serves explicitly specific markets, particularly those targeting the lower middle class, such as MSMEs. Here, the women's branch assessment points were excluded because they were not appropriate to the Indonesia context. Furthermore, this assessment criterion was added to ensure compliance with Islamic principles, specifically regarding Islamic banks' contributions to society. The second point was the empowerment of people in need or MSMEs. This point is crucial because it aligns with the current role of Islamic banking in supporting MSME activities. This point is also closely related to Islamic identity and its social contribution. The last or tenth dimension was the Islamic Supervisory Board, which had the same assessment points as in the previous EII.

The calculation results for EII of BUSs and UUSs have been modified based on the theory of *Maqāṣid al-Syarī'ah* Jaser Auda, later known as MSBEII. The results showed the differences in scores and rankings of each bank over four years. The following table presents the EII and MSBEII index assessments for BUS and UUS from 2020 to 2023.

Table 2 Assessment of the EII and MSBEII indexes of BUS and UUS in 2020-2023

Bank	Year	Index Result					
		EII	MSBEII				
Bank 3	2020	0,92	0,89		2021	0,94	0,91
	2021	0,94	0,90		2022	0,94	0,92
	2022	0,95	0,93	Bank 7	2023	0,94	0,93
	2023	0,96	0,96		2020	0,83	0,78
Bank 4	2020	0,88	0,85		2021	0,91	0,86
	2021	0,92	0,89		2022	0,91	0,89
	2022	0,95	0,93	2023	0,94	0,93	
	2023	0,96	0,96	Bank 8	2020	0,87	0,83
Bank 5	2020	0,86	0,82		2021	0,88	0,85
	2021	0,9	0,86		2022	0,88	0,87
	2022	0,9	0,88		2023	0,94	0,92
	2023	0,9	0,90	Bank 9	2020	0,85	0,81
Bank 6	2020	0,9	0,90		2021	0,86	0,83
					2022	0,86	0,86
					2023	0,86	0,86

³¹ Sumadi Sumadi, 'Care Ethics of Women as Institutionalization of Equality and Peace Building at Grassroots Level in West Java', *Ijtihad : Jurnal Wacana Hukum Islam Dan Kemanusiaan* 18, no. 1 (2019): 57, <https://doi.org/10.18326/ijtihad.v18i1.57-80>.

Bank 10	2020	0,82	0,79
	2021	0,88	0,85
	2022	0,88	0,87
	2023	0,9	0,91
Bank 11	2020	0,78	0,74
	2021	0,86	0,81
	2022	0,87	0,86
	2023	0,9	0,90
Bank 13	2020	0,76	0,74
	2021	0,79	0,77
	2022	0,83	0,83
	2023	0,85	0,86
Bank 14	2020	0,73	0,72
	2021	0,68	0,68
	2022	0,81	0,81
	2023	0,82	0,83
Bank 15	2020	0,67	0,65
	2021	0,73	0,71
	2022	0,79	0,80
	2023	0,79	0,81
Bank 16	2020	0,72	0,72
	2021	0,71	0,71
	2022	0,76	0,78
	2023	0,78	0,80
Bank 17	2020	0,68	0,67
	2021	0,71	0,69
	2022	0,73	0,75
	2023	0,76	0,78
Bank 18	2020	0,69	0,68
	2021	0,69	0,69
	2022	0,73	0,75
	2023	0,73	0,75
Bank 19	2020	0,67	0,66
	2021	0,71	0,70
	2022	0,74	0,77
	2023	0,76	0,78

Bank 20	2020	0,67	0,67
	2021	0,71	0,70
	2022	0,73	0,75
	2023	0,74	0,77
Bank 21	2020	0,67	0,67
	2021	0,71	0,70
	2022	0,72	0,75
	2023	0,73	0,76
Bank 22	2020	0,64	0,64
	2021	0,67	0,66
	2022	0,73	0,75
	2023	0,72	0,74
Bank 23	2020	0,67	0,66
	2021	0,67	0,66
	2022	0,71	0,73
	2023	0,71	0,73
Bank 24	2020	0,67	0,66
	2021	0,69	0,68
	2022	0,72	0,74
	2023	0,72	0,74
Bank 25	2020	0,67	0,66
	2021	0,71	0,69
	2022	0,72	0,74
	2023	0,72	0,74
Bank 26	2020	0,67	0,66
	2021	0,67	0,66
	2022	0,72	0,74
	2023	0,73	0,75
Bank 27	2020	0,67	0,66
	2021	0,67	0,66
	2022	0,72	0,74
	2023	0,72	0,74
Bank 28	2020	0,69	0,68
	2021	0,69	0,68
	2022	0,72	0,74
	2023	0,71	0,73

Source: 2024, Data processed

For statistical testing, the author used the Wilcoxon test to assess the magnitude of the difference between EII and MSBEII values in Islamic banking in Indonesia, as presented in Table 3.

Table 3. MSBEII and EII Results using the Wilcoxon

MSBEII - EII	
Z	-1.768 ^b
Asymp. Sig. (2-tailed)	.077

Source: Primary Data 2024 (Processed)

Table 3 shows the calculated Z results of -1.768 and a sig of 0.077. This implies that the sig value was greater than 0.05 (5% error rate), indicating that there was no significant difference between MSBEII and EII (see Table 4 for more details).

Table 4. Wilcoxon Rank Test Results

Information	N	Mean Rank	Sum of Ranks
MSBEII - EII	Negative Ranks	53	2176.00
	Positive Ranks	31	1394.00
	Ties	16	
Total	100		

Source: Primary Data 2024 (Processed)

Based on the results of the Wilcoxon test (Table 4), the mark negative or difference in the EII indicators at 9 BUS and 16 BUS before and after modification was 53. It implies that the EII indicators of 9 BUSs and 16 BUUSs declined. The average EII value or Mean Rank increase was 41.06, and the Sum of Ranks was 2176.00. The positive difference in the EII indicator value before and after modification was 31. It shows that after showing the total scores, MSBEII was better than EII. Further, Table 4 presents that the Mean Rank of the Positive Ranks was 44.97. The result of the Wilcoxon test in Table 4 shows a sign of similarity in the EII values before and after modification. The

Ties results of the EII value test were 16. The results indicate that the EII values of 9 BUSs and 16 UUSs were similar during the 2020-2023 period, both before and after 16 units modified the EII indicator.

These results support the argument that the MSBEII has been modified to be more relevant to the context of Islamic banking in Indonesia, thus providing advantages in certain aspects not covered by the EII. Islamic banks represent a new model that applies Islamic ethical principles to corporate operations.³² Therefore, research on Islamic banks will yield insights into religious business ethics.³³ Islamic banks are among the companies that declare they operate in accordance with Islamic values, and the Sharia Supervisory Board always oversees their operations.³⁴

The MSBEII more accurately reflects the conditions and reporting practices prevalent in Indonesian Islamic banking, which the standard EII may not fully capture. This aligns with the principle that measurement tools should be relevant to the context in which they are applied. In research or evaluation, it is often essential to have pertinent indicators for the local context. These modifications indicate that the MSBEII is more accurate in assessing ethical aspects specific to Islamic banking in Indonesia.³⁵

The results of the Wilcoxon test indicate that MSBEII, despite some weaknesses, provides better results in specific contexts. When the MSBEII shows improvements (positive ranks), they are more significant, indicating that this modification has successfully increased the relevance and accuracy of assessing the ethical performance of Islamic banking in Indonesia.

This study introduces the MSBEII, an index derived from the EII of Haniffa & Hudaib (2007), which is expected to address the need for ethical identity assessment in Islamic banking in Indonesia. The MSBEII is a response to emerging issues of business ethics in Islamic banking. The findings of this study can serve as a basis for developing

³² Haniffa and Hudaib, 'Exploring the Ethical Identity of Islamic Banks via Communication in Annual Reports'.

³³ Azma, Tuan, and Hashim, *Ethical Values and Bank Performance: Evidence from Financial Institutions in Malaysia*.

³⁴ Alhammadi, Alotaibi, and Hakam, *Analysing Islamic Banking Ethical Performance from Maqāṣ Id Al-Sharī'ah Perspective: Evidence from Indonesia* *Analysing Islamic Banking Ethical Performance from Maqāṣid*.

³⁵ Hamid et al., *Implementasi Etika Islam Dalam Pemasaran Produk Bank Syariah*.

government policies to strengthen the ethical identity of Islamic banking, particularly to support entrepreneurial activities that comply with Sharia principles.³⁶ This is crucial to ensure that Islamic banking activities align with Islamic ethics in mediating public funds. This study recommends that Islamic banks adopt the MSBEII formula to disclose their ethical identity. This is expected to help Islamic banks improve transparency and accountability, thereby strengthening public trust in Islamic financial institutions.³⁷

CONCLUSION

This study confirms that transforming the Ethical Identity Index (EII) into the Modified Sharia-Based Ethical Identity Index (MSBEII) constitutes a meaningful advancement in measuring Islamic ethical disclosure in Indonesian Islamic banking. By incorporating the contemporary *Maqāṣid al-Sharī'ah* framework as articulated by Jasser Auda, the MSBEII successfully overcomes the rigidity of earlier measurement models and responds to the growing complexity of ethical, governance, and accountability expectations. The revised index expands the scope of ethical assessment by introducing more nuanced dimensions and indicators, enabling a holistic, context-sensitive evaluation of disclosure practices. Empirically, the findings reveal that although several ethical dimensions are consistently disclosed across institutions, disparities remain evident, particularly in top management commitment, institutional positioning, and the projection of ethical identity. The consistently strong performance of one bank demonstrates that ethical disclosure is closely linked to leadership orientation, governance quality, and strategic communication. In contrast, variations among other banks indicate persistent structural and institutional challenges that hinder the uniform implementation of ethical standards. Furthermore, the statistically significant improvement in disclosure quality between 2020 and 2023 highlights a positive trajectory in the industry, suggesting that Islamic banks are increasingly responsive to evolving ethical expectations and reporting standards.

³⁶ Latifah Dewi Nurrodiah et al., *Assyarikah: Journal Of Islamic Economic Business FEBI Institut Dirosat Islamiyah Al-Amien Prenduan Pendahuluan*, 05, no. 01 (2024): 79–99.

³⁷ Nurrodiah et al.

Beyond its empirical contribution, this study offers important theoretical and practical implications. The MSBEII not only strengthens the conceptual linkage between Islamic ethical principles and measurable disclosure practices but also provides a practical instrument for regulators, standard-setters, and industry practitioners to enhance transparency, accountability, and governance quality. Future research is encouraged to extend this framework by incorporating cross-country comparisons, integrating qualitative assessments of managerial intent, and exploring the relationship between ethical disclosure and financial performance or stakeholder trust. Additionally, longitudinal studies with broader datasets may further validate the adaptability and predictive value of the MSBEII in diverse regulatory environments.

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AUTHOR CONTRIBUTIONS STATEMENT

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CONFLICT OF INTEREST

The authors declare that there are no conflicts of interest in relation to this research. The study was conceived, conducted, and prepared independently, and no financial, institutional, or professional relationships influenced the research design, data collection, analysis, interpretation, or conclusions. All materials and information were obtained and used in accordance with applicable academic ethical standards. The views

and findings presented in this article represent the authors' own scholarly assessment and are free from external interference, ensuring the integrity and credibility of the study.

AI USAGE STATEMENT

AI tools were used solely for language editing and formatting. All ideas, analyses, interpretations, and conclusions are entirely the authors' own, and all AI-assisted outputs were reviewed to ensure academic integrity.

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