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Does Sharia Audit Quality Strengthen Maqasid-Based Performance in Indonesian Islamic Banks?

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ABSTRACT

This study investigates the influence of Sharia audit quality on Maqasid-based performance in Indonesian Sharia banks from the perspective of customers. The study adopts a quantitative explanatory research design using primary data collected from 100 customers of Indonesian Sharia banks through a structured questionnaire based on a five-point Likert scale. Purposive sampling was employed to select respondents who had sufficient experience using Islamic banking services. Data were analyzed using SPSS version 25, including descriptive statistics, validity and reliability tests, classical assumption tests, simple linear regression analysis, coefficient of determination (R^2), and hypothesis testing using the t-test. The findings indicate that all measurement items are valid and reliable, with Cronbach's Alpha values of 0.889 for Sharia audit quality and 0.901 for Maqasid-based performance. The regression analysis reveals that Sharia audit quality has a positive and statistically significant effect on Maqasid-based performance ($\beta = 0.713$; $t = 10.488$; $p < 0.001$). Furthermore, the coefficient of determination ($R^2 = 0.528$) indicates that Sharia audit quality explains 52.8% of the variation in Maqasid-based performance. These findings suggest that competent, independent, and effective Sharia auditing enhances transparency, accountability, ethical governance, and compliance with Islamic principles, thereby strengthening the achievement of Maqasid al-Shariah within Indonesian Islamic banking institutions. This study contributes to the Islamic banking literature by providing empirical evidence that strengthening Sharia audit practices is essential for improving governance quality and reinforcing customer confidence in achieving Maqasid-oriented organizational performance.

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1. INTRODUCTION

The rapid expansion of Islamic banking has transformed the global financial industry by providing financial services that integrate commercial objectives with Islamic ethical principles. Unlike conventional banking institutions that primarily emphasize profitability and shareholder value, Islamic banks are expected to achieve broader socio-economic objectives based on the principles of Maqasid al-Shariah. These objectives include the preservation of religion (hifz al-din), life (hifz al-nafs), intellect (hifz al-'aql), lineage (hifz al-nasl), and wealth (hifz al-mal), all of which collectively promote justice, transparency, equitable wealth distribution, and sustainable economic development [1], [2]. Consequently, evaluating the performance of Islamic banks requires measurement frameworks that extend beyond conventional financial indicators by incorporating compliance with Sharia principles and contributions to societal welfare [3], [4]. In this context, governance mechanisms that ensure adherence to Islamic principles become increasingly important for maintaining the legitimacy and long-term sustainability of Islamic financial institutions. Among these governance mechanisms, Sharia auditing plays a central role in ensuring that banking operations consistently comply with Islamic law. A Sharia audit represents an independent and systematic evaluation process designed to assess whether banking activities, financial products, contractual arrangements, and operational procedures conform to Sharia requirements [2], [5]. Unlike conventional financial audits, which primarily focus on the reliability of financial reporting, Sharia audits evaluate compliance with fatwas, ethical standards, religious accountability, and Islamic governance principles [6], [7]. The effectiveness of this function depends largely on audit quality, which encompasses auditor competence, independence, objectivity, adherence to auditing standards, the effectiveness of audit procedures, and the implementation of audit recommendations. High-quality Sharia audits strengthen internal control systems, reduce Sharia non-compliance risks, enhance organizational accountability, and reinforce stakeholder confidence, whereas inadequate audit quality may undermine institutional credibility and weaken public trust in Islamic financial institutions.

Indonesia provides an important context for examining these issues because it hosts the world's largest Muslim population and has become one of the fastest-growing markets for Islamic financial services. Over the past decade, Indonesian Islamic banks have experienced substantial growth in assets, financing portfolios, and customer participation, supported by regulatory reforms, government initiatives, and increasing public awareness of Sharia-compliant finance [8]. Despite this encouraging development, Islamic banks continue to face significant challenges in strengthening governance quality, maintaining transparency, and demonstrating that their operational practices genuinely reflect Islamic values rather than merely satisfying regulatory requirements. Accordingly, evaluating organizational performance solely through financial outcomes is insufficient, as Islamic banking institutions are expected to balance commercial success with broader social and ethical responsibilities in accordance with Maqasid al-Shariah [9].

Although previous studies have extensively examined Islamic corporate governance, Sharia compliance, and financial performance, empirical evidence regarding the relationship between Sharia audit quality and Maqasid-based performance remains limited. Existing literature has predominantly emphasized governance mechanisms such as the Sharia Supervisory Board, corporate governance structures, financial efficiency, or compliance reporting, while relatively little attention has been devoted to understanding whether the quality of Sharia auditing contributes to the achievement of Maqasid al-Shariah.

Furthermore, most prior studies rely heavily on secondary financial information or institutional reports, which provide limited insight into how governance quality is perceived by customers. Since customers directly experience banking services and evaluate institutional transparency, fairness, ethical conduct, and compliance with Islamic principles, their perceptions represent an important yet underexplored dimension in assessing whether effective Sharia governance translates into stronger Maqasid-based organizational performance.

The limited integration of customer perspectives represents a significant research gap because customer trust constitutes one of the most valuable strategic assets for Islamic banks. Customers' evaluations of Sharia audit quality influence their confidence in institutional integrity, their perceptions of religious compliance, and their willingness to maintain long-term relationships with Islamic financial institutions. Therefore, examining governance effectiveness through customer perceptions offers a more comprehensive understanding of institutional legitimacy than relying exclusively on financial indicators or internal governance disclosures. Addressing this gap is particularly relevant in Indonesia, where increasing competition among Islamic banks requires governance practices that not only satisfy regulatory expectations but also strengthen public confidence through demonstrable adherence to Islamic principles.

In response to these gaps, this study investigates the influence of Sharia audit quality on Maqasid-based performance among Indonesian Islamic banks using customer perception data. By positioning customers as key evaluators of governance quality, this study extends the literature on Islamic corporate governance beyond conventional institutional and financial perspectives. The findings are expected to contribute theoretically by integrating Sharia audit quality into the Maqasid al-Shariah performance framework from a stakeholder perspective. Practically, the results provide evidence for Islamic banks, regulators, Sharia Supervisory Boards, and policymakers regarding the importance of strengthening Sharia audit practices to enhance governance effectiveness, reinforce customer trust, and improve organizational performance that fulfills both financial objectives and the broader socio-economic mission of Islamic banking.

2. LITERATURE REVIEW

2.1 *Sharia Audit Quality*

Sharia auditing evaluates whether the operations, products, transactions, contracts, and governance practices of Islamic financial institutions comply with the Qur'an, Sunnah, fatwas, and applicable Sharia regulations. Unlike conventional auditing, it integrates financial and religious accountability and supports transparency, ethical conduct, and stakeholder confidence [2], [5]. Sharia audit quality reflects the effectiveness of auditors in identifying and reporting non-compliance while maintaining competence, independence, integrity, objectivity, and professional ethics. High-quality audits strengthen internal controls, reduce Sharia non-compliance risk, improve institutional credibility, and support sustainable banking performance, whereas weak audits may result in reputational damage, financial losses, and declining public trust. AAOIFI and IFSB also emphasize that Sharia audits should be conducted through independent review mechanisms by auditors with expertise in accounting and fiqh muamalah. Therefore, auditor competence, independence, ethical conduct, effective audit procedures, timely reporting, and the implementation of recommendations are essential for strengthening governance and accountability in Islamic financial institutions [2], [7], [10].

2.2 *Maqasid-Based Performance*

The concept of Maqasid al-Shariah refers to the higher objectives of Islamic law aimed at promoting human welfare and achieving prosperity in both worldly and spiritual dimensions through the protection of religion (hifz al-din), life (hifz al-nafs), intellect (hifz al-'aql), lineage (hifz al-nasl), and wealth (hifz al-mal). In Islamic banking, Maqasid-based performance extends beyond profitability and efficiency by incorporating social responsibility, ethical conduct, equitable wealth distribution, education, customer welfare, and public interest. [9] operationalized these principles into measurable dimensions covering education, justice, and maslahah, while subsequent studies expanded the framework to include transparency, ethical governance, customer satisfaction, community development, and sustainability. Customer perception is particularly important because customers directly assess whether Islamic banks demonstrate fairness, honesty, transparency, responsible financing, customer protection, and social contribution. Positive perceptions indicate that banks successfully integrate commercial objectives with religious and ethical responsibilities, thereby strengthening institutional legitimacy and sustainability. Therefore, Maqasid-based measurement provides a more comprehensive assessment of Islamic banking performance than financial indicators alone [1], [2], [11].

2.3 *Conceptual Framework*

This study examines the direct effect of Sharia Audit Quality on Maqasid-Based Performance. Sharia audit quality reflects customers' perceptions of auditors' competence, independence, objectivity, effectiveness, and ethical conduct in ensuring compliance with Islamic principles. Meanwhile, Maqasid-based performance represents customers' assessments of the extent to which Islamic banks promote justice, transparency, customer welfare, ethical responsibility, and broader societal benefits. Conceptually, higher Sharia audit quality is expected to strengthen governance, internal controls, Sharia compliance, and stakeholder confidence, thereby improving the achievement of Maqasid al-Shariah objectives.

This relationship is supported by agency, stakeholder, and institutional theories. Sharia auditing reduces information asymmetry, protects stakeholder interests, and strengthens institutional legitimacy by ensuring that banking operations comply with legal, social, and religious expectations. Competent and independent auditors can identify compliance weaknesses, recommend corrective actions, and encourage greater transparency, fairness, customer protection, and social responsibility. Previous studies also indicate that effective Sharia governance improves accountability, stakeholder trust, legitimacy, and institutional performance [12], [13], [14]. Therefore, this study proposes the following hypothesis: Sharia Audit Quality has a positive and significant effect on Maqasid-Based Performance.

H1: Sharia audit quality has a positive and significant effect on Maqasid-based performance in Indonesian Sharia banks.

3. RESEARCH METHODS

3.1 *Research Design*

This study employed a quantitative explanatory approach to examine the effect of Sharia audit quality on Maqasid-based performance in Indonesian Islamic banks. Primary data were collected through a structured questionnaire measuring customers' perceptions of both variables using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. The numerical data were then analyzed using the Statistical Package for the Social Sciences (SPSS) version 25 to test the proposed relationship between the independent and dependent variables.

3.2 *Population and Sample*

The population comprised customers who actively used Islamic banking services in Indonesia. Due to the large and geographically dispersed population, purposive sampling was applied to select 100 respondents who were at least 18 years old, had maintained an Islamic bank account for at least one year, had used at least two banking services, and voluntarily agreed to participate. This sample size was considered adequate for regression analysis involving a simple model with one independent variable [15].

3.3 *Data Collection Technique*

This study used primary data collected through self-administered questionnaires distributed directly to customers of Indonesian Islamic banks. Before distribution, the questionnaire was reviewed to ensure its clarity, readability, and relevance to the research objectives. Each statement was measured using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. Respondents were informed that participation was voluntary, confidential, and anonymous, and that the collected data would be used exclusively for academic purposes.

3.4 *Operational Definition of Variable*

The study comprised one independent variable, Sharia Audit Quality (X), and one dependent variable, Maqasid-Based Performance (Y). Sharia Audit Quality refers to customers' perceptions of the effectiveness of audit activities in ensuring compliance with Islamic principles through auditor competence, independence, objectivity, adherence to Sharia requirements, effective audit procedures, and implementation of audit recommendations. Maqasid-Based Performance refers to customers' perceptions of the extent to which Islamic banks achieve justice, transparency, customer welfare, social responsibility, ethical business conduct, and compliance with Islamic principles. Both variables were measured using a five-point Likert scale ranging from 1 to 5. The questionnaire consisted of two sections: the first collected demographic information, including gender, age, education, occupation, length of relationship with the bank, and primary banking services used, while the second measured respondents' perceptions of Sharia audit quality and Maqasid-based performance.

3.5 *Data Analysis Technique*

Data analysis was conducted using SPSS version 25 through descriptive statistics, classical assumption tests, simple linear regression, the coefficient of determination, and hypothesis testing. Descriptive statistics summarized the respondents' characteristics and variable distributions using the mean, standard deviation, minimum, and maximum values. Before regression analysis, residual normality was assessed using the One-Sample Kolmogorov–Smirnov Test, while heteroscedasticity was examined using the Glejser Test, with a significance value above 0.05 indicating that the assumptions were satisfied. The relationship between Sharia Audit Quality and Maqasid-Based Performance was tested using the regression model $Y=\alpha+\beta X+\varepsilon$, where Y represents Maqasid-Based Performance and X represents Sharia Audit Quality. The coefficient of determination (R2) measured the proportion of variance in Maqasid-Based Performance explained by Sharia Audit Quality, while the partial t-test evaluated the research hypothesis, with a significance value below 0.05 or a calculated t-value greater than the t-table value indicating that the hypothesis was supported.

4. RESULTS AND DISCUSSION

4.1 *Respondent Characteristics*

A total of 100 valid questionnaires were collected from customers of Indonesian Sharia banks.

All responses were complete and suitable for statistical analysis. The demographic characteristics of the respondents are presented in Table 1.

Table 1. Respondent Characteristics

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	47	47.0
	Female	53	53.0
Age	18–25 years	18	18.0
	26–35 years	41	41.0
	36–45 years	27	27.0
	>45 years	14	14.0
Education	High School	19	19.0
	Diploma	14	14.0
	Bachelor's Degree	54	54.0
	Postgraduate	13	13.0
Length of Relationship	1–3 years	28	28.0
	4–6 years	39	39.0
	>6 years	33	33.0

The respondent profile shows that 53% were female and 47% were male. Most respondents were aged 26–35 years (41%), followed by 36–45 years (27%), 18–25 years (18%), and over 45 years (14%). In terms of education, the majority held a bachelor's degree (54%), while 19% had completed high school, 14% held a diploma, and 13% had postgraduate qualifications. Regarding the length of their relationship with Islamic banks, 39% had been customers for 4–6 years, 33% for more than six years, and 28% for 1–3 years.

4.2 *Descriptive Statistics*

Table 2. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Deviation
Sharia Audit Quality	100	2.91	5.00	4.182	0.521
Maqasid-Based Performance	100	2.83	5.00	4.105	0.547

Table 2 indicates that respondents perceived both Sharia Audit Quality and Maqasid-Based Performance positively. Sharia Audit Quality recorded the highest mean score (M = 4.182; SD = 0.521), suggesting that customers generally agreed that Islamic banks implement Sharia auditing with a high level of competence, independence, objectivity, and compliance with Islamic principles. Similarly, Maqasid-Based Performance achieved a high mean score (M = 4.105; SD = 0.547), indicating that respondents perceived Islamic banks as effectively promoting justice, transparency, customer welfare, ethical conduct, and social responsibility in line with the objectives of Maqasid al-Shariah. The relatively low standard deviation values for both variables further suggest that respondents' perceptions were fairly consistent, reflecting a broadly shared positive assessment of Sharia governance and Maqasid-oriented performance among Indonesian Islamic banks.

4.3 *Validity Test*

Pearson Product Moment Correlation was employed to examine the validity of all questionnaire items.

Table 3. Validity Test

Sharia Audit Quality			
Item	Correlation	Sig.	Result
SAQ1	0.742	0.000	Valid
SAQ2	0.781	0.000	Valid
SAQ3	0.804	0.000	Valid
SAQ4	0.763	0.000	Valid
SAQ5	0.821	0.000	Valid
SAQ6	0.775	0.000	Valid
Maqasid-Based Performance			
Item	Correlation	Sig.	Result
MP1	0.761	0.000	Valid
MP2	0.788	0.000	Valid
MP3	0.829	0.000	Valid
MP4	0.794	0.000	Valid
MP5	0.814	0.000	Valid
MP6	0.776	0.000	Valid

Table 3 shows that all measurement items for Sharia Audit Quality and Maqasid-Based Performance were valid. The correlation coefficients for Sharia Audit Quality ranged from 0.742 to 0.821, while those for Maqasid-Based Performance ranged from 0.761 to 0.829. All items also recorded significance values of 0.000, which were below the 0.05 threshold. These results indicate that each questionnaire item had a strong and statistically significant relationship with its respective variable and was therefore suitable for further analysis.

4.4 *Reliability Test*

Table 4. Reliability Test

Variable	Cronbach's Alpha	Interpretation
Sharia Audit Quality	0.889	Reliable
Maqasid-Based Performance	0.901	Reliable

Table 4 shows that both research variables demonstrated high internal consistency. Sharia Audit Quality recorded a Cronbach’s Alpha value of 0.889, while Maqasid-Based Performance achieved a value of 0.901. Since both values exceeded the recommended threshold of 0.70, all measurement items were considered reliable and consistently represented their respective constructs, making them suitable for further statistical analysis.

4.5 *Classical Assumption Tests*

A. Normality Test

The One-Sample Kolmogorov–Smirnov test was conducted to assess the normality of the regression residuals. The results showed a test statistic of 0.079 and an Asymp. Sig. (2-tailed) value of 0.200 for 100 observations. Since the significance value exceeded the 0.05 threshold, the residuals were normally distributed, indicating that the normality assumption for regression analysis was satisfied.

B. Heteroscedasticity Test

The Glejser test was used to identify heteroscedasticity.

Table 5. Glejser Test

Variable	t	Sig.
Sharia Audit Quality	1.118	0.266

Table 5 presents the results of the Glejser test used to examine heteroscedasticity in the regression model. Sharia Audit Quality obtained a t-value of 1.118 and a significance value of 0.266. Since the significance value exceeded 0.05, Sharia Audit Quality did not significantly affect the absolute residuals, indicating that the regression model was free from heteroscedasticity and satisfied the homoscedasticity assumption.

4.6 *Simple Linear Regression Analysis*

Table 6. Regression Coefficients

Variable	B	Std. Error	Beta	t	Sig.
Constant	1.126	0.287	—	3.924	0.000
Sharia Audit Quality	0.713	0.068	0.727	10.488	0.000

Table 6 shows that Sharia Audit Quality has a positive and statistically significant effect on Maqasid-Based Performance. The regression coefficient for Sharia Audit Quality was 0.713, with a standardized beta coefficient of 0.727, a t-value of 10.488, and a significance value of 0.000. This indicates that every one-unit increase in Sharia Audit Quality increases Maqasid-Based Performance by 0.713 units, assuming other factors remain constant. The regression equation can be expressed as $Y=1.126+0.713X$, where the constant value of 1.126 represents the expected level of Maqasid-Based Performance when Sharia Audit Quality is zero. Since the significance value was below 0.05, the proposed hypothesis was supported.

4.7 *Coefficient of Determination (R^2)*

The model summary shows a strong positive relationship between Sharia Audit Quality and Maqasid-Based Performance, with an R value of 0.727. The R Square value of 0.528 indicates that Sharia Audit Quality explains 52.8% of the variation in Maqasid-Based Performance, while the remaining 47.2% is influenced by other factors not included in the model, such as service quality, corporate governance, customer trust, Islamic corporate social responsibility, organizational culture, and managerial effectiveness. The Adjusted R Square value of 0.523 further confirms that the model retains substantial explanatory power after adjustment, with a standard error of estimate of 0.378.

4.8 *Discussion*

The findings demonstrate that Sharia Audit Quality positively enhances Maqasid-Based Performance, supporting the proposed hypothesis. Customers perceive competent, independent, objective, and effective Sharia auditing as an important mechanism for ensuring that Islamic banking operations comply with Islamic principles. Stronger audit quality promotes transparency, accountability, ethical conduct, and religious responsibility, thereby improving customers' perceptions of the bank's ability to achieve justice, welfare, and broader social objectives. The generally favorable evaluation of both variables also indicates that Indonesian Islamic banks have made meaningful efforts to maintain Sharia compliance and deliver services consistent with Islamic ethical values [1], [2].

These findings are consistent with agency theory, which emphasizes the importance of monitoring mechanisms in reducing information asymmetry and strengthening organizational accountability. Within Islamic banking, Sharia auditing functions as an independent control mechanism that monitors management behavior and minimizes the risk of Sharia non-compliance. The results also support stakeholder theory, which views Islamic banks as accountable not only to shareholders but also to customers, regulators, employees, society, and Allah. Through effective auditing, Islamic banks can better protect stakeholder interests and ensure that their operations uphold fairness, transparency, and ethical responsibility [16], [17].

The findings also align with institutional theory, which suggests that organizations gain legitimacy by conforming to legal, social, and religious expectations. For Islamic banks, rigorous Sharia auditing demonstrates genuine adherence to Islamic principles and strengthens public confidence in institutional integrity. This result is consistent with previous studies showing that effective Sharia governance improves accountability, transparency, stakeholder trust, and organizational legitimacy. The present study extends those findings by showing that customers also recognize Sharia audit quality as an important contributor to Maqasid-oriented banking performance [17], [18].

From a practical perspective, Islamic banks should continue improving Sharia audit quality through professional certification, continuous training, stronger auditor independence, technology-assisted audit systems, and closer coordination with Sharia Supervisory Boards. Banks should also communicate audit outcomes more transparently so that customers can better understand how Sharia compliance is monitored and maintained. Strengthening these practices can reinforce customer trust, enhance institutional legitimacy, and support the long-term sustainability of Islamic banking.

5. CONCLUSION

This study concludes that Sharia audit quality is an important determinant of Maqasid-based performance in Indonesian Islamic banks because effective auditing strengthens transparency, accountability, fairness, ethical conduct, and compliance with Islamic principles. From the customer perspective, competent, independent, objective, and effective Sharia auditors increase confidence that banking activities genuinely support the objectives of Maqasid al-Shariah. Therefore, Islamic banks should continuously improve auditor competence, independence, professional training, technology-assisted audit procedures, implementation of recognized Sharia auditing standards, and coordination with Sharia Supervisory Boards, while regulators should strengthen supervisory frameworks and Sharia audit guidelines. However, this study is limited by its sample size and reliance on customer perceptions, which may not fully represent the views of internal stakeholders. Future research should involve larger and more geographically diverse samples, incorporate perspectives from auditors, management, regulators, and Sharia Supervisory Boards, examine additional variables such as customer trust, Sharia governance, Islamic corporate social responsibility, organizational reputation, and digital service quality, and apply more advanced analytical methods such as Structural Equation Modeling.

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