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*Research Article*

# Shariah Bank Fundamental, Maqashid and Financial Sustainability: Unraveling the Dynamics

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## Abstract
The purpose of this study is to ascertain how the Financial Sustainability Ratio in Indonesian Sharia Commercial Banks is impacted by Return on Assets, Firm Size, Capital Adequacy Ratio, and Maqashid Syariah. This study employs a quantitative method along with a causal research technique. This study makes use of financial report data from 15 Sharia Commercial Banks as its population. Fifteen Indonesian Sharia Commercial Banks were the sample used for the 2017–2022 research period. The Panel Data Regression Analysis approach is used in this study. This research uses a population of 15 Sharia Commercial Banks using financial report data. The sample used was 15 Sharia Commercial Banks in Indonesia, which served as research subjects from 2017 to 2022. The Panel Data Regression Analysis approach is used in this study. Based on the findings and discussion, it is evident that the Financial Sustainability Ratio of Indonesia's Sharia Commercial Banks is significantly influenced by Return on Assets, not significantly influenced by Maqashid Syariah, significantly impacted by Firm Size, and significantly impacted by Capital Adequacy Ratio (CAR). Managerial implications include efforts to strengthen financial practices based on Sharia payment principles, considering asset returns, Sharia mashed, company size, and capital adequacy ratios.

Keywords: Return on Assets, Maqashid Syariah, Firm Size, Capital Adequacy Ratio, Sustainability Ratio

JEL Classification: G32, G21, M14

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## 1. Introduction

The banking industry has a very important role in the global economy. In an economic context, financial institutions play a role in mobilizing savings for productive investment and facilitating capital flows in various sectors so that they can stimulate investment growth and increase productivity (Mingka, 2013). On the other hand, banking growth also shows an upward trend. According to Wahid & Fadillah (2018), The concept of Islamic banking and finance, which was initially only a form of theoretical discussion, has now become a factual reality that can help encourage the economic growth of a country, including Indonesia. The development of As seen in Table 1, Sharia banking is quite rapid, so it is nicknamed "The fastest-growing industry."

**Table 1. Main Indicators of Sharia Banking**

| Banking Industry | Number of Institutions | Asset |
|---|---|---|
| Sharia Commercial Bank | 12 | 693,80 |
| Sharia Business Unit | 21 | 196,88 |
| Sharia People's Financing Bank | 164 | 14,95 |
| TOTAL | 197 | 905,63 |

Source: OJK data processed (2023)

The following is the number of Sharia Commercial Banks for 2012-2022 in Table 2.

**Table 2. Development of Sharia Commercial Banks in Indonesia**

| Year | BUS | Aset BUS* |
|---|---|---|
| 2012 | 11 | 242,48 |
| 2013 | 11 | 195,02 |
| 2014 | 12 | 204,96 |
| 2015 | 12 | 213,42 |
| 2016 | 13 | 254,18 |
| 2017 | 13 | 288,03 |
| 2018 | 14 | 316,69 |
| 2019 | 14 | 350,37 |
| 2020 | 14 | 397,07 |
| 2021 | 12 | 441,79 |
| 2022 | 13 | 531,66 |

Source: OJK data processed (2023)

Tables 1 and 2. show that the development of the number of Sharia Commercial Banks in 2012-2022 shows an increasing trend, which is balanced by an increasing trend in the development of Indonesian Sharia banks in the Global Islamic Financial Issue. This situation gives Sharia Commercial Banks enormous opportunities and potential. Therefore, this increase is expected to be able to improve services to the Indonesian people. Improving services that make it easier for people to access Sharia Commercial Bank products will increase effectiveness and income. It is said to be effective if the bank can maintain its performance (Antonio, 2015). According to Abbas & Yuniarti (2020) and Bilgies et al. (2023) that banks need to maintain public trust by improving their financial performance to maintain business continuity, which can be seen from their financial performance. To measure bank performance, A method for analyzing financial reports can be used to accomplish this. Analyzing a company's state using information extracted from financial reports is known as financial report analysis.

The greater the profit obtained, the better the financial performance. According to Henry (2018), The objective reason for conducting this research is that Indonesia is the fourth largest country in population in the world. Indonesia is the first country with the largest Muslim population. Indonesia should be a pioneer in the development of Sharia. Financial institutions, including banks, are very necessary to develop national development. Islamic-based banking is recognized as part of national development goals (Santosa et al., 2020; Antonio, 2012).

Yadaf (2022) Sharia Commercial Bank is a Sharia bank whose development, assets, and profits continue to have an increasing trend from 2018-2021; an increase does not match this in the Financial Sustainability Ratio. FSR has a downward trend. In principle, however, the aspects contained in FSR are in accordance with the values contained in Maqashid Syariah, where Maqashid Syariah is the goal of sharia banks and has been supported by the government through Financial Services Authority Regulation No.51/POJK.03/2017.

The subjective reason for conducting research is the suitability of themes related to Islamic bank financial reports. Apart from that, researchers are optimistic that the research carried out can be completed at the planned time, considering the availability of literature needed to conduct research. Therefore, the researcher tried something different from the research Nurhikmah & Rahim (2021) by adding the Maqashid Syariah variable and a long time, in this case, 2018-2022.

## 2. Literature Review and Hypothesis

### Agency relationship

Jensen & Meckling (2022) stated that an agency relationship arises when one or more people (principal) employ another person (agent) to perform services, then delegate decision-making power when shareholders appoint a manager (agent) as the manager and decision maker of the company. The agency with the relationship is clearly visible. Eisenhardt (2019) states that agency theory uses three assumptions about human nature, namely, humans are generally self-interested, humans have limited thinking power regarding perceptions of the future (bounded rationality), and humans always avoid risks (risk averse).

### Sharia principles

Knowledge, which in the context of Sharia Enterprise Theory refers to knowledge of Sharia principles, is the result of self-reflection, which aims to understand that apart from rational actions directed towards goals, which is the basis of human interaction with nature, as well as communication actions in relationships. With others as objects, there are also other basic actions related to human relations with their Creator. This relationship is called "abduh" (obedience, servitude). Therefore, the main principle in the Sharia Enterprise Theory is that Allah is the most important source because He is the sole owner and has absolute authority (Bilgies et al., 2023).

### Bank and ROA

According to Kasmir (2019) and Apriadi et al. (2016), banks can be defined as financial institutions that function as collecting funds from the community and then channeling these funds back into the community, as well as providing various financial services. On the other hand, Islamic banks are a type of bank that carries out its operations in accordance with Islamic principles. Sharia banks follow the provisions contained in the Koran and hadith as operational guidelines (Wibowo & Widodo, 2017)

ROA is a ratio used to assess the extent to which investments that have been made can provide returns in line with expectations (Fahmi, 2018). ROA is used to measure a company's ability to generate profits by utilizing the total assets owned by the company (Hanafi & Halim, 2018). The higher the ROA of a bank, the greater the potential profits that the bank can obtain and the more efficient the use of its assets. Conversely, the lower this ratio, the more it indicates that bank management may need to improve its ability to manage its assets to increase income and reduce costs.

### Capital factor

Corvino et al. (2019) say many elements can define this power but specifically note that large companies have more market power, also pointing out the effect of firm size in defining market relationships, and noting that company size is an indirect metric to market forces. Younis and Sundarakani (2020) and Jacoub et al. (2020) explain, on the other hand, that they use several control variables other than company size, namely type of industry, company ownership, number of suppliers, and participation in green associations. Capital is the main factor assessed in determining the health level of a bank using the CAMEL financial ratio. This factor relates to the bank's ability to maintain capital in accordance with the minimum requirements set by the bank

regulator. This capital factor is also often referred to as the solvency level. Capital is an assessment of the financial resources owned by a bank (Kasmir, 2019). One of the assessment methods used is the Capital Adequacy Ratio (CAR).

Five variables total four independent and one dependent are used in this study. The Financial Sustainability Ratio is the dependent variable, and the independent variables are Return on Assets, Maqashid Syariah, Firm Size, and Capital Adequacy Ratio. The following represents the conceptual framework for reasoning based on the theoretical foundation:

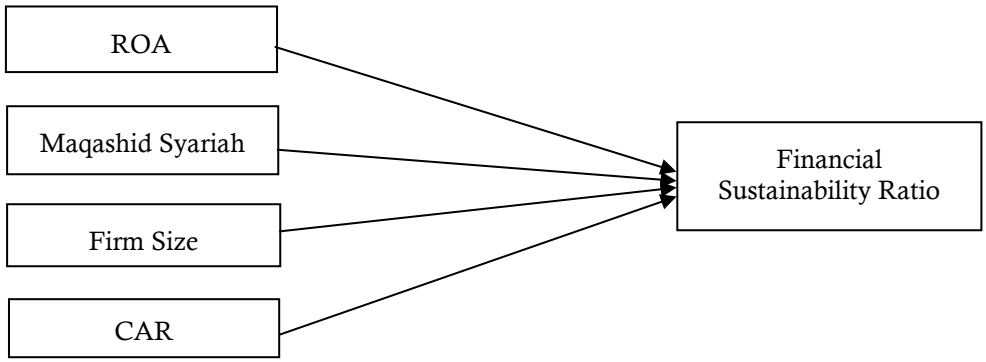


**Figure 1. Conceptual Framework of Research**

**Hypothesis**

**The Effect of Return on Assets on the Financial Sustainability Ratio**

The greater the profitability measured using ROA, the greater the profits obtained. Banking must use its assets efficiently to generate higher profits. Periodic profits have an important role in the continuity of the company and can influence company growth. Banks that have low ROA are likely to have problems. Saputri's (2019) previous research results found that ROA had a positive and significant effect on the Financial Sustainability Ratio. Different results were found by Yuliawati et al. (2016), who found that ROA had quite a large influence on the Financial Sustainability Ratio. According to Kasmir (2014), ROA is a ratio that describes the results of the total assets used by the company. ROA is one of several profitability ratios used to measure an entity's ability to generate profits from existing assets. If ROA increases, the company's profitability will also increase (Damayanti & Rahayu, 2018). According to Saputra and Mayangsari's research findings from 2021, ROA significantly improves the Financial Sustainability Ratio (FSR). The bank has obtained a higher degree of profit the higher its ROA value. This study suggests that a positive ROA prediction for the Financial Sustainability Ratio is attainable. The Financial Sustainability Ratio of Sharia Commercial Banks is better the greater the ROA. As a result, the following formulation of the research hypothesis is possible:

**H1: Return on Assets influences the Financial Sustainability Ratio**

**The Effect of Maqashid Syariah on the Financial Sustainability Ratio**

The concept of sustainability is a process that aims to find a balance between economic and environmental aspects and is closely related to the values of maqashid Sharia in the long term. The main goal of Sharia is to realize justice, which can be measured through three ratios, namely the fair return ratio, functional distribution ratio, and interest-free income ratio. In this research, the focus is given to the functional distribution ratio, which reflects the extent to which Sharia banks allocate funds for activities based on the principles of justice. This finding is in accordance with research conducted by Siswanti et al. (2017) that Islamic Corporate Governance influences Sharia financial performance. The results of exploratory research conducted by Omar and Djuljastri (2008) influence the stability of the ratio regarding Islamic Banking Performance Measures Based on the Maqashid Framework showing that Islamic banking performance measures based on total MSI are superior to banking conventional. The development of this assessment model is based on the incompatibility of using conventional performance indicators in Islamic banking (Cakhyaneu,

2018). Santoso (2022), Hosen et al. (2019), Belianti and Ruhadi (2020), and Cakhyaneu (2018) state that the mashed index (SMI) has a positive effect on increasing profitability. Corporate performance is further enhanced by managerial ownership under traditional Islamic corporate governance elements. Additionally in favor of a positive correlation between managerial ownership and business financial performance is the convergence of interest hypothesis. Sharia Bank carries out financing through mudharabah contracts and musyarakah contracts, where the distribution of profits in these contracts depends on the contribution of funds and responsibilities of each party, which has been agreed by both parties to benefit mutually. Therefore, the hypothesis of this research can be formulated as follows**:**

**H2: Maqashid Syariah influences the Financial Sustainability Ratio**

**The Influence of Company Size on the Financial Sustainability Ratio**

The assets that a corporation possesses can be used to determine its size. Assets are financial resources with the potential to yield future business gains. Large corporations typically own substantial asset bases. Investors might use company size as an indicator to vary their investment decisions. This variable will affect the proportion distributed by banks because banks maintain liquidity and increase bank profits (Hermuningsih, 2012). Comparatively large banks will acquire third-party cash from clients through other bank operations, savings accounts, deposits, and client investments. According to Dilling (2009), managers use CSR as part of their goal plans to attain sustainable growth. Stakeholders and the company will give it more attention the larger it is. According to Suryono's (2013) research findings, the disclosure of the sustainability report is positively impacted by the company's size. Research done by Wang (2017) and Suryono (2013) maintains that company size positively affects sustainability disclosure. Firm size can disclose its information widely to gain legitimacy and clarify the goals of the company. Because of the substantial amount of third-party money, banks are forced to extend credit more widely in order to preserve liquidity. Because banks disburse a lot of money, they run the danger of losing credit if borrowers require assistance in repaying their loans. The bank's net present value (NPL) indicates one risk that could materialize. Hence, a company's size significantly affects its financial stability ratio. An increase in total assets will result in a corresponding increase in NPL and the risk of bad credit. Because of bank risk, this issue will decrease the possibility of bank sustainability. Therefore, size significantly and negatively affects FSR. According to research findings (Saputri, 2019), the Financial Sustainability Ratio is positively and significantly impacted by the size of the organization. As a result, the following formulation of the research hypothesis is possible:

**H3: Company size influences the Financial Sustainability Ratio**

**The Influence of Capital Adequacy Ratio on Financial Sustainability**

The CAR is a bank performance ratio used to assess how much capital a bank needs to sustain risky assets. In sharia commercial banks, the smaller the capital, the more trouble the bank is having. This is the case for both the capital adequacy ratio and the financial sustainability ratio. This condition can be interpreted as meaning that the bank has not been able to manage its financial performance well, thus becoming an obstacle to the bank's sustainability (Basse and Mulazid, 2017). The CAR ratio's financial sustainability, which measures the bank's capital adequacy, is similarly impacted by the computation's outcomes. One way to evaluate a bank's health is to look at its capital adequacy management capabilities. The rise in the ratio calculation's results demonstrates the bank's ability to effectively manage and maintain sufficient capital to cover riskier assets. Increasing the ability to manage capital adequacy will help increase bank growth because it has sufficient costs to develop (Putri and Dana, 2018). (Dendawijaya, 2009) CAR is a ratio that shows how much of a bank's assets contain an element of risk (credit, investment, securities, claims on other banks), which are also financed from the bank's capital, in addition to obtaining funds from sources. - source outside the bank. Improved bank development will raise the chances of obtaining more funding from earnings. The bank's capacity to swiftly fulfill its operating and other costs will be impacted by a capital increase and improved management. It shall be ensured that banks remain secure in terms of their financial viability. In this case, the Financial Sustainability Ratio can be reached by the established objective. As a result, the following formulation of the research hypothesis is possible:

**H4: Capital Adequacy Ratio influences the Financial Sustainability Ratio**

## 3. Data and Method

This research uses secondary data sources. According to Sugiyono (2019) and (Wahyuddin et al., 2023), secondary data is a data source that does not directly provide data to data collectors, for example, through other people or documents. Researchers obtain additional data through various sources, starting from books, articles, news, and previous research as complementary data.

**Population and Sample**

According to Sugiyono (2019), population is a generalized area consisting of subjects or objects that have certain quantities and characteristics determined by researchers to be studied and then conclusions drawn. So, from this explanation, the Along with people, objects and other natural objects make up the population. Additionally, population refers to all the attributes that the object or subject possesses, not just the quantity of objects or people being researched.

**Table 3. List of Research Population**

| No | Name of Sharia Commercial Bank (BUS) |
|---|---|
| 1 | PT. Bank Aceh Syariah |
| 2 | PT. BPD Nusa Tenggara Barat Syariah |
| 3 | PT. Bank Muamalat Indonesia, Tbk |
| 4 | PT. Bank Victoria Syariah |
| 5 | PT. Bank BRI Syariah |
| 6 | PT. Bank Jabar Banten Syariah |
| 7 | PT. Bank BNI Syariah |
| 8 | PT. Bank Syariah Mandiri*) |
| 9 | PT. Bank Mega Syariah |
| 10 | PT. Bank Panin Dubai Syariah, Tbk |
| 11 | PT. Bank Syariah Bukopin |
| 12 | PT. BCA Syariah |
| 13 | PT. Bank Tabungan Pensiunan Nasional Syariah |
| 14 | PT. Bank Aladin Syariah |
| 15 | PT. Bank Syariah Indonesia, Tbk |

Source: Sharia Banking Statistics (2023)

Purposive sampling was the method of sampling employed in this study. Purposive sampling is used in sample selection since not all samples meet the researcher's predetermined criteria. As a result, the author decided which factors or requirements the study samples needed to meet in order to select the purposive sampling approach. The BUS criteria that will be used as samples in this study are as follows.

**Models/Analysis Tools**

Quantitative data analysis, according to Sugiyono (2019), is the stage after data from all respondents (population/sample) has been collected. The following steps are included in the data analysis process: organizing data according to pertinent variables. To provide details about each variable under study, tabulate data based on variables from the complete dataset. performing statistical computations to address the research's definition of the problem. performing statistical computations to verify the put out hypotheses. Using tables and graphs to present the data analysis findings in order to make them easier to grasp. Panel data, also known as pool data, is the data analysis method employed in this study. Time series and cross-section data are used in this research, which is why this analysis was selected. Eviews 10 and Microsoft Excel were used for the data analysis procedure.

**Panel Data Regression Analysis**

Panel data regression analysis is the data analysis technique that was employed in this study to examine the effect. Panel data, according to Hamid et al. (2020), is a synthesis of cross-sectional data (between individuals and space) and time series data (between times). Panel data was chosen for this study since it spans multiple years and numerous companies. First off, time series data are

being used because this study spans five years, from 2017 to 2022. Furthermore, because this study uses data from the companies that served as research samples, the cross section itself is used.

The form of the panel data regression equation used in this research is as follows:

$$Yit=a+\beta 1ROAit+\beta 2MSit+\beta 3FSit+\beta 4CARit+\varepsilon it \quad (1)$$

In general, there are three a
lternative approaches to management methods. These approaches consist of the Common Effect/pooled Least Square (CEM) model, the Random Effect model (REM), and the Fixed Effect Model (FEM).

## 4. Results

### Descriptive Analysis of Data

This study provides an overview or summary of the data collected through descriptive analysis. All the variables under investigation, both independent and dependent, were examined to ascertain their standard deviation, greatest value (maximum), lowest value (minimum), and average (mean). Return on Assets is the leading variable, followed by Maqashid Sharia in second place, Firm Size in third place, Capital Adequacy Ratio (CAR) in fourth place, and Financial Sustainability Ratio in fifth place.

**Table 4. Descriptive Statistical Analysis of the Variables Studied**

| | ROA | MS | FS | CAR | FSR |
|---|---|---|---|---|---|
| Mean | 1.293182 | 8407.233 | 16.01697 | 70.97636 | 224.4823 |
| Median | 1.030000 | 86.58500 | 16.01500 | 24.22500 | 219.5700 |
| Maximum | 13.58000 | 506600.0 | 17.94000 | 1625.000 | 474.5500 |
| Minimum | -10.85000 | 0.000000 | 13.40000 | 11.51000 | 21.64000 |
| Std. Dev. | 4.656531 | 62489.57 | 1.045012 | 206.2089 | 104.3455 |
| Sum | 85.35000 | 554877.4 | 1057.120 | 4684.440 | 14815.83 |
| Observations | 66 | 66 | 66 | 66 | 66 |

Source: Processed data (2023)

The results of the Descriptive Statistical Analysis of the Variables Study show that ROA, MS, FS, CAR, and FSR show that all the results that have been tested are the same, namely 66 observations.

### Conclusion of Panel Data Regression Model Testing

The findings of the panel data regression analysis, which employed the Chow-Test, Hausman Test, and Lagrange Multiplier Test, are shown in Table 5. Results show a continuous preference for the fixed effect model. The importance of individual-specific effects in the model is highlighted by the Chow-Test and Hausman Test, which both recommend rejecting the common effect in favor of the fixed effect. Even if the results of the Lagrange Multiplier Test are unclear, there isn't enough evidence to refute the fixed effects trend. Thus, the fixed effect model is the more reliable and appropriate option for capturing the complex dynamics in the panel data regression analysis, according to the overall findings.

**Table 5. Conclusion of Panel Data Regression Model Testing**

| No | Method | Testing | Results |
|---|---|---|---|
| 1 | *Chow-Test* | *Common Effect* vs. *Fixed Effect* | *Fixed Effect* |
| 2 | *Hausman Test* | *Fixed Effect vs Random Effect* | *Fixed Effect* |
| 3 | *Lagrange Multiplier Test* | *Common Effect vs Random Effect* | - |

Source: Processed data (2023)

These results provide valuable insights into the preferred model specification, indicating a preference for fixed effects based on both Chow-Test and Hausman Test outcomes. The Lagrange Multiplier Test did not yield a clear preference between common and random effects.

**Classic assumption test**

When using linear regression analysis, you must first do the traditional assumption test. Among them are the tests for heteroscedasticity, autocorrelation, multicollinearity, and normality. For example, if these assumptions are violated, the regression model is not normal and multicollinearity, heteroscedasticity, or autocorrelation occur. A description of each conventional regression assumption test is provided below:

**Data Normality Test**

Finding out if the data being used is actual, has a normal distribution, or can be used to represent a population with a normal distribution is the aim of this test. This test makes use of the following applications of the Jarque-Bera statistical test (JB test) and the histogram graphic approach:

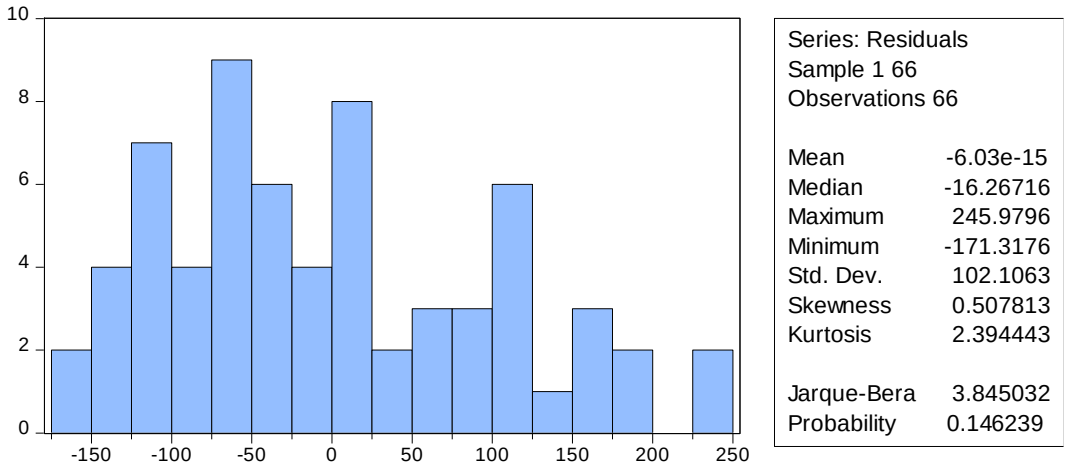


**Figure 2. Data Normality Test**

Based on the number of independent variables (four in this case) and the significant value (0.05 or 5%) used, the probability value is 0.146239 and the JB value is 3.845032 on the histogram.

• If the p-value is less than 0.05, Ho is rejected.

• If the p-value is higher than 0.05, Ho is acceptable.

With a 95% confidence level, it is determined that the error term has a regular distribution. The results of the above normality test show that the data is normally distributed because the probability value is larger than 0.05, hence there is no need to convert the data to make it regularly distributed.

**Multicollinearity Test**

The purpose of this multicollinearity test is to determine whether the independent variables in the processed regression model have a correlation or link. The correlation matrix values can be used to determine testing multicollinearity issues, as shown in the table below:

**Table 8. Multicollinearity Test**

| | ROA | MS | FS | CAR | FSR |
|---|---|---|---|---|---|
| ROA | 1 | 0.2454700484792073 | 0.1015036518168003 | -0.2043319603942679 | 0.08784143375492051 |
| MS | 0.2454700484792073 | 1 | -0.3291598859821702 | 0.1080029185768692 | -0.1455210918406446 |
| FS | 0.1015036518168003 | -0.3291598859821702 | 1 | -0.2023923854753396 | 0.131299963390438 |
| CAR | -0.2043319603942679 | 0.1080029185768692 | -0.2023923854753396 | 1 | -0.02568615699210736 |
| FSR | 0.08784143375492051 | -0.1455210918406446 | 0.131299963390438 | -0.02568615699210736 | 1 |

Source: Processed data (2023)

It can be inferred from Table 8 above that this model can be used to estimate the impact of Return on Assets, Maqashid Syariah, Firm Size, and Capital Adequacy Ratio (CAR) on the Financial Sustainability Ratio of Sharia Commercial Banks in Indonesia. This is because the correlation coefficient value between the independent variables is less than 0.80. As a result, it may be concluded that the independent variables in the study's data do not exhibit any problems with multicollinearity.

**Table 9. VIF test**

Variance Inflation Factors
Date: 01/18/22 Time: 19:03
Sample: 2016 2150

| Variable | Coefficient Variance | Uncentered VIF | Centered VIF |
|---|---|---|---|
| X1 | 6169937. | 1.951920 | 1.164039 |
| X2 | 560042.9 | 1.533906 | 1.195147 |
| X3 | 1585.780 | 1.523397 | 1.091286 |
| X4 | 2513.813 | 7.661931 | 1.064032 |
| C | 14707218 | 9.645451 | NA |

Source: Processed data (2023)

Based on the findings of the multicollinearity test output shown in the above table, the Coefficients table (Tolerance and VIF values) shows that, of the three independent variables, the VIF value is less than 10. It can be concluded that the model regression does not cause multicollinearity problems because the tolerance value is more than 0.1.

**Heteroscedasticity Test**

The purpose of the heteroscedasticity test is to determine whether the variance of the regression model's residuals exhibits inequality in the constructed regression model. Data that is homoscedastic is good data. Because there is no heteroscedasticity because the independent variable's regression coefficient value is not significant in relation to the dependent variable, the white test can detect heteroscedasticity issues from the calculation results.
The following is the hypothesis that was used:
Ho: Heteroscedasticity is not an issue.
H1: Heteroscedasticity is an issue.

**Table 10. Heteroscedasticity Test**

Heteroskedasticity Test: Glejser

| | | | |
|---|---|---|---|
| F-statistic | 2.465550 | Prob. F (4,61) | 0.0543 |
| Obs*R-squared | 9.185507 | Prob. Chi-Square (4) | 0.0566 |
| Scaled explained SS | 6.992493 | Prob. Chi-Square (4) | 0.1363 |

Source: Processed data (2023)

Since the probability results for each independent variable are greater than alpha (0.05), or the value of the independent variable's regression coefficient, the results of the heteroscedasticity test can be used to conclude that H0 is acceptable and that there is no heteroscedasticity issue with the data in this regression model.

**Autocorrelation Test**

The autocorrelation test seeks to determine whether confounding errors in period t and mistakes in period t-1 (prior) in a linear regression model are related. When consecutive observations across time are related to one another, autocorrelation occurs. The residuals, or nuisance errors, are not independent from one observation to the next, which leads to this issue. This finding is

frequently seen in time series data because of disruptions in the same person or group in the subsequent era. If the Obs*R-squared probability value is less than the significance value (α = 0.05), the model concludes that the autocorrelation is present, or rejects the hypothesis Ho. If there is no autocorrelation and the Obs*R-squared probability value is greater than the significance value (α = 0.05), then H0 is deemed acceptable.

**Table 11. Heteroscedasticity Test**

Breusch-Godfrey Serial Correlation LM Test:

| | | | |
|---|---|---|---|
| F-statistic | 23.81845 | Prob. F (2,59) | 0.1246 |
| Obs*R-squared | 29.48356 | Prob. Chi-Square (2) | 0.1450 |

Source: Processed data (2023)

Since each independent variable's probability outcome is greater than alpha (0.05), or the independent variable's regression coefficient value, it may be concluded that the data in this regression model have no autocorrelation problems. Based on the results of the autocorrelation test, H0 can be considered acceptable.

## 5. Discussion

**The Effect of Return on Assets on the Financial Sustainability Ratio**

The analysis's findings indicate that Return on Assets has a t-statistic significant value. According to this finding, the Financial Sustainability Ratio is influenced by the Return on Assets variable. This result is supported by Saputri (2019), who found that ROA had a positive and significant effect on the Financial Sustainability Ratio, contrary to the results of Yuliawati et al. (2016), where ROA did not have a large enough influence on the Financial Sustainability Ratio. This research is also in line with research conducted by Xu et al. (2015) and Beccalli et al. (2015), which states that there is a positive and significant influence on the company's financial performance. Therefore, the study hypothesis is concluded. This study suggests that a positive ROA prediction for the Financial Sustainability Ratio is attainable. According to this research, Sharia Commercial Banks' Financial Sustainability Ratio improves with increasing ROA.

**The Influence of Maqashid Syariah on the Financial Sustainability Ratio**

The results of the analysis state that the t-statistic significance value of Maqashid Syariah. The Maqashid Syariah variable does not affect the Financial Sustainability Ratio. This result contrasts with research by Ayuningtyas and Fauzi (2020), which said there was a significant influence. This result contrasts with the fact that this ratio reflects the extent to which Sharia banks allocate their funds to activities based on the principles of justice. Financing carried out by Sharia banks, such as mudharabah financing and musyarakah financing, adopts a profit-sharing system. Profit sharing in these two types of financing is calculated based on the contribution of funds and responsibilities of each party in accordance with the agreement that both parties have approved. This finding is in accordance with Siswanti et al. (2017b) that Islamic Corporate Governance influences Sharia financial performance.

Additionally, stakeholder theory also supports the argument that better governance practices ensure better corporate financial performance (Jan et al. 2019). Corporate performance is further enhanced by managerial ownership under traditional Islamic corporate governance elements. Additionally, in favor of a positive correlation between managerial ownership and business financial performance is the convergence of interest hypothesis. The goal is to provide fair benefits to all parties involved. This finding illustrates that during the research period, Sharia Commercial Banks were categorized as healthy banks with good levels of liquidity. However, if the level of liquidity is too high, it can result in the accumulation of funds from Third Party Funds, which are allocated little for financing to the public. As a result, the profitability that Sharia Commercial Banks can achieve will not reach its optimal potential.

**The Influence of Firm Size on the Financial Sustainability Ratio**

The analysis's findings indicate Firm Size's t-statistic significance value. The Financial Sustainability Ratio is influenced by the Firm Size variable. High cash distribution exposes banks to credit risks if borrowers require assistance in repaying their debts. Because of bank risk, this requirement will lessen the possibility of bank sustainability. Therefore, size significantly and negatively affects FSR. Research by Saputri (2019) and Rustam & Adil (2022), which indicates that company size has a favorable and significant effect on the Financial Sustainability Ratio, supports the findings of this study. The more assets a company has, as a measure of its size, the more accurate that description of the firm's size will be the larger the corporation, the more accurate.

**The Influence of the Capital Adequacy Ratio (CAR) on the Financial Sustainability Ratio**

The results of the analysis state that the t-statistic significance value of the CAR variable influences the Financial Sustainability Ratio. These results are supported by research by Rustam and Adil (2022) and Munandar and Aravik (2022), who say that the CAR influences the Financial Sustainability Ratio. Increasing the ability to manage capital adequacy will help increase bank growth because it has sufficient costs to develop (Putri and Dana, 2018). Improved bank development will increase the chances of obtaining more funding from earnings. The bank's capacity to swiftly fulfill its operating and other costs will be impacted by a capital increase and improved management. According to Notoatmojo & Rahmawaty (2016), Banks will be guaranteed to maintain a safe position as measured by financial sustainability. In this situation, the target that has been set can achieve the Financial Sustainability Ratio. If a bank has a high level of CAR, banks have the potential to increase the amount of their cash reserves, which in turn can be used to expand the amount of financing they offer. Thus, the bank can increase its level of profitability significantly.

## 6. Conclusion

The following conclusion can be drawn from the research and discussion's findings: Return on Assets has a direct impact on the financial sustainability ratio, as seen by the substantial influence it has on the financial sustainability ratio of Indonesia's Sharia Commercial Banks. With a value of, Maqashid Syariah has no discernible impact on Indonesia's Sharia Commercial Banks' financial sustainability ratio. This suggests that Maqashid Syariah has no direct influence on the financial sustainability ratioThe financial sustainability ratio of Indonesian Sharia Commercial Banks is significantly impacted by Firm Size, as indicated by a value that shows a direct relationship between Firm Size and the financial sustainability ratio. The financial sustainability ratio of Indonesian Sharia Commercial Banks is significantly influenced by the capital adequacy ratio (CAR), with a value of on the financial sustainability ratio of Sharia Commercial Banks in Indonesia. This indicates that the CAR has a direct influence on the financial sustainability ratio. In conclusion, the managerial implications of the study highlight the importance of a comprehensive and balanced approach to financial management. By integrating ethical principles, optimizing asset utilization, managing firm size dynamics, and maintaining a robust capital position, managers can contribute significantly to the long-term financial sustainability of the organization.

## Recommendation

Based on the research results and considering the limitations of this research, we would like to propose several suggestions that are expected to provide benefits, namely as follows: Sharia commercial banks should improve the quality of management decision-making for the potential to increase the level of Return on Assets to a higher level. Sharia commercial banks should focus on improving operational efficiency to increase company profitability. Islamic banks should consider the results of this research as an important factor in efforts to improve their performance, which in turn will increase public confidence in Islamic banks. Islamic commercial banks should pay more attention to the principles of Maqashid Syariah in efforts to improve their quality through additional capital. This can be achieved by considering capital requirements when expanding financing and ensuring that risk assets generate sufficient income, thereby reducing

pressure on capital. Thus, Islamic commercial banks can consider opening new branches.

## Limitations and avenue for future research

Based on the research results and considering the limitations of this research, we would like to propose several suggestions that are expected to provide benefits, namely as follows: Sharia commercial banks should improve the quality of management decision-making for the potential to increase the level of Return on Assets to a higher level. Sharia commercial banks should focus on improving operational efficiency to increase company profitability. Islamic banks should consider the results of this research as an important factor in efforts to improve their performance, which in turn will increase public confidence in Islamic banks. Islamic commercial banks should pay more attention to the principles of Maqashid Syariah in efforts to improve their quality through additional capital. This can be achieved by considering capital requirements when expanding financing and ensuring that risk assets generate sufficient income, thereby reducing pressure on capital. Thus, Islamic commercial banks can consider opening new branches.

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