THE EFFECT OF GREEN ACCOUNTING PRACTICE ON MAQASHID SHARIA PERFORMANCE IN ISLAMIC BANKS

Amirah Arifah Khasanah

Sugiyarti Fatma Laela

Institut Agama Islam Tazkia

1902.amirah.039@student.tazkia.ac.id, ela@tazkia.ac.id

Abstract

The purpose of this study is to analyze the effect of green accounting practice on maqashid sharia performance in Islamic banks. This research data used secondary data of 16 Islamic banks in Indonesia. Smart PLS 4 with the SEM-PLS model is the software used to test the effect between the dependent variable, namely the maqashid sharia index which is proxied in educating individuals; establishing justice; and promoting welfare on the independent variable, namely green accounting practice which is also proxied by green investment, green initiatives, and green activity management. Meanwhile, the control variables used in this study aim to control causality in obtaining a more complete empirical model measured using bank size. The results indicate that green investment, green initiative, and green activity management that fulfil the category in representing the practice of green accounting in islamic banks. The implementation of maqashid sharia in Islamic banks is only represented by educating individuals and promoting welfare. Furthermore, the results of the effect test in this study are green accounting practice have a negative significant effect on maqashid sharia performance in islamic banks. While bank size proxied as control variable have a positive significant effect on maqashid sharia performance.

Keywords: *Green Accounting Practice, Maqashid Sharia Performance, Bank Size, SmartPLS, Islamic Bank*

INTRODUCTION

Increased pollution, environmental degradation, and loss of biodiversity were seen as unavoidable consequences of economic growth (Mealy & Teytelboym, 2022). However, since the United Nations Conference on Environment and Development (Rio Earth Summit) in 1992 the objective of environmental and climate protection has taken centre stage in economic development policy-making. Recently, the concept of "green growth" has been utilised by policymakers and academics as an alternative perspective on the possibility of promoting economic growth while ensuring the universe remains capable of providing resources for common welfare (Mealy & Teytelboym, 2022; ADB, 2013). One of the derivatives of the green growth concept is green accounting. Green accounting focuses on recognising, measuring, disclosing and reporting activities related to the company's

contribution to environmental sustainability (Imansari et al., 2019). Besides to being accountable to the environment, green accounting is indirectly expected to affect the performance of the company through a good image or brand in the public opinion.

It is considered a good company, if the company is not focused on making a profit but also pays attention to the environment and the welfare of the community around the company (Yasrawan & Werastuti, 2022). This is in line with that stated by Cooper (1992) that accounting must contribute to environmental problems rather than just taking precautions. The concept of green accounting is also in alignment with the responsibility as a caliph on earth as explained in the Qur'an surah Al-A'raf verse 56 which means *"And do not do damage to the earth after it has been well created. Pray to Allah with fear and hope. Verily, the mercy of Allah is very near to those who do goodness".*

The existence of green accounting will limit companies in managing resources by considering their impact on the environment and society. In Indonesia, the application of green accounting is based on Law No. 23 of 1997 concerning on Environmental Management which regulates the obligation of every person who does business or activities to maintain, manage, and provide correct and accurate information about the environment. It is no exception that the banking industry including Islamic banks can implement green accounting even though in some ways it tends to be the opposite. Fredy et al., (2022) explained that banks are profit-oriented institutions while the environment is a system that has no financial value. Although banking and the environment are in two different fields, both have the same concern, namely sustainability. Therefore, commitment and cooperation are required in pursuing this concern by integrating aspects of environmental and social management that can be stated in the financial statements using the concept of green accounting (Mustofa et al., 2020).

The results of empirical studies show quite consistently that the implementation of green accounting in the banking industry can improve performance. Chandra Deb et al., (2020) explains that green accounting practices as measured by green investment, green initiative, and green activity management indicators using 2SLS (Two-Stage Least Square) have a significant effect on improving bank performance as measured by return on assets and Tobin's Q. This is also aligned with the results of research conducted by Albastiah, (2022) which states that green accounting practices have a significant positive effect on financial performance. Based on the importance of the role green accounting on improving performance as described, then the purpose of this study is to analyse the effect of green

accounting practices on the performance of Islamic banks as measured by maqasid shariah. Green accounting is analysed from three dimensions as developed by Chandra Deb et al., (2020), Green investment is focused on projects or investment activities that prioritise good environmental and social aspects; green initiatives are activities initiated by the company in preserving the environment; and green activity management is concerned with the compatibility of company activities with environmental policies.

Islamic banks have a different value from commercial banks. Apart from having a profit (commercial) mission, Islamic banks also carry out a social mission. This is in accordance with that explained by Wahid et al., (2018) that other aspects are required to be considered, especially social aspects and human resources in measuring the performance of Islamic banks. The application of maqasid sharia concept in the research accommodates the commercial and social sides of Islamic banks. Maqashid sharia is supposed to attain maslahah and social welfare, either in the world or in the hereafter (Yusvita, 2019; Muhajir, 2015). Several studies also explained about performance measurement using the maqasid sharia index, including the study conducted by Rudi et al., (2019) explains that the performance of Islamic banking through the maqashid sharia index approach proposed by Abu Zahrah shows the results that the maqashid sharia index has a positive effect on the performance of Islamic banking. The similar research studied by Antonio et al., (2020) also show that there was a significant effect on the performance of Islamic banks as measured by Abu Zahrah's maqashid sharia model, although in general it has not reached optimal performance.

This study uses data from Islamic commercial banks registered with OJK starting in 2017, in which year sustainability reporting became mandatory for Islamic banks. Green accounting data is obtained from the sustainability report of Islamic banks. While maqasid sharia performance was developed from Abu Zahrah's model used previously by Pranata & Laela, (2020) and Wahid et al., (2018) with three measurement components namely tahdzib al-fard (education of the individual); iqomah al- adl (upholding justice); and jalb al maslahah (promoting community welfare), which are taken from financial ratios.

Based on the previous literature review, research on green accounting with the object of Islamic banks is still limited, including what has been studied by Almonifi, (2022); Dewi, (2020) and Mustofa et al., (2020). The novelty of this research compared to previous research can be seen from two sides. First, this study uses a more comprehensive green accounting measurement, which consists of three dimensions (green investment, green initiative, and green activity management) with sixteen items. Meanwhile, similar research

reviewed by Almonifi, (2022) the measurement of green accounting through the green finance ratio; whereas Dewi, (2020) reviewed the measurement uses earnings; and the research was reviewed by Mustofa et al., (2020) the measurement of green accounting by using the environmental cost component of environmental operational costs, product recycling costs in environmental development and research costs. Secondly, in terms of data analysis techniques. This study uses basic structural equations (SEM) which are able to analyse multiple variables and multiple measurements in one model at once; green accounting with 3 dimensions and 16 measurement items and Maqasid sharia with 3 dimensions and 10 measurement items and one control variable, which is the size of Islamic banks.

The results of this study will be an insight for Islamic banks, especially regarding the role of green accounting in improving maqasid sharia performance. Islamic banks may identify these dimensions of green accounting (green investment, initiative and activity management) that have a significant role in performance to be followed up. In terms of maqasid sharia, the results of this study assist banks in identifying the dimensions of maqasid sharia (tahdzib al fard, iqomah al-'adl and jalb al maslahah) that significantly represent the performance of Islamic banks. As for regulators, the results of this study are expected to be insight related to the necessity of green accounting policies that are mandatory for Islamic banks.

LITERATURE REVIEW

Legitimacy Theory

Legitimacy theory is a theory that explains the relationship between the company and the community in which the company carries out its activities and uses existing economic resources (Maulina & Priyadi, 2020). The legitimacy theory describes the relationship between companies and society as a social contract (Zara Ananda & NR, 2020; Chariri dan Ghozali, 2007). Legitimacy theory related to social disclosure implies that the reason companies disclose their environmental activities is that it is required by the society in which the company operates and failure to disclose can have adverse implications for the company, in addition this theory explains that social responsibility disclosures are made by companies in an effort to gain legitimacy where the company is located (Zara Ananda & NR, 2020; Pratiwi & Chariri, 2013).

Research reviewed by Yusuf (2020) confirms that in obtaining support from the community, it is necessary for the company to provide environmental care in the form of a

commitment to reduce the impact of operational activities that can cause the problems. Therefore, the application of green accounting is considered to be able to gain legitimacy from the community against the company, which in turn can provide additional value to the entity for long-term business sustainability.

Green Accounting Practice

Green accounting is a medium of communication with the public to convey if an organization seriously improves its environmental performance. The aim of improving environmental performance is to propose a continuous improvement performance for environmental control. Implementation of green accounting as part of the company's accounting system is important to consider to improve the company's environmental performance which may have a negative impact on the company's business success. In addition, it is expected to produce more accurate costs or prices for products from desired environmental processes and enable fulfillment of the needs of customers who expect environmentally friendly products. The aim of green accounting is an environmental management tool and as a communication tool with the community (Arum, 2019; Ikhsan: 2008).

Maqashid Sharia Index

Islam always taught every human being to be able to manage life by striving to reach the goal of full glory and abundant goodness (maqashid sharia). Maqashid means purpose, while sharia means the path leading to the source of life. Thus, maqashid sharia is the basic goals that have been set to achieve mutual benefit (Mustofa et al., 2020). Syofyan (2017) explains that the maqashid sharia index is considered as the ultimate goal of the implementation of sharia principles to the values of welfare and seeks to eliminate suffering and injustice. The maqashid sharia index was developed by Abu Zahrah as an indicator of measuring the performance of a business entity in accordance with the objectives and principles of sharia. The indicator consists of three sharia objectives as follows: (1) Tahdzib al-Fard (Individual Education); (2) Iqamah al-Adl (Realisation of Justice); and (3) Jalb al-Maslahah (Public Welfare).

Tahdzib al-fard is a performance indicator that requires corporate entities to be able to contribute to the development of knowledge not just for their employees, but also for society as a whole. While iqamah al-adl is a performance metric that requires businesses to conduct fair transactions and not injure many people. Meanwhile, jalb al-maslahah is a performance measure that pushes every organization to be profit-oriented, with profits

subsequently used to give welfare and benefit to all parties, including employees, stakeholders, and shareholders (Wati et al., 2022).

Bank Size

Bank size is the size or amount of assets owned by the bank. In this study, bank size is proxied by bank asset growth. Bank size has a strong tendency to generate high profits (Prasetyoningrum, 2019). Most of the time, depositors save their funds in the bank with the profit maximisation motive. The bigger bank size, the more depositors will tend to save their funds in the bank because they think it is safe to save their funds there (Sholikha, 2018). The related research on bank size and company performance has been undertaken by Mesut Dogan (2013) who concluded that there is a positive relationship between size indicators and company profitability. So if the size of the bank increases, then the performance will also increase (Cardilla et al., 2019). Chang (2013) states that there is a relationship between bank size and firm performance from the results of his empirical study.

Conceptual Fremework

This section describes the whole concept discussed in the study. As for how to represent the concept of this research with the conceptual framework as follows:

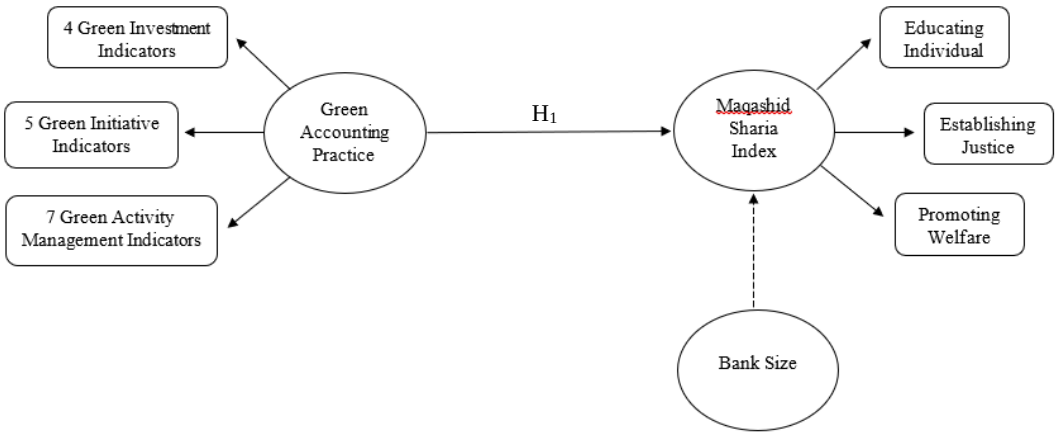

Figure 1

Conceptual Framework

Hypothesis Development

This research proposes a hypothesis for the third research question. While the first and second problem formulations were analysed qualitatively descriptively so that hypothesis development and testing were not required.

Green Accounting Practice has a Positive Effect on Maqashid Sharia Performance

Green Accounting practices fully support the maqasid performance achievement, especially the social aspect which is a unique characteristic of Islamic bank business. The

research of Albastiah, (2022); Chandra Deb et al., (2020); Dewi, (2020); and Mustofa et al., (2020) argues that the application of green accounting practices is able to positively and significantly affect the performance of both conventional and Islamic banking. As for other research reviewed by Cakhyaneu, (2018); Farhan et al., (2021); and Wahid et al., (2018) shows that the economic, environmental, and social dimensions incorporated in the sustainability report have a positive effect on maqashid sharia. The results of this study are presented in line with the purpose of maqashid sharia which is present to create benefits in human life. One of the attempts that can be made by Islamic banking is to implement green accounting practices in the hope of improving the performance of Islamic banking.

This finding occurs because the more comprehensive the implementation of green policies in the bank, then the investors will have more trust in the bank's risk management that the funds to be invested will be managed carefully while always paying attention to environmental sustainability. So there is a presumption that the performance of maqasid sharia in Islamic banks can increase on this issue. Therefore, the hypothesis formed is:

H_1: Green Accounting Practice has a Significant Effect on Maqashid Sharia Performance

RESEARCH METHODOLOGY

Data and Collection Techniques

The study is conducted to examine the effect of green accounting practice on maqashid sharia performance in Indonesia. Therefore, the object of this study is 16 fully fledged Islamic banks in Indonesia that provide a complete data. This research data is in the form of secondary data in the field of information on green accounting and maqasid performance taken from publication reports. This study employs documentation techniques by obtaining secondary data from annual reports and sustainability reports available on each Islamic bank's website. The period of 2017-2021 chosen by considering the existing regulation on sustainability reporting in Indonesia, POJK No. 51/POJK 03.2017 about Sustainable Finance Application for Financial Services Institutions, Issuers and Public Companies.

Table 1

List of Islamic Commercial Banks

No	Bank	Sustainability Report					Annual Report				
		2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
1	Bank Aladin Syariah					-					✓
2	Bank Syariah Indonesia					✓					✓
3	BPD NTB Syariah		-	-	✓	✓		✓	✓	✓	✓
4	Bank Aceh Syariah	✓	✓	-	✓	✓	✓	✓	✓	✓	✓
5	Bank Muamalat Indonesia	✓	-	-	✓	✓	✓	✓	✓	✓	✓
6	Bank Victoria Syariah	-	-	-	✓	✓	✓	✓	✓	✓	✓
7	Bank BRI Syariah	✓	✓	✓	✓		✓	✓	✓	✓	
8	Bank Jabar Banten Syariah	-	-	-	✓	✓	✓	✓	✓	✓	✓
9	Bank BNI Syariah	-	-	-	✓		✓	✓	✓	✓	
10	Bank Syariah	-	-	-	✓		✓	✓	✓	✓	

	Mandiri										
11	Bank Mega Syariah	-	-	-	✓	✓	✓	✓	✓	✓	✓
12	Bank Panin Dubai Syariah	-	-	-	✓	✓	✓	✓	✓	✓	✓
13	Bank Syariah Bukopin	-	-	-	✓	✓	✓	✓	✓	✓	✓
14	BCA Syariah	-	-	-	-	-	✓	✓	✓	✓	✓
15	Maybank Syariah Indonesia	-	-	-	-		✓	✓	-	-	
16	BTPN Syariah	-	-	✓	✓	✓	✓	✓	✓	✓	✓

The following table shows the list of Islamic commercial banks listed in the Islamic Banking Statistics and their completeness in issuing annual reports and sustainability reports for each year.

Model Development

The hypothesis model is performed with the objective of knowing the relationship between the independent latent variable (green accounting practice) and the latent variable maqashid sharia index. The following is the structural model equation in this study:

$$\mathbf{\eta = \beta_1 \xi GAP + \beta_2 \xi BS + \zeta}$$

Description:

η : Dependent variable (*Maqashid Sharia Index)*

ξ GAP : Independent variable (*Green Accounting Practice)*

ξ BS : Control variable *Bank Size*

Dependent Variable

Maqashid sharia is a measurement indicator used to assess companies or entities to

run fairly, environmentally friendly, and profitable for stakeholders and shareholders. Based on research undertaken by Ahmad Wira et al. (2018), The maqashid sharia index created by Abu Zahrah is considered relevant to be used in measuring and assessing the level of conformity of the company's performance and activities with sharia principles. There are 3 maqashid sharia objectives achieved along with 10 elements and calculation formulas which can be seen in table 2 for details.

Table 2

Maqashid Sharia Ratio

Concept	Goal Weight	Dimensions	Element	Element Weight	Ratio
Educating Individual	30	D1. Advancement Knowledge	E1. Education Grant	24	R1. Education Grant/ Total Expense
			E2. Research	27	R2. Research Expense/ Total Expense
		D2. Instilling new skill and improvement	E3. Training	26	R3. Training Expense/ Total Expense
		D3. Creating Awareness of Islamic Banking	E4. Publicity	23	R4. Publicity Expense/ Total Expense
				100	
Establishing Justice	41	D4. Fair Returns	E5. Fair Returns	30	R5. Profit Equalization reserves (PER)/ Net or Investment Income
		D5. Cheap Products and Services	E6. Functional Distribution	32	R6. Mudharabah and

					Musyarakah Modes/ Total Investment Mode
		D6. Elimination of Injustice	E7. Interest Free Product	38	R7. Interest Free Income/ Total Income
				100	
Promoting Welfare	29	D7. Profitability of Bank	E8. Profit Ratios	33	R8. Net Income/ Total Asset
		D8. Redistribution of Income and Wealth	E9. Personal Income	30	R9. Zakah Paid/ Net Income
		D9. Invesrment in Real Sector	E10. Investment Ratios in Real Sector	37	R10.Investment in Real Economic Sectors/ Total Investment
	100			**100**	

(Omar & Md Taib, 2015; Wahid et al., 2018; Pranata & Laela, 2020)

There are three stages that are carried out to measure the maqashid sharia performance of banks (Cakhyaneu, 2018; Afrinaldi, 2013) namely: (1) Assessing each maqashid sharia performance ratio consisting of ten ratio elements with corresponding performance indicators in table two; (2) Determining the ranking of Islamic banks based on Performance Indicators (IK) carried out using the Simple Additive Weighting Method (SAW) by weighting, aggregating and ranking processes; and (3) Determining the maqashid sharia index in each sharia bank which is the total of all performance indicators of the three maqashid sharia objectives formulated as follows:

MSI = IK (T1) + IK (T2) + IK(T3)

Description:

MSI = Maqashid Sharia Index

IK = Performance Indicators

T = Objective

Independent Variable

As proxies for green accounting practices, there are three variables used in the study (Chandra Deb et al., 2020), Namely: Green Investment (GIN) is the natural logarithm of each bank's total investment in green projects. Green Initiatives (GNV) is the natural logarithm of each bank's total number of environmental initiatives. The volume of risk management committees that manage each bank's green activities is known as Green Activity Management (GAM). In this study, green accounting practices will be measured using observational variables that have been reviewed by Rachman & Saudi (2021). The observed variables consisting of 16 indicators include green investment, green initiatives and green activity management as in the table below.

Table 3

Indicators of Green Accounting Practice

Variable	Variable Observed	Scale
Green Investment	V1. Green loan V2. Waste / recycling management V3. Eco-friendly bank V4. Green project financing	Nominal
Green Initiatives	V5. Saving paper usage (paperless) V6. Environmental awareness training and education V7. Use of energy-saving equipment V8. Green enterprise facilities V9. Green Procurement	Nominal
Green Activity Management	V10. Environmental performance evaluation V11. Environment-based reward system V12. Environmental based credit evaluation V13. Green policy V14. Environmentally based strategic planning	Nominal

	V15. Green partnership V16. Management of green branches	

(Chandra Deb et al., 2020; Rachman & Saudi, 2021)

The indicators is measured by calculating the disclosure items of green banking reporting that are reported by the bank compared to the disclosure items that are expected.If the company discloses items, it will be given a score of 1 and a score of 0 otherwise (Rachman & Saudi, 2021; Handajani et al., 2019). The formula used is as follows:

$$\boldsymbol{GAP = \sum_{i=1}^{n} di}$$

Description:

GAP = Disclosure of green accounting practice bank *i* year *t*

di = 1 if reported, 0 otherwise

n = the expected number of disclosure of GAP indicators

Control Variable

Bank Size can be a measure of whether an Islamic bank is categorised as large scale or small scale. The bank size is measured by observing the total assets from year to year within a predetermined period (A. Putra & Syaichu, 2021). The amount of total assets in the company will affect the profit in reaching a wider market. Bank size is an important part of profitability, the larger bank size tends to have a high level of product diversification compared to banks with a small scale because of the high product diversification then it will greatly affect profitability (A. M. Putra & Pangestuti, 2019). Munawir (2010: 30) states the formula for measuring firm size as follows:

Size = Ln Total Asset

Description:

Ln = Natural Logarithm

Data Analysis Techniques

The data analysis technique in this study uses SEM-PLS with the SmartPLS 4 application to analyse data and test hypotheses. Researchers chose to use PLS because this study used latent variables with reflexive and formative constructs. PLS is able to analyse latent variables with several indicators (Kholmi & Nizzam Zein Susadi, 2021; Sholihin dan Ratmono, 2013). The following are the steps of data analysis in this study:

1. Measuring all variables in this study. Regarding the hypothesis model is performed with the objective of knowing the relationship between the independent latent variable (green accounting practice) and the latent variable maqashid sharia index. The following is the structural model equation in this study:

$$\mathbf{\eta = \beta 1\ \xi GAP + \beta 2\ \xi BS + \zeta}$$

2. Data analysis with the SmartPLS 4 application. In PLS uses 2 assessments, namely:
   a. Measurement Model (Outer Model)

      The outer model evaluation is a model that describes the relationship between latent variables and their indicators. Testing is also done by looking at convergent validity, discriminant validy and composite realibility.
   b. Structural Model (Inner Model)

      The structural model is a model that describes the relationship between latent variables. Assessment in the inner model looks at the R-Squared for each dependent variable and also the results of testing the path coefficient.

RESULT AND DISCUSSION

Sample Determination

The data sample used in this study is the Islamic banking sector which is registered in the Islamic banking statistics for 5 years starting from 2017 to 2021. There are 16 Islamic banks registered in the Islamic banking statistics, but because BPD West Nusa Tenggara Syariah was only officially registered in 2018; Bank Aladin Syariah in 2021; and Maybank Syariah Indonesia which was not officially registered as an Islamic bank in 2021 made the total sample in this study equal to 55.

The dependent variable used in this study is maqashid sharia index that is proxied using 3 indicators, namely: educating individuals; establishing justice; and promoting welfare which refers to the Abu Zahrah model. Whereas the independent variable is green accounting practice that is also proxied using 3 indicators, namely: green investment, green initiatives, and green activity management. Meanwhile, the control variable used in this study aims to complement or control causality in obtaining a more complete and better empirical model measured using bank size.

Descriptive Statistics

Descriptive statistics in this study are used to describe the various latent variables with the aim of providing an overview of the variables to be studied by including the minimum, maximum, average, and standard deviation values.

Table 4

Descriptive Statistics

Latent Variable	Manifest Variable	N	Min	Max	Mean	Std. Deviation
Green Accounting Practice	Green investment	55	0	4	1.82	1.94
	Green initiatives	55	0	5	2.11	2.29
	Green activity management	55	0	7	3.02	3.22
Maqashid Sharia Index	Educating individual	55	2	103	25.80	19.60
	Establishing justice	55	677	150788	23975.11	33363.22
	Promoting welfare	55	28	2634	1210.09	586.19
Bank Size	Bank size	55	14	19	16.62	1.12

Based on table 4 which has been presented above, it can be interpreted that there are 3 latent variables with 55 samples in this study. The green accounting practice variable has a minimum value of 0 and a maximum value of 4; 5; and 7 which means there are Islamic banks that have made regular disclosures since 2017 and disclosed 16 items in detail on the report, namely: BRI Syariah. While the maqashid sharia index variable has a various minimum and maximum value after weighting. Meanwhile, if the standard deviation value is greater when compared to the average value. So it can be concluded that the data used in each of the variables above has a large distribution, which means that the standard deviation value is not good and there are deviations in each of these variables. Vice versa, the smaller the standard deviation, the more similar the values on the items or the more accurate the mean.

Regarding the bank size variable which is proxied as a control variable, it has an average value of 16.62 with a minimum value of 14 and a maximum of 19. However, this variable has a standard deviation value of 1.13 which is smaller than the average value, it can be concluded that the bank size variable has a good standard deviation value and shows there is no data deviation on this variable.

Outer Model Evaluation

The outer model evaluation aims to ensure that the measurements used in this study are valid and reliable. This outer model also aims to see how each manifest variable indicator relates to its latent variable. In this measurement model evaluation, there are three parameters that will be tested, namely:

1. Convergent Validity

Convergent Validity is a reflective measure used as an indicator that refers to the correlation between the value of the item and the value of the construct to be measured. The following figure 2 shows the results of path model output along with the loading factor value using SmartPLS:

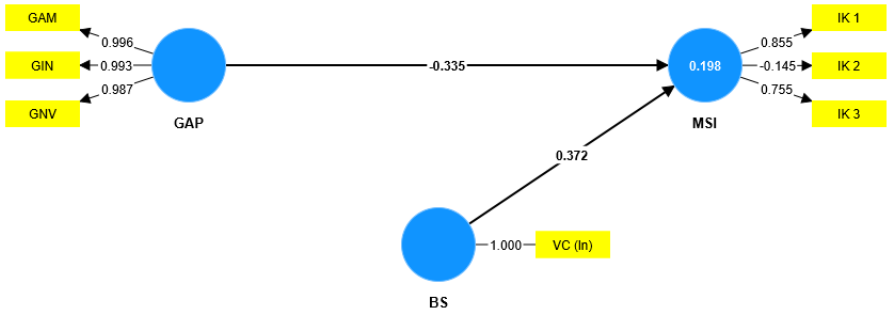

Figure 2

Path Model

Description:

GAM = Green Activity Management

GIN = Green Investment

GNV = Green Initiatives

IK 1 = Educating Individual

IK 2 = Establishing Justice

IK 3 = Promoting Welfare

BS = Bank Size

Based on the presentation of Figure 2 above, it shows that the total manifest variables of the three latent variables in this study are seven and six of them have a loading factor value of more than 0.5. However, there is one indicator that has a loading factor value of less than 0.5, namely the second performance indicator of the maqashid sharia index construct. This indicates that the value of the second performance indicator is invalid or cannot measure the latent variable. Therefore, to overcome this issue, there are two ways that can be done, which are: (1) leave it alone; or (2) eliminate the construct

value of the indicator. In this study, the authors choose to eliminate the indicators with a value of less than 0.5 because it does not qualify if the indicators are still listed in this study. The results of the modified path model which shows the loading factor value in this study are as follows:

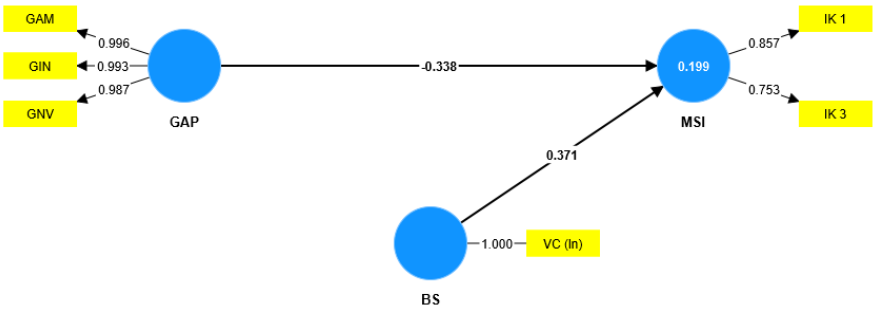

Figure 3

Path Model After Modification

Through the presentation of Figure 3 related to the path model after the modification above, it can be interpreted that the results of the loading factor value show that all indicators have filled the category. So it can be concluded that the construct value in each manifest variable of this study is valid to measure each latent variable.

2. Discriminant Validity

Discriminant validity is considered to be qualified if the cross loading value of the indicator on the variable is the largest value when compared to other variables. The following is the cross loading value of each indicator:

Table 5

Cross Loading

	BS	GAP	MSI
GAM	0.229	0.996	-0.260
GIN	0.169	0.993	-0.282
GNV	0.244	0.987	-0.224
IK 1	0.137	-0.377	0.857
IK 3	0.378	0.003	0.753
VC	1.000	0.213	0.299

Based on the table 5 above, it shows that the cross loading results in this study indicate good discriminant validity. In addition, discriminant validity can be seen through

the Average Variance Extracted to get a good model. The AVE results are presented in the following table:

Table 6

Average Variance Extrance

	Average Variance Extracted
BS	1.000
GAP	0.984
MSI	0.651

Based on the table 6 above, the results shows the average variance extracted value for each latent variable has a good discriminant validity.

3. Composite Realibility

Composite reliability is considered to meet the category with a value of more than 0.6. The composite reliability value is presented in the following table:

Table 7

Composite Realibility

	Composite Realiability
BS	1.000
GAP	0.995
MSI	0.788

Based on the table above, it can be concluded that the composite reliability value has fulfil the required reliability level, so this research can be declared reliable.

Inner Model Evaluation

In the inner model evaluation, this research aims to show the specification of the causal relationship between latent variables. There are two parameters that will be tested on the inner model, namely:

1. R-Square Value

The R-Square test is the value that belongs to the dependent variable and aims to determine how much the percentage of the dependent variable is influenced by the independent variable and also the control variable. The results of the R- Square test are presented in the following table:

Table 8

R-Square

	R-square	R-square adjusted
MSI	0.199	0.168

Based on the table above, the R-Square test result is 0.199. So it can be concluded that green accounting practice which is proxied as an independent variable and bank size as a control variable is to affect the maqashid sharia index by 20%. Meanwhile, the of other 80% is influenced by another variable that is not tested in this study.

2. Path Coefficient

Path coefficient is a value that explains the direction of relationship between variables in answering the research hypothesis by examining the T-statistics and P-values. Based on the path coefficient criteria, the hypothesis can be accepted if the T-statistics is more than 1.96 and the P-values are less than 0.05. The results of the path coefficient test are presented in the following table:

Table 9

Path Coefficient

Hypothesis	**Relation**	**Description**	***Original Sample (O)***	***T Statistics***	***P Values***	**Result**
H1	GAP → MSI	Green Accounting Practice has a negative and significant effect on the Maqashid Sharia Index	-0.338	2.019	0.044	Accepted

Based on the table above, the relationship test between constructs has been obtained as follows: the GAP construct in this study has a T-statistics value of 2.019 > 1.96 and P-

values of 0.044 < 0.05, while the path coefficient value is -0.338. This shows that the Green Accounting Practice construct has a negative and significant effect on the Maqashid Sharia Index. So it can be concluded that **H1 is accepted**. While the Bank Size construct proxied as a control variable in this study has a positive and significant effect on the Maqashid Sharia Index.

The Practice of Green Accounting in Islamic Commercial Banks based on Indicators of Green Investment, Green Initiative, and Green Activity Management

The practice of green accounting in islamic commercial banks in this study measured through three observed variables, namely: green investment (GIN), green initiative (GNV), and green activity management (GAM). The parameters used to show the relationship between the three manifest variables in representing the application of green accounting practices in Islamic banks are measured in two ways, namely: convergent validity test results and descriptive statistics.

The value of loading factors on convergent validity which shows a correlation between reflexive indicator scores and latent variable scores (Solimun, 2017). Convergent validity is considered to meet the category if the outer loading value is more than 0.7. However, 0.5 to 0.6 is considered sufficient as an initial study of the development of a measurement scale. In this study, the results of the convergent validity test can be seen in Figure 2 which shows that green activity management has a value of 0.996; green initiatives at 0.993; and green investment at 0.987. Based on these three values, it can be concluded that the three manifest variables have met the category in representing their latent variables.

Based on descriptive statistics data which can be seen in table 4, it shows that the minimum value of disclosure related to the observed variable in green accounting is 0, it means there are banks that not disclose sustainability reports. Whereas the data related to the disclosure of the sustainability report can be seen in table 1. There are several banks that have only started disclosing sustainability reports since 2019, this is because POJK No. 51 / POJK 03.2017 CHAPTER 1; Article 3 related to the implementation of sustainable finance for Financial Institutions in the form of Commercial Banks included in the Commercial Bank group came into force compulsorily on 1 January 2019 even though the regulation has been established since 2017.

Regarding the maximum value of the observed variables in this study is 16 consisting of 4 GIN, 5 GNV, and 7 GAM. This value shows that there are banks that disclose

sustainability reports regularly and clearly. This can be seen in table 1 shows BRI Syariah is a bank that has made regular disclosures since 2017 and disclosed 16 items in detail on the report. Based on the measurement results through two parameters in this study, it can be concluded that the three manifest variables fulfil the category in representing the practice of green accounting in islamic commercial banks.

The Implementation of Maqashid Sharia in Islamic Commercial Banks based on the Aspects of Education, Justice and Welfare

The implementation of maqashid sharia in islamic commercial banks in this study measured through three observed variables, namely: educating individuals, establishing justice and promoting welfare. The parameters used to show the relationship between the three manifest variables in representing the implementation of maqashid sharia in Islamic banks are measured in two ways, namely: convergent validity test results and descriptive statistics.

The value of loading factors on convergent validity which shows a correlation between reflexive indicator scores and latent variable scores (Solimun, 2017). Convergent validity is considered to meet the category if the outer loading value is more than 0.7. However, 0.5 to 0.6 is considered sufficient as an initial study of the development of a measurement scale. In this study, results of convergent validity test can be seen in Figure 2 which shows that educating individuals (IK 1) has a value is 0.855; establishing justice (IK 2) is -0.145; and promoting welfare (IK 3) is 0.755. Based on these three values, it can be interpreted that establishing justice does not fulfil the category in representing the latent variable. Therefore, to overcome this issue, the authors choose to eliminate the indicators with a value of less than 0.5 because it does not qualify if the indicators are still listed in this study.

Based on descriptive statistics data which can be seen in table 4, It shows that the minimum value after weighting the maqashid sharia index of educating individuals is 2 which belongs to Bank Victoria Syariah and the maximum value is 103 which belongs to BPD West Nusa Tenggara Syariah. The third manifest variable shows that the minimum value after weighting the maqashid sharia index of promoting welfare is 28 which belongs to Bank Victoria Syariah and the maximum value is 2634 which belongs to BPD West Nusa Tenggara Syariah.

Based on the measurement results through two parameters in this study, it can be concluded that only the manifest variables of education and welfare can represent the

implementation of maqashid sharia in Islamic commercial banks. As for the justice variable that cannot be represented, it can be caused by a pandemic. This situation causes economic instability in Indonesia and this makes mudharabah and musyarakah financing have increased quite high but the decline in bank profit sharing returns.

The Effect of Green Accounting Practice on Maqashid Sharia Performance

The results of statistical tests in this research indicate that the P-values forming the effect of green accounting practice on the maqashid sharia index are accepted. So it can be stated that green accounting practice has a significant effect on the maqashid sharia index. At the same time, the path coefficient on this variable is negative, so the significant effect has a negative relationship direction. The negative effect means that as more Islamic banks implement green accounting practices measured by disclosures about green accounting in various activities, the maqasid sharia performance of Islamic banks is predicted to decrease. The results obtained in this study are not in accordance with the research examined by Chandra Deb et al., (2020) and Mustofa et al., (2020) which states that green accounting practice has a positive and significant effect on bank performance.

This result may be caused by several factors. First, the implementation of green accounting practices is quite complex as it involves the adoption of environmentally friendly and sustainable practices that require changes in the bank's operational systems and processes. Banks also need to spend additional funds for it in implementing green accounting is predicted to have a negative impact on profitability. Inadequate understanding and complex implementation can interfere with bank performance and result in decreased efficiency for Islamic banks. This is reasonable because green accounting practices are new particularly in the Islamic banking industry (Wijayanti et al., 2022).

Second, the constraints of unclear green accounting regulations and standards that cause confusion and uncertainty for banks, which have the potential to affect bank performance and hinder the implementation of consistent green accounting practices. The obligation of the industry to apply the concept of green accounting has only started since 2019 in accordance with the regulation of the Financial Services Authority Number 51/POJK.03/2017 CHAPTER 1; Article 3 related to the implementation of sustainable finance for Financial Institutions in the form of Commercial Banks included in the Commercial Bank group came into force on 1 January 2019.

Third, changes in organizational behaviour and culture also have an important role in green accounting practices. Since without a strong commitment from the bank's

management and employees, the implementation of such practices may be ineffective or inconsistent, potentially negatively impacting the bank's overall performance. (Citrayantie et al., 2020).

Regarding the control variables used in this study, the results show that the relationship between bank size and maqashid sharia index is accepted. This happens because this variable has a path coefficient value of 0.371, the t-statistics value is 2.304 and the p-value is 0.021, which means that this control variable has a positive and significant effect on maqashid sharia. This is in accordance with prior studies examined by Putra & Pangestuti, (2019) and Pranata & Laela, (2020) states that bank size proxied as a control variable can affect company performance including maqashid sharia performance.

CONCLUSION

Based on the results of this study, it shows that green accounting practices in the form of green investment, green initiative, and green activity management represent the category of Islamic commercial banks to sustainable practices. Meanwhile, the implementation of maqashid sharia is only represented by the aspects of education and individual welfare. In addition, the results of hypothesis testing show that the implementation of green accounting practices has a negative and significant effect on bank performance. This indicates that the use of complex practices, obscure regulations, and changes in organisational culture can affect banking performance in the context of maqashid sharia.

REFERENCES

Ahmad Wira, Hefrizal Handra, dan A. S. (2018). *PENGUKURAN KINERJA PERBANKAN SYARIAH DENGAN MENGGUNAKAN PENDEKATAN INDEKS MAQASHID SYARIAH AHMAD*. *10*.

Albastiah, F. A. (2022). Penerapan Green Accounting, Dan Corporate Social Responsibility Terhadap Kinerja Keuangan Bank Umum Syari'ah Di Indonesia Tahun 2018-2020. *Jurnal Akuntansi Dan Pajak*, *22*(22), 1–13.

Almonifi, Y. S. A. (2022). Adopting Green Finance Ratio in Evaluating Islamic Banks Performance as Index for achieving Sharia Maqasid. *Sustainable Competitive Advantage (SCA)*, *November*. http://www.jp.feb.unsoed.ac.id/index.php/sca-1/article/view/3273%0Ahttps://www.jp.feb.unsoed.ac.id/index.php/sca-1/article/viewFile/3273/2238

Antonio, M. S., Laela, S. F., & Jazil, T. (2020). Abu Zahrah'S Maqasid Sharia Model As a Performance Measurement System. *Jurnal Akuntansi Multiparadigma*, *11*(3), 519–541. https://doi.org/10.21776/ub.jamal.2020.11.3.30

Cakhyaneu, A. (2018). Pengukuran Kinerja Bank Umum Syariah Di Indonesia Berdasarkan Sharia Maqashid Index (Smi). *Amwaluna: Jurnal Ekonomi Dan Keuangan Syariah*,

2(2), 1–12. https://doi.org/10.29313/amwaluna.v2i2.3753

Cardilla, A. L., Muslih, M., & Rahadi, D. R. (2019). Pengaruh Arus Kas Operasi, Umur Perusahaan, Dan Ukuran Perusahaan Terhadap Kinerja Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia Periode 2011-2016. *Firm Journal of Management Studies*, *4*(1), 66. https://doi.org/10.33021/firm.v4i1.686

Chandra Deb, B., Saha, S., & Mominur Rahman, M. (2020). *"Does Green Accounting Practice Affect Bank Performance? a Study on Listed Banks of Dhaka Stock Exchange in Bangladesh" Pjaee, 17 (9) (2020) "Does Green Accounting Practice Affect Bank Performance? a Study on Listed Banks of Dhaka Stock Exchange in Bangla*. *17*(November), 7225–7247.

Citrayantie, T., Said, D., & Mediaty. (2020). Green Accounting in Paper Review. *Jurnal Akuntansi , Kewirausahaan Dan Bisnis*, *5*(1), 1–11.

Dewi, M. A. (2020). Pengaruh Green Accounting Dan Dividend Payout Ratio Terhadap Firm Size Melalui Csr Sebagai Variabel Intervening. *BISMA: Jurnal Bisnis Dan Manajemen*, *14*(1), 34. https://doi.org/10.19184/bisma.v14i1.16827

Fredy, H., Azizah, W., & Zoebaedi, F. (2022). *Pandemi COVID-19: Apakah Mempengaruhi Green Accounting di Indonesia? 2*(2), 1–12.

Imansari, A. R., Roekhudin, & Prihatiningtias, Y. W. (2019). Akuntansi Hijau dan Industri Perhotelan : Sebuah Keniscayaan Green Accounting and Malang Hospitality Industry : A Inevitability. *Jurnal Economia*, *15*, 189–208. download.garuda.kemdikbud.go.id/article.php?article=1509096&val=473&title=Green Accounting and Malang Hospitality Industry A Inevitability

Kholmi, M., & Nizzam Zein Susadi, M. (2021). Pengaruh Mekanisme Good Corporate Governance Dan Struktur Kepemilikan Terhadap Pengungkapan Sustainability Report. *Jurnal Akuntansi Dan Ekonomika*, *11*(1), 129–138. https://doi.org/10.37859/jae.v11i1.2515

Mealy, P., & Teytelboym, A. (2022). Economic complexity and the green economy. *Research Policy*, *51*(8), 103948. https://doi.org/10.1016/j.respol.2020.103948

Mustofa, U. A., Edy, R. N. A. P., Kurniawan, M., & Kholid, M. F. N. (2020). Green Accounting Terhadap CSR pada Bus di Indonesia dengan Kinerja Keuangan Sebagai Variabel Intervening. *Jurnal Ilmiah Ekonomi Islam*, *6*(3), 508. https://doi.org/10.29040/jiei.v6i3.1372

Omar Mohammed, M., & Md Taib, F. (2015). Developing Islamic Banking Performance Measures Based on Maqasid Al-Shari'Ah Framework: Cases of 24 Selected Banks. In *Journal of Islamic Monetary Economics and Finance* (Vol. 1, Issue 1, pp. 55–77). https://doi.org/10.21098/jimf.v1i1.483

Pranata, M. W., & Laela, S. F. (2020). Board Characteristic, Good Corporate Governance and Maqâshid Performance in Islamic Banking. *Journal of Islamic Monetary Economics and Finance*, *6*(2), 463–486. https://doi.org/10.21098/jimf.v6i2.1189

Prasetyoningrum, A. K. (2019). Pengaruh Ukuran Perusahaan, Profitabilitas, Leverage, Efisiensi Biaya, Dan Umur Perusahaan Terhadap Islamic Social Reporting (ISR) Pada Perbankan Syariah Di Indonesia. *MALIA: Journal of Islamic Banking and Finance*, *2*(2), 147. https://doi.org/10.21043/malia.v2i2.4780

Putra, A. M., & Pangestuti, I. R. D. (2019). Pengaruh Struktur Pasar, Kompetisi, Diversifikasi

dan Risiko Kredit Terhadap Profitabilitas Bank dengan Bank Size sebagai Variabel Kontrol. *Diponegoro Journal of Management*, *8*(1), 117–125. http://ejournal-s1.undip.ac.id/index.php/djom

Putra, A., & Syaichu, M. (2021). Analisis Pengaruh Bank Size, BOPO, FDR, CAR, dan ROA Terhadap Non-Performing Financing (Studi Kasus Pada Perusahaan Perbankan Syariah yang Terdaftar di Bursa Efek Indonesia (BEI) Tahun 2016 – 2019). *Diponegoro Journal of Management*, *10*(2), 1–13. https://ejournal3.undip.ac.id/index.php/djom/article/view/32364.

Rachman, A. A., & Saudi, M. H. (2021). Green Banking And Profitability (Banks Registered On The Sri-Kehati Index In Indonesia Stock Exchange 2015 - 2019). *Turkish Journal of Computer and Mathematics Education*, *12*(8), 473–486.

Rudi Setiyobono, Nurmala Ahmar, & Darmansyah. (2019). Pengukuran Kinerja Perbankan Syariah Berbasis Maqashid Syariah Index Bank Syariah di Indonesia : Abdul Majid Najjar Versus Abu Zahrah. *Jurnal Riset Akuntansi & Perpajakan (JRAP)*, *6*(02), 111–126. https://doi.org/10.35838/jrap.v6i02.1249

Sholikha, A. F. (2018). Pengaruh Tingkat Suku Bunga, Tingkat Bagi Hasil, Likuiditas, Inflasi, Ukuran Bank, dan Pertumbuhan Produk Domestik Bruto terhadap Deposito Mudharabah Bank Umum Syariah di Indonesia. *El-Jizya : Jurnal Ekonomi Islam*, *6*(1), 1–22. https://doi.org/10.24090/ej.v6i1.2045

Wahid, N. N., Firmansyah, I., & Fadillah, A. R. (2018). Analisis Kinerja Bank Syariah Dengan Maqashid Syariah Index (MSI) Dan Profitabilitas. *Jurnal Akuntansi*, *13*(1), 1–9.

Wati, E. E., Shahril, M., Razimi, A., Sisdianto, E., & Aprilian, L. (2022). Implementation of Green Accounting on Company Performance from Maqashid Syariah Index. *International Business and Accounting Research Journal*, *6*(2), 81–91. http://journal.stebilampung.ac.id/index.php/ibarj

Wijayanti, A., & Dondoan, G. A. (2022). Pengaruh Penerapan Green Accounting Dan Corporate Social Responsibility Terhadap Firm Value Dengan Kinerja Perusahaan Sebagai Variabel Intervening. *Jurnal Akuntansi Manajerial (Managerial Accounting Journal)*, *7*(1), 62–85. https://doi.org/10.52447/jam.v7i1.5977

Yasrawan, K. T., & Werastuti, D. N. S. (2022). Bagaimana Peran Dan Penerapan Akuntansi Hijau Di Indonesia? *Jurnal Akuntansi Kontemporer*, *14*(3), 151–161. https://doi.org/10.33508/jako.v14i3.3514

Yusvita Nena Arinta. (2019). Implementasi Maqashid Syariah dengan Pengembangan Ekonomi Hijau Melalui Urban Farming. *International Journal Ihya 'Ulum Al-Din*, *4*(1), 88–100. https://doi.org/10.21580/ihya.21.2.4834