

APPENDICES

APPENDIX A: Pilot test

Appendix A1: Validator Information

No.	Name	Status	Institution
1	Assoc. Prof. Dr. Muhammad Ridhwan Ab. Aziz	Academician	Universiti Sains Islam Malaysia
2	Mohd Faisol Bin Ibrahim	Academician	Universiti Sains Islam Malaysia
3	Dr. Supiah Binti Salleh	Academician	Universiti Sains Islam Malaysia
4	Dr. Azrul Azlan Bin Iskandar Mirza	Shariah Advisory member / Academician	Alliance Islamic Bank Berhad/ Universiti Sains Islam Malaysia

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The Impact of Shariah Governance Practice to Financial and Non-Financial Performance of Islamic Banks in Malaysia

This research project is conducted by a researcher at the Graduate School of Muamalat (GSM), Universiti Sains Islam Malaysia

PhD candidate:
Siti Noradibah Md Zain

Supervisors:
Assoc. Prof. Dr Zurina Shafii
Dr. Rosnita Masruki

Assalamualaikum Warahmatullah Wabarakatuh,
Dear Expert,

Objective of the Engagement

This document contains the instruments intended to be used in my PhD research that examines the impact of Shariah Governance Practice to Financial and Non-Financial Performance of Islamic banks in Malaysia. To ensure content validity of the instruments, I hereby would like to engage with you as an expert in Islamic finance to seek for improvements and to validate the instruments presented in this document.

About the Instruments

The instruments are to be used to collect the data from the annual reports of Islamic banks related to the Shariah governance, Maqasid Shariah, and the financial performance. All the items developed to see the disclosure level on the Shariah governance and Maqasid Shariah that may reflect to the performance of Islamic banks.

About the Instruments

The measurement items are divided into two Sections: Section A) Independent Variables and Section B) Dependent Variables. Section A contain two subsections which are subsection A1) Corporate governance and SSB attributes, while subsection A2) Shariah Governance and Maqasid Shariah. Similarly, section B contains financial performance measurement.

The proposed instruments were developed based on literatures review and the analysis from the rules and regulation.

Subsection B2: Non-Financial Measurements - Maqasid Shariah Disclosure Index

The scales below are used to measure the disclosure level of following statement in the annual report.

1 = The information not disclosed / not relevant
2 = The information disclosed in general term, in qualitative manner
3 = The information disclosed in specific term, in qualitative manner
4 = The information disclosed quantitatively
5 = The information disclosed specifically in qualitative and quantitative manner

No	Description	Scales				
		1	2	3	4	5
5	Arif et al. (2003) Customer's securities (e.g data privacy)					
6	Haniffa & Hudaib (2007) Transparency (information-accessibility for all stakeholders)					
7	Arzal et al. (2015) Customer's securities (e.g data privacy)					
8	Samsul & Binte (2004) Customer's care					
9	Haniffa & Hudaib (2007) Promoting human right					
E		Preservation of Wealth				
Underlying values sources of income and benefit of wealth for development of society						
1	Mohammed et al. (2015) Contribution for zakah					
2	Mohammed et al. (2015) Contribution for charity (sadaqah)					
3	Mohammed et al. (2015) Uses of qard al-hasan					
4	Mohammed et al. (2015) Contributions for waqaf					
5	Mohammed et al. (2015) Sponsor community activities					
6	Mohammed et al. (2015) Sponsor for Islamic programme events (E.g Forum)					
7	Mohammed et al. (2015) Contribute for environmental awareness					
8	Mohammed et al. (2015) Contribute for environmental development					
9	Mohammed et al. (2015) Sources of income from Shariah compliant activities					
10	Mohammed et al. (2015) Handling income from non-permissible activities					

Comment/Suggestion:
The determination of scale need to be revise/revised to ensure clarity, if how to measure qualitative information in the annual report.

Validated by:
[Signature]
Date: 02/04/2019

Subsection B2: Non-Financial Measurements - Maqasid Shariah Disclosure Index

The scales below are used to measure the disclosure level of following statement in the annual report.

1 = The information not disclosed / not relevant
2 = The information disclosed in general term, in qualitative manner
3 = The information disclosed in specific term, in qualitative manner
4 = The information disclosed quantitatively
5 = The information disclosed specifically in qualitative and quantitative manner

No	Description	Scales				
		1	2	3	4	5
5	Arif et al. (2003) Customer's securities (e.g data privacy)					
6	Haniffa & Hudaib (2007) Transparency (information-accessibility for all stakeholders)					
7	Arzal et al. (2015) Customer's securities (e.g data privacy)					
8	Samsul & Binte (2004) Customer's care					
9	Haniffa & Hudaib (2007) Promoting human right					
E		Preservation of Wealth				
Underlying values sources of income and benefit of wealth for development of society						
1	Mohammed et al. (2015) Contribution for zakah					
2	Mohammed et al. (2015) Contribution for charity (sadaqah)					
3	Mohammed et al. (2015) Uses of qard al-hasan					
4	Mohammed et al. (2015) Contributions for waqaf					
5	Mohammed et al. (2015) Sponsor community activities					
6	Mohammed et al. (2015) Sponsor for Islamic programme events (E.g Forum)					
7	Mohammed et al. (2015) Contribute for environmental awareness					
8	Mohammed et al. (2015) Contribute for environmental development					
9	Mohammed et al. (2015) Sources of income from Shariah compliant activities					
10	Mohammed et al. (2015) Handling income from non-permissible activities					

Comment/Suggestion:
Need adjustment in the description of wealth is structured into the element of the bank of disclosure. Ministry of Islamic and Charitable Activities. No. 10/2019

Validated by:
[Signature]
Date: 26/1/2019

Subsection B2: Non-Financial Measurements - Maqasid Shariah Disclosure Index

The scales below are used to measure the disclosure level of following statement in the annual report.

1 = The information not disclosed / not relevant
2 = The information disclosed in general term, in qualitative manner
3 = The information disclosed in specific term, in qualitative manner
4 = The information disclosed quantitatively
5 = The information disclosed specifically in qualitative and quantitative manner

No	Description	Scales				
		1	2	3	4	5
5	Arif et al. (2003) Customer's securities (e.g data privacy)					
6	Haniffa & Hudaib (2007) Transparency (information-accessibility for all stakeholders)					
7	Arzal et al. (2015) Customer's securities (e.g data privacy)					
8	Samsul & Binte (2004) Customer's care					
9	Haniffa & Hudaib (2007) Promoting human right					
E		Preservation of Wealth				
Underlying values sources of income and benefit of wealth for development of society						
1	Mohammed et al. (2015) Contribution for zakah					
2	Mohammed et al. (2015) Contribution for charity (sadaqah)					
3	Mohammed et al. (2015) Uses of qard al-hasan					
4	Mohammed et al. (2015) Contributions for waqaf					
5	Mohammed et al. (2015) Sponsor community activities					
6	Mohammed et al. (2015) Sponsor for Islamic programme events (E.g Forum)					
7	Mohammed et al. (2015) Contribute for environmental awareness					
8	Mohammed et al. (2015) Contribute for environmental development					
9	Mohammed et al. (2015) Sources of income from Shariah compliant activities					
10	Mohammed et al. (2015) Handling income from non-permissible activities					

Comment/Suggestion:

Validated by:
[Signature]
Date: 26/1/2019

Appendix A2: Consistency Test

Shariah Governance and Maqasid Shariah Disclosure

	Mean	P-Value
Researcher A 2017	23.6667	.423
Researcher B 2017	24.3333	
Researcher A 2018	23.0000	.270
Researcher B 2018	24.3333	

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APPENDIX B: References of Disclosure Items

Appendix B1: Operationalised of Shariah Governance

	SHARIAH GOVERNANCE	References
	Shariah Committee (SC)	
SC1	Profile of SC, including the name, background and Shariah expertise of the SC members.	(Tawfeeq & Alabdullah, 2017) SGF (2010); SGPD (2019); Amalina, Abdullah, Percy, & Stewart et al. (2012), Hassan & Harahap, (2010), 8. Damardi (2013)
SC2	Duties and responsibilities of SC.	SGF (2010), SGPD (2019); (Tawfeeq & Alabdullah, 2017); FRI-Financial Reporting for Islamic Banking Institution; GP8-1-Guidelines; Hassan & Harahap (2010),
SC3	Shariah committee meetings are scheduled to be held at least six (6) times annually.	SGF (2010); SGPD (2019); Hassan and Harahap(2010); (Tawfeeq & Alabdullah, 2017);
SC4	The SC must attend at least 75 % minimum attendance requirement of the meetings. The attendance has been disclosed in the annual report.	SGF (2010)
SC5	The individual's assessment and evaluation of SC's performance.	SGF (2010)
SC6	The Shariah committee attended the relevant training programs.	SGF (2010)
SC7	Statement of Shariah committee report.	SGF (2010)
SC8	The training on the Shariah-compliant program conducted by SC.	SGF (2010)
SC9	SC ensures that the bank is not involved in non-permissible activities/events in the current year, declared in their reporting.	SGF (2010)
SC10	The computation of Zakat according to Shariah and declared in the SC report.	SGF (2010); Bukhair & Rahman (2015); Hassan & Harahap(2010); Amalina et al. (2012); Damardi (2013); Haniffa& Hudaib (2007); Tawfeeq & Alabdullah (2017)
	SHARIAH AUDIT	(Majid, 2001)
SA1	Rectification plan and follow-up action on Shariah-compliant.	SGF2010
SA2	Undertake remedial rectification measures to resolve Shariah non-compliance and control mechanisms to avoid recurrences.	SGF2010
SA3	The Shariah audit communicates the assessment outcome and highlights any non-compliances to the Shariah Committee and the management.	SGF2010

Table B1 Cont.		
SA4	An internal Shariah audit ensures that the assessment is conducted continuously on the processes and deliverables and determines that such processes and outcomes satisfy the needs of the Shariah.	SGF2010, (Tawfeeq & Alabdullah, 2017)
SA5	Audit on Shariah-compliant performed by the internal auditors.	SGF2010
SA6	The Shariah audit conducted the assessment on the adequacy of Shariah governance practice.	SGF2010
SA7	A regular Shariah audit is conducted, at least on an annual basis.	SGF2010 (Tawfeeq & Alabdullah, 2017)
SA8	The Shariah audit verifying that the IFI's key functions and business operations comply with Shariah.	SGF2010
SA9	The Shariah audit findings have been reported to the Board Audit Committee and Shariah Committee or other related committees.	SGF2010 (Tawfeeq & Alabdullah, 2017)
	SHARIAH RISK	(Majid, 2001)
SR1	Shariah risk function is performed by representative/risk officers with suitable qualifications (risk management background and experience in the subject matter).	SGF2010
SR2	Facilitating the process of identifying, measuring, controlling and monitoring Shariah non-compliance risks inherent in the IFI's operations and activities.	SGF2010
SR3	Formulating and recommending appropriate Shariah non-compliance risk management policies and guidelines.	SGF2010
SR4	Developing and implementing processes for Shariah non-compliance risk awareness in the IFI.	SGF2010
SR5	A Shariah risk management process to identify all possible Shariah non-compliance risks.	SGF2010
SR6	All Shariah non-compliance events are to be reported to the board of the IFI and the bank.	SGF2010

Appendix B2: Operationalise of Maqasid Shariah

	MAQASID SHARIAH	References
MaqSha1	The bank provides sufficient information about their business on Shariah-compliant products/services.	Asutay & Harningtyas (2015), Chowdhury. (2015); Rusydiana & Al Parisi (2017), Ade Wirman, Bakhtiar Alrazi (2004), 17. Mohammed, Mustafa Omar, Dzuljastri Abdul Razak and Fauziah Md Taib (2008),
MaqSha2	The banks disclosed all the business transactions conducted based on the Shariah contract.	Asutay & Harningtyas (2015), 13. Haniffa & Hudaib (2007a), 14. Mohammed et al. (2015); 15. Rusydiana & Al Parisi (2017)
MaqSha3	The banks mentioned their responsibility to pay zakat, which consists of the recipient, amount and calculation.	(Bukhair & Rahman, 2015) 13. Haniffa & Hudaib (2007a), 15. Rusydiana & Al Parisi (2017) (Bayoun and Willet, 2000). Maali et al., 2006). (Hameed et al., 2011).
MaqSha4	The banks disclose their purification planning on the Shariah non-compliant income.	Haniffa & Hudaib (2007); Kamaruddin & Hanefah (2017)
MaqSha5	The bank has a clear direction in serving the Muslim community's needs.	Asutay & Harningtyas (2015), 13. Haniffa & Hudaib (2007a)
MaqSha6	The banks disclose that all the business transactions of the contract were conducted with the contract (uqud) statement.	Asutay & Harningtyas (2015), 13. Haniffa & Hudaib (2007a)
MaqSha7	The bank emphasises the welfare of its employees.	Asutay & Harningtyas (2015), 13. Haniffa & Hudaib (2007a), 14. Mohammed et al. (2015); Razali et al (2021)
MaqSha8	The bank also includes the right or welfare of its shareholders in its report.	Borlea & Achim (2013)
MaqSha9	The bank takes the initiative to reward its employees for their achievements.	Asutay & Harningtyas (2015); Haniffa & Hudaib (2007a); Mohammed et al. (2015)
MaqSha10	The bank discloses the contribution on Employees Provident Fund for employees.	Hameed et al. (2004); Mohammed et al. (2008)
MaqSha11	The bank highlights their contribution to the SOCSO for their employees.	Mohammed et al. (2008); Razali et al. (2021)
MaqSha12	The bank emphasises health and safety lifestyle at the workplace.	Agusioma et al. (2019); Mohammed et al. (2008); Razali et al. (2021)
MaqSha13	The bank has maintained a safe working environment.	Mohammed et al. (2015); Mohammed (2008); Md Zain & Shafii (2020); Razali et al. (2021)

Table B2 Cont.		
MaqSha14	The bank organises the program with the staff, such as staff and employer engagement program (e.g., coffee time, meeting, family day etc.).	Md Zain & Shafii (2020); Jitaree (2015)
MaqSha15	The bank provides training and development programs to their employees to update and increase Shariah awareness.	Rusydiana & Al Parisi (2017); Hameed et al. (2004),
MaqSha16	The bank provides student recruitment programs by providing training modules.	Rusydiana & Al Parisi (2017); Hameed et al. (2004)
MaqSha17	The bank provides training on monetary or financial literacy to enhance awareness.	Rusydiana & Al Parisi (2017); Hameed et al. (2004)
MaqSha18	Supporting academic programs for school or university by organising workshops or seminars.	Jitaree (2015); Mohammed et al.(2008),
MaqSha19	Knowledge advancement by providing education grants/research.	Mohammed et al. (2008)
MaqSha20	Installing new skills and improvement.	Mohammed et al. (2008)
MaqSha21	Creating awareness of Islamic banking programs for all stakeholders and the community.	Mohammed et al. (2008)
MaqSha22	Enhancing employee's knowledge by providing opportunities in education or training	Mohammed et al. (2008)
MaqSha23	Facilities to access the knowledge (e.g., Library, source of knowledge, reading materials).	Jitaree (2015); Md Zain & Shafii (2015)
MaqSha24	The bank implements the equal opportunity policy.	Jitarea (2015); Md Zain & Shafii (2020); Razali et al (2021)
MaqSha25	Employee's appreciation program.	Jitarea (2015); Md Zain & Shafii (2020); Razali et al (2021)
MaqSha26	Customer's right to access the information.	Jitrae (2015); Md Zain & Shafii (2020); Omaliko et al. (2020)
MaqSha27	Customer's securities on data privacy.	Arsad et al. (2015)

Table B2 Cont.		
MaqSha28	Transparency policy (Information - accessibility for all stakeholders).	Jitrae (2015); Md Zain & Shafii (2020)
MaqSha29	Consumer's care (via customer service).	Lewis (2005)
MaqSha30	Promoting human rights.	Arsad et al. (2015)
MaqSha31	Contribution for charity (sadaqah) (other than zakat).	Mohammed et al. (2015)
MaqSha32	Contribution for waqf.	Mohammed et al. (2015)
MaqSha33	Sponsor for Islamic programmes/events (e.g., forum).	Mohammed et al. (2015); Jitaree (2015)
MaqSha34	Organising environmental awareness program.	Mohammed et al. (2015)
MaqSha35	Sponsoring environmental preservation program.	Mohammed et al. (2015)
MaqSha36	Contribution to the community program.	Mohammed et al. (2015); Jitaree (2015)

Appendix B3: Board of Directors

	Board of Director	References
1	BOD Size	Abdallah & Bahloul (2021); Khan & Zahid (2020); Grassa et al. (2020); Ridwan & Mayapada; Harun et al. (2020); Elgattani & Hussainey (2020)
2	BOD Independent	Abdallah & Bahloul (2021); Aslam & Haron (2020); Khan & Zahid (2020); Grassa et al. (2020); Bukhair & Rahman (2015) Muhammad et al. (2021); Shatnawi (2020)
3	BOD Meeting	Ridwan & Mayapada (2020); Harun et al. (2020); Shatnawi (2020)
4	Number of Muslim in Board	Shatnawi (2020)

Appendix B4: Financial Performance

	FINANCIAL PERFORMANCE	
PROFITABILITY	ROA	Muhammad et al. (2021); Balqis (2021); Abdallah & Bahloul (2021); Shatnawi, 2020; Nurhikmawaty et al. (2020); Khan & Zahid (2020); Nomran & Haron (2020); Siswanti et al. (2017)
	ROE	Abdallah & Bahloul (2021); Shatnawi, 2020; Nurhikmawaty et al. (2020); Khan & Zahid (2020); Nomran & Haron (2020)
LEVERAGE	Debt -to-Equity Ratio	Balqis (2021); Abdallah & Bahloul (2021); Masruki at el. (2018); Sencal & Asutay (2020); Nurmasari (2017); Tumonggor et al. (2017)

APPENDIX C: Instruments

Section (A): Shariah Governance

Code	Shariah Committee (SC)	1	2	3	4	5
SC1	Profile of SC, including the name, background and Shariah expertise of the SC members.					
SC2	Duties and responsibilities of SC.					
SC3	Shariah committee meetings are scheduled to be held at least six (6) times annually.					
SC4	The SC must attend at least 75 % minimum attendance requirement of the meetings. The attendance has been disclosed in the annual report.					
SC5	The individual's assessment and evaluation of SC's performance.					
SC6	The Shariah committee attended the relevant training programs.					
SC7	Statement of Shariah committee report.					
SC8	The training on the Shariah-compliant program conducted by SC.					
SC9	SC ensures that the bank is not involved in non-permissible activities/events in the current year, declared in their reporting.					
SC10	The computation of Zakat according to Shariah and declared in the SC report.					
Code	Shariah Audit	1	2	3	4	5
SA1	Rectification plan and follow-up action on Shariah-compliant.					
SA2	Undertake remedial rectification measures to resolve Shariah non-compliance and control mechanisms to avoid recurrences.					
SA3	The Shariah audit communicates the assessment outcome and highlights any non-compliances to the Shariah Committee and the management.					
SA4	An internal Shariah audit ensures that the assessment is conducted continuously on the processes and deliverables and determines that such processes and outcomes satisfy the needs of the Shariah.					
SA5	Audit on Shariah-compliant performed by the internal auditors.					
SA6	The Shariah audit conducted the assessment on the adequacy of Shariah governance practice.					
SA7	A regular Shariah audit is conducted, at least on an annual basis.					
SA8	The Shariah audit verifying that the IFI's key functions and business operations comply with Shariah.					
SA9	The Shariah audit findings have been reported to the Board Audit Committee and Shariah Committee or other related committees.					
Code	Shariah Risk	1	2	3	4	5
SR1	Shariah risk function is performed by representative/risk officers with suitable qualifications (risk management background and experience in the subject matter).					
SR2	Facilitating the process of identifying, measuring, controlling and monitoring Shariah non-compliance risks inherent in the IFI's operations and activities.					
SR3	Formulating and recommending appropriate Shariah non-compliance risk management policies and guidelines.					
SR4	Developing and implementing processes for Shariah non-compliance risk awareness in the IFI.					
SR5	A Shariah risk management process to identify all possible Shariah non-compliance risks.					
SR6	All Shariah non-compliance events are to be reported to the board of the IFI and the bank.					

Section (B): Maqasid Shariah

Code	Maqasid Shariah	1	2	3	4	5
MaqSha1	The bank provides sufficient information about their business on Shariah-compliant products/services.					
MaqSha2	The banks disclosed all the business transactions conducted based on the Shariah contract.					
MaqSha3	The banks mentioned their responsibility to pay zakat, which consists of the recipient, amount and calculation.					
MaqSha4	The banks disclose their purification planning on the Shariah non-compliant income.					
MaqSha5	The bank has a clear direction in serving the Muslim community's needs.					
MaqSha6	The banks disclose that all the business transactions of the contract were conducted with the contract (uqud) statement.					
MaqSha7	The bank emphasises the welfare of its employees.					
MaqSha8	The bank also includes the right or welfare of its shareholders in its report.					
MaqSha9	The bank takes the initiative to reward its employees for their achievements.					
MaqSha10	The bank discloses the contribution on Employees Provident Fund for employees.					
MaqSha11	The bank highlights their contribution to the SOCSO for their employees.					
MaqSha12	The bank emphasises health and safety lifestyle at the workplace.					
MaqSha13	The bank has maintained a safe working environment.					
MaqSha14	The bank organises the program with the staff, such as staff and employer engagement program (e.g., coffee time, meeting, family day etc.).					
MaqSha15	The bank provides training and development programs to their employees to update and increase Shariah awareness.					
MaqSha16	The bank provides student recruitment programs by providing training modules.					
MaqSha17	The bank provides training on monetary or financial literacy to enhance awareness.					
MaqSha18	Supporting academic programs for school or university by organising workshops or seminars.					
MaqSha19	Knowledge advancement by providing education grants/research.					
MaqSha20	Installing new skills and improvement.					
MaqSha21	Creating awareness of Islamic banking programs for all stakeholders and the community.					
MaqSha22	Enhancing employee's knowledge by providing opportunities in education or training					
MaqSha23	Facilities to access the knowledge (e.g., Library, source of knowledge, reading materials).					
MaqSha24	The bank implements the equal opportunity policy.					
MaqSha25	Employee's appreciation program.					
MaqSha26	Customer's right to access the information.					
MaqSha27	Customer's securities on data privacy.					
MaqSha28	Transparency policy (Information - accessibility for all stakeholders).					
MaqSha29	Consumer's care (via customer service).					
MaqSha30	Promoting human rights.					
MaqSha31	Contribution for charity (sadaqah) (other than zakat).					
MaqSha32	Contribution for waqf.					
MaqSha33	Sponsor for Islamic programmes/events (e.g., forum).					
MaqSha34	Organising environmental awareness program.					
MaqSha35	Sponsoring environmental preservation program.					
MaqSha36	Contribution to the community program.					

APPENDIX D: Data Screening and Normality Test (Missing data, Outlier, and Normality test)

Appendix D1: Missing Value

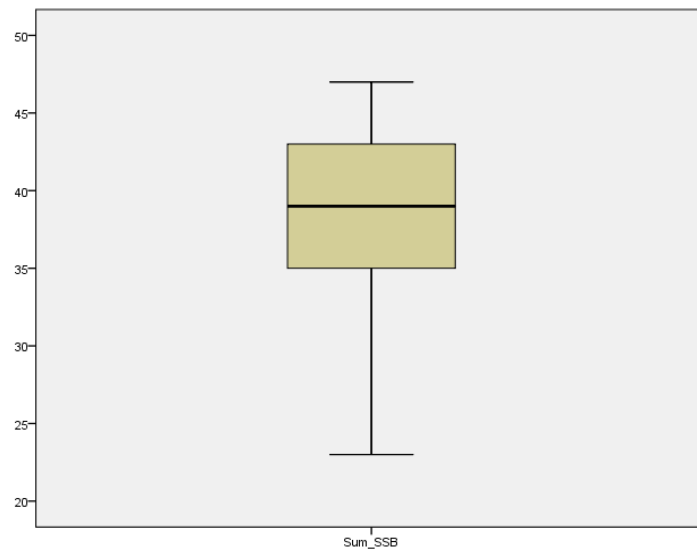
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
SC	90	100.0%	0	0.0%	90	100.0%
SA	90	100.0%	0	0.0%	90	100.0%
SR	90	100.0%	0	0.0%	90	100.0%
Maq	90	100.0%	0	0.0%	90	100.0%
Board	90	100.0%	0	0.0%	90	100.0%
ROA	90	100.0%	0	0.0%	90	100.0%
ROE	90	100.0%	0	0.0%	90	100.0%
DER	90	100.0%	0	0.0%	90	100.0%

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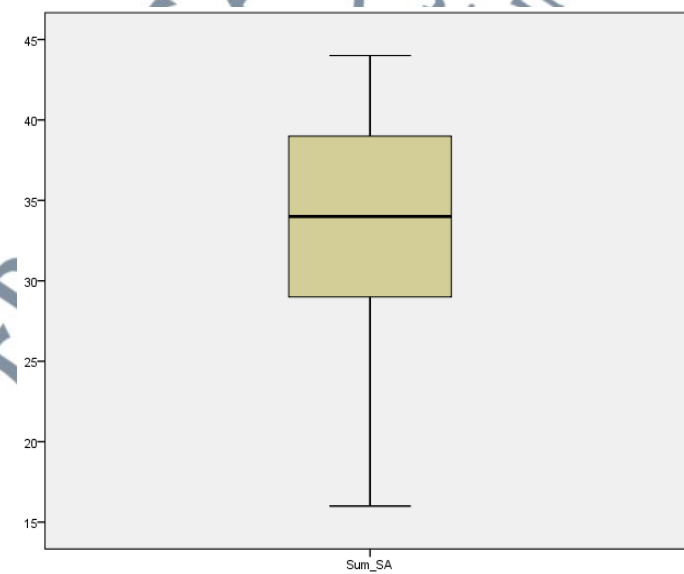
Appendix D2: Outlier Examination

Boxplots

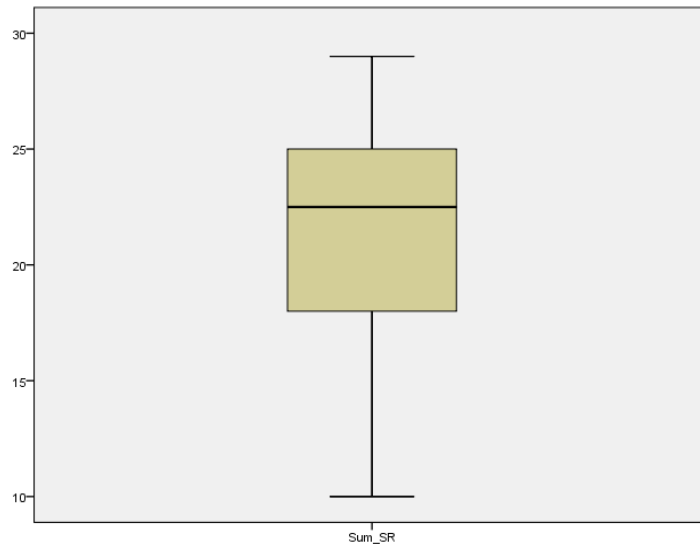
1) SC



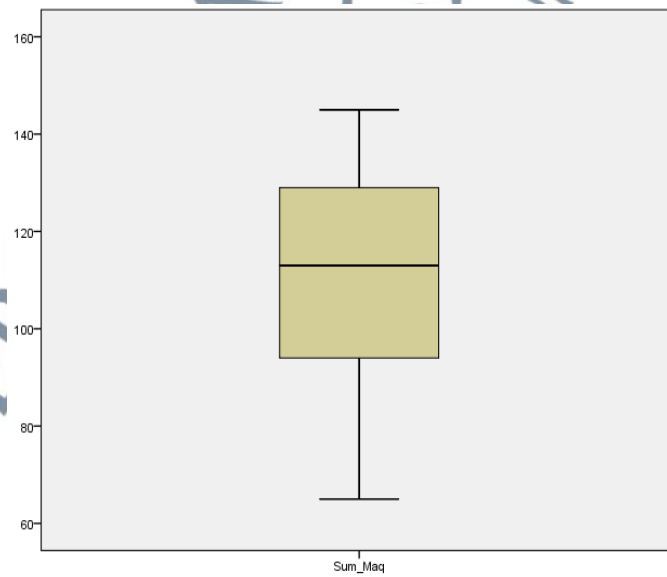
2) Shariah Audit



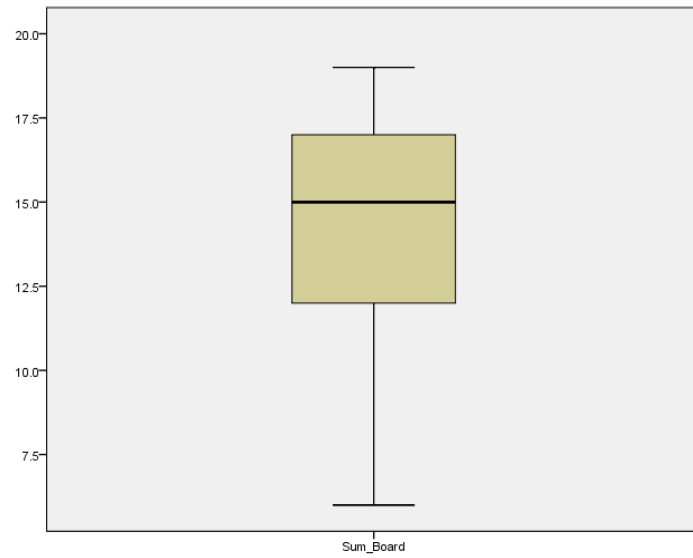
3) Shariah Risk



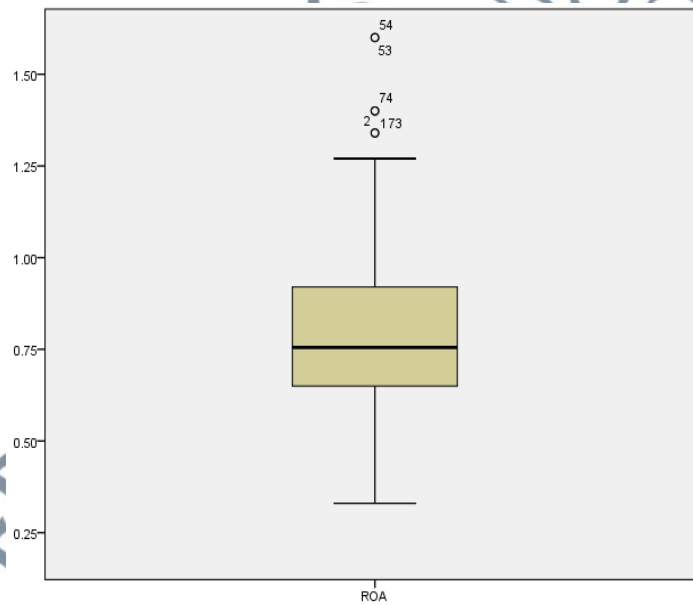
4) Maqasid Shariah



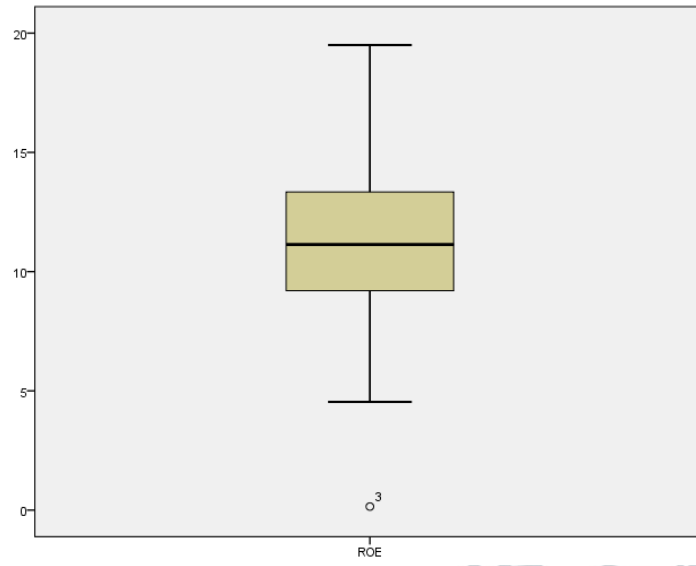
5) BOD



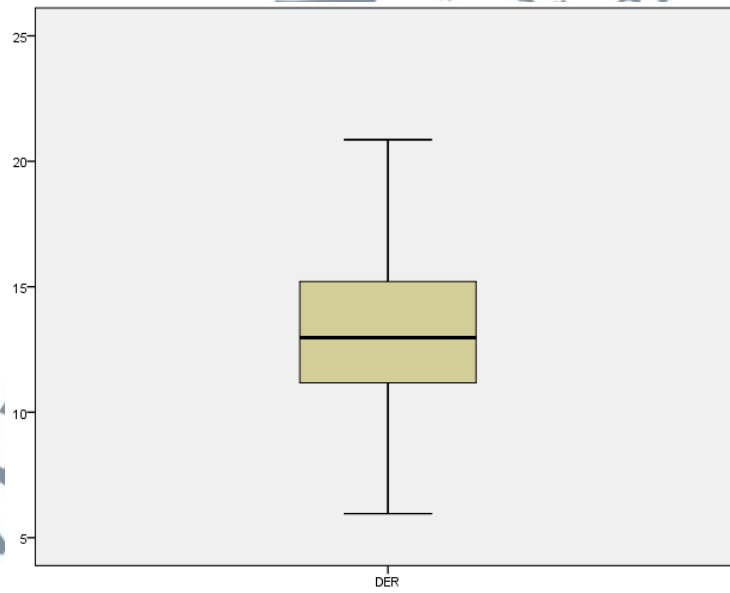
6) ROA



7) ROE



8) DER

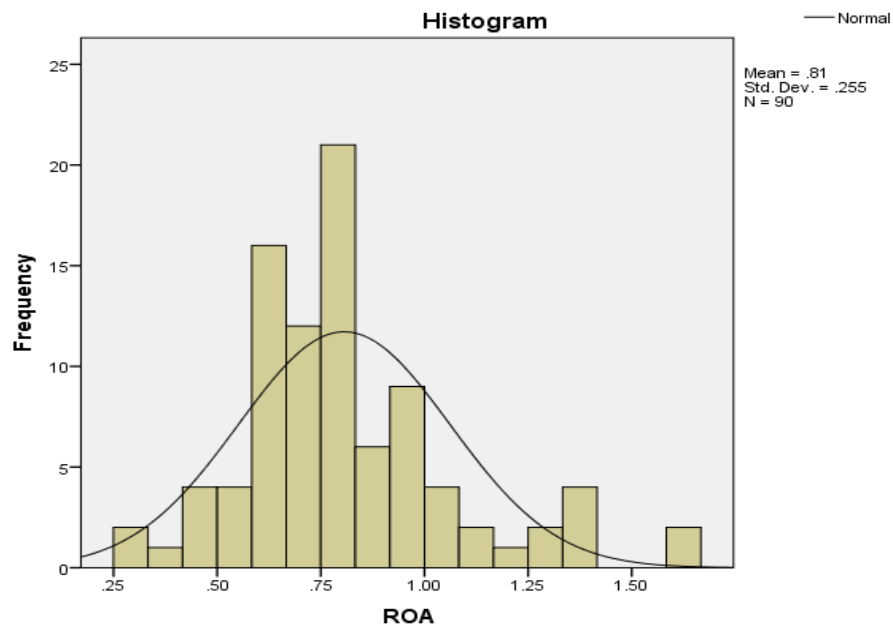


Appendix D3: Normality Test for the Variables

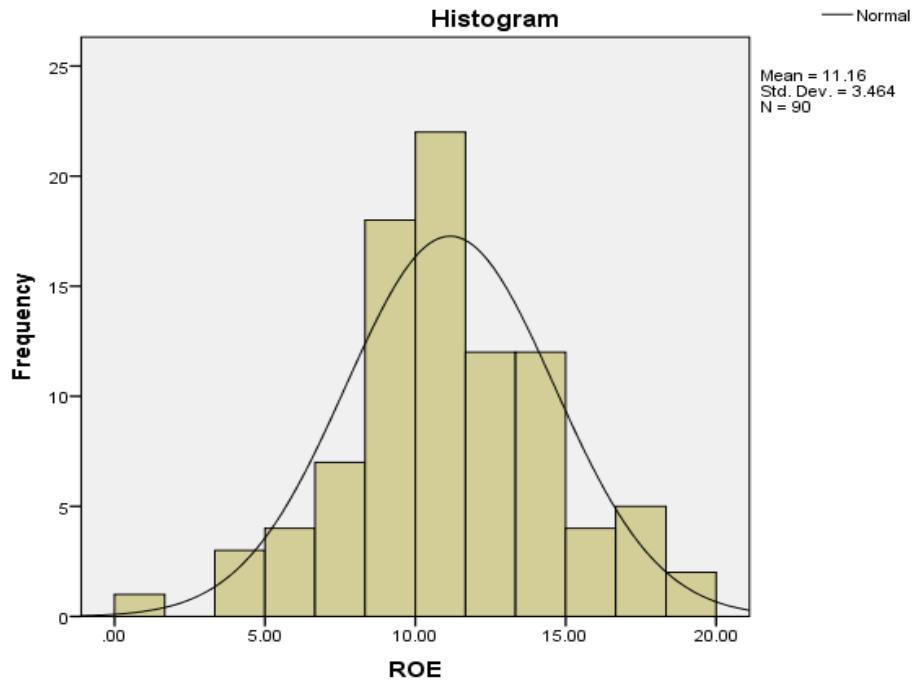
		Mean	SD	Skewness	Kurtosis
Dependent Variables	ROA	.8063	.25535	1.022	1.414
	ROE	11.1553	3.46437	-.039	.635
	DER	13.3992	3.02085	.286	.179
Mediator	BOD	14.2000	3.34261	-.494	-.824
Independent Variables	Shariah Committee (SC)	38.3667	5.93495	-.589	-.202
	Shariah Audit (SA)	33.8000	6.74612	-.679	.345
	Shariah Risk (SR)	21.4333	5.18652	-.498	-.684
	Maqasid Shariah	110.2333	20.62673	-.449	-.798

Dependent variable: Return on Asset

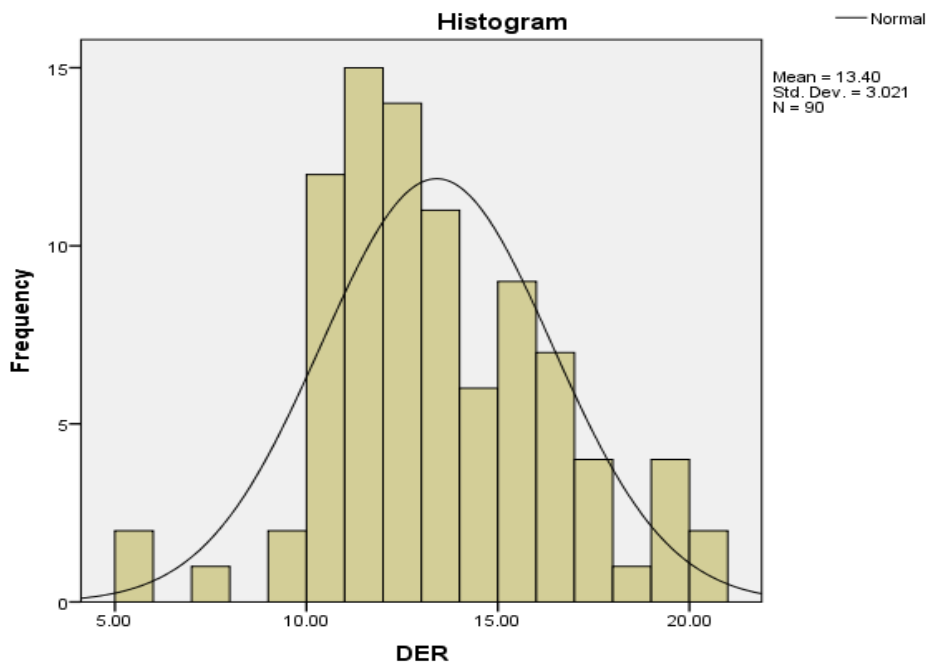
ROA



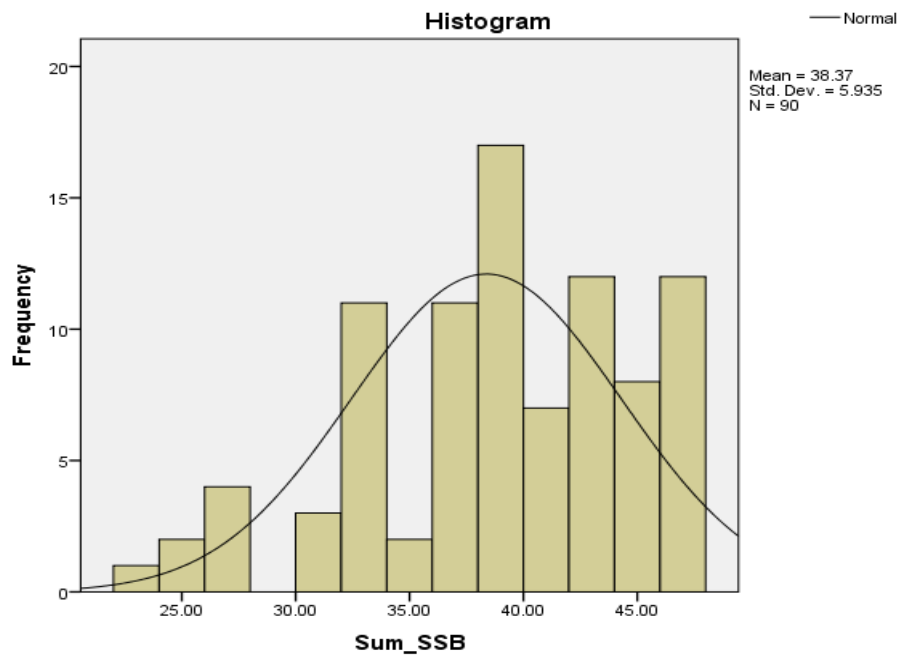
ROE



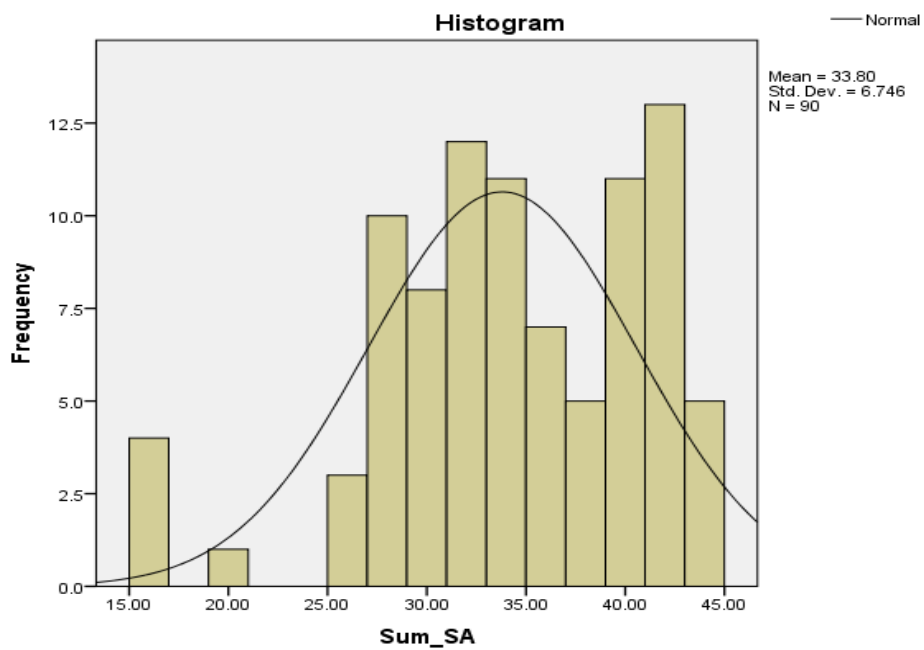
DER



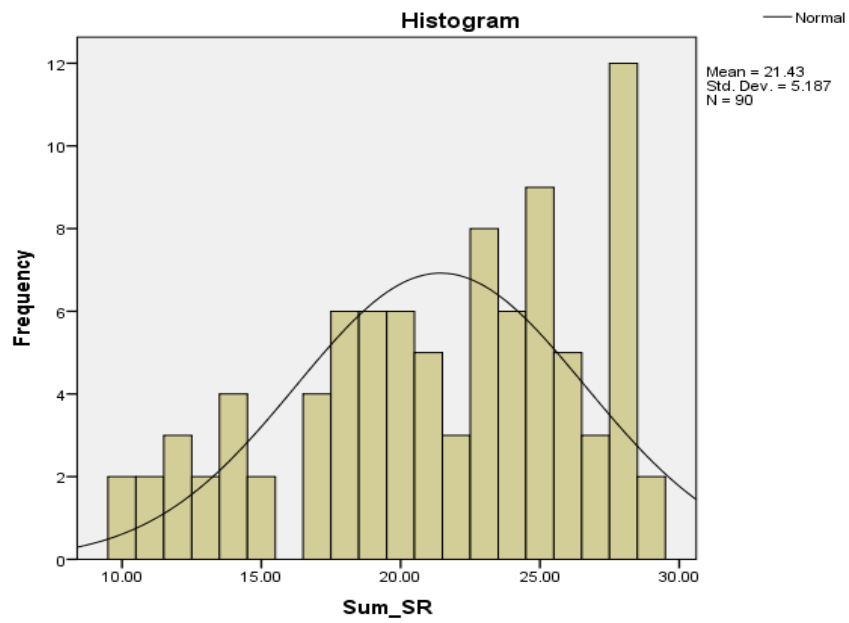
1) Shariah Committee (SC)



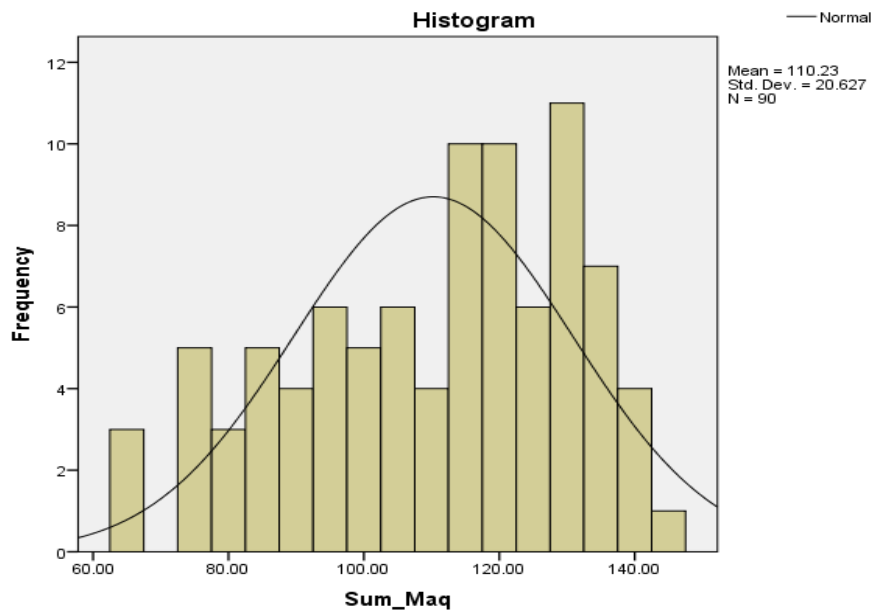
2) Shariah Audit (SA)



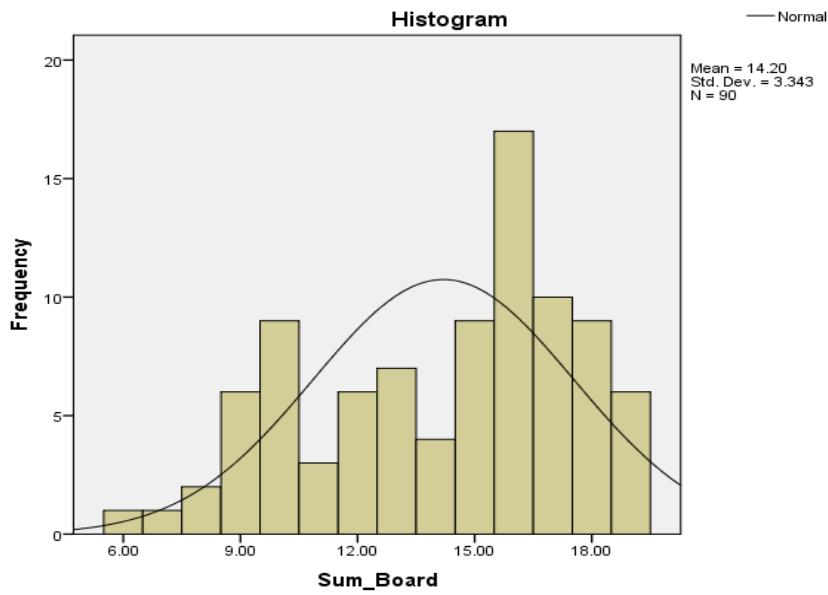
3) Shariah Risk (SR)



4) Maqasid Shariah (Maqasid)



5) BOD



Appendix D4: Common Method Variance

Components		Common Method Variance %
1	SC	28.9
2	SA	
3	SR	
4	Maqasid Shariah	
5	BOD	

APPENDIX E: Measurement Model Assessment

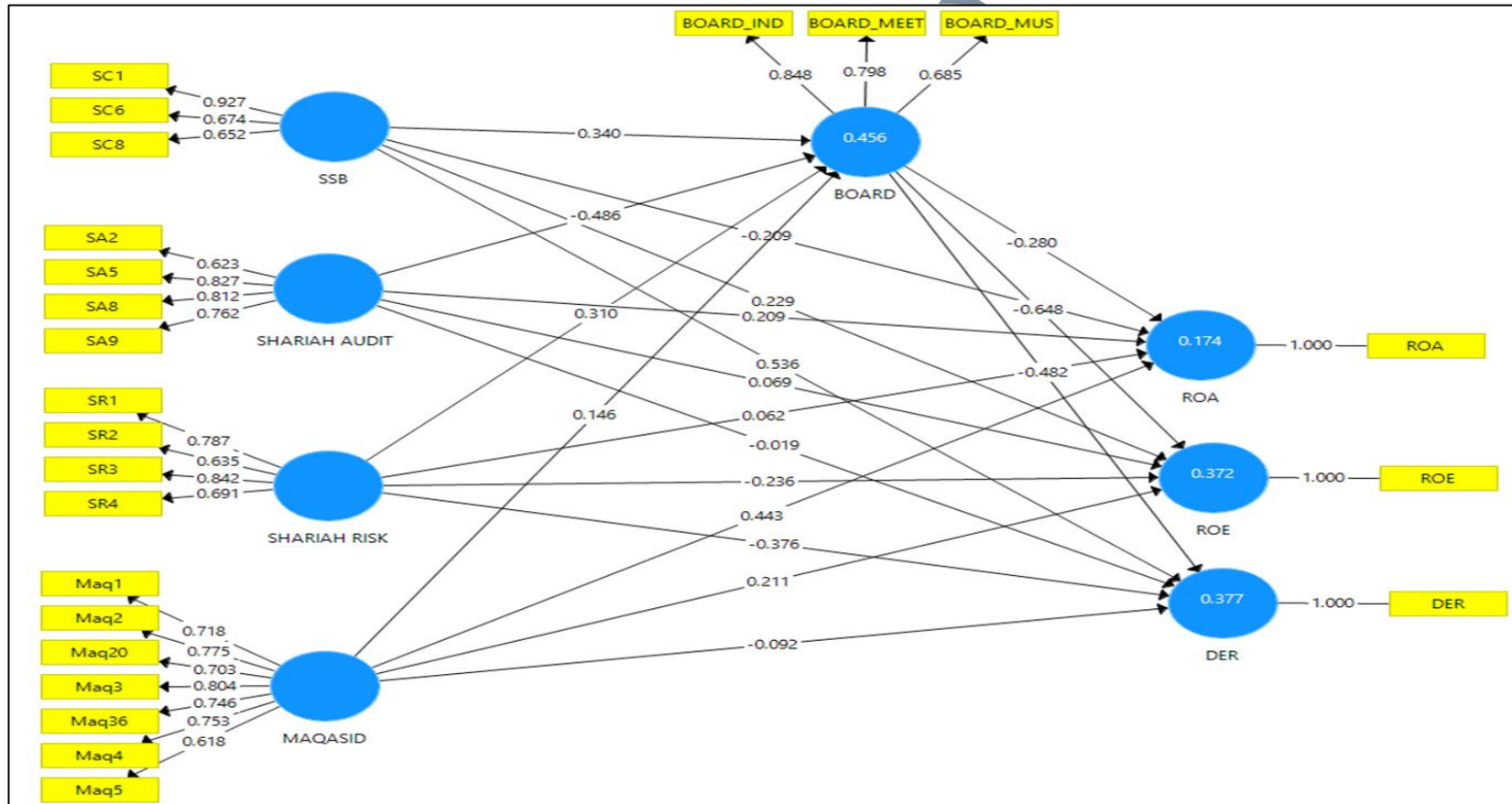


Figure 3.3: Path Modelling of Reflective Measurement Model Assessment

Appendix E1: Internal Consistency and Convergence Validity Path Coefficient

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
BOD	0.68	0.703	0.822	0.608
DER	1	1	1	1
MAQASID	0.857	0.866	0.89	0.537
ROA	1	1	1	1
ROE	1	1	1	1
SHARIAH AUDIT (SA)	0.756	0.782	0.844	0.578
SHARIAH RISK (SR)	0.77	0.83	0.83	0.553
SC	0.715	1.031	0.801	0.58

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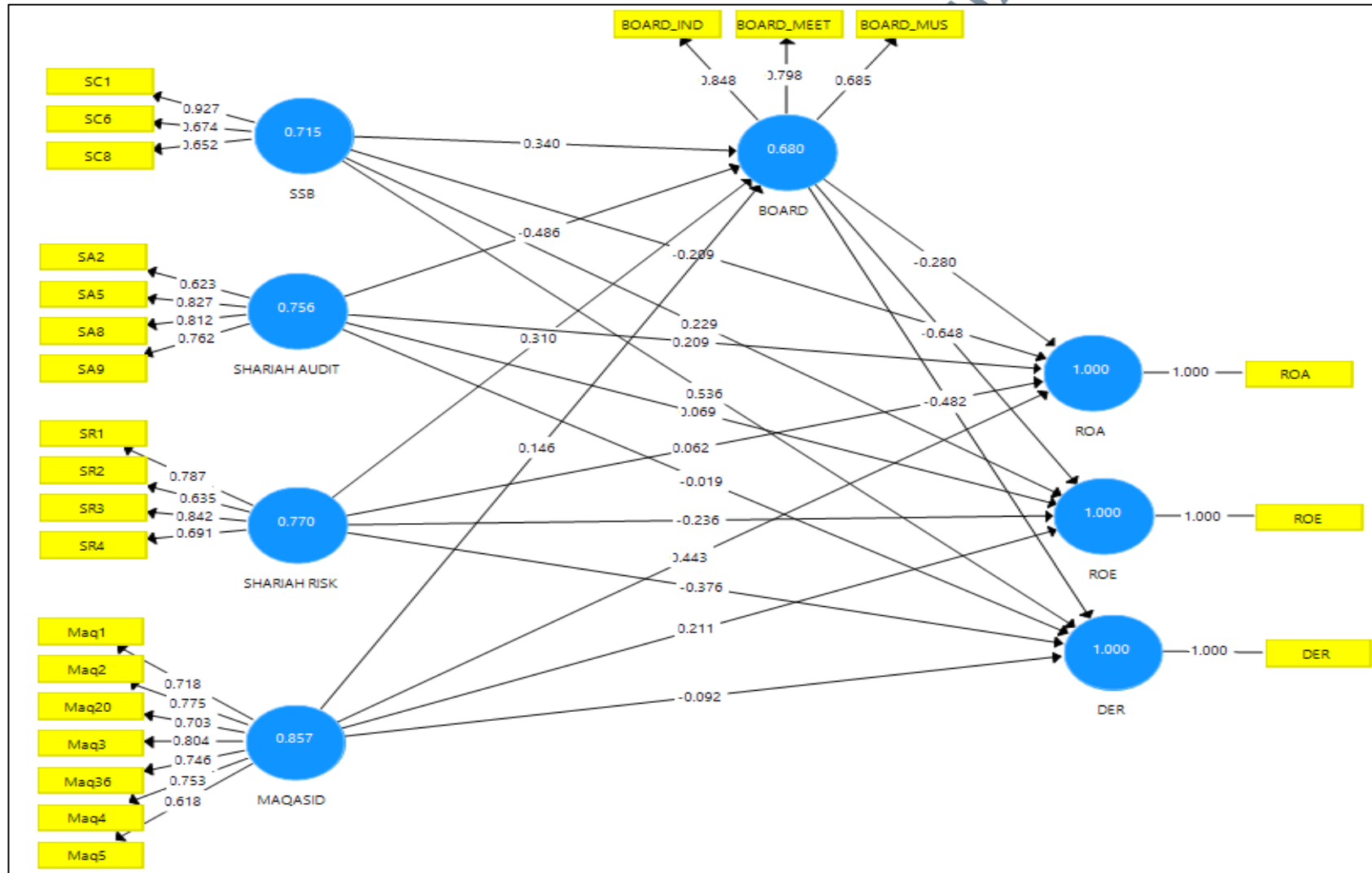


Figure E1.1: Path Coefficient, Outer Loading, Cronbach Alpha; n=90

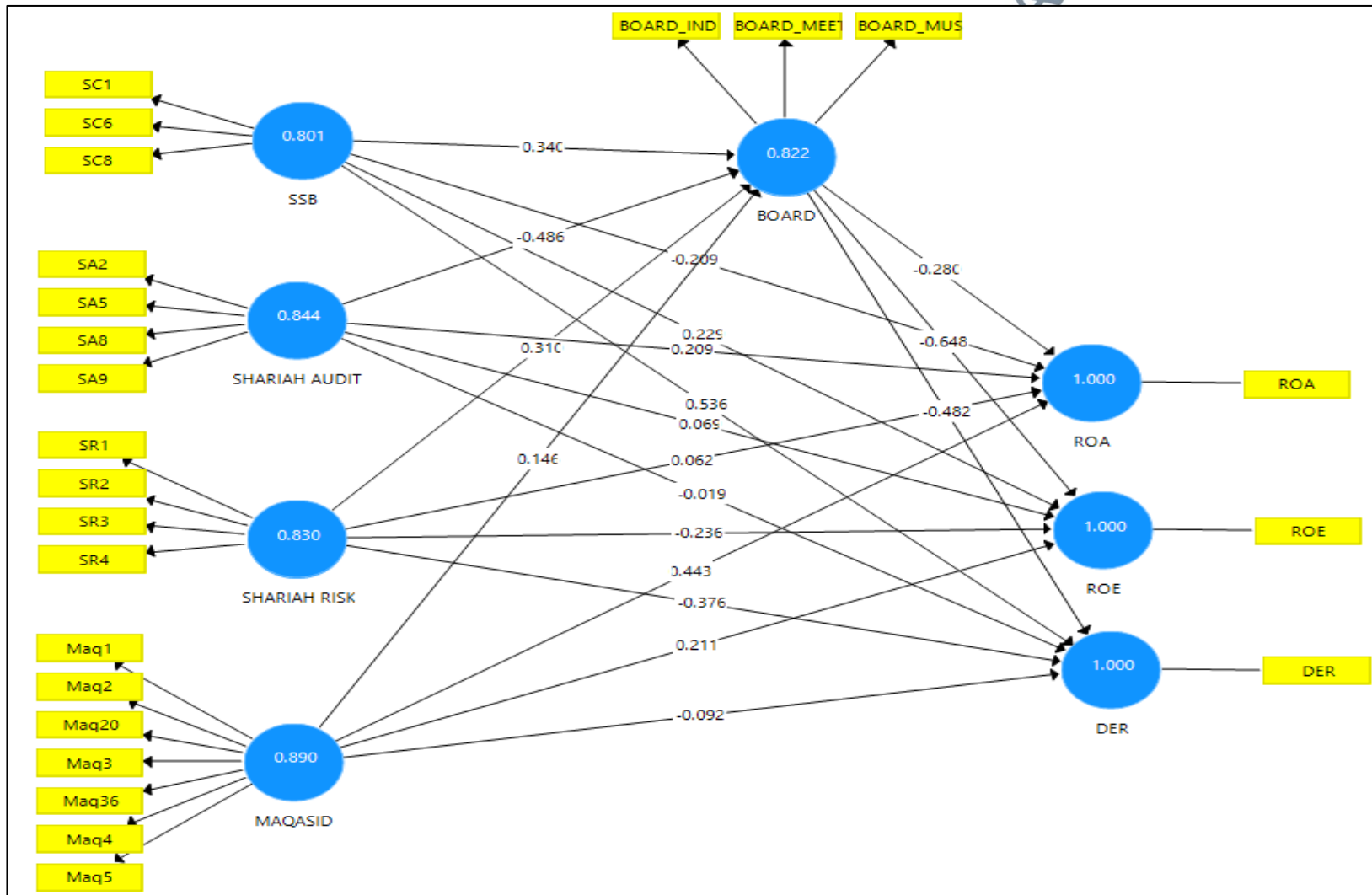


Figure E1.2: Path Coefficient and Composite Reliability (CR)

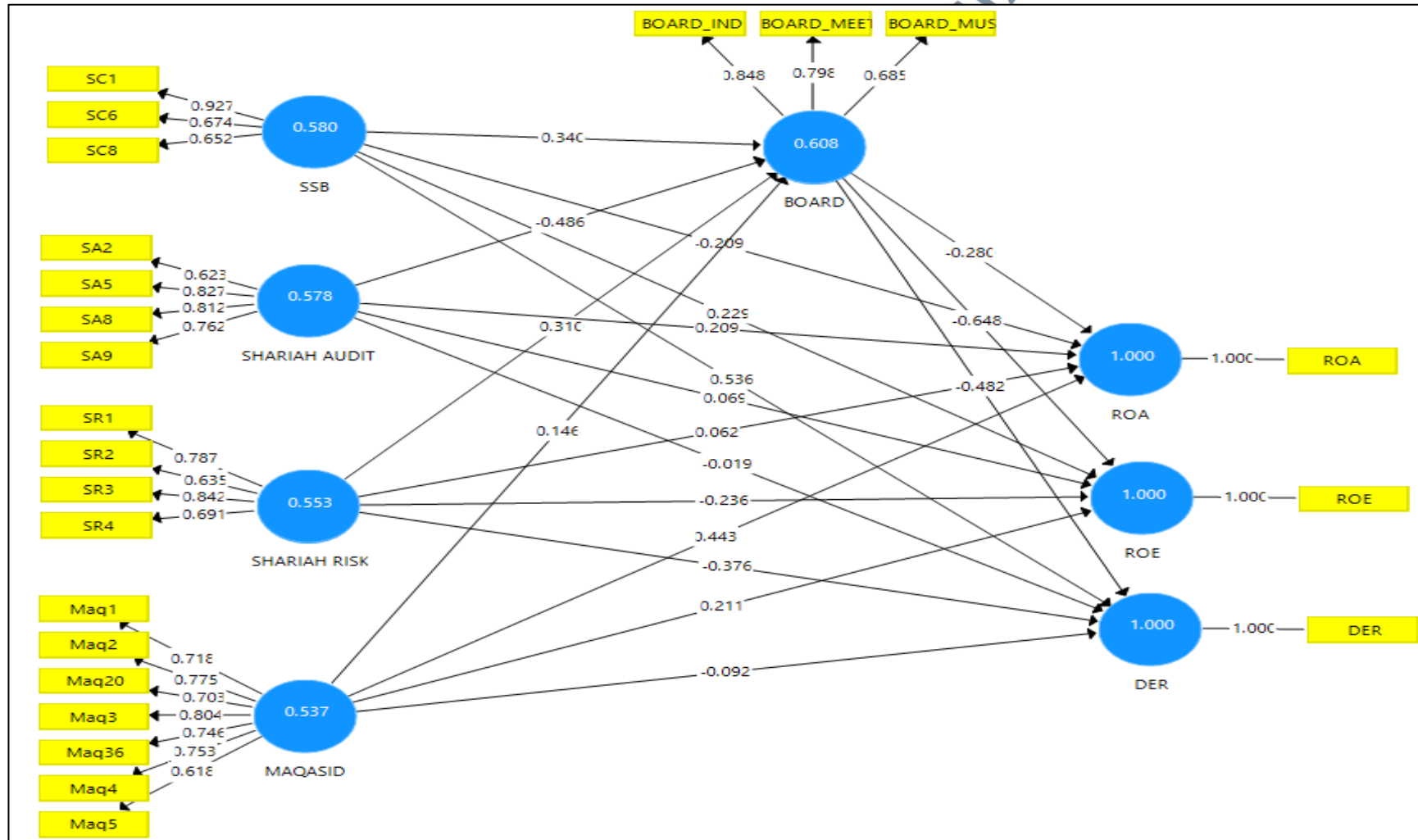


Figure E1.3: Path Coefficient, Outer Loading, and AVE

Appendix E2: Discriminant Validity

Table D2.1: Fornell-Larker

	BOARD	DER	MAQASID	ROA	ROE	SHARIAH AUDIT	SHARIAH RISK	SC
BOARD	0.78							
DER	-0.367	1						
MAQASID	0.521	-0.128	0.733					
ROA	-0.196	-0.361	0.146	1				
ROE	-0.51	0.466	-0.071	0.525	1			
SHARIAH AUDIT	-0.317	0.059	-0.24	0.189	0.146	0.76		
SHARIAH RISK	0.231	-0.323	0.229	0.125	-0.221	0.484	0.743	
SC	0.455	0.127	0.552	-0.036	-0.024	0.16	0.362	0.761

Table E2.2: Cross Loading

	BOARD	DER	MAQASID	ROA	ROE	SHARIAH AUDIT	SHARIAH RISK	SC
BOARD_IND	0.848	-0.339	0.373	-0.137	-0.408	-0.276	0.237	0.345
BOARD_MEET	0.798	-0.45	0.286	-0.244	-0.603	-0.283	0.079	0.162
BOARD_MUS	0.685	0.021	0.646	-0.046	-0.094	-0.161	0.255	0.667
DER	-0.367	1	-0.128	-0.361	0.466	0.059	-0.323	0.127
Maq1	0.601	0.151	0.718	0.011	0.043	-0.17	0.233	0.646
Maq2	0.48	-0.055	0.775	-0.002	-0.118	-0.174	0.024	0.453
Maq20	0.297	-0.331	0.703	0.128	-0.229	-0.033	0.339	0.339
Maq3	0.219	-0.087	0.804	0.18	0.045	-0.081	0.097	0.393
Maq36	0.36	-0.183	0.746	0.277	0.036	-0.231	0.231	0.368
Maq4	0.289	-0.005	0.753	0.011	-0.036	-0.358	0.027	0.388
Maq5	0.221	-0.204	0.618	0.182	-0.098	-0.211	0.139	0.081
ROA	-0.196	-0.361	0.146	1	0.525	0.189	0.125	-0.036
ROE	-0.51	0.466	-0.071	0.525	1	0.146	-0.221	-0.024
SA2	-0.173	0.026	-0.247	0.143	0.018	0.623	0.202	-0.086
SA5	-0.307	0.049	-0.242	0.148	0.114	0.827	0.47	0.271
SA8	-0.196	0.076	-0.105	0.105	0.136	0.812	0.397	0.254
SA9	-0.256	0.031	-0.145	0.173	0.149	0.762	0.355	-0.005
SC1	0.488	0.136	0.583	-0.133	-0.091	0.002	0.274	0.927
SC6	0.25	0.022	0.279	0.168	0.095	0.372	0.365	0.674
SC8	0.068	0.136	0.194	0.064	0.092	0.273	0.283	0.652
SR1	0.174	-0.255	0.299	0.223	-0.086	0.271	0.787	0.158
SR2	0.046	-0.034	0.167	0.04	-0.051	0.453	0.635	0.324
SR3	0.221	-0.347	0.072	0.018	-0.296	0.421	0.842	0.343
SR4	0.149	-0.115	0.226	0.091	-0.085	0.435	0.691	0.338

Table E2.3: HTMT

	BOARD	DER	MAQASID	ROA	ROE	SHARIAH AUDIT	SHARIAH RISK	SC
BOARD								
DER	0.42							
MAQASID	0.676	0.213						
ROA	0.221	0.361	0.166					
ROE	0.572	0.466	0.127	0.525				
SHARIAH AUDIT	0.416	0.069	0.329	0.216	0.158			
SHARIAH RISK	0.365	0.278	0.314	0.138	0.192	0.651		
SC	0.65	0.145	0.529	0.18	0.138	0.487	0.566	

APPENDIX F: Structural Model Assessment

Appendix F1: Collinearity Statistic VIF

Table E1.1: Inner VIF

	BOARD	DER	ROA	ROE
BOARD		1.84	1.84	1.84
DER				
MAQASID	1.848	1.887	1.887	1.887
ROA				
ROE				
SHARIAH AUDIT	1.677	2.111	2.111	2.111
SHARIAH RISK	1.584	1.76	1.76	1.76
SC	1.674	1.888	1.888	1.888

Table F1.2: Outer VIF

	VIF
BOARD_IND	1.556
BOARD_MEET	1.307
BOARD_MUS	1.302
DER	1
Maq1	1.694
Maq2	2.213
Maq20	1.777
Maq3	2.64
Maq36	1.874
Maq4	2.121
Maq5	1.55
ROA	1
ROE	1
SA2	1.257
SA5	1.686
SA8	1.824
SA9	1.375
SC1	1.294
SC6	1.46
SC8	1.597
SR1	1.481
SR2	1.761
SR3	1.307
SR4	1.742

Appendix F2: Coefficient of Determination (R2)

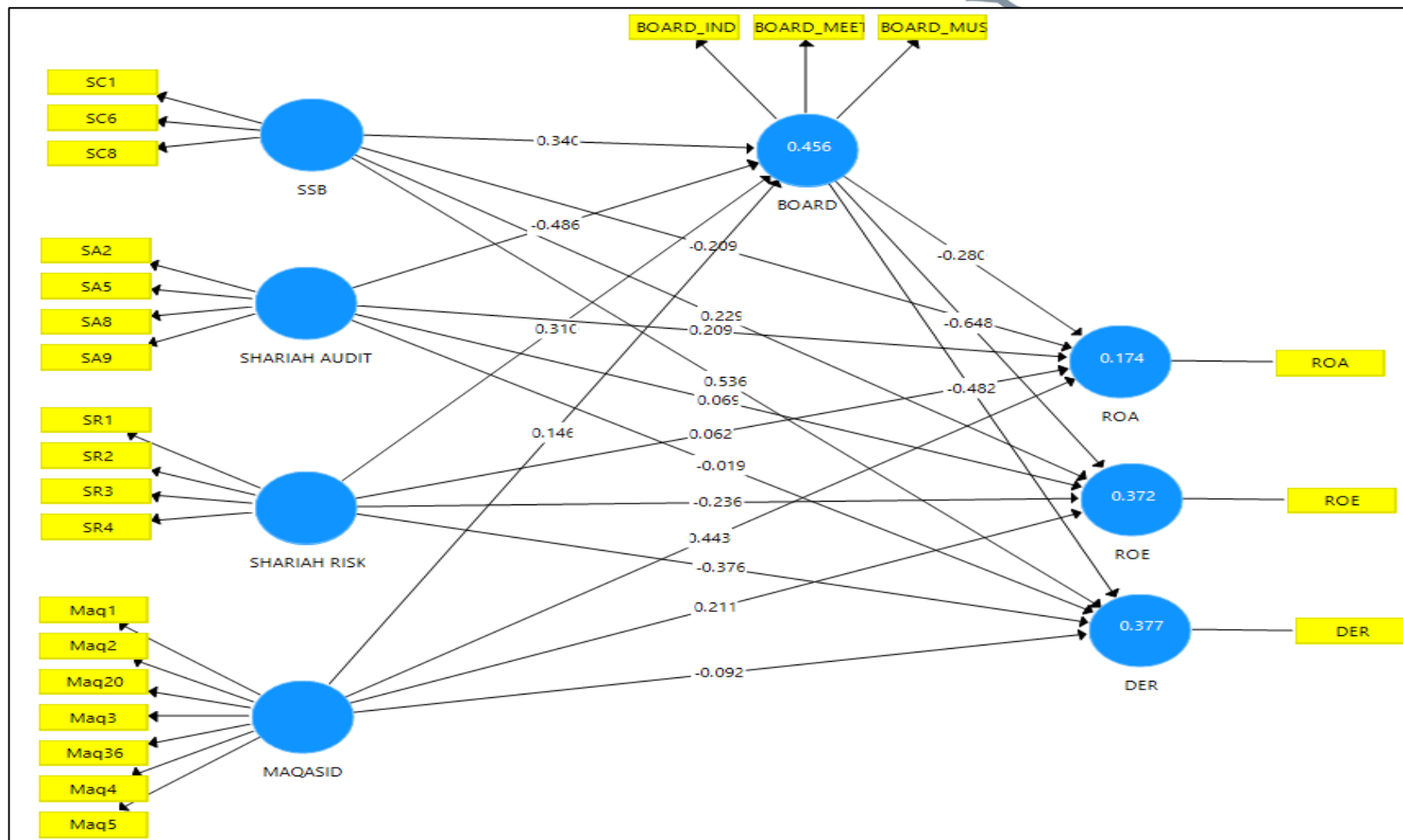


Figure F2: Path Coefficient and R Square

Appendix F3: Bootstrapping (Path Coefficient)

Table F3.1: Bootstrapping (Path Coefficient)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Supported
BOARD -> DER	-0.482	-0.465	0.103	4.699	0.000	Yes
BOARD -> ROA	-0.280	-0.282	0.126	2.228	0.013	Yes
BOARD -> ROE	-0.648	-0.637	0.102	6.353	0.000	Yes
MAQASID -> BOARD	0.146	0.167	0.116	1.26	0.104	No
MAQASID -> DER	-0.092	-0.092	0.129	0.711	0.238	No
MAQASID -> ROA	0.443	0.423	0.132	3.363	0.000	Yes
MAQASID -> ROE	0.211	0.2	0.157	1.345	0.089	No
SHARIAH AUDIT -> BOARD	-0.486	-0.464	0.098	4.939	0.000	Yes
SHARIAH AUDIT -> DER	-0.019	-0.023	0.149	0.126	0.450	No
SHARIAH AUDIT -> ROA	0.209	0.197	0.171	1.225	0.110	No
SHARIAH AUDIT -> ROE	0.069	0.062	0.124	0.557	0.289	No
SHARIAH RISK -> BOARD	0.31	0.321	0.127	2.442	0.007	Yes
SHARIAH RISK -> DER	-0.376	-0.355	0.118	3.173	0.001	Yes
SHARIAH RISK -> ROA	0.062	0.054	0.121	0.518	0.302	No
SHARIAH RISK -> ROE	-0.236	-0.23	0.123	1.916	0.028	Yes
SC -> BOARD	0.340	0.288	0.159	2.141	0.016	Yes
SC -> DER	0.536	0.475	0.165	3.246	0.001	Yes
SC -> ROA	-0.209	-0.168	0.175	1.192	0.117	No
SC -> ROE	0.229	0.212	0.139	1.648	0.050	Yes

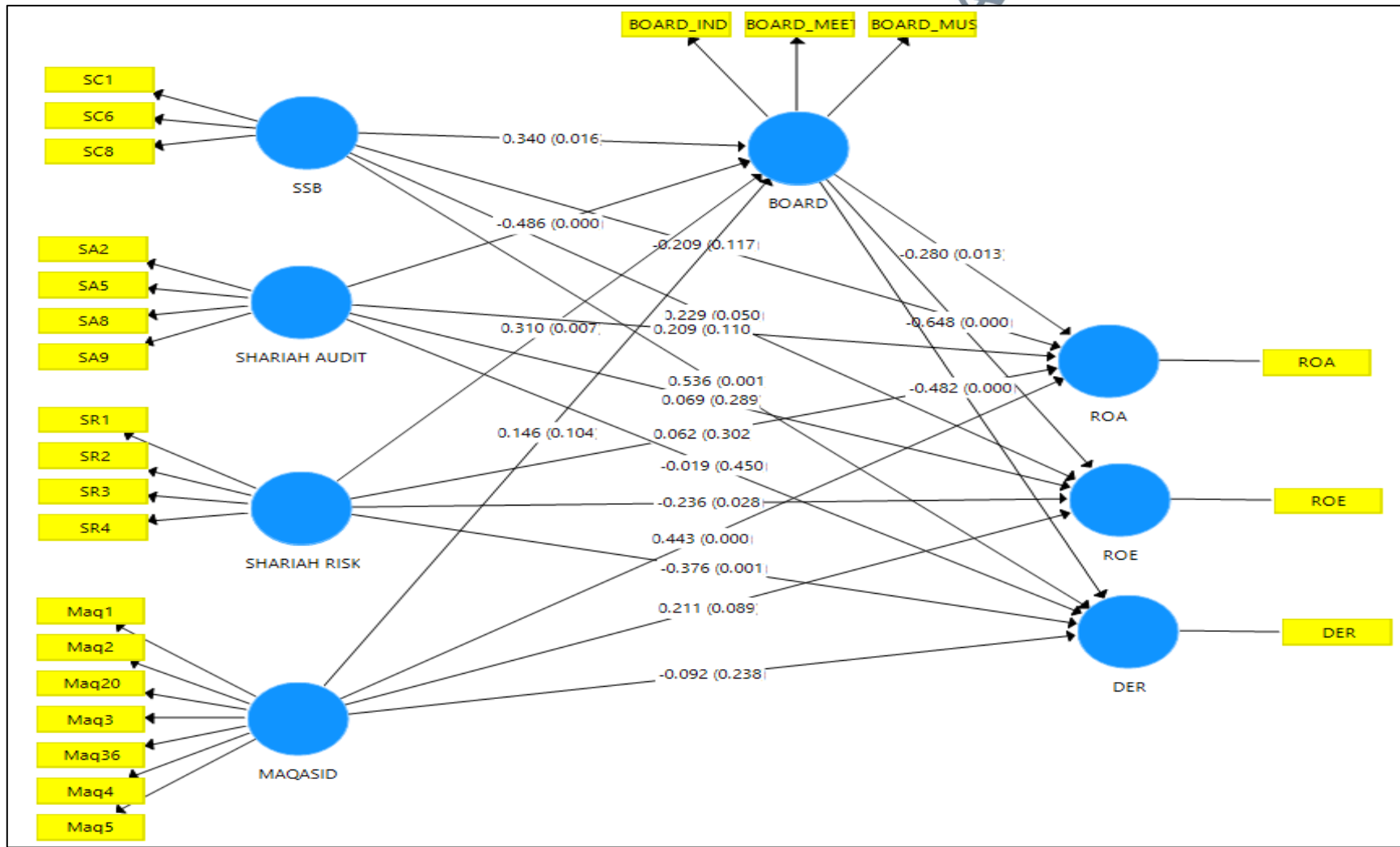


Figure F3.1: Path Coefficient and P- value (Bootstrapping)

Table F3.2: Total Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
BOARD -> DER	-0.482	-0.465	0.103	4.699	0
BOARD -> ROA	-0.28	-0.282	0.126	2.228	0.013
BOARD -> ROE	-0.648	-0.637	0.102	6.353	0
MAQASID -> BOARD	0.146	0.167	0.116	1.26	0.104
MAQASID -> DER	-0.162	-0.168	0.129	1.254	0.105
MAQASID -> ROA	0.402	0.375	0.139	2.889	0.002
MAQASID -> ROE	0.116	0.094	0.159	0.732	0.232
SHARIAH AUDIT -> BOARD	-0.486	-0.464	0.098	4.939	0
SHARIAH AUDIT -> DER	0.216	0.194	0.146	1.476	0.07
SHARIAH AUDIT -> ROA	0.345	0.326	0.147	2.355	0.009
SHARIAH AUDIT -> ROE	0.384	0.358	0.138	2.781	0.003
SHARIAH RISK -> BOARD	0.31	0.321	0.127	2.442	0.007
SHARIAH RISK -> DER	-0.525	-0.504	0.13	4.034	0
SHARIAH RISK -> ROA	-0.024	-0.034	0.116	0.209	0.417
SHARIAH RISK -> ROE	-0.437	-0.431	0.15	2.919	0.002
SC -> BOARD	0.34	0.288	0.159	2.141	0.016
SC -> DER	0.372	0.338	0.134	2.774	0.003
SC -> ROA	-0.304	-0.253	0.193	1.573	0.058
SC -> ROE	0.008	0.023	0.164	0.05	0.48

Table F3.3: Total Mediator Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
MAQASID -> DER	-0.07	-0.076	0.057	1.237	0.108
MAQASID -> ROA	-0.041	-0.049	0.042	0.974	0.165
MAQASID -> ROE	-0.095	-0.106	0.077	1.226	0.11
SHARIAH AUDIT -> DER	0.234	0.217	0.071	3.288	0.001
SHARIAH AUDIT -> ROA	0.136	0.129	0.064	2.135	0.016
SHARIAH AUDIT -> ROE	0.315	0.296	0.079	3.969	0
SHARIAH RISK -> DER	-0.149	-0.149	0.068	2.21	0.014
SHARIAH RISK -> ROA	-0.087	-0.087	0.05	1.746	0.04
SHARIAH RISK -> ROE	-0.2	-0.201	0.079	2.525	0.006
SC -> DER	-0.164	-0.137	0.086	1.91	0.028
SC -> ROA	-0.095	-0.085	0.062	1.54	0.062
SC -> ROE	-0.22	-0.189	0.112	1.972	0.024

Table F3.4: Specific Mediator Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
MAQASID -> BOARD -> DER	-0.07	-0.076	0.057	1.237	0.108
SHARIAH AUDIT -> BOARD -> DER	0.234	0.217	0.071	3.288	0.001
SHARIAH RISK -> BOARD -> DER	-0.149	-0.149	0.068	2.21	0.014
SC -> BOARD -> DER	-0.164	-0.137	0.086	1.91	0.028
MAQASID -> BOARD -> ROA	-0.041	-0.049	0.042	0.974	0.165
SHARIAH AUDIT -> BOARD -> ROA	0.136	0.129	0.064	2.135	0.016
SHARIAH RISK -> BOARD -> ROA	-0.087	-0.087	0.05	1.746	0.04
SC -> BOARD -> ROA	-0.095	-0.085	0.062	1.54	0.062
MAQASID -> BOARD -> ROE	-0.095	-0.106	0.077	1.226	0.11
SHARIAH AUDIT -> BOARD -> ROE	0.315	0.296	0.079	3.969	0
SHARIAH RISK -> BOARD -> ROE	-0.2	-0.201	0.079	2.525	0.006
SC -> BOARD -> ROE	-0.22	-0.189	0.112	1.972	0.024

Table F3.5: Confidence Interval Bias Correlated

	Original Sample (O)	Sample Mean (M)	Bias	5.00%	95.00%
BOARD -> DER					
BOARD -> ROA					
BOARD -> ROE					
MAQASID -> BOARD					
MAQASID -> DER	-0.07	-0.076	-0.006	-0.156	0.029
MAQASID -> ROA	-0.041	-0.049	-0.008	-0.115	0.01
MAQASID -> ROE	-0.095	-0.106	-0.012	-0.198	0.054
SHARIAH AUDIT -> BOARD					
SHARIAH AUDIT -> DER	0.234	0.217	-0.017	0.146	0.387
SHARIAH AUDIT -> ROA	0.136	0.129	-0.007	0.051	0.269
SHARIAH AUDIT -> ROE	0.315	0.296	-0.019	0.211	0.471
SHARIAH RISK -> BOARD					
SHARIAH RISK -> DER	-0.149	-0.149	0.001	-0.266	-0.058
SHARIAH RISK -> ROA	-0.087	-0.087	-0.001	-0.185	-0.024
SHARIAH RISK -> ROE	-0.2	-0.201	-0.001	-0.325	-0.085
SC -> BOARD					
SC -> DER	-0.164	-0.137	0.027	-0.335	-0.062
SC -> ROA	-0.095	-0.085	0.01	-0.226	-0.014
SC -> ROE	-0.22	-0.189	0.031	-0.406	-0.053

Table F3.6: Mediation analysis

Relationship	Std Beta	Std Error	T- Value	P Values	Confidence Interval		Mediation
					LL	UL	
MAQASID -> BOARD -> DER	-0.070	0.057	1.237	0.108	-0.156	0.029	No
SHARIAH AUDIT -> BOARD -> DER	0.234	0.071	3.288	0.001	0.146	0.387	Yes
SHARIAH RISK -> BOARD -> DER	-0.149	0.068	2.210	0.014	-0.266	-0.058	Yes
SC -> BOARD -> DER	-0.164	0.086	1.910	0.028	-0.335	-0.062	Yes
MAQASID -> BOARD -> ROA	-0.041	0.042	0.974	0.165	-0.115	0.010	No
SHARIAH AUDIT -> BOARD -> ROA	0.136	0.064	2.135	0.016	0.051	0.269	Yes
SHARIAH RISK -> BOARD -> ROA	-0.087	0.050	1.746	0.040	-0.185	-0.024	Yes
SC -> BOARD -> ROA	-0.095	0.062	1.540	0.062	-0.226	-0.014	Yes
MAQASID -> BOARD -> ROE	-0.095	0.077	1.226	0.110	-0.198	0.054	No
SHARIAH AUDIT -> BOARD -> ROE	0.315	0.079	3.969	0.000	0.211	0.471	Yes
SHARIAH RISK -> BOARD -> ROE	-0.200	0.079	2.525	0.006	-0.325	-0.085	Yes
SC -> BOARD -> ROE	-0.220	0.112	1.972	0.024	-0.406	-0.053	Yes

Appendix F4: Predictive Relevance Q^2 (Blindfolding)

Table F4.1: Blindfolding Q^2

	SSO	SSE	$Q^2 (=1 - SSE/SSO)$
BOARD	270	203.045	0.248
DER	90	61.035	0.322
MAQASID	630	630	
ROA	90	80.21	0.109
ROE	90	64.076	0.288
SHARIAH AUDIT	360	360	
SHARIAH RISK	360	360	
SC	270	270	

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4.1 Cross Validated Redundancy

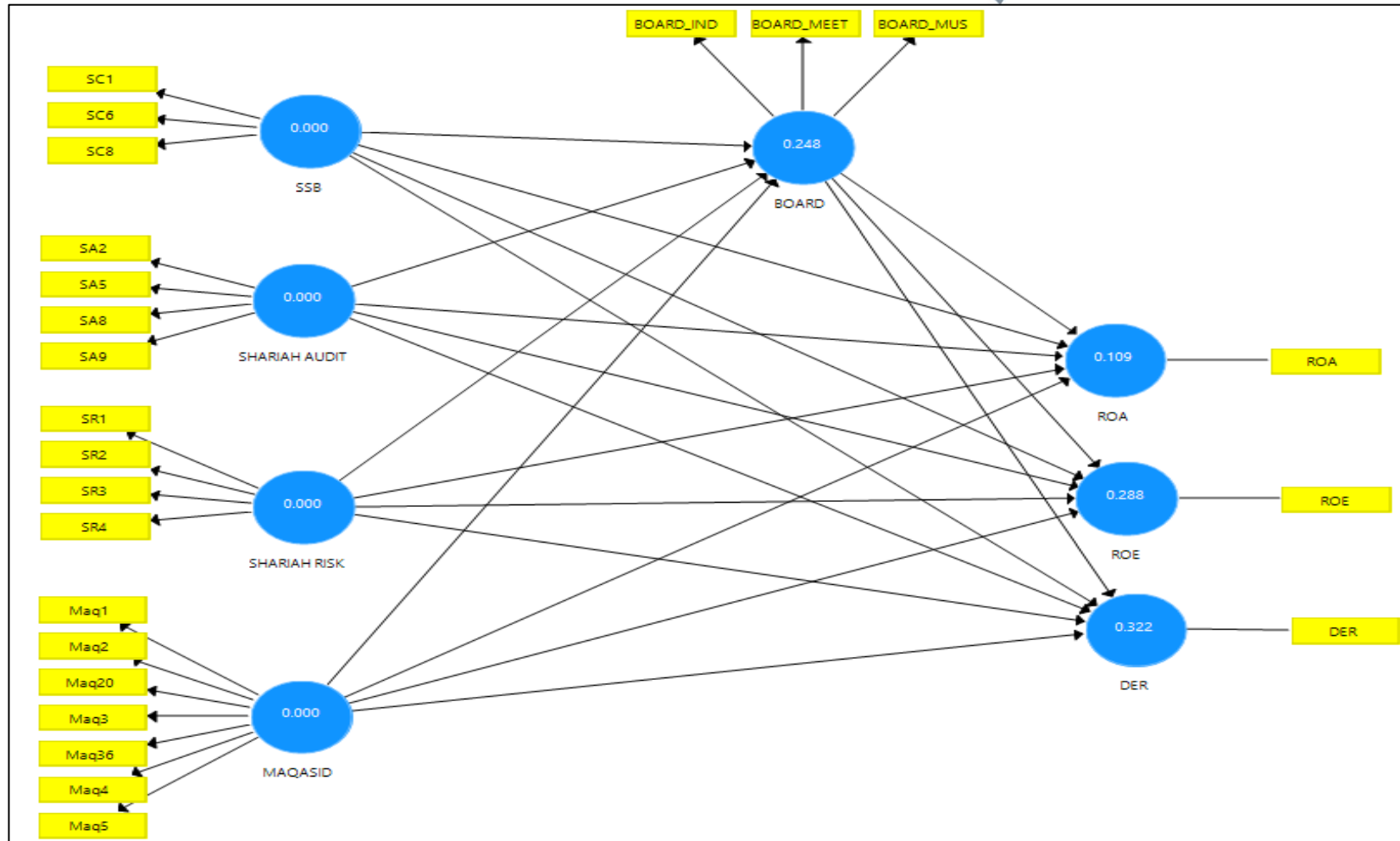


Figure F4.1: Blindfolding Q2

APPENDIX G: PLS Predict Assessment

Table G1: PLS

	RMSE	MAE	MAPE	Q²_predict
BOARD_MEET	1.382	1.117	60.856	0.06
BOARD_IND	1.224	0.998	48.485	0.251
BOARD_MUS	0.815	0.645	19.722	0.415
DER	2.807	2.117	17.407	0.142
ROA	0.254	0.183	24.822	0.019
ROE	3.449	2.627	111.245	0.016

Table G2: LM

	RMSE	MAE	MAPE	Q²_predict
BOARD_MEET	1.254	0.992	50.858	0.226
BOARD_IND	1.122	0.856	39.044	0.37
BOARD_MUS	0.637	0.487	13.101	0.643
DER	2.884	2.289	19.011	0.094
ROA	0.26	0.197	26.037	-0.029
ROE	3.346	2.521	115.265	0.074