

The Influence of *Maqāṣid Sharī'ah* Implementation on Satisfaction of Islamic Cooperatives' Members

Risa Bhinekawati

Institut Agama Islam Tazkia Bogor, Indonesia
STEBank Islam MR. Sjafruddin Prawiranegara Jakarta, Indonesia
Email: risa.bhinekawati@gmail.com

Ascarya Ascarya

Universitas Darussalam Gontor Ponorogo, Indonesia, and
Institut Agama Islam Tazkia Bogor, Indonesia
Email: dr.ascarya@gmail.com

Achmad Firdaus

Institut Agama Islam Tazkia Bogor, Indonesia
Email: achmad.firdaus@tazkia.ac.id

Corresponding Author: Risa Bhinekawati

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Abstract: This study aims to elaborate on the application of indicators of five lower-order constructs of *maqāṣid shari'ah* in measuring the satisfaction of Islamic cooperative members. Subsequently, the Social Exchange Theory is used to explain the relationships among reciprocity, trust, *maqāṣid shari'ah*, and satisfaction. This study uses a quantitative approach by applying a two-stage reflective-formative analysis of Partial Least Square – Structural Equation Modeling (PLS-SEM). The data were collected from nine Islamic cooperatives in six provinces of Indonesia, where 247 valid questionnaires were processed and analyzed using SmartPLS software. The first stage of analysis confirmed that the indicators of five constructs of *maqāṣid shari'ah* (Religion, Life, Intellect, Lineage, and Trust) could be used as valid and reliable measurements for *maqāṣid shari'ah*. The second stage of the analysis found that *maqāṣid shari'ah*, together with reciprocity and trust, have a significant and positive influence on the satisfaction of shari'ah cooperative members. The results of this study can be generalized to the Islamic financial cooperatives. However, the application of the model to conventional cooperatives will require further research. Consistent implementation of *maqāṣid shari'ah* would improve cooperatives members' satisfaction and overall cooperatives performance. This study confirms that indicators and variables of *maqāṣid shari'ah* can be applied as measurements to analyze the satisfaction of Islamic cooperative members. It also provides empirical evidence of the application of Social Exchange Theory in the context of Islamic cooperatives, which has not been done by previous studies. Future studies are recommended to test this model in non-Islamic cooperatives, expand the dataset across Muslim-majority countries, and explore longitudinal impacts of *maqāṣid*-based governance on institutional sustainability.

Keywords: *Maqāṣid Sharī'ah*, Reciprocity, Islamic Cooperatives, Social Exchange Theory.

Introduction

Currently there are more than 3 million cooperatives in the world which make cooperatives an essential part of global economic, social, and cultural development.¹ In Indonesia, the current size of cooperatives is also significant. Based on statistics issued by the Ministry of Cooperatives and SMEs,² by 2020, there will be 127,124 active cooperatives with 25.098.807 members, a total asset of IDR 221,99 trillion (USD 15.8 billion). In 2019, the National Committee of Sharī'ah Finance (KNKS) reported there were approximately 4,500 units of sharī'ah cooperatives.³ Despite the potential, the contribution of cooperatives to the Indonesian economy is still far from expected. The Minister of Cooperatives and Small Businesses reported that the contribution of cooperatives to Indonesia's GDP was 6,2 percent in 2021,⁴ which is much lower than other countries like Kenya (43 percent) and Denmark (68%).

In addition to low contribution to GDP, the overall conditions of cooperatives also need improvements. Among 150,000 units of cooperatives in Indonesia, 75,000 units were considered unhealthy, and 43,000 units were dissolved in 2016.⁵ Like conventional cooperatives, Islamic cooperatives also have similar issues in managing their internal and external challenges.⁶ A cooperative can grow its significance because of mutual relationships between the cooperative and its members. Research on cooperatives in America and Europe has shown a strong relationship between the performance of cooperatives and their members' satisfaction and commitment to cooperatives.⁷ Besides, there has been empirical evidence about positive relationships between members' trust and their satisfaction in cooperatives.⁸ Accordingly, members' satisfaction is an important variable that will influence cooperative performance and sustainability.⁹ Indeed, cooperative members' satisfaction is the result of a positive influence that is made by the cooperative on the wellbeing of its members, which in return will bring improvement in price, quality of product, and overall supply chain.¹⁰

¹ "What is a cooperative?," ICA, accessed November 4, 2024, <https://ica.coop/en/cooperatives/what-is-a-cooperative>

² Kemenkopukm, Rekapitulasi Data Koperasi per 31 Desember 2020, 2021.

³ KNKS, *Sharing Platform Keuangan Mikro Syariah Berbasis Baitul Maal Wat Tamwil (BMT)* (2019).

⁴ Kemenkopukm, Rekapitulasi Data Koperasi per 31 Desember 2020.

⁵ DPR-RI, *Koperasi dalam Sistem Perekonomian Indonesia*, 1 ed (Yayasan Pustaka Obor Indonesia, 2018).

⁶ KNKS, *Sharing Platform Keuangan Mikro Syariah Berbasis Baitul Maal Wat Tamwil (BMT)*.

⁷ Jasper Grashuis and Michael Lee Cook, "A structural equation model of cooperative member satisfaction and long-term commitment," *International Food and Agribusiness Management Review* 22, no. 2 (2019): 247-64, https://brill.com/view/journals/ifam/22/2/article-p247_6.xml
https://brill.com/downloadpdf/view/journals/ifam/22/2/article-p247_6.pdf.

⁸ J. L. Morrow et al., "The Cognitive and Affective Antecedents of General Trust Within Cooperative Organizations," *Journal of Managerial Issues* 16, no. 1 (2004): 48-64, <http://www.jstor.org/stable/40601183>.

⁹ Miguel Hernández-Espallardo et al., "Farmers' satisfaction and intention to continue membership in agricultural marketing cooperatives: neoclassical versus transaction cost considerations," *European Review of Agricultural Economics* 40, no. 2 (2013): 239-60, <https://doi.org/10.1093/erae/jbs024>
<https://academic.oup.com/erae/article-abstract/40/2/239/438691?redirectedFrom=fulltext>.

¹⁰ Grashuis and Cook, "A structural equation model of cooperative member satisfaction and long-term commitment," 247-64.

These purposes and values of cooperatives in achieving wellbeing of its members are in line with Islamic divine law called Maqashid Sharī'ah.¹¹ Maqashid Sharī'ah aims to promote human wellbeing by serving their interest and refraining from harm.¹² Yet, research that applies Maqashid Sharī'ah as an instrument to explain factors that influence cooperative members' satisfaction is still unknown.

Based on these research gaps, this study investigates how Maqashid Sharī'ah principles can be integrated into the governance and operations of Sharī'ah cooperatives to ensure both economic success and social welfare for their members. This research attempts to contribute to the improvement of the performance of cooperatives, especially Islamic cooperatives, in Indonesia, also known as Baitul Maal wat Tamwil or BMT.¹³ The two objectives of this study are 1) to confirm whether the five lower order constructs (LOCs) of *maqāshid sharī'ah* can be used as valid and reliable measurements of *maqāshid sharī'ah* as a higher order construct (HOC); 2) to apply social exchange theory (SET) in explaining whether Reciprocity, Trust and *maqāshid sharī'ah* have positive and significant and positive influence on Islamic cooperative members' satisfaction.

Literature Review

Social Exchange Theory

The Social Exchange Theory (SET) suggests that people calculate rewards and costs in a relationship; if the efforts they put in a relationship are reciprocated, then the relationship continues.¹⁴ On the contrary, if the efforts are not reciprocated, the relationship will end.¹⁵ SET in the field of sociology focuses on interactions between individuals, and he defined SET as tangible or intangible exchange of rewarding or costing activities between at least two people. Similarly, in the field of psychology, SET is conceptualized to explain the relationship between two people.¹⁶ Furthermore, West and Turner argued that the nature of SET on human relationships would follow several assumptions, including 1) people would seek rewards in relationships; 2) humans will make rational choices in relationships; 3) people use different standards to calculate cost and benefits of relationships, depending on the context; 4) relationship is a process; and 5) relationships are interdependent. Emerson argued that SET can be used as a framework in which other theories and concepts can converge and be compared to illuminate relationships generated from social exchange.¹⁷ The focus of

¹¹ Ascarya Ascarya, "Baitul Maal wat Tamwil (BMT): an Integrated Islamic Social and Commercial Financial Institution in Indonesia," in *Baitul Maal wat Tamwil (BMT): an Integrated Islamic Social and Commercial Financial Institution in Indonesia* (2017).

¹² Muhamed Chapra, *The Islamic Vision of Development in the Light of Maqāsid Al-Sharī'ah* (2008).

¹³ Ascarya Ascarya and Ali Sakti, "Designing micro-fintech models for Islamic micro financial institutions in Indonesia," *International Journal of Islamic and Middle Eastern Finance and Management* 15, no. 2 (2022): 236-54, <https://doi.org/10.1108/IMEFM-05-2020-0233>.

¹⁴ R. M. Emerson, "Social Exchange Theory," *Annual Review of Sociology* 2 (1976): 335-62.

¹⁵ R. M. Emerson and K. S. Cook, *Social exchange theory* (SAGE Publications, 1987).

¹⁶ Richard West and Lynn Turner, *Introducing Communication Theory* (McGraw-Hill Companies and Inc., 2007).

¹⁷ Emerson, "Social Exchange Theory," 335-62.

SET was the relationship and interaction between individuals or between individuals and organizations.¹⁸

SET has been used in studies that are aimed at investigating the interactions and interdependency among factors that influence people's satisfaction and commitments toward organizations or activities. For example, SET has been applied to study civil servants' organizational commitment leadership in public sector hospitals;¹⁹ longevity of International Joint Venture (IJVs);²⁰ participation in online group buying;²¹ the turnover intention of technology professionals;²² and business-to-business relationships in the hospitality and tourism industry.²³ The SET has also been combined with other theories like transaction cost theory (TCT), leadership theory, community development, communication, and innovation. There are many variables used to explain SET, predominantly reciprocity, trust, reputation, satisfaction, and commitment. While SET has been applied in various contexts, empirical research in applying SET in cooperative development is still limited. A literature review by Jussila et al. suggested the potential of SET to explain cooperative governance and members' satisfaction, and they recommended further investigation.²⁴ As discussed below, this study applies three variables related to SET - Reciprocity, Trust, and Satisfaction - based on previous studies by Shiau and Luo and Kim.²⁵

The first variable, reciprocity, can be defined as 'the giving of benefits to another in return for benefits received'.²⁶ Reciprocity occurs when there is a mutual exchange between two parties.²⁷ However, the returns to one's help to another may not happen immediately, sometimes it may take time, but eventually the balance of the exchange would be achieved over time.²⁸ Hence, reciprocity can be seen as a mechanism for new

¹⁸ Emerson, "Social Exchange Theory," 335-62.

¹⁹ Jeremy Mitonga-Monga, "Social exchange influences on ethical leadership and employee commitment in a developing country setting," *Journal of Psychology in Africa* 30, no. 6 (2020): 485-91, <https://doi.org/10.1080/14330237.2020.1842587>.

²⁰ Saba Khalid and Tahir Ali, "An integrated perspective of social exchange theory and transaction cost approach on the antecedents of trust in international joint ventures," *International Business Review* 26, no. 3 (2017): 491-501, <https://www.sciencedirect.com/science/article/pii/S0969593116302438>
<https://www.sciencedirect.com/science/article/abs/pii/S0969593116302438?via%3Dihub>.

²¹ Wen-Lung Shiau and Margaret Meiling Luo, "Factors affecting online group buying intention and satisfaction: A social exchange theory perspective," *Computers in Human Behavior* 28, no. 6 (2012): 2431-44, <https://www.sciencedirect.com/science/article/pii/S0747563212002336>
<https://www.sciencedirect.com/science/article/abs/pii/S0747563212002336?via%3Dihub>.

²² Gina Harden et al., "Turnover Intention of Technology Professionals: A Social Exchange Theory Perspective," *Journal of Computer Information Systems* 58, no. 4 (2018): 291-300, <https://doi.org/10.1080/08874417.2016.1236356>.

²³ Miyoung Jeong and Haemoon Oh, "Business-to-business social exchange relationship beyond trust and commitment," *International Journal of Hospitality Management* 65 (2017): 115-24, <https://www.sciencedirect.com/science/article/pii/S0278431916303528>.

²⁴ Iiro Jussila et al., "Governance of Cooperative Organizations: A Social Exchange Perspective," *Business and Management Research* 1, no. 2 (2012): 14-25, <https://www.sciedu.ca/journal/index.php/bmr/article/download/1235/611>.

²⁵ Shiau and Luo, "Factors affecting online group buying intention and satisfaction: A social exchange theory perspective," 2431-44.

²⁶ Alvin W. Gouldner, "The Norm of Reciprocity: A Preliminary Statement," *American Sociological Review* 25, no. 2 (1960): 161-78, <http://www.jstor.org/stable/2092623>.

²⁷ Milan Zafirovski, "Social exchange theory under scrutiny: A positive critique of its economic-behaviorist formulations," *Electronic Journal of Sociology* (2005).

²⁸ George C. Homans, "Social behavior as exchange," *American Journal of Sociology* 63 (1958): 597-606.

social connections as people are welcome to be helped and would return the help given to them.²⁹ When people can maintain reciprocity in their social relations, they would develop a sense of balance, even in times of conflict, which lead to a sense of wellbeing.³⁰ To measure reciprocity, Pervan et al.³¹ developed constructs based on the exchange of goods and response to harm and came up with 12 indicators. To extend previous studies, this research adopts four indicators form,³² including reciprocity on 1) equal benefit, 2) prevention of problems, 3) solutions to problems, and 4) being honest about problems.

The second variable, trust, is defined as an a form of individual or collective action that is constitutively embedded in the institutional environment in which a relationship is placed, building on favorable assumptions about the trustee's future behavior vis-à-vis such conditions.³³ Such confidence occurs because partners who are involved in the exchange would share expertise, reliability, and good intentions in the partnership.³⁴ Trust can be generated through social exchange where people are connected in a more flexible relationship, often without legal obligations and explicit bargaining.³⁵ When people trust each other, they are more willing to be vulnerable to the other party's actions as they would expect that the other party would perform actions as expected.³⁶ Indeed, when trust occurs in organizations like cooperatives, people are expected to be reliable in achieving the well-intentioned expectations of their partners. Studies in European and American farmer's cooperatives have found that the long-term survival of cooperatives depends on member's trust, which leads to members' satisfaction and commitment to cooperatives. To extend previous research, this study adopts Grashuis and Cook's measurement of trust,³⁷ which include 1) trust in the leadership, 2) trust in the decision-making process, and 3) trust in the support of members.

²⁹ Christopher J. Auld and Alan J. Case, "Social Exchange Processes in Leisure and Non-leisure Settings: A Review and Exploratory Investigation," *Journal of Leisure Research* 29, no. 2 (1997): 183-200, <https://doi.org/10.1080/00222216.1997.11949793>.

³⁰ Simon J. Pervan et al., "Reciprocity as a key stabilizing norm of interpersonal marketing relationships: Scale development and validation," *Industrial Marketing Management* 38, no. 1 (2009): 60-70, <https://www.sciencedirect.com/science/article/pii/S0019850107001368>
<https://www.sciencedirect.com/science/article/abs/pii/S0019850107001368?via%3Dihub>.

³¹ Pervan et al., "Reciprocity as a key stabilizing norm of interpersonal marketing relationships: Scale development and validation," 60-70.

³² Pervan et al., "Reciprocity as a key stabilizing norm of interpersonal marketing relationships: Scale development and validation," 60-70.

³³ Reinhard Bachmann and Andrew C. Inkpen, "Understanding Institutional-based Trust Building Processes in Inter-organizational Relationships," *Organization Studies* 32, no. 2 (2011): 281-301, <https://doi.org/10.1177/0170840610397477>
<https://journals.sagepub.com/doi/10.1177/0170840610397477>.

³⁴ Shankar Ganesan, "Determinants of Long-Term Orientation in Buyer-Seller Relationships," *Journal of Marketing* (1994)<https://journals.sagepub.com/doi/10.1177/002224299405800201>.

³⁵ Laura Stafford, "Social Exchange Theories: Calculating the Rewards and Costs of Personal Relationships," in *Social Exchange Theories: Calculating the Rewards and Costs of Personal Relationships* (2008).

³⁶ Yuchun Xiao et al., "Trust, relationship commitment and cooperative performance: supply chain management," *Chinese Management Studies* 4, no. 3 (2010): 231-43, <https://doi.org/10.1108/17506141011074129>.

³⁷ Grashuis and Cook, "A structural equation model of cooperative member satisfaction and long-term commitment," 247-64.

The third variable, satisfaction, can be defined as 'a judgment of pleasurable level of consumption related fulfilment including levels of under-fulfilment or over-fulfilment'.³⁸ Stafford argued that a social exchange process that is reciprocal can bring satisfaction to people.³⁹ Hence, satisfaction is a factor whether people want to continue or terminate a relationship. If people consider that their investment in a relationship brings mutual and beneficial exchange with other parties, then they achieve relationship satisfaction which brings stability to the relationship.⁴⁰ In the context of cooperatives, Grashuis and Cook argued that members' satisfaction is an impact of a cooperative's care for its members,⁴¹ which is manifested in good price, quality of products, and access to raw materials. Other studies conducted by Arcas-Lario et al. and Grashuis and Cook also found that cooperative members' satisfaction would lead to members' willingness to continue their membership or long-term commitment to cooperatives.⁴² To extend the previous research, this study adopts satisfaction indicators developed by Arcas-Lario et al.,⁴³ which was also used by Grashuis and Cook.⁴⁴ The indicators consist of satisfaction with 1) overall relationship, 2) price paid, 3) support in achieving business goals, and 4) management.

Maqāsid Sharī'ah

The objectives of Islamic Divine Law are called *maqāsid shari'ah*.⁴⁵ *Maqāsid shari'ah* is a fundamental concept to guard individuals in achieving wellbeing and avoiding malice, or to secure safety in life and afterlife.⁴⁶ According to Ibn Ashur,⁴⁷ *Maqāsid shari'ah* consists of two words, that is, *al-maqāsid* and *al-Shari'ah*. The first word, *al-maqāsid* can be interpreted as something that motivate somebody's action, which is to follow the right way (*istiqāmah al-ṭarīq*). The second word, *al-Shari'ah*, is the sources of Islamic law, consisting al-Qur'ān, al-Ḥadīth, Fiqh, and other related rules.⁴⁸ Understanding *maqāsid shari'ah* will allow people to practice Islamic rules wherever context and situations they are in.⁴⁹

³⁸ E.J. Arnould et al., *Consumers* (McGraw-Hill/Irwin, 2004).

³⁹ Stafford, "Social Exchange Theories: Calculating the Rewards and Costs of Personal Relationships."

⁴⁰ Stafford, "Social Exchange Theories: Calculating the Rewards and Costs of Personal Relationships."

⁴¹ Grashuis and Cook, "A structural equation model of cooperative member satisfaction and long-term commitment," 247-64.

⁴² Narciso Arcas-Lario et al., "Farmers' satisfaction with fresh fruit and vegetable marketing spanish cooperatives: An explanation from agency theory," *International Food and Agribusiness Management Review* (2014)<https://ageconsearch.umn.edu/nanna/record/163357/files/20130006.pdf?withWatermark=0&withMetadat a=0®isterDownload=1&version=1>.

⁴³ Arcas-Lario et al., "Farmers' satisfaction with fresh fruit and vegetable marketing spanish cooperatives: An explanation from agency theory."

⁴⁴ Grashuis and Cook, "A structural equation model of cooperative member satisfaction and long-term commitment," 247-64.

⁴⁵ Ascarya Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives* (2016).

⁴⁶ Muhammad al-Tahir Ibn Ashur, *Treatise on Maqashid al-Shariah* (International Institute of Islamic Thought, 2013).

⁴⁷ Ibn Ashur, *Treatise on Maqashid al-Shariah*.

⁴⁸ Ibn Ashur, *Treatise on Maqashid al-Shariah*.

⁴⁹ Ibn Ashur, *Treatise on Maqashid al-Shariah*.

Maqāshid sharī'ah has been practiced since the introduction of Islam as a part of ushul fiqh knowledge, with prominent ulema like Abu Bakar al-Qaffal, al-Juwaini, al-Ghazali, al-Izz bin Abd. Salam, al-Qarrafi, and Ibn al-Qayyim.⁵⁰ Imam al-Ghazali suggested there the five objectives of *Sharī'ah* (*maqāshid sharī'ah*), that is to safeguard and maintain 1) the religion (*Dīn*), the human life (*Nafs*), 3) the intellect (*'Aql*); 4) the lineage (*Nasl*), and the wealth (*Māl*).⁵¹ In the context of organization, it is important for the organization to fulfil the primary needs to achieve the wellbeing of people in the organization.⁵² Subsequently, Imam Shatibi wrote a book called "al-Muwafaqāt" where he combined the theories of *'uṣūl al-fiqh* with *maqāshid sharī'ah* and explained that the objective of *sharī'ah* is to achieve goodness in life and afterlife, and the law of Islam is aimed at the goodness of humankind.⁵³ In line with Imam Syatibi, other Islamic scholars like Muhammad Tahir Ibn Asyur, Muhammad Alal al-Fasi, Ahmad Raisuni, and Muhammad al-Yaubi agreed that the *maqāshid sharī'ah* can be interpreted as the wisdom that can guide human to achieve wellbeing in life and afterlife.⁵⁴

To understand *maqāshid sharī'ah* in real life context, Chapra operationalized the five objectives of *sharī'ah* into 42 interconnected and interdependent indicators,⁵⁵ which are then streamlined by Ascarya et al. (2016) combining the work of Bedoui and Chapra into 40 non-redundant elements (indicators) of five lower order constructs of *maqāshid sharī'ah* (Safeguarding Religion, Life, Intellect, Lineage, and Wealth).⁵⁶

In previous studies, the concept of *maqāshid sharī'ah* has been applied in the areas of *maṣlahah*-based performance measurement of organizations;⁵⁷ Islamic bank's performance;⁵⁸ zakah and *infāq* payment;⁵⁹ zakah distribution;⁶⁰ banking technology adoption by managers of Islamic finance cooperatives;⁶¹ and social

⁵⁰ Ibn Ashur, *Treatise on Maqashid al-Shariah*.

⁵¹ Ibn Ashur, *Treatise on Maqashid al-Shariah*.

⁵² Achmad Firdaus, "Mengembangkan Siklus Penerapan Sistem Manajemen Kinerja Berbasis Kemaslahatan," *al-Uqud : Journal of Islamic Economics* 2 (2018): 94, <https://journal.unesa.ac.id/index.php/jie/article/download/2000/pdf>.

⁵³ Ibn Ashur, *Treatise on Maqashid al-Shariah*.

⁵⁴ Ibn Ashur, *Treatise on Maqashid al-Shariah*.

⁵⁵ Chapra, *The Islamic Vision of Development in the Light of Maqāsid Al-Sharī'ah*.

⁵⁶ Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

⁵⁷ Firdaus, "Mengembangkan Siklus Penerapan Sistem Manajemen Kinerja Berbasis Kemaslahatan," 94.

⁵⁸ Mokhammad Ramdhoni and Firdaus Ahmad Fauzi, "An Analysis of Islamic Banks Performance using Sharia Maqashid Index, Sharia Conformity and Profitability (SCnP) and CAMELS," *International Journal of Applied Business Research* 2 (2020): 15-30, <https://ijabr.polban.ac.id/ijabr/article/download/79/56>. Also see Muhammad Lathoif Ghozali, and Anita Musfiroh. "Position of DSN-MUI Fatwa No.79 of 2011 Concerning Qard With Customer Funds in the Perspective of Maqāshid Sharī'ah Jasser Auda". *El-Qist: Journal of Islamic Economics and Business (JIEB)* 12 2 (2020). Surabaya, Indonesia:211-24. <https://doi.org/10.15642/elqist.2022.12.2.211-224>.

⁵⁹ Nurida Isnaeni and Muhammad Qodri, "The Role of Islamic Social Marketing as a Mediation Variable on the Implementation of Maqashid Syariah on Decisions to Pay ZIS Through Zakat Managers," *Al-Masraf : Jurnal Lembaga Keuangan dan Perbankan* 4 (2019): 215-15.

⁶⁰ Ellyan Sastraningsih and Nanda Suryadi, "Analisis Pengaruh Distribusi Zakat Terhadap Maqashid Syariah Pada Baznas Provinsi Riau," *Jurnal Tabarru': Islamic Banking and Finance* 4 (2021): 263-76, <https://journal.uir.ac.id/index.php/tabarru/article/download/6999/3388>.

⁶¹ Kartiko Adi Wibowo et al., "Factors Determining Intention to Use Banking Technology in Indonesian Islamic Microfinance" (7 2020), <http://koreascience.or.kr:80/article/JAKO202034651879530.pdf>.

reporting of Islamic banks,⁶² and even individual life style.⁶³ For the research models, *maqāsid sharī'ah* has also been combined with other concepts like Technology Acceptance Model (TAM),⁶⁴ Sharia Conformity and Profitability (SCnP) and CAMELS approaches.⁶⁵ In general, the implementation of *maqāsid sharī'ah* by organizations have positive and significant influence on organization performance like efficiency zakat distribution;⁶⁶ the level of Islamic social reporting;⁶⁷ or managers' acceptance on banking technology.⁶⁸ However, although *maqāsid sharī'ah* has been applied in various contexts, empirical research in applying indicators and subconstructs of *maqāsid sharī'ah* to measure cooperative members' satisfaction is still unknown. Therefore, there is an opportunity to fill in this research gap.

Hypothesis Development

Zafirovski argued that reciprocity would occur then there is mutual exchange between two parties, during the process of social exchange.⁶⁹ When people can maintain reciprocity in their social relations, they would develop a sense of balance, even in times of conflict, which lead to a sense of wellbeing or satisfaction.⁷⁰ Furthermore, positive reciprocity will influence people's satisfaction that leads to increased motivation towards their organization.⁷¹ Therefore, the following hypothesis can be developed:

Hypothesis 1: Reciprocity has positive and significant influence on the satisfaction of Sharī'ah cooperative members.

⁶² Kautsar Riza Salman, "Islamic Governance, Maqashid Syariah, and Islamic Social Reporting: The Case of Islamic Banks in Indonesia," *European Journal of Islamic Finance* 0, no. 19 SE - Peer-reviewed Articles (2021): 24-34, <https://ojs.unito.it/index.php/EJIF/article/view/6116>
<https://ojs.unito.it/index.php/EJIF/article/download/6116/5426>.

⁶³ Siti Musfiqoh, "Life Style As Consumer Satisfaction in the Maqāsid of Islamic Economics". *El-Qist: Journal of Islamic Economics and Business (JIEB)* 13 (1) 2023. Surabaya, Indonesia:83-99. <https://doi.org/10.15642/elqist.2023.13.1.83-99>.

⁶⁴ Wibowo et al., "Factors Determining Intention to Use Banking Technology in Indonesian Islamic Microfinance."

⁶⁵ Ramdhoni and Ahmad Fauzi, "An Analysis of Islamic Banks Performance using Sharia Maqashid Index, Sharia Conformity and Profitability (SCnP) and CAMELS," 15-30.

⁶⁶ Sastraningsih and Suryadi, "Analisis Pengaruh Distribusi Zakat Terhadap Maqashid Syariah Pada Baznas Provinsi Riau," 263-76.

⁶⁷ Salman, "Islamic Governance, Maqashid Syariah, and Islamic Social Reporting: The Case of Islamic Banks in Indonesia," 24-34.

⁶⁸ Wibowo et al., "Factors Determining Intention to Use Banking Technology in Indonesian Islamic Microfinance."

⁶⁹ Zafirovski, "Social exchange theory under scrutiny: A positive critique of its economic-behaviorist formulations."

⁷⁰ Pervan et al., "Reciprocity as a key stabilizing norm of interpersonal marketing relationships: Scale development and validation," 60-70.

⁷¹ Yuxin Liu et al., "Does organizational reciprocity improve employees' motivation? The mediating role of basic psychological need satisfaction," *Current Psychology* 40, no. 7 (2021): 3136-50, <https://doi.org/10.1007/s12144-020-00984-x>
<https://link.springer.com/article/10.1007/s12144-020-00984-x>.

Trust occurs because partners who are involved in the exchange would share expertise, reliability, and good intention in the partnership.⁷² Trust can be generated through social exchange where people are connected in a more flexible relationship, often without legal obligations and explicit bargaining.⁷³ When people trust each other, they are more willing to be vulnerable to the other party's actions as they would expect that the other party would perform actions as expected.⁷⁴ Trust has been used as a construct to measure cooperatives members' satisfaction and commitment. Studies in European and American farmers cooperatives found that long term survival of cooperatives depends on member's trust which leads to members' satisfaction and commitment to cooperatives.⁷⁵ Hence, the following hypothesis can be developed:

Hypothesis 2: Trust has a positive and significant influence on the satisfaction of Shari'ah cooperative members.

The *maqāṣid shari'ah* influences organizations to achieve masalahah by safeguarding the religion, life, intellect, lineage, and wealth.⁷⁶ Firstly, in safeguarding religion, Ascarya et al. argued that the practice of religion,⁷⁷ the context of *maqāṣid shari'ah*, can be measured by one's fulfilment of the socio-economic and political obligations; maintaining justice, mutual care and moral uplift. Secondly, safeguarding human life in the context of *maqāṣid shari'ah*, can be represented by one's mental peace and happiness, self-respect, security of life, and social equality.⁷⁸ Thirdly, to maintain the intellect in the context of *maqāṣid shari'ah*, it can be measured by a condition of freedom of participation; an availability of high quality of education at affordable prices; a provision of library and research facilities; and reward for creative work.⁷⁹ Fourthly, the preservation of lineage in the context of *maqāṣid shari'ah* can be measured by family integrity; healthy living environment; intellectual and moral development; and need fulfilment.⁸⁰ Lastly, according to Ascarya et al.⁸¹ The maintenance of wealth in the context of *maqāṣid shari'ah* can be measured by equitable distribution of income and wealth; optimum rate of development; removal of poverty; saving and investment.

⁷² Yoon Jik Cho and Hanjun Park, "Exploring the Relationships Among Trust, Employee Satisfaction, and Organizational Commitment," *Public Management Review* 13 (2011): 551-73.

⁷³ Stafford, "Social Exchange Theories: Calculating the Rewards and Costs of Personal Relationships."

⁷⁴ Roger C. Mayer et al., "An Integrative Model Of Organizational Trust," *Academy of Management Review* 20, no. 3 (1995): 709-34, <https://doi.org/10.5465/amr.1995.9508080335>.

⁷⁵ Grashuis and Cook, "A structural equation model of cooperative member satisfaction and long-term commitment," 247-64.

⁷⁶ Firdaus, "Mengembangkan Siklus Penerapan Sistem Manajemen Kinerja Berbasis Kemaslahatan," 94.

⁷⁷ Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

⁷⁸ Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

⁷⁹ Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

⁸⁰ Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

⁸¹ Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

In sum, the practice of five lower constructs of maqāṣid al Sharī'ah are in line with previous studies. Religiosity and spirituality have been considered as factors that contribute to life satisfaction.⁸² Education, in this matter, is a very important factor for someone's life satisfaction.⁸³ This assertion is confirmed by a study by Ilies, Yao, Curseu, and Liang;⁸⁴ They found that education, mediated by job fit, has an impact on satisfactions. Studies have shown that family quality of life or family wellbeing is influenced by members of family and their interactions.⁸⁵ Research has also found that family satisfaction can be defined as a level to which someone is satisfied with one's family origin and the lineage.⁸⁶ Overall, there is a strong link between family empowerment and family satisfaction.⁸⁷ Furthermore, research has shown that people who are satisfied with their lives usually have good income, conscientious, extraverted, agreeable, and emotionally stable.⁸⁸ Indeed, wealth is an important factor that influences life satisfaction while other factors like household size, education, and recent illness are held constant.⁸⁹ Therefore, the third hypothesis can be developed as follows:

Hypothesis 3: Maqāṣid sharī'ah has positive and significant influence on the satisfaction of sharī'ah cooperative members.

Conceptual Framework

Based on the above hypotheses, the conceptual framework for this study can be depicted in Figure 1.

⁸² Andrew Clark and Orsolya Lelkes, *Deliver us from Evil: Religion as insurance* (Department of Economic Theory and Economic History of the University of Granada., 2006).

⁸³ T. A. Judge et al., "Are health and happiness the product of wisdom? The relationship of general mental ability to educational and occupational attainment, health, and wellbeing," *J Appl Psychol* 95, no. 3 (2010): 454-68.

⁸⁴ Remus Ilies et al., "Educated and Happy: A Four-Year Study Explaining the Links Between Education, Job Fit, and Life Satisfaction," *Applied Psychology* 68, no. 1 (2019): 150-76, <https://doi.org/10.1111/apps.12158>.

⁸⁵ Erin Smith-Bird and Ann P. Turnbull, "Linking Positive Behavior Support to Family Quality-of-Life Outcomes," *Journal of Positive Behavior Interventions* 7, no. 3 (2005): 174-80, <https://doi.org/10.1177/10983007050070030601>.

⁸⁶ Margaret D. Carver and Warren H. Jones, "The Family Satisfaction Scale," *Social Behavior and Personality: an international journal* 20, no. 2 (2006): 71-83, [https://www.ingentaconnect.com/content/sbp/sbp/1992/00000020/00000002/art00001](https://www.ingentaconnect.com/content/sbp/sbp/1992/00000020/00000002/art00001;jsessionid=1kgj2vt9kyiyb.x-ic-live-01).

<https://www.ingentaconnect.com/content/sbp/sbp/1992/00000020/00000002/art00001>.

⁸⁷ J. M. Mas et al., "Family-centered practices and the parental wellbeing of young children with disabilities and developmental delay," *Res Dev Disabil* 94 (2019): 103495.

⁸⁸ Christopher J. Soto and Maike Luhmann, "Who Can Buy Happiness?: Personality Traits Moderate the Effects of Stable Income Differences and Income Fluctuations on Life Satisfaction," *Social Psychological and Personality Science* 4, no. 1 (2012): 46-53, <https://doi.org/10.1177/1948550612444139>.

⁸⁹ Colleen J. Howell et al., "Does Wealth Enhance Life Satisfaction for People Who are Materially Deprived? Exploring the Association among the Orang asli of Peninsular Malaysia," *Social Indicators Research* 76, no. 3 (2006): 499-524, <https://doi.org/10.1007/s11205-005-3107-0>
<https://link.springer.com/article/10.1007/s11205-005-3107-0>.

Figure 1. Conceptual Framework

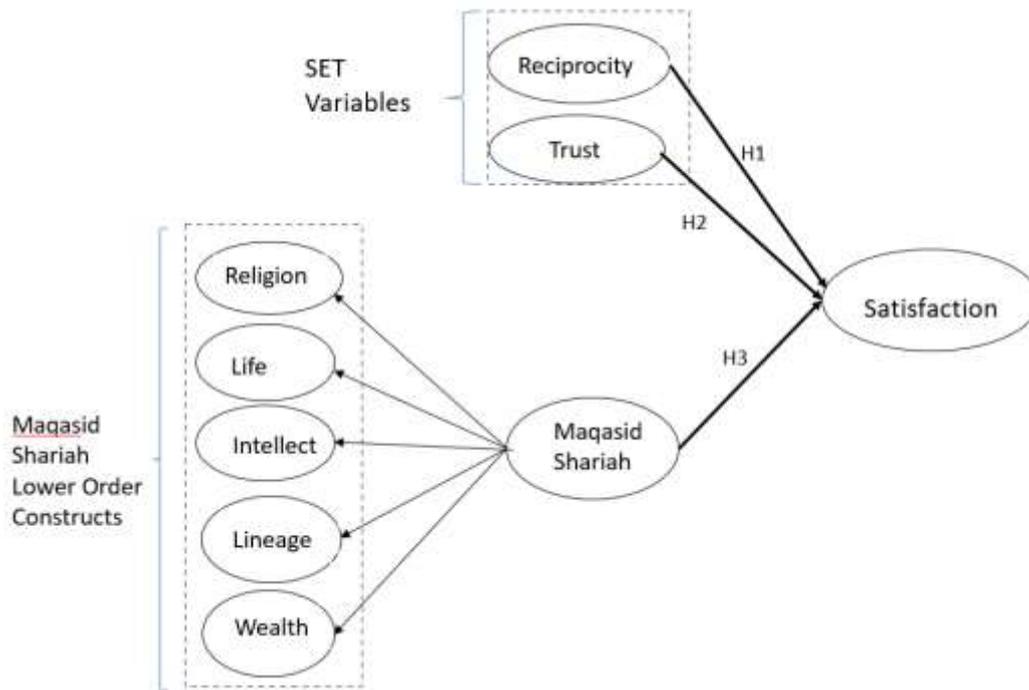


Figure 1 shows that this study combines the concept of SET with *maqāṣid shari‘ah* to explain factors that influence cooperative members’ satisfaction. The conceptual framework of this study is developed by elaborating previous studies on SET conducted by Shiau and Luo and Kim which shows positive and significant relationships among Reciprocity, Trust, and Satisfaction.⁹⁰ In the context of cooperatives, members’ satisfaction is the result of a positive influence that is made by the cooperative on the wellbeing of its members, which in return will bring improvement in price, quality of product, and overall supply chain.⁹¹ These purposes and values of cooperatives in achieving wellbeing of its members are in line with Islamic divine law called Maqashid Shari‘ah.⁹² *Maqāṣid shari‘ah* aims at promoting human wellbeing by serving their interest and refraining them from harm.⁹³ Therefore, when a cooperative practices the *maqāṣid shari‘ah* in their day-to-day operations, it will positively affect the satisfaction of its members. Hence, *maqāṣid shari‘ah* together with Reciprocity and Trust can be conceptualized as factors that contribute to satisfaction of a cooperative member as shown in Figure 1.

The conceptual framework also shows two stages of analysis. At the first stage, the relationships among lower order constructs - LOCs (Religion, Life, Intellect, Lineage, Wealth) and their higher order construct - HOC (*maqāṣid shari‘ah*) were

⁹⁰ Shiau and Luo, "Factors affecting online group buying intention and satisfaction: A social exchange theory perspective," 2431-44.

⁹¹ Grashuis and Cook, "A structural equation model of cooperative member satisfaction and long-term commitment," 247-64.

⁹² Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

⁹³ Chapra, *The Islamic Vision of Development in the Light of Maqāṣid Al-Shari‘ah*.

analysed. Once the LOCs were found to be reliable and valid measurements for HOC, the second stage analysis was conducted to determine the influence of *maqāsid shari'ah*, Reciprocity and Trust on Satisfaction of *shari'ah* cooperative members as discussed below.

Research Methodology

This research applied the PLS-SEM method because PLS-SEM is the most suitable approach to investigate a research model that involves latent variables or unobservable variables originating from theories.⁹⁴ like Social Exchange Theory and *maqāsid shari'ah*. As for the data collection, this research used purposive sampling design because the Islamic cooperatives and their members are chosen based on their ability to provide the desired information.⁹⁵ Members of nine Islamic cooperatives in six provinces of Indonesia were chosen as samples for this research. For the number of samples, this study will consider the guidelines of Hair et al.,⁹⁶ where the number of samples of SEM research should be between 5-10 times of the indicators, or 155-310 with 31 total indicators (see Table 1). As this study aims to cover broader scope of geographical areas of Indonesia, respondents are selected from members of Islamic financial cooperatives in six provinces in the country which bring a total of 247 valid respondents participating in this research. The questionnaires consist of demographic questions and questions regarding the variables with 5-point Likert Scale, were distributed online through Google form and offline through direct visits.

For data testing, processing, and analysis, this research adopts the systematic procedure for applying PLS-SEM advised by Hair et al. following the stages of: 1) Data collection and examination; 2) Assessment of PLS-SEM Results of the Measurement Models (Outer Model) which includes internal consistency reliability, indicator reliability, convergent validity, and discriminant validity; 3) Assessment of PLS-SEM Results of the Structural Model (Inner Model) by conducting two-stage analysis for reflective-reflective higher order constructs, collinearity assessment, assessing structural model path coefficients, coefficient of determination, and blindfolding and predictive relevance; 4) Robustness tests by conducting assessment of potential endogeneity, non-linearity and unobserved heterogeneity; and 5) Interpretation of results and drawing conclusion.⁹⁷

The operational definitions of constructs and indicators used in this research are summarized in Table 1 below.

⁹⁴ Ascarya Ascarya and Omer Tekdogan, "Recommended Methodology for Research in Islamic Economics and Finance," in *Recommended Methodology for Research in Islamic Economics and Finance* (2022).

⁹⁵ Joseph F. Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*, Second ed (Sage Publications, Inc, 2017).

⁹⁶ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

⁹⁷ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

Table 1. Operational Definitions

Construct	Operational Definitions/Indicators	Scale
<i>Social Exchange Theory</i>		
Reciprocity (Pervan, et al., 2009)	<ol style="list-style-type: none"> 1. Reciprocity on equal benefit 2. Reciprocity on prevention of problems 3. Reciprocity on solutions to problems 4. Reciprocity on being honest about problems 	Likert scale
Trust (Grashuis & Cook, 2019)	<ol style="list-style-type: none"> 1. Trust on the leadership 2. Trust on decision making process 3. Trust on support to members 	Likert scale
Satisfaction (Arcas-Larioa, et al., 2014; Grashuis & Cook, 2019)	<ol style="list-style-type: none"> 1. Satisfaction on overall relationship 2. Satisfaction on price paid 3. Satisfaction on support in achieving business goals 4. Satisfaction on overall management 	Likert scale
<i>Maqāṣid al Shari'ah</i>		
Safeguarding Religion (Ascarya, et al., 2016)	<ol style="list-style-type: none"> 1. Safeguarding the fulfilment of all socio-economic and political obligations 2. Safeguarding justice, brotherhood and equity 3. Safeguarding prudence 4. Safeguarding spiritual and moral uplift 	Likert scale
Safeguarding Human-Life (Ascarya, et al., 2016)	<ol style="list-style-type: none"> 1. Safeguarding mental peace and happiness 2. Safeguarding self-respect 3. Safeguarding security of life 4. Safeguarding social equality 	Likert scale
Safeguarding Intellect (Ascarya, et al., 2016)	<ol style="list-style-type: none"> 1. Safeguarding freedom 2. Safeguarding high quality of education at affordable prices; 3. Safeguarding library and research facilities; 4. Safeguarding reward for creative work 	Likert scale
Safeguarding Lineage (Ascarya, et al., 2016)	<ol style="list-style-type: none"> 1. Safeguarding family integrity 2. Safeguarding intellectual and moral development 3. Safeguarding need fulfilment 4. Safeguarding healthy environment 	Likert scale
Safeguarding Wealth (Ascarya, et al., 2016)	<ol style="list-style-type: none"> 1. Safeguarding equitable distribution of income and wealth 2. Safeguarding optimum rate of development 3. Safeguarding the removal of poverty 4. Safeguarding saving and investment. 	Likert scale

Results

Demographic Information

As shown in Table 2. majority of respondents live in Central Java; female; university graduates; with length of membership with cooperatives between 7 to 10 years, with monthly income between USD 200 to USD 333; and with profession as traders or business owners or entrepreneurs.

Table 2. Demographic Information of Respondents

Demography	Information	Count	Percentage
Domiciles	Lampung	53	21%
	Banten	45	18%
	West Java	47	19%
	Central Java	62	25%
	DI Yogyakarta	6	2%
	East Java	34	14%
Gender	Female	162	66%
	Male	85	34%
Education	No School	27	9%
	Elementary School	49	20%
	Secondary School	30	12%
	High School	55	22%
	University Graduate	80	32%
	University Post Graduate	6	2%
Length of Membership	Below 1 year	14	6%
	1 - 3 year	35	14%
	4 - 6 year	61	25%
	7 - 10 year	80	32%
	Above 10 years	57	23%
Monthly Income	Below IDR 3 million (below USD 200)	96	39%
	IDR 3 - IDR 5 million (USD 200 - 333)	98	40%
	IDR 5 - IDR 10 million (USD 333 - 666)	46	19%
	IDR 10 - IDR 15 million (USD 666 - 1,000)	3	1%
	Above IDR 15 million (above USD 1,000)	4	2%
Profession	Housewives	39	16%
	Labour/Employees	77	31%
	Traders/Business Owners/Entrepreneurs	95	39%
	Farmers	36	15%

Partial Least Square – Structural Equation Modeling (PLS-SEM) Results

This study applied a two-stage PLS-SEM analysis called reflective-reflective higher-order approach of PLS-SEM.⁹⁸ The outer model (measurement model) and inner model (structural model) are examined both at lower order and higher order constructs. All indicators of reflectively measured lower-order constructs (LOCs) are Religion, Life, Intellect, Lineage, and Wealth, measured at the first stage. On the second stage, all LOCs are assigned to the reflective measurement of higher-order construct (HOC), together with Reciprocity, Trust, and Satisfaction, as discussed below.

The results of composite reliability and Cronbach for LOCs of *maqāsid shari'ah* is summarized in Table 3 which reveals that all constructs meet the internal consistency reliability criteria as suggested by Hair et al.⁹⁹ All composite reliability values are above 0.70;¹⁰⁰ Cronbach's Alpha of above 0.70;¹⁰¹ and rho_A of above 0.70.¹⁰² It shows that the indicators and constructs used in the survey of this study are able to measure what it intends to measure.¹⁰³

Table 3. Results of Internal Consistency Reliability of LOCs

LOC of <i>Maqāsid Shari'ah</i>	Cronbach's Alpha	rho_A	Composite Reliability
Intellect	0.709	0.744	0.817
Life	0.863	0.868	0.907
Lineage	0.756	0.776	0.845
Religion	0.871	0.874	0.912
Wealth	0.825	0.829	0.884

To evaluate convergent validity of reflective constructs, researchers consider the outer loadings of the indicators > 0.70 and the average variance extracted (AVE) > 0.50 .¹⁰⁴ The convergent validity of this study is summarized in Table 4 which shows that all constructs and indicators meet the convergent validity criteria, except the outer loading of "Int3" which is 0.560 and "Lin1" and "Lin4" which is 0.686 and 0.696 respectively. As suggested by Henseler et al.,¹⁰⁵ this study removed indicators Int3, Lin1 and Lin4 to improve overall performance of convergent validity and discriminant validity of the measurements.

⁹⁸ Joseph F. Hair et al., "How to specify, estimate, and validate higher-order constructs in PLS-SEM," *Australasian Marketing Journal* 27, no. 3 (2019): 197-211.

⁹⁹ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

¹⁰⁰ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

¹⁰¹ Hair et al., "How to specify, estimate, and validate higher-order constructs in PLS-SEM," 197-211.

¹⁰² Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

¹⁰³ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

¹⁰⁴ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

¹⁰⁵ Jörg Henseler et al., "The use of partial least squares path modeling in international marketing," in *The use of partial least squares path modeling in international marketing*, ed. Sinkovics and Ghauri, vol 20 (Emerald Group Publishing Limited, 2009).

Table 4. Results of Convergent Validity of LOCs

LOCs of <i>Maqāsid Sharī'ah</i>	Indicators	Outer Loading	AVE
Religion	Rel1	0.824	0.722
	Rel2	0.878	
	Rel3	0.842	
	Rel4	0.852	
Life	Life1	0.836	0.709
	Life2	0.863	
	Life3	0.803	
	Life4	0.864	
Intellect	Int1	0.764	0.531
	Int2	0.813	
	Int3	0.560	
	Int4	0.754	
Lineage	Lin1	0.686	0.580
	Lin2	0.870	
	Lin3	0.780	
	Lin4	0.696	
Wealth	Wea1	0.844	0.657
	Wea2	0.789	
	Wea3	0.780	
	Wea4	0.827	

As shown in Table 5, after 'Int3', 'Lin1' and 'Lin4' were removed, the cross-loadings results shows that the indicator's outer loading on the constructs applied in this research are larger than any of its cross-loadings or its correlation on other constructs in the path model.¹⁰⁶

Table 5. Cross Loading Results of LOCs

	Intellec t	Life	Lineag e	Religio n	Wealth
Int1	0.797	0.601	0.566	0.544	0.510
Int2	0.852	0.601	0.685	0.583	0.592
Int4	0.713	0.366	0.490	0.319	0.425
Life1	0.623	0.838	0.648	0.726	0.694
Life2	0.525	0.861	0.622	0.651	0.635
Life3	0.450	0.802	0.530	0.646	0.573
Life4	0.661	0.866	0.678	0.743	0.730
Lin2	0.651	0.641	0.873	0.636	0.655
Lin3	0.552	0.732	0.782	0.629	0.619
Rel1	0.513	0.643	0.547	0.825	0.645
Rel2	0.511	0.717	0.596	0.878	0.716

¹⁰⁶ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

Rel3	0.528	0.664	0.592	0.842	0.688
Rel4	0.579	0.769	0.627	0.852	0.748
Wea1	0.624	0.740	0.664	0.749	0.846
Wea2	0.487	0.594	0.567	0.569	0.783
Wea3	0.558	0.535	0.638	0.578	0.776
Wea4	0.436	0.664	0.524	0.761	0.834

Similarly, the Fornell-Larcker results in Table 6 also show that the five LOCs of *maqāṣid sharī'ah* used in this study unique from one another in measuring *maqāṣid sharī'ah* according to empirical standards.¹⁰⁷

Table 6. Results of Fornell-Larcker Test of LOCs

	Intellect	Life	Lineage	Religion	Wealth
Intellect	0.790				
Life	0.678	0.842			
Lineage	0.743	0.740	0.761		
Religion	0.628	0.824	0.696	0.850	
Wealth	0.652	0.786	0.740	0.825	0.810

According to Hair et al.,¹⁰⁸ Structural model represents path coefficients representing the hypothesized relationships among constructs. The path coefficient and significance of the LOCs are summarized in Table 7.

Table 7. Path Coefficient of LOCs and *Maqāṣid Sharī'ah*

	Path Coefficient	T Statistics	P Values
Maqāṣid Syariah -> Religion	0.864	33.660	0.000
Maqāṣid Syariah -> Life	0.915	56.509	0.000
Maqāṣid Syariah -> Intellect	0.815	23.246	0.000
Maqāṣid Syariah -> Lineage	0.886	36.463	0.000
Maqāṣid Syariah -> Wealth	0.920	50.676	0.000

Table 7 shows that all relationships among *maqāṣid sharī'ah* and its LOCs show path coefficients of above zero, with all t values of above 1.65 and p value of below 0.05.¹⁰⁹ Therefore, the path coefficient of the relationships among *maqāṣid sharī'ah* and Religion, Life, Intellect, Lineage and Wealth are statistically positive and significant.

Table 8 shows that *maqāṣid sharī'ah* as the HOC and the constructs of Reciprocity, Satisfaction, and Trust, meet the internal consistency reliability criteria,

¹⁰⁷ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

¹⁰⁸ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

¹⁰⁹ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

where the values of Cronbach's Alpha, the rho_A and the Composite Reliability are above the threshold level of 0.70.¹¹⁰

Table 8. Results of Internal Consistency Reliability of Maqāsid Syariah and SET Constructs

Constructs	Cronbach's Alpha		Composite Reliability
	Cronbach's Alpha	rho_A	Composite Reliability
Maqāsid Syariah	0.932	0.939	0.948
Reciprocity	0.831	0.833	0.888
Satisfaction	0.819	0.825	0.880
Trust	0.808	0.815	0.887

Table 9 below is the result of PLS-SEM analysis for the convergent validity of *maqāsid sharī'ah*, Reciprocity, Satisfaction and Trust. It shows that all constructs and its indicators meet the convergent validity criteria of Outer Loading of > 0.7 and AVE of >0.5.¹¹¹

Table 9. Results of Convergent Validity of Maqāsid Syariah and SET Constructs

Constructs	Indicators	Outer	
		Loading	AVE
<i>Maqāsid Sharī'ah</i>	Religion	0.906	0.786
	Life	0.912	
	Intellect	0.817	
	Lineage	0.881	
	Wealth	0.912	
Reciprocity	Rec1	0.797	0.664
	Rec2	0.848	
	Rec3	0.838	
	Rec4	0.775	
Satisfaction	Sat1	0.754	0.648
	Sat2	0.819	
	Sat3	0.806	
	Sat4	0.839	
Trust	Tru1	0.810	0.723
	Tru2	0.864	
	Tru3	0.875	

As shown in Table 10, the cross-loadings results of the higher model shows that the indicator's outer loading on the constructs are larger than any of its cross-loadings or its correlation on other constructs in the path model.¹¹²

¹¹⁰ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

¹¹¹ Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

¹¹² Hair et al., *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)*.

Table 10. Cross-Loading Results of Maqāṣid Syariah and SET Constructs

	Maqashid al-Sharī'ah	Reciprocit y	Satisfactio n	Trust
Religio n	0.906	0.780	0.796	0.784
Intellect	0.817	0.563	0.615	0.558
Life	0.912	0.747	0.777	0.745
Lineage	0.881	0.653	0.749	0.660
Wealth	0.912	0.738	0.827	0.742
Rec1	0.659	0.797	0.642	0.642
Rec2	0.667	0.848	0.665	0.632
Rec3	0.620	0.838	0.630	0.616
Rec4	0.631	0.775	0.584	0.637
Sat1	0.608	0.606	0.754	0.562
Sat2	0.717	0.604	0.819	0.622
Sat3	0.683	0.600	0.805	0.615
Sat4	0.736	0.682	0.839	0.688
Tru1	0.616	0.671	0.603	0.810
Tru2	0.658	0.626	0.653	0.864
Tru3	0.741	0.681	0.715	0.875

Furthermore, Fornell-Larcker results in Table 11 also shows that constructs of *maqāṣid shari'ah*, Reciprocity, Trust and Satisfaction are unique from one another.¹¹³

Table 11. Results of Fornell-Larcker Test of Maqāṣid Syariah and SET Constructs

	Maqāṣid Shari'ah	Reciprocit y	Satisfactio n	Trust
<i>Maqāṣid Shari'ah</i>	0.886			
Reciprocity	0.791	0.815		
Satisfaction	0.855	0.775	0.805	
Trust	0.793	0.775	0.775	0.850

The findings show that the LOCs have met the criteria of discriminant validity, both the cross-loadings and the Fornell-Larcker tests.¹¹⁴ To assess collinearity, the Variance Inflation Factor (VIF value) should be calculated. VIF value of 1 shows no collinearity, and the value of between 1 – 5 can be considered as tolerable collinearity.¹¹⁵ Table 12 reveals that VIF values of the indicators of constructs are between 1 to 5, showing that the collinearity of measurements is within tolerable level.

Table 12. Outer VIF Values

¹¹³ Hair et al., *A Primer on Partial Leaste Squares Structural Equation Modelling (PLS-SEM)*.

¹¹⁴ Hair et al., *A Primer on Partial Leaste Squares Structural Equation Modelling (PLS-SEM)*.

¹¹⁵ Hair et al., *A Primer on Partial Leaste Squares Structural Equation Modelling (PLS-SEM)*.

Indicators	VIF
	Values
Religion	4.294
Intellect	2.445
Life	4.019
Lineage	3.193
Wealth	3.942
Rec1	1.720
Rec2	2.124
Rec3	2.105
Rec4	1.691
Sat1	1.543
Sat2	1.829
Sat3	1.734
Sat4	1.836
Tru1	1.593
Tru2	1.906
Tru3	1.887

The R² value of 0.25, 0.50 and 0.75 describe as weak, moderate and substantial level of predictive accuracy.¹¹⁶ The coefficient of determination (R² value) of the research model is 0.767 which means that the constructs of Reciprocity, Trust, and *maqāsid shari'ah* together explain 76.7% of satisfaction, and the remaining 23.3% can be explained by other constructs which are not analysed in this research. Therefore, it can be concluded that the constructs used in the model have substantial accuracy in predicting the relationships among constructs.

Another measurement to predict accuracy of the model is Stone-Geisser's Q² value.¹¹⁷ In the structural model, Q² value more than zero shows predictive relevance for independent constructs on dependent constructs.¹¹⁸ Table 13 shows that the Q² value of satisfaction is 0.487 which confirms that research model has predictive significance and is globally acceptable.

Table 13. Predictive relevance Q²

	SSO	SSE	Q ² (=1-SSE/SSO)
	1.235.00		
Maqāsid Syariah	0	1.235.000	
Reciprocity	988.000	988.000	
Satisfaction	988.000	507.091	0.487
Trust	741.000	741.000	

¹¹⁶ Joseph F. Hair et al., "PLS-SEM: Indeed a silver bullet," *Journal of Marketing Theory and Practice* 19 (2011): 139-51; Henseler et al., "The use of partial least squares path modeling in international marketing."

¹¹⁷ Seymour Geisser, "A predictive approach to the random effect model," *Biometrika* 61, no. 1 (1974): 101-07, <https://doi.org/10.1093/biomet/61.1.101>

<https://academic.oup.com/biomet/article-abstract/61/1/101/264348?redirectedFrom=fulltext>.

¹¹⁸ Hair et al., *A Primer on Partial Leaste Squares Structural Equation Modelling (PLS-SEM)*.

To conclude whether the hypotheses in the study are supported, the path coefficient and significance tests have been conducted, with the following results Table 14.

Table 14. Path coefficient results of second order model

	Path Coeff	T Statistic	P Values	Hypotheses Supported?
Hypothesis 1: Reciprocity has positive and significant influence on the satisfaction of shari'ah cooperative members.	0.191	2.549	0.005	Yes
Hypothesis 2: Trust has a positive and significant influence on the satisfaction of shari'ah cooperative members.	0.186	2.878	0.002	Yes
Hypothesis 3: <i>Maqāṣid shari'ah</i> has positive and significant influence on the satisfaction of shari'ah cooperative members.	0.556	7.757	0.000	Yes

Table 14 concludes that Hypothesis 1 is supported. The results show that reciprocity has positive and significant influence on the satisfaction of shari'ah cooperative members. The t-value of hypothesis 1 is 2.549, which is above the critical level of 1.65. This means that the construct 'Reciprocity' has a positive effect on the construct 'Satisfaction'. Also, it has a p-value of 0.005, which is below the critical value of 0.05, which means that this hypothesis is significant. The path coefficient value of Reciprocity towards Satisfaction is 0.191, showing positive relationship among constructs.

The results also reveal that Hypothesis 2 is supported. Trust has a positive and significant influence on the satisfaction of shari'ah cooperative members. The t-value of hypothesis 2 is 2.878 which means that the construct 'Trust' has a positive effect on the construct "Satisfaction". Also, it has a p-value of 0.002, which means that this hypothesis is significant. The path coefficient value of Trust towards Satisfaction is 0.186, showing positive relationship among constructs.

Finally, Table 14 also shows that Hypothesis 3 is supported. *Maqāṣid shari'ah* has positive and significant influence on the satisfaction of shari'ah cooperative members. The t-value of hypothesis 3 is 7.757 which means that the construct '*Maqāṣid Shari'ah*' has a positive effect on the construct "Satisfaction". Also, it has a p-value of 0.000, which means that this hypothesis is significant. The path coefficient value of *maqāṣid shari'ah* towards Satisfaction is 0.556, showing positive relationship among constructs.

This study applies the criteria of non-linearity for robustness tests to check non-linear effects between constructs.¹¹⁹ This study considers the polynomial model and adds a quadratic effect. The bootstrapping results of the quadratic effect is presented on Table 15 which shows that all P-values are not significant or above 0,05. Therefore, it can be concluded that the results of this study are robust with no quadratic effect.

Table 15. Quadratic effects

PLS-Path	β	Mean	St.Dev	t-values	P-values
Maqāsid2Satisfaction -> Satisfaction	0.006	0.013	0.049	0.120	0.904
Reciprocity2Satisfaction -> Satisfaction	0.008	0.010	0.047	0.175	0.861
Trust2Satisfaction -> Satisfaction	-0.021	-0.029	0.045	0.461	0.645

Unobserved Heterogeneity test is conducted to identify heterogeneity on the samples.¹²⁰ This study used a finite mixture partial least square (FIMIX-PLS) setting to identify bias in parameter estimation and to prevent inferential error in the PLS path model.¹²¹ Prior to conducting the analysis, the researcher needs to determine the number of maximum segments by calculating the minimum sample size required for each segment. In this study, the number of segments is calculated using G Power analysis with the assumption of a critical value of 5% significance with 95% power level and f^2 was 0.20. The minimum sample size for FIMIX-PLS was 74. Hence, with a total sample of 247, the three-segment solution is considered acceptable ($247/74 = 3$). Table 16 shows that unobserved heterogeneity is not an issue because the number of potential segments is 3; the minimum value of AIC is located in segment 3; AIC3 and CAIC are located in the same segment; and AIC4 and BIC are also located in similar segment.¹²²

Table 16. Unobserved heterogeneity tests

	Segment 1	Segment 2	Segment 3
AIC (Akaike's Information Criterion)	1958.687	1442.300	1330.396
AIC3 (Modified AIC with Factor 3)	1975.687	1477.300	1383.396
AIC4 (Modified AIC with Factor 4)	1992.687	1512.300	1436.396
BIC (Bayesian Information Criteria)	2018.347	1565.128	1516.393
CAIC (Consistent AIC)	2035.247	1600.128	1569.393
HQ (Hannan Quinn Criterion)	1982.707	1491.751	1405.280
MDL5 (Minimum Description Length with Factor 5)	2392.985	2336.443	2684.384
LnL (Loglikelihood)	-962.344	-686.150	-612.198
EN (Entropy Statistic (Normed))	NA	0.928	0.812

¹¹⁹ Marko Sarstedt et al., "Structural model robustness checks in PLS-SEM," *Tourism Economics* (2020): 1-24, <https://journals.sagepub.com/doi/10.1177/1354816618823921>.

¹²⁰ Sarstedt et al., "Structural model robustness checks in PLS-SEM," 1-24.

¹²¹ Sarstedt et al., "Structural model robustness checks in PLS-SEM," 1-24.

¹²² Hair et al., "Identifying and Treating Unobserved Heterogeneity with FIMIX-PLS: part I – Method," *European Business Review* 28, no. 1 (2016): 63-76.

	Segment 1	Segment 2	Segment 3
NFI (Non-Fuzzy Index)	NA	0.943	0.822
NEC (Normalized Entropy Criterion)	NA	17.721	46.407

The procedure to assess potential endogeneity in this study conducted *Gaussian Copula approach* on latent variables.¹²³ The endogeneity analysis was conducted by using R Studio to obtain the Gaussian Copula data as shown in Table 17. The results shows that the *P*-values are not significant, so it can be concluded there is no endogeneity issue in this study.

Table 17. Endogeneity tests

Gaussian Copula of Model 1	Coefficient	P values
GC (Reciprocity) -> Satisfaction	0.010	0.831
GC (Trust) -> Satisfaction	0.028	0.639
GC (<i>Maqāṣid sharī'ah</i>) -> Satisfaction	-0,044	0,409

Discussion

On the first stage of analysis, this study confirms that the five lower order constructs of *maqāṣid sharī'ah* (Safeguarding Religion, Life, Intellect, Lineage and Wealth) developed by Ascarya et al. (2016) are valid and reliable. The analysis also shows that the relationships between *maqāṣid sharī'ah* and its LOCs are positive and significant. It shows that *maqāṣid sharī'ah* positively and significantly influence the practice of safeguarding religion, life, intellect, lineage and wealth of *sharī'ah* cooperative members. The first stage analysis also shows that 17 of 20 tested indicators of the LOCs are valid and reliable measurements. Only three indicators have been removed from the model because of their outer loading of less than 0.70, that is, Int3 (safeguarding library and research facilities), Lin1 (safeguarding family integrity), and Lin4 (safeguarding healthy environment). Based on these findings, the indicators and constructs tested by this study can be applied to other research to measure *maqāṣid sharī'ah* in the context of social exchange.

On the second stage of analysis, the study reveals that the three hypotheses are supported. The study supports the first hypothesis that 'Reciprocity has positive and significant influence on the satisfaction of *sharī'ah* cooperative members'. This is in line with previous research on the relationship between the two variables such as Shiau and Luo in 2012 who find that reciprocity is one of the factors that influence buyers' intention to engage in online group buying. Another study by Hoppner, Griffith, and White in 2015 reveals that reciprocity influences satisfaction among companies involved in cross-border trade between Japan and the USA.

Overall, reciprocity would generate satisfaction then there is mutual exchange between two parties, during the process of social exchange. The study also supports the second hypothesis that 'Trust has positive and significant influence on the satisfaction of *sharī'ah* cooperative members'. This is consistent with previous

¹²³ Sarstedt et al., "Structural model robustness checks in PLS-SEM," 1-24.

research on the relationship between the two variables. Studies in European and American farmers cooperatives have found that long term survival of cooperatives depends on member's trust which leads to members' satisfaction and commitment to cooperatives.¹²⁴ When people trust each other, they are more willing to be vulnerable to the other party's actions as they would expect that the other party would perform actions as expected.¹²⁵ Overall, this research shows that reciprocity and trust, as variables of SET, have influenced satisfaction of sharī'ah cooperative members. This brings empirical evidence on the application of SET in the context of cooperatives, which is still under researched.¹²⁶

Furthermore, this study supports the third hypothesis that 'Maqāsid sharī'ah has positive and significant influence on the satisfaction of sharī'ah cooperative members'. This study supports the findings of Firdaus and Ascarya et al.,¹²⁷ and the assertion of Chapra that *maqāsid sharī'ah* influences organizations to achieve masalahah by safeguarding the religion, life, intellect, lineage, and wealth.¹²⁸ The study shows that *sharī'ah* cooperative members are very satisfied with the performance of cooperatives if the cooperatives safeguard the Religion by fulfilling all socio-economic and political obligations; safeguarding justice, brotherhood and equity; maintaining prudence; and promoting spiritual and moral uplift.¹²⁹ Besides, the *sharī'ah* cooperative members show high satisfaction when the cooperatives safeguard human life by maintaining members' mental peace and happiness, self-respect, security of life, and social equality.¹³⁰

Moreover, high satisfaction of *sharī'ah* cooperative members can also be achieved when the cooperatives safeguard members' intellect by safeguarding their freedom, providing high quality of education at affordable prices, and giving reward for their creative work.¹³¹ *Sharī'ah* cooperative members are also very satisfied when they know that the cooperatives safeguard members' lineage by maintaining members' intellectual and moral development and fulfilling their needs.¹³² Finally, sharī'ah cooperative members are very satisfied when the cooperatives safeguard their wealth by ensuring equitable distribution of income and wealth, optimum rate of development, removal of poverty, and promoting saving and investment.¹³³

¹²⁴ Grashuis and Cook, "A structural equation model of cooperative member satisfaction and long-term commitment," 247-64.

¹²⁵ Mayer et al., "An Integrative Model Of Organizational Trust," 709-34.

¹²⁶ Jussila et al., "Governance of Cooperative Organizations: A Social Exchange Perspective," 14-25.

¹²⁷ Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*; Firdaus, "Mengembangkan Siklus Penerapan Sistem Manajemen Kinerja Berbasis Kemaslahatan," 94.

¹²⁸ Chapra, *The Islamic Vision of Development in the Light of Maqāsid Al-Sharī'ah*.

¹²⁹ Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

¹³⁰ Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

¹³¹ Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

¹³² Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

¹³³ Ascarya et al., *Measuring the Islamicity of Islamic Bank in Indonesia and Other Countries Based on Shari'ah Objectives*.

Conclusion

This study has achieved its two objectives. First, it has confirmed that the five lower-order constructs (LOCs) of *maqāṣid sharī'ah* can be used as valid and reliable measurements of *maqāṣid sharī'ah* as a higher-order construct (HOC). Second, the Social Exchange Theory (SET) has been applied to explain the positive and significant influence of Reciprocity, Trust, and *maqāṣid sharī'ah* on *sharī'ah* cooperative members' satisfaction. The results of this study could bring both practical and theoretical implications. In practice, this could contribute to the improvements in management and relationships between cooperatives and their members in Indonesia and other countries where Islamic financial cooperatives operate. It is hoped that consistent implementation of *maqāṣid sharī'ah* in the management of Islamic cooperatives will enhance the sustainability of cooperatives as their members are satisfied and committed. As for the theory, this research could contribute in two ways. Firstly, the study provides empirical evidence of the application of SET in the context of Islamic cooperatives, which has not been done by previous studies.¹³⁴ Secondly, this study confirms that *maqāṣid sharī'ah* as a HOC with its LOCs - Religion, Life, Intellect, Lineage, and Trust – could be used as an instrument to measure the satisfaction of *sharī'ah* cooperative members.

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¹³⁴ Jussila et al., "Governance of Cooperative Organizations: A Social Exchange Perspective," 14-25.

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