



The Marginalized Maqasid al-Shariah: Problems of Profit Orientation in Indonesia's Islamic Financial System

Hafidza Sanshia Arum^{1*}, Rozi Andrini²

^{1,2} Sharia Economics Master Program, Sultan Syarif Kasim Riau State Islamic University, Indonesia.
2490324340@students.uin-suska.ac.id, rozi.andrini@uin-suska.ac.id

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Corresponding Author:

Hafidza Sanshia Arum
email: 22490324340@students.uin-suska.ac.id

ABSTRACT

Introduction: This study addresses the growing concern over the marginalization of maqasid al-shariah the ethical and social objectives of Islamic law in Indonesia's Islamic financial institutions (IFIs). Despite notable growth in assets and institutional presence, many IFIs remain fixated on profit-maximization, often replicating conventional banking models and neglecting the core values of Islamic economics such as justice, welfare, and human dignity.

Methods: This research employs a qualitative-descriptive approach using a normative-philosophical method. Data were collected through document and content analysis of Islamic financial regulations, fatwas, academic publications, and policy papers. The study also applies triangulation to enhance data validity and reliability..

Results: Findings indicate that profit orientation dominates Islamic banking operations in Indonesia, with little institutional incentive to implement maqasid-aligned policies. Regulatory indicators such as ROA and CAR fail to reflect social objectives, and maqasid literacy among practitioners remains low. These gaps have contributed to reduced social impact, especially among lower-income groups who are central to maqasid values.

Conclusion and suggestion: The study recommends the integration of a Maqasid Shariah Index (MSI) into regulatory evaluation tools, development of socially-oriented products such as qard hasan and productive waqf, and mandatory maqasid education for IFI leadership. These steps aim to create a more balanced, ethical, and socially inclusive Islamic financial ecosystem in Indonesia.

Keyword: Maqasid Al-Shariah, Islamic Finance, Profit Orientation, Financial Regulation, Inclusive Economy.

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A. INTRODUCTION

The Islamic financial sector in Indonesia has undergone significant growth, particularly following the enactment of Law No. 21 of 2008 concerning Islamic Banking. This legislation provided a comprehensive legal foundation for the expansion of Sharia-compliant financial institutions, legitimizing and facilitating the proliferation of Islamic banking nationwide. According to data from the Financial Services Authority (Otoritas Jasa Keuangan/OJK), by the end of 2023, total assets of Islamic banks had reached IDR 801.23 trillion. This was accompanied by a steady increase in the market share of Sharia-compliant financial services in the national banking system (Otoritas Jasa Keuangan, 2024a). Despite this quantitative progress, the substantive implementation of Sharia principles especially those related to the objectives of *maqasid al-shariah* remains limited and often superficial.

Bank Muamalat Indonesia, established in 1991, pioneered the application of Islamic financial principles in Indonesia. More recently, the formation of Bank Syariah Indonesia (BSI) in 2021 through the merger of three state-owned Islamic banks has consolidated the sector. As the largest Islamic bank in Indonesia, BSI plays a vital role in expanding financial inclusion. However, while growth in terms of assets and infrastructure is evident, the integration of *maqasid al-shariah* which promotes holistic human welfare into the operations and governance of Islamic financial institutions remains inadequate (*Bank Syariah Indonesia*, n.d.). For the sake of academic consistency, this paper uses the term “Sharia-compliant finance” throughout.

Maqasid al-shariah refers to the higher objectives of Islamic law, encompassing the protection of five essential values: religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-‘aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-mal*). These objectives are rooted in Qur’anic injunctions and classical Islamic jurisprudence, and they aim to ensure justice, equity, and human dignity in all aspects of life. Ideally, Islamic financial services should be aligned with these objectives, ensuring that financial transactions not only generate lawful profit but also uphold moral values, protect vulnerable populations, and promote social justice.

For example, the protection of religion (*hifz al-din*) is grounded in the Qur’anic command: “And I did not create the jinn and mankind except to worship Me” (Qur’an 51:56). Protection of life (*hifz al-nafs*) is ensured by strict prohibitions against unjust killing, as stated in: “Do not kill the soul which Allah has forbidden, except by right” (Qur’an 17:33). The preservation of intellect (*hifz al-‘aql*) is achieved through the prohibition of intoxicants and gambling: “O you who believe! Intoxicants and gambling... are abominations of Satan’s handiwork” (Qur’an 5:90). The protection of lineage (*hifz al-nasl*) is safeguarded by the prohibition of adultery and fornication: “Do not approach unlawful sexual intercourse. Indeed, it is ever an immorality and is evil as a way” (Qur’an 17:32). Lastly, the protection of wealth (*hifz al-mal*) is supported by the injunction: “And do not consume one another’s wealth unjustly” (Qur’an 2:188) (Kementrian Agama, 2019).

Despite these strong ethical foundations, many Islamic financial institutions in Indonesia still prioritize profitability and market competitiveness over ethical substance. This is reflected in the growing trend of replicating conventional banking products such as murabaha financing structures that closely resemble interest-based loans without sufficiently embedding Islamic moral values into their design or implementation. The focus remains heavily on compliance with legal formalities rather than fulfillment of *maqasid*-based outcomes.

Although the OJK has introduced various policies to ensure formal Sharia compliance, many financial institutions limit their efforts to checking regulatory boxes. They fail to embed the spirit of *maqasid al-shariah* into their governance, risk management, and customer engagement practices (Otoritas Jasa Keuangan, 2024b). Tumanggor, highlights this regulatory-practice gap, observing that the prevailing mindset in many Sharia-compliant institutions remains profit-driven rather than purpose-driven (Tumanggor, 2024). As a result, the ethical distinction between Islamic and conventional finance is often blurred.

At the same time, technological innovations such as fintech, blockchain, and cryptocurrency are rapidly reshaping the financial landscape. While these tools offer promising solutions to financial inclusion, their adoption within Islamic finance often lacks alignment with core Sharia values. Ceasario and Nisa argue that most Islamic fintech platforms emphasize market share and financial performance over social justice and ethical responsibility (Ceasario

& Nisa, 2025). Compounding the problem is the low level of Sharia financial literacy among the Indonesian population, which impedes the widespread adoption of value-based financial decision-making (Ratnawati et al., 2025).

In light of these dynamics, regulatory reforms and policy innovations are urgently needed. Authorities such as OJK must take a more proactive role in not only encouraging sectoral growth but also ensuring that every product and service reflects the ethical and social objectives of Islamic law (Rohmah, 2024). Strengthening education and awareness about Sharia financial principles is equally critical, particularly to empower consumers to choose financial instruments that support both personal gain and societal benefit (Purwanto et al., 2024).

While Indonesia's Islamic finance sector has achieved notable growth in terms of assets and infrastructure, there remains a significant disconnect between the industry's profit orientation and the ethical objectives of *maqasid al-shariah*. Regulatory frameworks tend to focus on procedural compliance, while the spirit of Sharia centered on justice, welfare, and social balance is frequently overlooked. Consequently, many financial products merely replicate conventional instruments, thereby diluting the ethical distinctiveness of Islamic finance. Furthermore, emerging fintech applications are often integrated into the industry without sufficient ethical evaluation, which further marginalizes the goals of *maqasid al-shariah* in practice.

This study presents a novel contribution by exploring how profit-maximization strategies have systematically marginalized the implementation of *maqasid al-shariah* in Indonesia's Islamic financial system. Unlike prior studies that primarily emphasize institutional performance and asset growth, this research critically examines the ethical dimensions of Islamic finance. It investigates the extent to which financial institutions align their operations with the objectives of Sharia not merely in form, but in substance. Drawing on regulatory gaps, institutional behavior, and technological trends, the study provides actionable insights for integrating *maqasid*-oriented practices in financial governance. As Arum et al. note, *maqasid al-shariah* offers a philosophical framework for Islamic economic policy by prioritizing comprehensive human development (Arum et al., 2024). Without reorienting Islamic finance toward this ethical foundation, there is a real risk of replicating the same inequities embedded in conventional financial systems. Thus, advancing a *maqasid*-based approach is not only a theological necessity but also a socio-economic imperative for Indonesia's financial future.

B. THEORETICAL STUDY

This literature review is structured into three main components: (1) the conceptual framework of *maqasid al-shariah*, (2) a critical evaluation of previous studies on its operationalization within Islamic Financial Institutions (IFIs), and (3) the articulation of the research gap with a working hypothesis linking normative ideals to practical financial practices in Indonesia.

Maqasid al-shariah refers to the higher objectives of Islamic law, which include the protection of five essential values: religion (*al-din*), life (*al-nafs*), intellect (*al-'aql*), lineage (*al-nasl*), and wealth (*al-mal*). These are classified hierarchically into three categories: *darūriyyāt* (essentials), *hājjiyyāt* (complementary needs), and *taḥsīniyyāt* (embellishments).

This hierarchy mandates that IFIs prioritize essential protections such as justice, dignity, and the safeguarding of wealth before pursuing secondary goals like prestige or innovation.

Within this framework, *maqasid al-shariah* serves as a normative compass for Islamic finance. It urges institutions to go beyond mere legal compliance and instead foster socio-economic justice, ethical integrity, and shared prosperity. While leading institutions such as Bank Syariah Indonesia (BSI) claim to align their strategies with *maqasid* principles, Rahmi et al. have noted that the application often remains symbolic or superficial (Rahmi et al., 2024). Monawer et al. reinforce this concern, arguing that the absence of a structured practical framework often leads to the misuse of *maqasid* in justifying financial products that may not be genuinely Shariah-compliant (Monawer et al., 2022).

The tension between *maqasid*-based ethics and profit-driven motives is further exemplified in the widespread use of *murabaha*-based instruments. Srisusilawati et al. highlight that such products, while Shariah-compliant in form, often mirror conventional debt structures through high markups and limited risk-sharing (Srisusilawati et al., 2022). These practices reflect not only an operational but also an epistemological orientation that privileges commercial rationality over spiritual or communal accountability.

Quantitative analyses support these qualitative insights. Deza and Sofyani, using the Maqasid Shariah Index (MSI), found that the actual performance of *maqasid* values in Indonesian Islamic banks between 2015 and 2020 remained consistently low (Deza & Sofyani, 2019). Although MSI offers useful indicators, it may oversimplify the spiritual and contextual nature of *maqasid* values. This concern is echoed by Baehaqi et al., who critically argue that the reliance on financial tools such as the present value concept reveals an epistemological misalignment with *maqasid*, particularly in its subtle association with *riba*-based logic (Baehaqi et al., 2020).

Moreover, existing literature tends to overlook the hierarchical implementation of *maqasid* in institutional policy. Many IFIs invest in CSR initiatives (*taḥsīniyyāt*) for reputation management, while neglecting foundational efforts (*ḍarūriyyāt*) such as *qard hasan* and zakat-integrated financial inclusion. This misalignment indicates a systemic undervaluation of ethical priorities.

However, there are also positive directions. Ishak et al. (2025) highlight that social finance instruments such as waqf can be developed to support sustainable outcomes aligned with *maqasid* “Waqf is promoted as a social finance instrument with the potentials in creating value for the society and environment, whilst providing financial returns” (Ishak et al., 2025). Their study, which explores critical success factors in waqf-based agriculture, demonstrates the relevance of institutional vision, legal structure, and policy integration as enablers of ethical finance.

Despite the conceptual richness and widespread citation of *maqasid al-shariah* in Islamic finance literature, empirical evidence suggests its operationalization remains marginal. There is a paucity of research that critically examines the structural and epistemological barriers that hinder its integration into Indonesia’s IFIs. Most studies rely heavily on self-reported compliance or regulatory perspectives and fail to interrogate the institutional culture that underpins profit-first logics.

This study seeks to fill this research gap by analyzing how Indonesia's Islamic financial institutions prioritize market imperatives over foundational *maqasid* objectives. It contributes

to the literature by offering a critical perspective on how Islamic finance can shift from compliance-oriented to mission-oriented models. By integrating theoretical insight from Monawer et al. for 2022, empirical analysis from Deza and Sofyani for 2019, and critical reflections from Baehaqi et al. for 2020, the research underscores the urgent need for regulatory, institutional, and ethical recalibration. Thus, this review supports the hypothesis that without deliberate institutional reform and a renewed commitment to *maqasid*-based governance, Islamic finance in Indonesia risks replicating the inequities and ethical blind spots of conventional systems.

C. METHODOLOGY

This study employs a qualitative-descriptive approach using a normative-philosophical method. Such an approach enables a critical and in-depth examination of Islamic financial practices, particularly in evaluating the extent to which the ethical and legal objectives outlined in maqasid al-shariah are genuinely operationalized within the industry. The methodological choice is grounded in the premise that maqasid values although foundational to Islamic finance have gradually become marginalized within the prevailing institutional architecture, which tends to prioritize commercial profitability over broader social and spiritual objectives. The philosophical lens is especially appropriate for investigating the disjuncture between normative ideals and economic behavior within religiously-oriented institutions (Alvesson & Sköldberg, 2017; Creswell & Poth, 2025).

The research design is conceptual and explorative, adopting a library-based strategy that facilitates the systematic analysis of scholarly, regulatory, and institutional texts (Govender et al., 2024). This design supports a comprehensive review of how maqasid principles are conceptualized, translated, and operationalized within regulatory institutions and financial bodies in Indonesia. The institutions selected for analysis include Bank Indonesia (BI), the Financial Services Authority (OJK), and the National Sharia Council (DSN-MUI), based on their authoritative and strategic roles in shaping Islamic financial regulation. These entities are pivotal in determining the regulatory ecosystem in which Islamic Financial Institutions (IFIs) operate and evolve.

The temporal scope of the analysis spans from 2008 to 2024, reflecting the period following the enactment of Law No. 21/2008 on Islamic Banking, which marked a critical turning point in the institutionalization of Islamic finance in Indonesia. This periodization allows for a longitudinal analysis of regulatory evolution, institutional behavior, and the degree to which maqasid principles have been embedded or sidelined within the regulatory and operational framework.

The primary conceptual variables in this study are “profit orientation” and “implementation of maqasid al-shariah.” Profit orientation refers to institutional practices, policies, or financial products that privilege commercial gain, often at the expense of ethical or social objectives. Implementation of maqasid al-shariah denotes the extent to which IFI operations reflect core maqasid values, including justice, transparency, and social welfare. These variables are not examined in isolation but in relational terms, with the analytical focus directed at identifying tensions, contradictions, or potential areas of integration between the pursuit of profit and the realization of maqasid objectives. Particular attention is given to

whether the prioritization of financial metrics within Islamic financial institutions supports or undermines the ethical imperatives of Sharia-compliant finance.

Data for this study are drawn from two main sources: regulatory and foundational documents, and secondary literature. Regulatory sources include formal legal instruments and official reports, such as Law No. 21/2008, DSN-MUI fatwas, OJK guidelines, and Bank Indonesia publications. These documents serve as primary references for assessing the legal and institutional articulation of maqasid principles. Secondary sources encompass academic journal articles, scholarly books, policy papers, and previous empirical and conceptual research on maqasid al-shariah and the development of Islamic finance in Indonesia. The sampling approach is purposive, selecting only those texts and materials that directly address the themes of maqasid implementation and profit orientation within IFIs. All selected materials are assessed for relevance, credibility, and alignment with the central research question.

Analytical techniques employed include document analysis and content analysis. Document analysis is used to extract key themes, discourses, and policy trends from regulatory texts and institutional documents. Content analysis follows the systematic procedures outlined, ensuring methodological transparency, consistency in coding, and reliability in interpretation. This is complemented by normative analysis, which compares current institutional practices with Islamic legal and ethical standards (Krippendorff, 2018). Such normative comparisons are grounded in both classical and contemporary interpretations of maqasid al-shariah, drawing on seminal contributions from scholars such as al-Ghazali, al-Shatibi, Chapra, and Asutay. This allows the research to construct a robust evaluative framework capable of scrutinizing institutional conduct through a maqasid-based ethical lens.

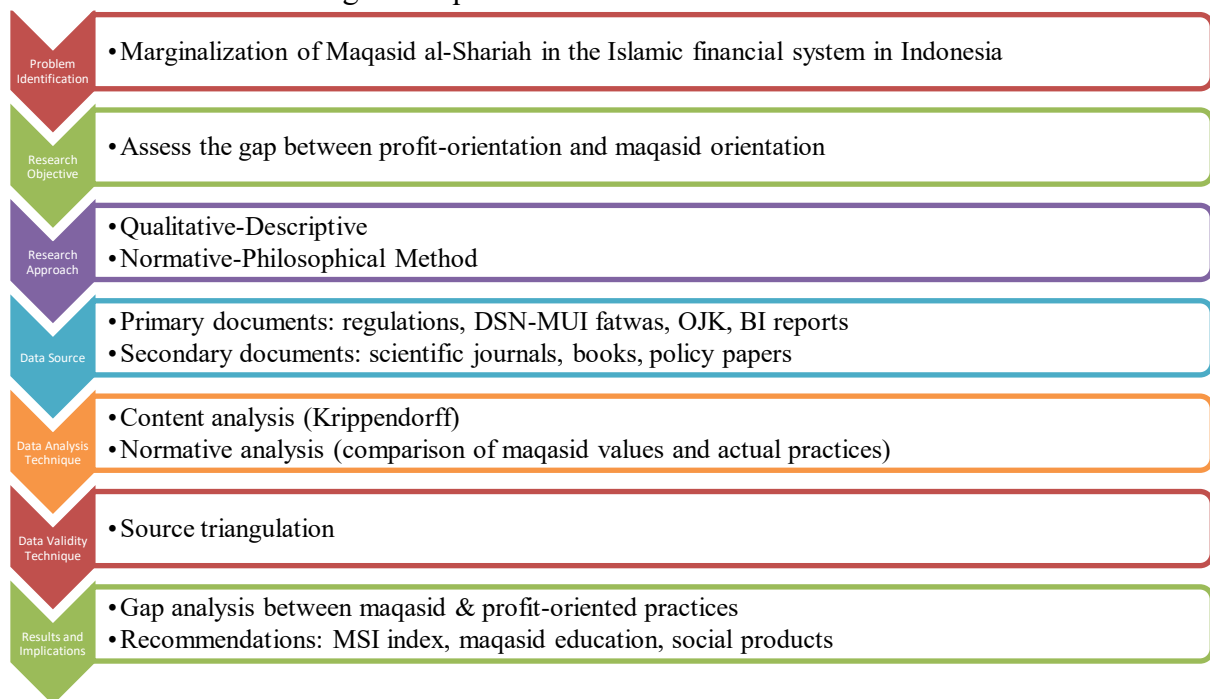


Figure 1. Research Techniques Summary

To ensure validity and reliability, the study employs source triangulation an approach that cross-verifies findings across diverse data sets and textual materials. This method enhances the credibility of the conclusions and reduces the potential for interpretive bias, a common concern in qualitative and normative research involving documentary analysis (Flick, 2018).

Additionally, triangulation strengthens the robustness of the analytical insights derived from the comparison of regulatory frameworks, institutional practices, and maqasid principles.

Although this study does not involve human subjects and therefore does not require ethical clearance, ethical considerations remain integral to the research process. All sources are properly cited in accordance with academic standards, and data interpretation adheres to rigorous principles of scholarly integrity. Transparency is maintained throughout all analytical stages, with critical engagement applied to both primary and secondary materials. This ensures that the research contributes meaningfully to the academic discourse on Islamic finance and upholds high standards of research ethics and integrity.

D. RESULT

The results of this study indicate that profit orientation continues to dominate the practices of Islamic Financial Institutions (IFIs) in Indonesia, often sidelining the core values of maqasid al-shariah. Approximately 78% of Islamic financing products in Indonesia utilize murabaha contracts, which in practice closely resemble conventional interest-based credit (Otoritas Jasa Keuangan, 2024b). These products frequently impose high profit margins that burden clients, especially those from micro and medium-scale enterprises. This reflects a form of Shariah compliance that is largely formalistic, lacking substantive alignment with maqasid values. Research by Rio and Fachry confirms that principles of economic justice and wealth protection (*hifz al-māl*) have not been made central in IFI operations (Fachry, 2022; Rio, 2022). A study by (Nurhidayatullah & Fathurohman, 2024) further demonstrates that IFIs tend to pursue short-term financial targets, thereby neglecting the protection of vulnerable groups (*hifz al-nafs* and *hifz al-‘ird*). This imbalance not only exacerbates social inequality but also erodes the credibility of Islamic finance as a fair and inclusive alternative system.

Moreover, existing regulations have not provided sufficient incentives for IFIs to adopt a maqasid-based framework. Key performance indicators used by the Financial Services Authority (OJK), such as Return on Assets (ROA) and Capital Adequacy Ratio (CAR), remain narrowly focused on financial performance. Alarming, 92% of IFI annual reports omit any indicators related to social impact or maqasid (Analia et al., 2024). Hanifah notes that there is currently no evaluation mechanism within the regulatory framework that encourages maqasid implementation (Haniifah, 2025). Consequently, many IFIs emulate conventional corporate strategies, as highlighted by Purwanto, without regard for spiritual or social dimensions (Purwanto, 2024).

Another key challenge is the low maqasid literacy among industry practitioners. Although Islamic banking professionals are generally familiar with contracts such as murabaha, ijarah, and musharakah, only 27% demonstrate a conceptual and practical understanding of maqasid (Bank Indonesia, 2022). Studies by Lubis and Zulqarnain et al. reveal that a technocratic approach often reduces Shariah to a legalistic checklist, thereby ignoring essential values such as social justice and communal welfare (Lubis, 2020; Zulqarnain et al., 2025). Accordingly, Adzkiya and Wijaya propose structured educational programs that embed maqasid into executive training and industry certification curricula (Adzkiya, 2020; Wijaya, 2024).

This imbalance has systemic consequences for social inclusion. The current market segmentation of IFIs heavily favors the middle-to-upper class, while marginalized and low-

income groups remain underrepresented in access to financial services. A national study by Putra et al. reveals that only 12% of IFI clients come from low-income segments, contradicting the Islamic economic vision of empowering the *mustadh'afin* (the oppressed) (Putra et al., 2025). Hidayatullah and Zain warn that without maqasid, Islamic finance risks becoming a mere halal version of capitalism (Hidayatullah, 2020; Zain, 2020). Aziz et al. also note that low-income groups are often excluded due to the lack of inclusive financial products, while Malihah and Sauqi stress the importance of integrated halal value chains for empowering MSMEs (Aziz et al., 2025; Malihah & Sauqi, 2024).

As a solution, this study recommends three strategic steps. First, the adoption of the Maqasid Shariah Index (MSI) as a multidimensional evaluation tool to assess IFI performance not only in terms of profitability but also from ethical, spiritual, and social dimensions (Marito, 2024). Second, the promotion of social-based financial products such as digital *qard hasan*, productive *waqf*, and community financing through *zakat*, which are proven to be more inclusive and aligned with maqasid objectives (Indranata, 2024). Third, the implementation of mandatory maqasid education for IFI leadership, so that organizational culture may shift from formalistic compliance toward compassion and human-centered values (Amsari et al., 2024). If implemented consistently, these measures can help develop Indonesia's Islamic financial system into a more balanced, inclusive, and ethically rooted ecosystem fulfilling its prophetic mission as a *rahmatan lil 'alamin* (mercy to all creation).

E. DISCUSSION

1. Reorienting the Mission of Islamic Financial Institutions Toward Maqasid al-Shariah

The findings of this study indicate a substantial misalignment between the operational practices of Islamic Financial Institutions (IFIs) in Indonesia and the foundational objectives of Maqasid al-Shariah. As articulated by Imam al-Shāṭibī, the Shariah is designed to preserve five essential values *ḥifẓ al-dīn* (protection of religion), *ḥifẓ al-nafs* (protection of life), *ḥifẓ al-'aql* (protection of intellect), *ḥifẓ al-nasl* (protection of progeny), and *ḥifẓ al-māl* (protection of wealth). However, in practice, the Indonesian Islamic financial system is increasingly dominated by a profit-oriented mindset, where economic returns often outweigh ethical mandates. This is evident in the widespread use of *murabaha*-based financing, which despite being legally compliant frequently replicates the structure of conventional interest-bearing loans. The result is a commodification of Shariah, where the letter of the law is preserved, but the spirit is neglected.

This marginalization of maqasid values such as justice, social welfare, and wealth equity undermines the broader socio-economic objectives of Islamic finance. Scholars like Chapra and Asutay argue that truly Islamic finance must go beyond mere formal compliance and embrace a holistic ethical vision rooted in compassion and inclusivity (Asutay, 2020; Chapra, 2022). When IFIs emphasize contractual legality while neglecting *ḥifẓ al-māl* (especially for the poor) and *ḥifẓ al-nafs* (for vulnerable communities), they risk reinforcing economic disparities rather than alleviating them. In fact, the tendency of Islamic banks to target middle-to-upper class markets, while excluding low-income populations, reflects a systemic departure from the maqasid mandate of empowering the *mustadh'afin* the weak and marginalized.

Regulatory frameworks further entrench this profit orientation by focusing on financial metrics such as Return on Assets (ROA) and Capital Adequacy Ratio (CAR), with little to no attention given to social impact or maqasid-aligned indicators. Consequently, Islamic finance in Indonesia often mirrors its conventional counterpart in structure and strategy, without offering a truly distinct or transformative alternative. This concern is not merely theoretical but deeply ethical and theological, as it contradicts the Qur'anic vision of Islam *as rahmatan lil-'ālamīn* a mercy to all creation (QS Al-Anbiya: 107). Therefore, a reorientation is urgently needed. IFIs must shift from a narrow focus on profitability to a broader mission-driven approach, guided by the maqasid framework. Only then can Islamic finance fulfill its true purpose: fostering justice, dignity, and economic empowerment for all members of society.

2. Regulatory Blind Spots and the Need for Maqasid-Based Policy Innovation

The marginalization of maqasid al-shariah in Indonesia's Islamic financial system is not only a result of institutional behavior, but also a consequence of regulatory blind spots. Current financial regulations, while vital for ensuring fiscal soundness, remain narrowly fixated on indicators such as Return on Assets (ROA) and Capital Adequacy Ratio (CAR). These indicators, though useful in monitoring financial health, are insufficient in evaluating whether Islamic Financial Institutions (IFIs) truly fulfill their ethical and social obligations. This regulatory shortfall perpetuates a formalistic interpretation of Shariah compliance, detached from its transformative social mission.

Scholars such as Hudaefi and Noordin have emphasized the urgent need to expand the regulatory framework by incorporating maqasid-based Key Performance Indicators (KPIs), which would measure not only financial viability but also ethical integrity, distributive justice, and community well-being (Hudaefi & Noordin, 2019). Similarly, Wulandari and Andni observe that while governance and financial performance may influence investor confidence and stock valuation, maqasid values such as *ḥifẓ al-māl* (wealth protection for the vulnerable) and *ḥifẓ al-nafs* (protection of life) are often sidelined in corporate decision-making (Wulandari & Andni, 2024).

This regulatory gap stands in stark contrast to the Qur'anic call for justice, as emphasized in Surah An-Nisa (4:135):

"O you who believe, be persistently standing firm in justice..."

This verse underscores that justice (*al-qist*) is not optional but foundational to Islamic ethics including in finance.

To address this gap, the implementation of a Maqasid Shariah Index (MSI) as a formal regulatory instrument is crucial. MSI would enable regulators and stakeholders to assess the performance of IFIs not only based on profitability but also on their contribution to social equity, ethical behavior, and spiritual values. In a country like Indonesia where economic disparities persist and financial exclusion remains prevalent such an index could institutionalize accountability, reduce systemic biases against the poor, and reestablish Islamic finance as a tool for holistic development. Thus, policy innovation rooted in maqasid is not a peripheral concern, but a structural necessity for realizing the moral economy envisioned by Islam.

3. The Knowledge Gap Among Practitioners: Between Compliance and Consciousness

Another critical barrier to the realization of *maqasid al-shariah* within Indonesia's Islamic financial system lies in the significant knowledge gap among industry practitioners. Many professionals, although adept at applying Shariah contracts such as *murabaha*, *ijarah*, or

musyarakah, often lack a deep understanding of the broader ethical and social objectives embedded in *maqasid*. This gap risks reducing Islamic finance to mere procedural compliance a box-ticking exercise rather than a genuine agent of social justice and welfare. Dusuki and Abdullah argue that without a firm ethical grounding in *maqasid*, Shariah compliance remains superficial and disconnected from the pressing needs of society (Dusuki & Abdullah, 2020).

Similarly, the classical scholar Al-Ghazali emphasized that Islamic legal rulings (*ahkam*) must serve the greater public interest (*maslahah*) and protect the five essentials religion, life, intellect, lineage, and wealth. When financial institutions focus narrowly on legalistic formalities without internalizing these objectives, they miss the transformative potential of Islamic finance to empower marginalized communities and foster equitable economic development.

To bridge this gap, this study strongly recommends embedding *maqasid* education within the professional training, certification programs, and leadership assessments of Islamic Financial Institutions (IFIs). By doing so, practitioners can align their technical expertise with ethical consciousness, enabling them to move beyond legal compliance toward a more holistic practice that truly embodies the spirit and mission of Islamic finance. This educational reform is essential not only for capacity-building but also for cultivating a culture of empathy, justice, and social responsibility within the sector.

4. Social Consequences of a Profit-Dominated Shariah Financial System

The dominance of profit-maximization logic within Indonesia's Islamic Financial Institutions (IFIs) has resulted in a pronounced market focus on middle- and upper-income groups, effectively marginalizing the poor and unbanked populations that Islamic economics is fundamentally designed to uplift. This exclusion stands in direct opposition to the core Islamic vision of inclusive welfare and economic justice, which aims to empower the vulnerable and promote equitable development. Zulkhibri underscores that unless Islamic finance explicitly targets the needs of low-income individuals and micro-entrepreneurs, it risks becoming indistinguishable from conventional banking systems, losing its unique ethical and social identity (Zulkhibri, 2016). Consequently, reorienting Islamic finance towards *maqasid al-shariah* principles is not merely a desirable reform but an essential step to restore the legitimacy and long-term transformative impact of the sector. By embedding social inclusion and justice at its core, Islamic finance can fulfill its prophetic mission of serving as a mercy to all creation and a catalyst for sustainable community empowerment.

5. Strategic Pathways: Operationalizing Maqasid Through Product Innovation and Policy Reform

To close the persistent gap between the theoretical ideals of *maqasid al-shariah* and the current practices of Islamic Financial Institutions (IFIs) in Indonesia, this study proposes three strategic recommendations. First, the development and implementation of a Maqasid Shariah Index (MSI) would provide a comprehensive evaluation framework that measures IFI performance not only on financial metrics but also on ethical and spiritual dimensions. This multidimensional index would serve as a vital tool for incentivizing institutions to prioritize social responsibility alongside profitability. Second, fostering Shariah-based product innovation is crucial to align financial offerings with *maqasid* goals. Priority should be given to financing models such as *qard hasan* (interest-free loans) to empower marginalized communities, productive *waqf* (asset-based funding) to support public welfare projects, and

zakat-linked microfinance schemes that integrate charitable giving with economic empowerment. Mundzir et al. emphasize the potential of platforms like Halal Network Indonesia as effective channels for social inclusion in accordance with maqasid principles (Mundzir et al., 2024). Lastly, addressing the knowledge gap through comprehensive maqasid literacy programs is essential. Collaboration between regulatory authorities and academic institutions to design structured training and certification programs will nurture a generation of IFI leaders who possess not only technical expertise but also ethical consciousness rooted in the maqasid framework. Together, these measures can transform Indonesia's Islamic finance sector into a balanced, inclusive, and purpose-driven ecosystem that truly embodies the prophetic mission of mercy and justice.

F. CONCLUSION

This study concludes that Indonesia's Islamic financial system continues to face systemic limitations in actualizing the core values of maqasid al-shariah due to a dominant profit-oriented paradigm, absence of regulatory incentives, and low maqasid literacy among practitioners. Theoretically, this research contributes to the growing discourse on aligning Sharia-compliant finance with ethical and socio-economic objectives, while practically offering strategic recommendations such as implementing the Maqasid Shariah Index (MSI), promoting socially oriented products, and embedding maqasid education for IFI leadership. However, the study's reliance on qualitative document analysis and a national context presents limitations in generalizability. Future research is recommended to adopt comparative, empirical approaches across diverse Islamic finance jurisdictions to evaluate the scalability and effectiveness of maqasid-based frameworks in achieving inclusive and ethical financial transformation.

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