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JALB AL MASLAHAH: CONCEPT OPERATIONAL IN DEVELOPING ISLAMIC BANKING PERFORMANCE BASED ON MAQASID AL-SHARI'AH FRAMEWORK

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Abstract

This research is motivated by Maqasid al-Syari'ah requires Islamic banking to not only operate within a halal framework, but also actively contribute to the social and economic welfare of society. However, the fact is that the performance of Islamic banking still focuses on formal compliance without paying attention to the principles of maqashid Sharia. Therefore, it is not enough to evaluate the performance of Islamic banking if it only focuses on financial indicators such as profitability, efficiency, and asset growth. This research aims to examine the operational concepts in the development of Islamic banking performance based on the Maqasid al-Shari'ah framework. The results show a gap between theory and practice in the field. Some Islamic banks favour sale and purchase-based products such as murabahah, which are more financially profitable, over profit-sharing-based products such as mudharabah and musyarakah, which reflect the value of justice but are higher risk. In addition, the focus on profitability means that Islamic banks' social responsibility and zakat programmes remain relatively small and lack impact. Financial inclusion has also been sub-optimal, with most Islamic banks focusing more on middle and upper income customers, leaving lower income groups underserved. Although technology and product innovations have been introduced, they are still limited in scale and do not fully fulfil the needs of the community. Thus Islamic banking needs to improve its strategy to be more in line with the objectives of Maqasid al-Shari'ah.

Abstrak

Penelitian ini dilatarbelakangi oleh Maqasid al-Syari'ah menuntut perbankan syariah untuk tidak hanya beroperasi dalam kerangka yang halal, tetapi juga secara aktif berkontribusi pada kesejahteraan sosial dan ekonomi masyarakat. Namun, faktanya kinerja perbankan syariah masih berfokus pada kepatuhan formal tanpa memperhatikan prinsip-prinsip maqashid Syariah. Oleh karena itu, evaluasi kinerja perbankan syariah tidak cukup jika hanya berfokus pada indikator finansial seperti profitabilitas, efisiensi, dan pertumbuhan aset. Penelitian ini bertujuan untuk mengkaji konsep operasional dalam pengembangan kinerja perbankan syariah berdasarkan kerangka Maqasid al-Syari'ah. Hasil penelitian menunjukkan adanya kesenjangan antara teori dan praktik di lapangan. Beberapa bank syariah lebih mengutamakan produk berbasis jual beli seperti murabahah, yang lebih menguntungkan secara finansial, daripada produk berbasis bagi hasil seperti mudharabah dan musyarakah, yang mencerminkan nilai keadilan tetapi berisiko lebih tinggi. Selain itu, fokus pada profitabilitas menyebabkan program tanggung jawab sosial dan zakat bank syariah masih relatif kecil dan kurang berdampak. Inklusi keuangan juga belum optimal, dengan sebagian besar bank syariah lebih fokus pada nasabah menengah ke atas, sehingga kelompok berpenghasilan rendah kurang terlayani. Meskipun teknologi dan inovasi produk telah diperkenalkan, skalanya masih terbatas dan belum sepenuhnya memenuhi kebutuhan masyarakat. Dengan demikian perbankan syariah perlu memperbaiki strategi untuk lebih sesuai dengan tujuan Maqasid al-Syari'ah.

INTRODUCTION

Islamic banking has experienced rapid growth in recent decades, both in Muslim-majority countries and in regions with significant Muslim populations. This growth reflects people's need for an alternative financial system that not only prioritises economic profit, but also adheres to the principles of sharia. Such principles prohibit the practices of riba (interest), gharar (uncertainty), and maysir (gambling) that are prevalent in the conventional banking system. [1] However, Islamic banking is more than just a financial institution that abides by these rules. The Islamic banking system is based on the broader objectives of sharia, namely Maqasid al-Syari'ah.[2]

Maqasid al-Syari'ah, or the main objectives of sharia, covers five important aspects: the preservation of religion (*hifz al-din*), soul (*hifz al-nafs*), intellect (*hifz al-'aql*), offspring (*hifz al-nasl*), and property (*hifz al-mal*). In the economic context, Maqasid al-Shari'ah requires Islamic banking to not only operate within a halal framework, but also actively contribute to the social and economic welfare of society. Therefore, it is not enough to evaluate the performance of Islamic banking if it only focuses on financial indicators such as profitability, efficiency, and asset growth. There should be a more thorough assessment that considers the social and societal impact of Islamic bank operations.[3]

However, in practice, many Islamic banks still focus on the formal compliance aspect without paying attention to the comprehensive implementation of Maqasid al-Shari'ah values. This challenge raises questions about the extent to which Islamic banks have succeeded in achieving the broader objectives of sharia, and whether their operations truly reflect the mission to create social justice and economic prosperity. For this reason, a more holistic approach is needed in developing and assessing the performance of Islamic banking, where Maqasid al-Syari'ah can be used as the main framework.[4]

Muhammad Alwi, Muslimim H. Kara et al in their research results that the implementation of the maqasid syariah concept at PT Bank Muamalat has been implemented well, besides that BRI Syariah's CSR work programme is an indicator of the implementation of the maqasid syariah concept and has increased every year. Islamic banking in Indonesia in 2017-2020 based on the maqasid syariah index showed good performance achievements.[5]

Pandapotan Ritonga, and Adinda Rizky Safitri in their research revealed that Islamic banks have not fully implemented the concept of maqasid sharia from five indicators, maintaining faith is still very low compared to other indicators. This is because most of the income of Islamic banks is still influenced by interest.[6]

This research aims to examine operational concepts in the development of Islamic banking performance based on the Maqasid al-Shari'ah framework. Using this framework, the research will explore how Islamic banks can enhance their contribution to broader social and economic goals, as well as provide a strong operational foundation to support the sustainable growth of Islamic banking. In addition, the research will also discuss the challenges and opportunities faced by Islamic banking in

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[1] Risdiana Himmati and Deswita Fitri Arwendi, 'Pengaruh Perbankan Syariah Terhadap Pertumbuhan Ekonomi Indonesia', *El-Mal: Jurnal Kajian Ekonomi & Bisnis Islam*, 5.3 (2023), 1734–51 <https://doi.org/10.47467/elmal.v5i3.5839>.

[2] Nunung Nurjanah and Nurya Sindi Purnama, 'Perkembangan Lembaga Keuangan Syariah Dan Kondisi Makro Ekonomi Di Indonesia', *JIEI: Jurnal Ilmiah Ekonomi Islam*, 9.01 (2023), 346–57.

[3] Akmal Ihsan, 'Peran Dan Tanggung Jawab Dewan Pengawas Syariah Pada Lembaga Perbankan Syariah Di Indonesia', *IEB JOURNAL Islamic Economics and Business Journal*, 4.1 (2022), 1–16.

[4] Tanza Dona Pertiwi and Sri Herianingrum, 'Menggali Konsep Maqashid Syariah: Perspektif Pemikiran Tokoh Islam', *Jurnal Ilmiah Ekonomi Islam*, 10.1 (2024), 807 <https://doi.org/10.29040/jiei.v10i1.12386>.

[5] Cinta Rahmi and others, 'Penerapan Maqashid Syariah Dalam Perbankan Syariah Di Indonesia Studi Kasus: Pada Bank Bsi (Bank Syariah Indonesia)', *Jurnal Ilmiah Research and Development Student*, 2.2 (2024), 01–09 <https://doi.org/10.59024/jis.v2i2.711>.

[6] Evi Mutia and Nastha Musfirah, 'Pendekatan Maqashid Shariah Index Sebagai Pengukuran Kinerja Perbankan Syariah Di Asia Tenggara (Maqashid Sharia Index Approach as Performance Measurement of Sharia Banking in Southeast Asia)', *Jurnal Akuntansi Dan Keuangan Indonesia*, 14.2 (2017), 181–201.

implementing the Maqasid al-Syari'ah framework amidst the changing dynamics of the global economy.

As such, this research is expected to make a significant contribution to the academic literature in Islamic finance, as well as provide guidance for practitioners and policy makers in developing operational strategies that are aligned with the principles of Maqasid al-Shari'ah. Through this more holistic approach, it is hoped that Islamic banking can play a more active role in promoting financial inclusion, eradicating poverty, and creating a fairer distribution of wealth, all of which are important objectives of a Shariah-based financial system.

METHODS

In this research, a literature study method with a narrative review model was used, which involved analysing and comparing data from various journals relevant to the research topic. Researchers used appropriate keywords to search for journals through platforms such as Google Scholar, ResearchGate, and ScienceDirect.[7] The articles found were then studied in depth to understand and analyse their contents to produce an understanding that can answer the problem and provide insight into maqashid sharia in the context of Islamic economics. The research method applied is qualitative using secondary data sources from journals, articles, and previous studies that have been compiled and analysed by researchers.

RESULT AND DISCUSSION

RESULT

The Concept of Maqashid Sharia

The concept of Maqashid sharia comes from the word "maqasyid" which means purpose or intention, and "sharia" which refers to the laws of Allah that are regulated to guide humans towards happiness both in this world and in the hereafter.[8] Therefore, Maqashid sharia is interpreted as the goals to be achieved through the establishment of law. The importance of the study of Maqashid sharia theory in Islamic law is based on the fact that the law comes from God's revelation and is intended for human welfare. The essence of Maqashid sharia substantially explains about benefit. Beneficence in God's commands can be manifested in two forms, namely intrinsically, which is the direct benefit of the cause-and-effect relationship, and majazi, which is the form that leads to benefit. [9] The benefit according to Al-syathibi is seen from the point of view of being divided into two, namely:

a.Maqashid Al-Syar'i (God's purpose)

Maqasyid Al-Syar'i in the sense of maqashid sharia contains four aspects:

1.The main purpose of Shari'ah is to improve human welfare both in this world and in the hereafter. The laws that Allah has revealed are solely for the good of mankind. In this regard, Al-Syathibi followed the opinion of previous scholars by classifying human welfare into three important classifications, namely: primary needs (*dhauriyyat*), secondary needs (*hajiyyat*), and improving the quality of life (*tahsiniyat*).[10]

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[7] Al Ihksan Agus and others, *Studi Literatur (Systematic, Narrative, Scoping, Argumentative, Theoritical)*, *Eureka Media Aksara*, 2023.

[8] Refta Lidha Reyl Deza and Hafiez Sofyani, 'Syariah Governance Dan Maqashid Syariah Di Perbankan Syariah Di Indonesia', *Reviu Akuntansi Dan Bisnis Indonesia*, 6.2 (2022), 11–34 <https://doi.org/10.18196/rabin.v6i2.12857>.

[9] Galuh Nasrullah Kartika MR and Hasni Noor, 'Konsep Maqashid Al-Syari'ah Dalam Menentukan Hukum Islam (Perspektif Al-Syatibi Dan Jasser Auda)', *Al Iqtishadiyah Jurnal Ekonomi Syariah Dan Hukum Ekonomi Syariah*, 1.1 (2014), 50 <https://doi.org/10.31602/iqt.v1i1.136>.

[10] Moh Toriquddin, 'Teori Maqâshid Syarî ' Ah Perspektif', *De Jure, Jurnal Syariah Dan Hukum*, 6.1 (2014), 42.

2. Sharia as something that must be understood. Al-Syathibi mentions two important points in this regard. Firstly, sharia was revealed in Arabic (Q.S Yusuf: 2). Secondly, sharia is ummiyyah. This means that sharia was revealed to a people who did not know other sciences, did not learn other sciences.
3. Sharia as taklifi law that must be done. According to al-Syathibi, the existence of taklif, is not intended to cause masyaqqah (difficulty) for the perpetrator (mukallaf) but on the contrary, behind it there are separate benefits for mukallaf.

b.Maqashid Al-Mukallaf (the purpose of mukallaf)

Al-Syathibi emphasises two things among others:

1.Shar'i purpose in the context of law is the intention or motivation behind the action to be performed, which must be in accordance with the principles of sharia. Hence, "intention" becomes the foundation of an action or deed.

2.If a person carries out Allah's command with an intention that is not in accordance with sharia, his action is considered invalid.

Welfare can be achieved when the five main elements can be realised and maintained. In Islamic Banking itself, in addition to functioning as a financial institution whose operations are based on sharia principles, including Maqasid al-Syari'ah. Islamic banks not only focus on profitability, but also on the social impact of their activities, which directly support the goal of the benefit of the people. The role of Islamic banking in achieving social benefits includes:

Providing Fairness-Based Financing: Islamic financing products such as mudharabah and musyarakah allow for fair sharing of profits and losses, encouraging active participation in the economy without exploitation.

Economic Empowerment of the People: Islamic banking is often involved in financing economic sectors that support community welfare, such as small and medium enterprises (SMEs), social infrastructure development, and activities that generate community benefits.

Maintaining Financial and Economic Stability: With the prudential principles embodied in Shariah-based risk management, Islamic banking seeks to create stability in the financial system and the wider economy.

Channelling Social Funds: Through products such as waqf and zakat, Islamic banking can play a role in channelling social funds to help the poor and support projects that benefit the wider community.

Islamic banking plays an important role in realising social benefits through the application of these principles in financial and business activities while prioritising equitable wealth distribution, community welfare, and economic stability. [11]

Islamic Banking Performance Measurement Indicators

Islamic banking performance measurement indicators must include financial and non-financial aspects, in accordance with sharia principles, especially within the framework of Maqasid al-Syari'ah. [12] This measurement should not only focus on profitability, but also pay attention to social contribution, ethics, and sustainability in the Islamic economy. [13]

1. Financial Indicators: This indicator measures the financial health and operational efficiency of Islamic banks, similar to conventional banks, but with Shariah principles that differentiate them.

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[11] Dilla Fadhillah, 'Manusia Dan Pendidikan Dalam Sudut Pandang Filsafat Pendidikan Islam: Literature Review', *Rausyan Fikr: Jurnal Pemikiran Dan Pencerahan*, 18.2 (2022), 46–57 <https://doi.org/10.31000/rf.v18i2.6822>.

[12] Riyang Mardini and others, 'Maqashid Sharia Index and Indonesian Sharia Banking Efficiency: Pre-Merger and Post-Merger', *Kajian Akuntansi*, 23.2 (2022), 190–204.

[13] Anwar Puteh, Muhammad Rasyidin, and Nurul Mawaddah, 'Islamic Banks in Indonesia: Analysis of Efficiency', *Emerald Reach Proceedings Series*, 1 (2018), 331–36 <https://doi.org/10.1108/978-1-78756-793-1-00062>.

a. Return on Assets (ROA): Measures how efficiently an Islamic bank generates profit from its assets. ROA is used to determine the bank's ability to manage its assets in accordance with sharia principles. In the context of sharia, high efficiency must be achieved without violating the principles of usury or speculative transactions.
b. Return on Equity (ROE): Measures the profit generated by the bank from the capital owned by shareholders. ROE in Islamic banking also pays attention to fairness in the distribution of profits between shareholders, depositors, and people who use Islamic products.
c. Net Profit Margin (NPM): Measures how much net profit is earned from each unit of revenue. Islamic banks use NPM to evaluate their operational efficiency. Islamic banks must ensure that profit margins are not generated through practices that contradict sharia principles, such as riba or gharar.
d. Financing to Deposit Ratio (FDR): Measures the amount of funds channeled in the form of financing compared to funds raised from deposits. This ratio is important in seeing whether Islamic banks use funds wisely in financing projects that are in accordance with sharia values.
2. Maqasid al-Syari'ah Based Non-Financial Indicators: measures the extent to which Islamic banks play a role in achieving Maqasid al-Syari'ah objectives, such as social welfare, economic justice, and wealth distribution.
a. Wealth Distribution and Economic Empowerment: Percentage of financing to sectors that support people's economic empowerment, such as small and medium enterprises (SMEs) and microfinance programmes. Islamic banks are expected to play a role in distributing wealth fairly by supporting economic sectors that have a positive social impact and reduce economic inequality.
b. Ethical and Sustainable Financing: The proportion of Islamic bank financing allocated to sustainable projects, such as renewable energy, social infrastructure development, or environmentally friendly businesses. In accordance with Shariah's objective to protect the earth and social good, Islamic banks should support environmentally friendly and ethical projects.
c. Giving Zakat, Sadaqah, and Waqf: The total value of zakat, alms, and waqf distributed by Islamic banks to the community. The Maqasid objective is to preserve wealth and ensure the distribution of wealth to the needy. Islamic banks play an important role in managing social funds such as zakat and waqf.
d. Financial Inclusion: The number of individuals who gain access to financial services through financial inclusion programmes provided by Islamic banks. Financial inclusion in Islamic banking aims to provide wider opportunities for people to access financial services that are ethical and in accordance with sharia principles.
e. Consumer Protection: The number and types of customer complaints that are resolved fairly by Islamic banks. One of the principles of sharia is to safeguard the rights and welfare of consumers. Islamic banks must implement a transparent and fair policy in resolving customer complaints.
f. Contribution to Social Development: The number of CSR (Corporate Social Responsibility) programmes implemented by Islamic banks to improve community welfare. As part of social responsibility, Islamic banks are expected to make a significant contribution to social development, in accordance with the objectives of Maqasid al-Syari'ah to realise the general welfare of society.
3. Sharia Compliance Indicator: The number or percentage of bank products and operations that obtain certification or fatwa from the Sharia Supervisory Board (DPS). Sharia compliance measurement is essential in ensuring that all bank products and services follow sharia principles. This also includes compliance with the prohibition of riba, gharar, and maysir.
4. Social Performance Indicators: This indicator focuses on the social role of Islamic banks in society and their contribution to creating wider prosperity.
a. Social and Economic Justice: Evaluate the extent to which Islamic banks' products and services support social justice, such as financing for housing for low-income people, education, or health

services. In accordance with Maqasid al-Shari'ah principles, Islamic banks should play a role in creating economic justice, ensuring access to financial services that support social welfare.

b. Community Empowerment Programmes: The number of empowerment programmes initiated by Islamic banks, such as entrepreneurship training, financial education, or support for the people's economy. This programme is in line with sharia's objective to preserve offspring (*hifz al-nasl*) and protect the economic rights of individuals through broad community empowerment.[14]

Islamic banking performance measurement should include balanced financial and non-financial aspects. Financial indicators ensure that banks remain efficient and profitable, while Maqasid al-Shari'ah-based non-financial indicators assess how Islamic banks fulfil the goals of social benefit, justice, and the welfare of the ummah in a holistic manner. These indicators are important for evaluating and enhancing the role of Islamic banks in the Islamic economy and ensuring that banks operate in accordance with Shariah principles that balance between profitability and social responsibility.

Islamic Banking Performance Development Model

The development of Islamic banking performance needs to be based on the principles of Maqasid al-Syari'ah, namely realising welfare (*maslahah*) for the wider community, accompanied by compliance with sharia principles in banking operations. This development model includes an integrated approach between financial, managerial, social, and sharia compliance aspects.[15] The following are some of the main components in the Islamic banking performance development model:

1. Maqasid al-Shari'ah Based Approach

This approach emphasises that the performance of Islamic banking should be assessed not only in terms of profitability, but also in terms of the social impact generated. Maqasid al-Syari'ah includes the protection of religion, soul, mind, offspring, and property, which is operationally applied in the form of:

Protection of Religion (*Hifz al-Din*): All Islamic banking products and services must comply with sharia, such as avoiding usury, gharar (uncertainty), and maysir (gambling).

Protection of Property (*Hifz al-Mal*): This development model ensures that Islamic banking provides protection to customers' wealth in a fair and ethical manner.

Social Welfare: Through financing that focuses on productive and social sectors, such as small and medium enterprises (SMEs), Islamic banking plays a role in creating social welfare.

2. Integrated Performance Management Model

The development of Islamic banking performance requires an integrated performance management approach, which includes the following components:

a. Balanced Scorecard Syariah

The Balanced Scorecard (BSC) is a performance management tool commonly used in various industries. In the context of Islamic banking, the BSC is adapted to Shariah principles to cover four main perspectives:

Financial Perspective: Involves measuring profitability, operational efficiency, and compliance with Shariah principles in the management of assets and liabilities.

Customer Perspective: Measurement of customer satisfaction and trust in Islamic products and services, including how well Islamic banks maintain ethical and fair relationships with customers.

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[14] Mustika Noor Mifrahi and Faaza Fakhrunnas, 'Islamic Bank Peformance Based on Maqasid Based Performance Evaluation Model (MPEM)', *Jurnal Ekonomi & Keuangan Islam*, 4.2 (2018), 93–103 <https://doi.org/10.20885/jeki.vol4.iss2.art6>.

[15] Aam S. Rusydiana and Irman Firmansyah, 'Efficiency versus Maqashid Sharia Index: An Application on Indonesian Islamic Bank', *Shirkah: Journal of Economics and Business*, 2.2 (2018) <https://doi.org/10.22515/shirkah.v2i2.154>.

Internal Process Perspective: Focuses on how the internal operational processes of Islamic banks ensure Shariah compliance, such as Shariah audits, as well as maintaining efficiency and transparency.

Learning and Growth Perspective: Measurements related to sharia product innovation, employee training, and development of human resources who understand sharia values.

b. Shariah-based Risk Management

Islamic banking must have a risk management system that is in accordance with sharia values, especially to avoid speculation and uncertainty. This sharia-based risk management model includes:

Financing Risk Management: Islamic banks adopt profit-sharing-based financing such as mudharabah and musyarakah, which distribute risk fairly between the bank and the customer.

Liquidity Risk Management: Maintaining liquidity balance without relying on interest-based instruments (riba). Islamic banks rely on Islamic liquidity instruments such as Sukuk and wakalah.

3. Development of Syariah Products and Services

The performance of Islamic banking is closely related to innovation and product development in accordance with the needs of the community and sharia principles. Product development models that can be adopted include:

Profit-based Financing Products: Such as mudharabah (profit-based financing) and musyarakah (capital-based partnership), which enable Islamic banks to contribute to economic growth without violating the principle of usury.

Microfinance Products: Islamic banks should focus more on providing financial access to small communities through Shariah-based microfinance to support financial inclusion and poverty alleviation.

Shariah Investment Products: Develop Shariah-based investment instruments, such as Sukuk, that not only generate returns, but also contribute to infrastructure development and public welfare. [16].

4. Implementation of Digital Technology in Islamic Banking

Digitalisation is one of the important pillars in the development of Islamic banking performance. The use of technology can improve operational efficiency, transparency, and accessibility of Islamic financial services.

Digital Banking: The implementation of sharia-based digital banking services, such as mobile banking, e-banking, and sharia fintech, can expand customer reach and improve customer experience.[17]

Blockchain and Smart Contracts: Blockchain technology can be used to ensure transparency and security in Islamic contracts, especially in wakalah or ijarah-based transactions.

Automated Sharia Compliance: The implementation of an automated system to verify sharia compliance in every financial transaction can help Islamic banking maintain its integrity.

5. Sharia-based Human Resource Enhancement

Pengembangan kinerja juga harus memperhatikan kualitas sumber daya manusia (SDM) yang memiliki pemahaman yang mendalam tentang ekonomi syariah dan prinsip-prinsip syariah. Ini bisa dilakukan melalui:

Performance development must also pay attention to the quality of human resources (HR) who have a deep understanding of Islamic economics and sharia principles. This can be done through:

Shariah Training and Education: Provide intensive training to Islamic bank employees on Shariah products, services and rules, and how to apply them in daily operations.

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[16] Ayif Fathurrahman, 'Sistem Bretton Woods Dalam Perspektif Maqasid Syariah: Studi Kebijakan Ekonomi Politik Internasional (1944-1971)', *IQTISHADIA Jurnal Ekonomi & Perbankan Syariah*, 6.2 (2019), 141–54 <https://doi.org/10.19105/iqtishadia.v6i2.2417>.

[17] Fadhillah.

Shariah Certification: Islamic banks can encourage employees to obtain professional certifications in Islamic finance, such as Certified Islamic Finance Professional (CIFP) or Islamic Banking and Finance Institute Malaysia (IBFIM).

6. Sharia Compliance and Supervision

Shariah compliance is a key element in the Islamic banking performance development model. The Sharia Supervisory Board (DPS) plays an important role in ensuring that all products, operations, and business practices comply with sharia principles. [18] Important aspects of sharia compliance include:

Shariah Audit: Islamic banks must undergo regular audits by the DPS to ensure that all its operations are in accordance with sharia principles.

Product Fatwa: Any new product or service launched by an Islamic bank must obtain approval from the DPS, through a fatwa that ensures that the product is Shariah-compliant.

7. Social Performance and Corporate Social Responsibility (CSR)

Islamic banking focuses not only on financial performance, but also on social responsibility in line with sharia values. [19] CSR in Islamic banking includes programmes that help the community and support the public good, such as:

Zakat and Sadaqah: Islamic banks are often involved in the management of zakat and alms which are channelled to the needy, as part of their social commitment.

Economic Empowerment of the People: Through financing to SMEs and sectors that have a positive social impact, Islamic banking plays a role in improving the welfare of the community.

Islamic banking performance development model should reflect the integration of financial efficiency and social responsibility based on Maqasid Shariah principles. Islamic banks need to adopt a balanced performance management approach between financial aspects, product innovation, sharia compliance, digital technology, and social responsibility. Through the application of this model, Islamic banking can improve its performance and relevance in supporting fair and sustainable economic growth in accordance with Islamic values [20].

DISCUSSION

Analysis of Islamic Banking Performance based on Maqashid Syariah

In analysing the performance of Islamic banking based on Maqasid al-Syari'ah, it is important to understand that the main objective of Islamic banking is not only to make profits, but also to ensure broader social benefits. Maqasid al-Syari'ah, or the objectives of Islamic law, includes five main principles: protection of religion (hifz al-din), protection of the soul (hifz *al-nafs*), protection of the intellect (*hifz al-'aql*), protection of offspring (*hifz al-nasl*), and protection of property (*hifz al-mal*). In the context of Islamic banking, bank performance is assessed not only from a financial perspective, but also the extent to which the bank has succeeded in realising the objectives of Maqasid al-Shari'ah.[21] The following is an analysis of Islamic banking performance based on the previous discussion:

1. Protection of Religion (*Hifz al-Din*) through Shariah Compliance: Protection of religion requires all products and services offered by Islamic banks to be fully compliant with sharia principles.

Performance Analysis: Islamic banks have a Sharia Supervisory Board (DPS) that ensures that all products and operations of the bank comply with sharia rules. This can be measured by how often

[18] Zulkarnain Abdurrahman, 'Teori Maqasid Al-Syatibi Dan Kaitannya Dengan Kebutuhan Dasar Manusia Menurut Abraham Maslow', *Jurnal Ushuluddin: Media Dialog Pemikiran Islam*, 22.1 (2020), 52–70 <https://doi.org/10.24252/jumdpi.v22i1.15534>.

[19] Deza and Sofyani.

[20] Toriquddin.

[21] Aam Rusydiana and Yulizar Djamaluddin Sanrego, 'Measuring the Performance of Islamic Banking in Indonesia: An Application of Maslahah-Efficiency Quadrant (Meq)', *Journal of Islamic Monetary Economics and Finance*, 3 (2018), 103–30 <https://doi.org/10.21098/jimf.v3i0.909>.

sharia audits are conducted and whether new products receive a fatwa from the DPS. If the Islamic bank consistently obtains sharia certification and no violations of sharia principles are found, this indicates good performance in achieving this objective.

2. Protection of Property (*Hifz al-Mal*) through Transparency and Fairness in Transactions: Islamic banks aim to protect property through a fair financial system, without elements of riba, gharar, or maysir.

Performance Analysis: The performance of Islamic banks can be measured through financial ratios such as Return on Assets (ROA) and Return on Equity (ROE) which reflect the efficiency of asset management without violating sharia principles. In addition, the Financing to Deposit Ratio (FDR) ratio can show how much customer funds are channeled to productive sectors. Islamic banks that contribute significantly to ethical and sustainable real sector financing show that they protect people's wealth well.

3. Performance Analysis: The performance of Islamic banks can be measured through financial ratios such as Return on Assets (ROA) and Return on Equity (ROE) which reflect the efficiency of asset management without violating sharia principles. In addition, the Financing to Deposit Ratio (FDR) ratio can show how much customer funds are channeled to productive sectors. Islamic banks that contribute significantly to ethical and sustainable real sector financing show that they protect people's wealth well.

4. Protection of Intellect (*Hifz al-Aql*) through Financial Innovation and Education: The protection of the intellect in the context of Islamic banking can mean ensuring that people have access to sharia-compliant financial knowledge, so that they can make wise decisions.

Performance Analysis: Islamic banks that invest in Shariah-based financial education programmes and improve financial literacy for their customers perform well in protecting the mind. In addition, shariah-based financial product innovations that are easy to understand and transparent reflect the bank's commitment to responsible service delivery

5. Protection of Progeny (*Hifz al-Nasl*) through Ethical and Sustainable Financing: Islamic banks must ensure that they play a role in safeguarding the survival of future generations through sustainable and environmentally friendly financial practices.

Performance Analysis: Islamic banks that allocate financing to projects that support sustainable development, such as renewable energy, education, and social infrastructure, perform well in protecting future generations. Microfinance programmes for low-income families also reflect the protection of family welfare.

6. Balance between Profitability and Social Benefit: Islamic banking does not only aim to achieve profitability, but also social benefits. Good performance is shown by the balance between these two aspects.

Performance Analysis: Islamic banks that are able to generate healthy profitability, as shown through Net Profit Margin (NPM) and other ratios, while still running social programmes and maintaining sharia compliance, can be considered successful in achieving a balance between economic and social objectives.

7. Financial Inclusion and Economic Justice: Financial inclusion is one of the important objectives in Maqasid al-Shari'ah. Islamic banking must be able to reach all levels of society, especially those who have not been served by the conventional banking system.

Performance Analysis: Islamic banks that provide financial inclusion services, such as microfinance, Islamic investment products for the general public, and easy access through digital technology, demonstrate a commitment to achieving economic justice. The increase in the number of new customers from previously underserved communities is a good indicator of performance in this aspect.

8. The Role of Digital Technology in Improving Syariah Performance: Technology plays an important role in ensuring that Islamic banking can operate efficiently and provide Shariah-compliant services.

Performance Analysis: Islamic banks that adopt digital technologies such as mobile banking and Islamic fintech, as well as using blockchain to verify Islamic transactions, show significant progress in terms of operational efficiency and transparency. Digitalisation can significantly improve the accessibility and efficiency of Islamic services.

Analysis of Islamic banking performance based on Maqasid al-Syari'ah shows that in addition to considering profitability and efficiency, Islamic banking must pay attention to aspects of sharia compliance, social benefit, economic justice, and environmental sustainability. An optimal performance is one that is able to balance between financial and non-financial objectives, focusing on the protection of wealth, religion, and the welfare of society as a whole. A good implementation of Maqasid al-Shari'ah principles in Islamic banking performance measurement will strengthen the relevance and role of Islamic banks in achieving the goals of a just and sustainable Islamic economy.

Conformity between Theory and Practice in Islamic Banking based on Maqashid Syariah

In analysing the performance of Islamic banking based on Maqasid al-Syari'ah, it is important to review the conformity between the ideal theory proposed by the Maqasid al-Syari'ah concept and the practices that occur in the field. The Maqasid al-Shari'ah theory stipulates that Islamic banking should function to achieve public welfare through the principles of justice, sharia compliance, and the avoidance of usury, gharar, and maysir. However, in its implementation, there are challenges that cause variations between theory and practice.. [22] The following are the results of discussions and research on the compatibility between theory and practice in Islamic banking:

1. Shariah Compliance and Supervision

In theory, all Islamic banking products and services must comply with sharia law without compromise. Strong sharia supervision by the Sharia Supervisory Board (DPS) is expected to ensure absolute adherence to sharia principles.

In practice, shariah compliance may vary from bank to bank. Some studies show that there are Islamic banks that face obstacles in maintaining strict shariah compliance, especially in relation to new financial product innovations that are sometimes considered to be close to conventional banking practices. However, in general, Islamic banks have been able to maintain sharia compliance standards, although some products or financing schemes have occasionally drawn criticism from certain scholars or DPS for being less sharia-compliant.

2. Profitability vs. Social Good

Based on Maqasid Syariah, Islamic banks are expected to operate not only for profit, but also to achieve social goals such as empowering the people's economy, supporting the real sector, and avoiding speculation. This theory emphasises the balance between financial gain and social benefit.

In practice, many Islamic banks still focus more on profitability, following the pressures of a competitive market. Despite CSR programmes, zakat and social initiatives, their contribution is often not commensurate with the scale of profitability generated. Research shows that Islamic banks tend to focus on more profitable products such as murabahah financing (sale and purchase with a fixed profit margin) compared to profit-sharing-based products such as mudharabah or musyarakah, which are more in line with Maqasid principles, but riskier and require more complex management.

3. Shariah-based Risk Management

Risk management in Islamic banking must follow sharia principles, such as avoiding speculation (maysir) and uncertainty (gharar). This theory emphasises sound and fair financing, with risks distributed proportionally between the transacting parties.

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[22] Anton Sudrajat and Amirus Sodiq, 'ANALISIS PENILAIAN KINERJA BANK SYARIAH BERDASARKAN INDEKS MAQASID SHARI'AH (Studi Kasus Pada 9 Bank Umum Syariah Di Indonesia Tahun 2015)', *BISNIS : Jurnal Bisnis Dan Manajemen Islam*, 4.1 (2016), 178 <https://doi.org/10.21043/bisnis.v4i1.1688>.

In practice, some Islamic banks still face challenges in implementing Shariah-based risk management. Although profit-sharing financing such as mudharabah and musyarakah are considered fairer in theory, Islamic banks tend to avoid these schemes due to higher risks and market preference for safer schemes such as murabahah. The research shows that Islamic risk management still needs to be improved to be more aligned with Maqasid al-Syari'ah, especially in terms of implementing transparency and fairness in risk sharing.

4. Economic Justice and Financial Inclusion

Maqasid al-Shari'ah emphasises economic justice and financial inclusion as part of the social objectives of Islamic banking. This theory requires Islamic banks to contribute to economic empowerment, especially for the poor and underserved, through microfinance and support for small and medium enterprises (SMEs).

Islamic banking practices show mixed results in terms of economic justice and financial inclusion. Some Islamic banks have launched financial inclusion products, such as microfinance, but the scale of implementation is still relatively small. Many Islamic banks have focussed on corporate or upper-middle class customers, while customers at the lower strata of society remain unreached. Research reveals that despite efforts to support financial inclusion, many Islamic banks still face obstacles in creating products that are both competitive and profitable in an inclusive market.

5. Use of Technology and Operational Efficiency

Maqasid al-Shari'ah theory supports the use of technology in Islamic banking to improve operational efficiency and transparency, as long as the technology complies with sharia principles.

The implementation of technology in Islamic banking continues to grow, but challenges remain in terms of equitable adoption across the sector. Some Islamic banks have started to develop digital services such as mobile banking and Islamic fintech to improve accessibility and efficiency, but the implementation has often not reached all operational areas. Larger Islamic banks tend to have more advanced systems compared to smaller or local Islamic banks 6. Penggunaan Teknologi dan Efisiensi Operasional

Teori Maqasid al-Syari'ah mendukung penggunaan teknologi dalam perbankan syariah untuk meningkatkan efisiensi operasional dan transparansi, selama teknologi tersebut mematuhi prinsip syariah.

Implementasi teknologi dalam perbankan syariah terus berkembang, namun masih ada tantangan dalam hal adopsi yang merata di seluruh sektor. Beberapa bank syariah telah mulai mengembangkan layanan digital seperti mobile banking dan fintech syariah untuk meningkatkan aksesibilitas dan efisiensi, namun penerapannya sering kali belum mencapai seluruh wilayah operasional. Bank syariah yang lebih besar cenderung memiliki sistem yang lebih maju dibandingkan dengan bank syariah yang lebih kecil atau lokal.

7. Social Responsibility and Contribution to Development

Sharia Maqasid theory emphasises that Islamic banking should contribute to social and economic development in a sustainable manner, with a focus on social responsibility through zakat, alms and development programmes.

In general, Islamic banks attempt to carry out their social responsibility through CSR programmes, zakat distribution, and various other social activities. However, research shows that the scale of these social contributions has often not been proportional to the scale of the bank's own business. In some cases, there is criticism that Islamic banks' social programmes are more symbolic than the real impact expected from a Maqasid al-Shari'ah perspective.

Based on the analysis of compatibility between theory and practice, it can be concluded that although Islamic banking in principle strives to follow the Maqasid al-Shari'ah theory, there are some challenges in implementation. Some Islamic banks prioritise more financially profitable products, which sometimes comes at the expense of fairer sharia principles. In addition, constraints in risk management, limitations on product innovation, and a greater focus on profitability rather than social objectives, point to a gap between theory and practice. To improve performance in line with Maqasid al-Shari'ah, Islamic banking needs to balance financial and social objectives, and strengthen risk management, Shariah compliance and financial inclusion.

CONCLUSION

The conclusion of this study shows that Islamic banking, although trying to maintain compliance with the Maqasid al-Shari'ah principle, still faces various challenges in its implementation. Shariah compliance is the main focus with the supervision of the Shariah Supervisory Board (DPS), but its implementation has not been fully consistent, especially in relation to financial product innovation which often leans more towards sale and purchase schemes such as murabahah rather than profit-sharing based products such as mudharabah and musyarakah, which are more in line with the values of justice in Maqasid Shariah. In addition, there is a gap between the focus on profitability and the goal of social benefit. Many Islamic banks prioritise profitability with social programmes that are still limited in scale.

In terms of risk management, although the Maqasid Syariah theory demands fair risk sharing, Islamic banks still tend to favour products with lower risks. Product innovation and the use of technology have also shown progress, but their application is still not optimal, especially in reaching more people through digital services. In addition, financial inclusion, which is one of the objectives of Maqasid Syariah, is still limited, with Islamic banks mainly focusing on middle-income customers, while low-income groups are less accessible. Social responsibility (CSR) programmes and contributions through zakat have also not yet had a significant impact in supporting the welfare of the wider community.

Therefore, Islamic banking needs to improve several aspects, such as increasing innovation in profit-sharing-based products, strengthening Islamic risk management, and expanding the scope of financial inclusion through digitalisation. In addition, social benefit programmes should be better integrated with business strategies to ensure that Islamic banks do not only focus on profitability, but also truly contribute to the welfare of the ummah in accordance with the objectives of Maqasid al-Shari'ah.

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