

Application of Maqasid Al-Shariah in Islamic Economics and Finance as the Development of Products of Islamic Value

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Abstract: This research aims to analyze the application of Maqasid Al-Shariah in Islamic Economics and Finance for developing products with Islamic values. Maqasid Al-Shariah, which includes the primary objectives of Islamic law protection of religion, life, intellect, lineage, and property is the focus to ensure financial products comply with Shariah law and benefit the Muslim community. A qualitative descriptive analysis method is used to illustrate how Maqasid Al-Shariah is implemented in Islamic economics and finance. Data collection involves comprehensive literature reviews, in-depth interviews with Islamic economic experts, and documentation of Shariah-compliant financial products. The literature review provides a theoretical foundation, while interviews and documentation offer practical insights into Maqasid Al-Shariah's real-world applications. The findings indicate that Maqasid Al-Shariah plays a crucial role in guiding the development of Islamic financial products that reflect Islamic values and meet the Muslim community's needs. In-depth analysis of financial products, such as savings, investments, and Shariah-compliant financing, shows how Maqasid Al-Shariah underpins their development. For instance, savings and investment products based on Maqasid Al-Shariah ensure halal funds, fair profit distribution, and risk protection. The practical implications of this research are significant for Islamic financial industry practitioners. Understanding Maqasid Al-Shariah's application helps them design and develop products that comply with Shariah principles and benefit the Muslim population. These products are expected to comprehensively meet the financial needs of the Muslim community, including protection against economic uncertainties, sustainable wealth management, and contributions to overall social welfare.

Keywords: Maqasid Al-Shariah; Islamic Economics; Islamic Finance; Islamic Value Products

1. Introduction

Islamic Economics is a comprehensive system intricately built upon the principles of Shariah, which are derived from the divine norms and values embedded in the Qur'an and Hadith. This system not only focuses on the legalistic aspects of transactions and financial dealings but also integrates the ethical, social, and spiritual dimensions of economic activities. To fully comprehend the essence of Shariah within the context of Islamic Economics, it is crucial to undergo a paradigm shift in our approach. Traditionally, there has been a strong reliance on a literalist interpretation of Shariah, which emphasizes the textual and legal meanings found in religious texts. While this approach ensures adherence to the explicit commands of Shariah, it often overlooks the broader moral and ethical objectives that these commands intend to achieve. There is a growing recognition of the need to adopt a more substantive approach to Shariah. This approach seeks to understand and implement the moral ideals and genuine meanings behind the texts, which are transhistorical and universal in nature. It involves looking beyond the surface-level directives to

grasp the underlying principles that promote justice, equity, and social welfare. By focusing on these higher objectives, the substantive approach aligns economic practices with the ultimate goals of Shariah, ensuring that they contribute to the overall well-being of society. In Islamic finance, this shift from a literalist to a substantive approach means not only ensuring that financial transactions are free from *riba* (interest) but also that they promote economic justice and social responsibility. It involves designing financial products that cater to the needs of the less privileged and support sustainable economic development. Similarly, in the broader context of Islamic Economics, this paradigm shift encourages policies and practices that foster wealth distribution, poverty alleviation, and community development.¹

This paradigm shift is imperative because texts are inherently limited while reality is boundless. The traditional, literalist approach to Shariah often falls short in addressing the complex and evolving nature of modern economic realities. A substantive approach, therefore, becomes essential to bridge this gap. Among the various substantive approaches proposed, the use of *Maqasid Shariah* stands out as particularly significant. *Maqasid Shariah* refers to the higher objectives or the essential purposes of Islamic law, formulated into five fundamental elements: the preservation of religion, life, intellect, progeny, and wealth. These elements provide a comprehensive framework that transcends the literal interpretations of texts, aiming to capture the spirit and moral essence of Shariah. Subsequently, in classical theory, *Maqasid Shariah* is further developed into three hierarchical levels: *daruriyyat* (primary needs), *hajjiyat* (secondary needs), and *tahsiniyyat* (tertiary needs). *Daruriyyat* refers to the essential and fundamental necessities that must be fulfilled for human survival and well-being, such as food, clothing, shelter, and security. *Hajjiyat* encompasses the complementary needs that facilitate ease and remove hardship in life, such as education, transportation, and healthcare. *Tahsiniyyat* includes the additional, enhancing aspects that contribute to overall comfort and refinement in life, such as cultural, artistic, and recreational activities. By recognizing these levels, the *Maqasid* framework provides a nuanced understanding of human needs and priorities.²

It is argued that it is through the lens of *Maqasid Shariah* that the concept of Islamic economics should be developed. This approach ensures that Islamic economics retains its divine morality, aligning economic practices with the higher objectives of Shariah. It emphasizes the importance of ethical and moral considerations in economic decision-making, promoting justice, equity, and social welfare. At the same time, the *Maqasid* framework allows Islamic economics to dynamically, progressively, and effectively address contemporary economic challenges. By focusing on the higher objectives of Shariah, this approach enables the development of economic policies and practices that are not only compliant with Islamic principles but also responsive to the needs and demands of modern society. One of the key benefits of adopting a *Maqasid*-based approach in Islamic economics is its flexibility and adaptability. Unlike a rigid, literalist interpretation of texts, the *Maqasid* framework allows for the consideration of changing circumstances and new developments. This flexibility is crucial in a rapidly evolving global economy, where new challenges and opportunities constantly arise. By focusing on the higher objectives of Shariah, Islamic economics can develop innovative solutions that address these challenges while remaining true to its ethical and moral foundations.

The *Maqasid* approach promotes a holistic and inclusive view of economic development. It recognizes that economic activities do not exist in isolation but are interconnected with social, cultural, and environmental factors. By prioritizing the preservation of religion, life, intellect, progeny, and wealth, the *Maqasid* framework ensures that economic development is balanced and

¹ Hassan, MK, A Muneeza, ... M Saraç - Economic Framework for Muslim and, and undefined 2021. n.d. "Need to Redefine Islamic Finance in the Light of *Maqasid Al-Shariah*." Springer. Accessed December 26, 2023. https://link.springer.com/chapter/10.1007/978-3-030-76016-8_2

² BP, AM, ... RP Wijaya - *Iktisab: Journal of Islamic Economic*, and undefined 2018. 2018. "The Implementation of *Maqashid Shari'ah* as the Tool of Data Analysis in Islamic Economic Law Research." *Ejournal.Unida.Gontor.Ac.Id2(1)*.<https://ejournal.unida.gontor.ac.id/index.php/aliktisab/article/view/2397>.

sustainable. It encourages policies that promote not only economic growth but also social justice, environmental protection, and overall human well-being.³ The paradigm shift from a literalist to a substantive approach, centered around Maqasid Shariah, is essential for the effective development of Islamic economics. This approach ensures that Islamic economics retains its divine morality while dynamically addressing contemporary economic challenges. By focusing on the higher objectives of Shariah, the Maqasid framework provides a flexible, adaptable, and holistic foundation for economic development, promoting justice, equity, and social welfare in alignment with Islamic principles.⁴

Based on the exposition above, this research is focused on understanding the fundamental philosophy underlying the formulation and development of Islamic economics. Islamic economics is closely related to Maqasid Shariah, particularly *hifz al-mal*, aiming to create human well-being and happiness by balancing the circulation of wealth justly and equitably, both on a personal and societal level. Understanding Maqasid Shariah is a necessity in exercising *ijtihad* to address various economic challenges. This understanding is not only required for formulating macroeconomic policies but also for microeconomic policies. In the economic context, Maqasid Shariah plays a dual role: as a control tool and a social engineering instrument to realize human welfare. It provides a rational philosophical foundation for economic activities. Without Maqasid Shariah, the understanding and practice of Islamic economics would be narrow, rigid, static, and sluggish, losing the spirit and substance of Shariah. Conversely, with Maqasid Shariah, Islamic economics evolves as elastic, dynamic, consistent with the universal nature of Islamic Shariah, and relevant for all times and places.

2. Method

This study uses a qualitative approach with methods of descriptive analysis to investigate the application of Al-Shariah Maqasid in the field of Islamic Economy and Finance as the development of products with Islamic values. Descriptive analyses are carried out by describing in detail how Al-Shariah Maqasid is applied in Islamic economic and financial contexts, especially in the Development of products that hold Islamic value. Data will be collected through literature studies, interviews with Islamic economists, and analysis of documentation of sharia-based financial products. In addition, this qualitative approach allows researchers to gain a deep understanding of the perceptions and experiences of stakeholders related to Shariah-based financial products. By conducting in-depth interviews and content analysis of the views of experts and practitioners in the field, the study seeks to detail their views on the relevance, effectiveness, and potential for further development of these products. Thus, this research method not only identifies the application of Al-Shariah Maqasid in financial products, but also explores its impact contextually and provides diverse perspectives from stakeholders, contributing to a comprehensive understanding of the contribution of al-Shariah Maqasid to Islamic economic and financial development.

³ Gwadabe, NAB, ... A Ab Rahman - Muamalat and Islamic Finance, and undefined 2020. n.d. "The Role of Islamic Finance in Mitigating the Economic Impact of COVID-19 towards the Attainment of Maqasid al Shariah: A Case Study of Waqf Institutions in Kano State." Oarep.Usim.Edu.My 17: 59–70. Accessed December 26, 2023. <https://oarep.usim.edu.my/jspui/handle/123456789/6715>.

⁴ Wahyuni, S, ... P Pujiharto - Riset Akuntansi dan, and undefined 2020. n.d. "Sharia Maqashid Index and Its Effect on The Value of The Firm of Islamic Commercial Bank in Indonesia." Journals.Ums.Ac.Id. Accessed December 26, 2023. <https://journals.ums.ac.id/index.php/reaksi/article/view/9493>.

3. Analysis or Discussion

3.1. Al-Shariah Maqasid and the Islamic Economy

Maqashid sharia is not a new thing especially among those who pursue Islamic economics because there is always a link between the objectives of Islamic economics and maqashid sharia. In Islamic economics, in addition to the Quran and Hadith, it is also necessary to understand maqashid sharia to know the intent of sharia in terms of property as a guide to the formulation of laws and moral messages contained. Maqashid sharia is not only popular among academics but also popular among practitioners of Islamic economics. Some Muslims believe that every law of Allah addressed to his servants is nothing but for the benefit because it contains a lot of wisdom both in the world and in the hereafter, if in a law does not contain benefits then it can be ascertained that the law is not from Allah. Including in terms of economics, the provisions of Allah and the apostle have the purpose of *maslahah* not to complicate the situation. The study of maqashid sharia is very urgent because it is one of the elements in determining laws that were previously not found in the Quran and Hadith with many social changes, technology and economic progress.⁵ The study of maqashid sharia is also very important when formulating, determining and making policies in every Islamic banking and Islamic finance product.

The operational system of Islamic financial institutions is guided by the DSN-MUI fatwa in managing the practices and products of Islamic financial institutions so as not to get out of line from Islamic economics because the purpose of the fatwa regulated by DSN is to ensure that every product and operating system of Islamic financial institutions is in accordance with Islamic law. To ensure the supervision mechanism in every Islamic financial institution, the Sharia Supervisory Board (DPS) was formed by the DSN, the DPS supervises in accordance with the fatwa issued by the DSN so that Islamic financial products and systems are compatible with Islamic principles.⁶

Product development in Islamic financial institutions DSN and DPS requires caution in finding *ilal* and looking for *maslahah* and disciplines related to Islamic financial institutions to minimize *mudharat* according to maqashid sharia. Regulations, fatwas and Islamic financial products formulated will be rigid and static and difficult to develop without the maqashid sharia rules and also lose the substance of sharia itself and it is difficult to compete with conventional financial institutions.

3.2. The Purpose and Objectives of Maqashid Sharia

Scholars agree that every sharia law must have a reason (*illah*) and purpose (*maqashid*) to build and maintain human welfare.⁷ According to Ibn Qayyi, *Al-jawziyyah* sharia is a policy and the achievement of protection for each person in the life of the world and the hereafter. Ignorance of maqashid sharia will encourage some people to deny the laws revealed by Allah. The benefit to be achieved by sharia is general and universal, which is not only for individuals but collectively and as a whole. The benefit applies not only for a certain time, but throughout time and throughout life. What must be understood is that maqashid sharia boils down to benefit, the goal is to uphold the benefit of humans as social beings who must be responsible for themselves and also to the

⁵Bahri, Efri Syamsul, Mohd Mizan, Mohammad Aslam, Abdullah Alwi, and Hj Hasan. n.d. "Maqasid Al-Shariah in Micro-Entrepreneurs Development: An Overview." *Iconzbaznas.Com*. Accessed December 26, 2023. <https://www.iconzbaznas.com/submission/index.php/proceedings/article/view/182>.

⁶ Abubakar, M, KJ Ringim - *Journal of Emerging Economies & Islamic*, and undefined 2018. 2018. "Application of Normative Frameworks for Assessing Availability of Socio-Economic Policies Based on Maqasid al Shari'a Principles in Muslim Countries: A Proposal." *Ir.Uitm.Edu.My* 6 (2): 40-46. <https://ir.uitm.edu.my/id/eprint/32256/>.

⁷ finance., H Ahmed - *Journal of Islamic*, and undefined 2014. 2018. "Islamic Banking and Shari'ah Compliance: A Product Development Perspective." *Platform.Almanhal.Com* 6 (2): 40-46. <https://platform.almanhal.com/Files/Articles/85073>.

creator. In realizing the benefits and damage in the world and in the hereafter, maqashid sharia becomes three levels, namely dharuriyah, hajjiyah and tahsiniyah.

Dharuriyah is an obligation that must be fulfilled immediately to prevent dangers that risk the destruction of human life. It represents primary needs that must be met by both individuals and the state to achieve benefit and avoid damage. Dharuriyah is divided into five essential elements, known as al-kulliyat al-khamsah: preserving religion, life, intellect, offspring, and property. When these five elements are fulfilled, they lead to *falah*, a state of glory and prosperity in both this world and the hereafter. If any of these elements are not met, life becomes disrupted, leading to negative impacts on both individuals and the state. Hajjiyah refers to needs that are necessary for obtaining convenience and eliminating difficulties that do not necessarily threaten survival. When fulfilled, hajjiyah enhances the efficiency, effectiveness, and overall quality of human life, although their absence does not pose a direct threat to safety. These needs are considered secondary and serve as complements to the primary needs, adding value and comfort to daily living. Meeting hajjiyah needs ensures a smoother, more manageable life experience, facilitating better social and economic interactions. Tahsiniyah, the last stage, encompasses actions that should be performed to achieve benefits and should be avoided if they lead to harm. These are also known as tertiary needs, which, if unmet, do not threaten the existence of dharuriyah or cause significant difficulties. Tahsiniyah includes aspects that enhance the quality of life, promoting refinement and culture. Although not essential for survival, fulfilling these needs contributes to a more enriched and harmonious life, supporting overall well-being and societal progress.

Social changes and developments in the modern era have led to inevitable changes in all fields, particularly in Islamic financial institutions. To address the challenges of modernization and renewal, a systematic method is required to produce comprehensive and consistently evolving laws. This approach ensures that the principles of dharuriyah, hajjiyah, and tahsiniyah are upheld while adapting to contemporary needs. By integrating these elements, Islamic financial institutions can create products and services that not only comply with Shariah but also respond effectively to the dynamic economic landscape, providing solutions that align with both ethical standards and practical demands. This comprehensive approach underscores the importance of a balanced and holistic view in developing financial systems that support the well-being of the Muslim community and society at large. Maqashid Sharia is a very important concept in the development of Islamic financial institutions, as expressed by Ahcene Lahsasna "Maqashid Sharia is the most important concept in strengthening the concept of Islamic finance today so that the activities of Islamic financial institutions can implement the concept of sharia and a proper understanding is needed regarding the concepts, features, principles and categories of maqashid sharia so that it can be implemented".

3.3. Position and Function of Maqashid Sharia

Maslahat is a general rule that is extracted from many *furū'* issues that come from legal arguments. The *fiqh* law in the *furū'* problem is analyzed and concluded that everything has one point in common, namely to fulfill or protect the servant's *maslahat* in this world and in the hereafter. Dr. Said Ramadhan Al-buthi explained that *maslahat* is not an argument that can stand alone like the Al-Quran, Hadith, consensus and *qiyas*, but *maslahat* is a general rule that is the conclusion of a set of laws derived from the *shar'i* arguments. (M. K. Hassan, Muneeza, and Saraç 2021) *Maslahat* must have an argument either from the Qur'an, hadith, consensus and *qiyas* or at least there is no argument against it. If *maslahat* stands alone then *maslahat* becomes invalid and cannot be used as a backing. *Maslahat* cannot be a stand-alone argument and the basis of *tafsili* law, but its legality must be supported by *shar'i* evidence. Maqashid sharia cannot be used as the only element to determine a law or fatwa needed, but in every formulation of law or fatwa must also go through other rules as in the discussion of *ushul fiqh*.

According to Dr. Oni Sahroni, Maqasid Shariah holds two significant positions in Islamic law. Firstly, it serves as one of the sources of law, particularly in areas where explicit guidance is not provided in the Quran (nash) and Hadith. Secondly, it functions as a legal target, ensuring that every result of *ijtihad* (independent reasoning) and Shariah law fulfills the aspects of *maslahah* (public interest) and the essential needs of human life. In the rapid development of Islamic finance, Maqasid Shariah becomes increasingly crucial because many issues related to Islamic finance are not explicitly mentioned in the Quran and Hadith. Consequently, Maqasid Shariah acts as a source of law and an indicator for fatwas (legal opinions) issued by the National Sharia Council (DSN) under the Indonesian Ulema Council (MUI). The Organization of the Islamic Conference (OIC) emphasizes that every fatwa must incorporate Maqasid Shariah, providing several key benefits. Maqasid Shariah ensures a comprehensive understanding of the Quranic texts and Hadiths, along with their rulings. This holistic approach allows for a more nuanced interpretation that considers the broader objectives of Islamic law. Secondly, it enables scholars to comment on the opinions of various *fuqaha'* (Islamic jurists) based on Maqasid Shariah, using it as one of the standards (*murajjihat*) for preferring one opinion over another. This helps in making informed and balanced legal decisions.

Understanding the *ma'alat* (long-term considerations) of human activities and policies in relation to their legal provisions is another critical benefit highlighted by the OIC. This perspective ensures that legal rulings not only address immediate concerns but also consider future implications, promoting sustainable and beneficial outcomes for the community. The decision of the OIC International Islamic Fiqh Majma' session No. 167, held during the 11th conference in Kuala Lumpur in 2007, underscores the importance of incorporating Maqasid Shariah in all fatwas to achieve these comprehensive benefits. In summary, Maqasid Shariah plays a vital role in the evolution of Islamic finance, providing a framework that bridges the gaps not explicitly covered by traditional texts. It ensures that legal rulings are aligned with the overarching objectives of Shariah, promoting public interest and addressing the needs of human life. By integrating Maqasid Shariah, the National Sharia Council and other Islamic legal bodies can issue more relevant and effective fatwas, contributing to the dynamic and progressive development of Islamic finance.

From the three benefits of *maqashid sharia* above, it emphasizes that linking legal status with *maqashid sharia* is very important so that the resulting fatwa does not conflict with *maslahah* and human needs especially in the field of Islamic financial products with an increasingly advanced world of increasing human needs, the community needs fatwa as a guideline or rule in transactions and also a guideline for all Islamic financial institutions so as not to deviate from Islamic rules.⁸ Among the practices that are contrary to the *maqashid* of Shariah is the practice of *hilar ribawial* (engineering), a prohibited *ribawi* practice. This is emphasized in the AAOIFI sharia standard: "it is not permissible to direct Islamic financial institutions to carry out *hilar* that is prohibited by sharia because it is contrary to *maqashid sharia* (the purpose of the law)". Ahcene Lahsasna revealed that the concept of *Maqashid sharia* is indispensable to discuss the concept of Islamic finance.

Maqasid Shariah serves multiple crucial functions in Islamic jurisprudence and the development of Islamic finance. Firstly, it establishes the parameters of *maslahah* (public interest) and *mafsadah* (harm), guiding scholars and jurists in evaluating the benefits and drawbacks of legal rulings and policies. Understanding the diverse levels and objectives of Shariah, along with their priorities and categories, is essential for ensuring that Islamic principles are applied effectively and comprehensively. Maqasid Shariah examines the relationship between the objectives set by the Lawgiver (Allah) and their compliance in ensuring the consistency and adherence of Shariah principles across various contexts. This framework facilitates the reasoning process in deriving *muamalah* (transactions and interactions) laws, ensuring they align with the ethical and moral compass of Islamic teachings. Maqasid Shariah also acts as a gateway for extending analogies to Shariah rulings in different cases based on their underlying causes. This allows for a flexible application of Islamic principles to contemporary issues and contexts, fostering adaptability while

⁸ Zailani, MN, ... NHM Satar - ... and Islamic Finance, and undefined 2022. n.d. "Maqasid Al-Shariah Based Index of Socio-Economic Development: A Literature Review." Oarep.Usim.Edu.My. Accessed December 26, 2023. <https://oarep.usim.edu.my/jspui/handle/123456789/20105>.

maintaining the integrity of Islamic jurisprudence. Maqasid Shariah plays a critical role in assessing ahad hadith (singular narrations), providing a measure against which the authenticity and applicability of these narrations can be evaluated. This ensures that only sound and relevant narrations are considered in legal interpretations and rulings.

In the context of Islamic finance, the National Sharia Council (DSN) relies heavily on Maqasid Shariah in issuing legal opinions. Maqasid Shariah serves as a foundational source of consideration and determination for regulations, ensuring that the development of Islamic financial products adheres to classical Islamic economic concepts and principles. This approach facilitates the compatibility of Islamic financial institutions with contemporary economic realities, enabling them to operate in accordance with Shariah while meeting the financial needs of the Muslim community effectively. Maqasid Shariah provides a comprehensive framework for legal reasoning and decision-making in Islamic jurisprudence, particularly in Islamic finance. It guides scholars in issuing ijthad (independent legal reasoning) and ensures that legal resolutions are relevant, ethical, and aligned with the higher objectives of Shariah. This approach not only upholds the integrity of Islamic principles but also promotes the development of sustainable and beneficial practices within the realm of Islamic finance.⁹

3.4. Sharia Maqashid in Product Development at the Sharia Financial Institute

Sharia Financial Institutions (LKS) are institutions whose activities collect funds and distribute them on the basis of sharia principles. The development of Islamic financial institutions has increased both in terms of quality and quantity.¹⁰ Sharia Financial Institutions (LKS) according to the National Sharia Council (DSN) are financial institutions that issue Islamic financial products and obtain operational licenses as Islamic financial institutions.¹¹ This definition explains that Islamic financial institutions must fulfill two elements, namely compliance with sharia and the legality of operating as a financial institution. Opportunities for financial institutions are wide open in Indonesia if managed properly due to several factors.

The concept of justice in Islamic finance is intricately tied to Sharia principles, emphasizing fairness, transparency, and mutual benefit in every transaction conducted with Islamic financial institutions. This ensures that partnerships and dealings uphold Islamic values, fostering trust and comfort among all stakeholders involved. This commitment to justice extends to promoting accountability and ethical conduct, ensuring that financial interactions are not only legally sound but also morally upright. Indonesia's substantial Muslim population presents a robust opportunity for Islamic financial institutions to thrive and innovate. With a demographic majority adhering to Islamic principles, these institutions have a fertile ground to develop and introduce new financial products that resonate with the religious and ethical preferences of their clientele. This demographic advantage enables Islamic financial institutions to tailor offerings that meet the unique needs and sensitivities of Muslim consumers, thereby enhancing market penetration and competitiveness.

⁹ Dusuki, AW, A Abozaid - International Journal of Economics, and undefined 2007. 2007. "A Critical Appraisal on the Challenges of Realizing Maqasid Al-Shariaah in Islamic Banking and Finance." Journals.iium.Edu.My 15 (2): 143–65. <https://journals.iium.edu.my/enmjurnal/index.php/enmj/article/view/133>.

¹⁰ Siddiqi, MF, S Jan, K Ullah - Business and Economic Review, and undefined 2019. n.d. "Maqasid al Shariah and Stakeholders' Wellbeing in Islamic Banks: A Proposed Framework." Academia.Edu. Accessed December 26, 2023. <https://doi.org/10.22547/BER/11.1.4>.

¹¹ Mohammed, MO, FM Taib - of Islamic Monetary Economics and Finance, and undefined 2015. n.d. "Developing Islamic Banking Performance Measures Based on Maqasid Al-Shari'ah Framework: Cases of 24 Selected Banks." Jimf-Bi.Org. Accessed December 26, 2023. <http://www.jimf-bi.org/index.php/JIMF/article/view/483>.

The legitimacy and adherence to legal frameworks are foundational to Sharia financial institutions. Operating strictly within the bounds of Islamic law, these institutions derive guidance from fatwas issued by the National Sharia Council (DSN). These fatwas serve as authoritative guidelines, ensuring that each Sharia-compliant financial product complies rigorously with Sharia principles and regulatory requirements. Such adherence not only provides clarity and assurance to stakeholders but also bolsters the credibility and trustworthiness of Islamic financial institutions in the eyes of consumers and investors alike. The integration of justice, demographic advantage, and strict adherence to Sharia principles underscores the robustness and ethical foundation of Islamic finance in Indonesia. This holistic approach not only facilitates sustainable growth and innovation within the industry but also strengthens the position of Islamic financial institutions as ethical leaders in the global financial landscape.

4. Functions of financial institutions

Islamic financial institutions are intermediary institutions that bring together parties who have excess funds (surplus of funds) with parties who experience a shortage of funds (lack of funds).¹² The functions of financial institutions encompass several key roles. They raise funds from the public, streamline the exchange of products through financial services, and provide valuable information to users of financial services, thereby opening up profit opportunities. Additionally, financial institutions offer legal guarantees regarding the security of entrusted public funds and create liquidity, ensuring that stored funds are accessible when needed.

The purpose of maqashid sharia is to balance the monetary sector and the real sector to prevent economic imbalances.¹³ The situation is always changing with the conditions of the times, so it becomes the basis of the importance of the establishment of economic science through a methodology.¹⁴ Without the right methodology, the consequence is that if in the future there is a fundamental change in global economic practices, then it will also look for new and appropriate justification tools, or conversely experience a tragic situation and difficult to develop.

Maqashid sharia is one of the main requirements in terms of ijtihad to answer the various problems of economic and financial life that continue to grow.¹⁵ Maqashid sharia is not only needed to formulate macroeconomic policies, but also to create Islamic banking and financial products. Maqashid sharia is also indispensable in making banking regulations and products in Islamic financial institutions, so that they develop properly in accordance with the rapidly changing business progress.¹⁶ so that an in-depth study of the concept of maqashid sharia related to Islamic financial products will give birth to innovative products in accordance with sharia so that Islamic financial institutions can be creative in creating new products and can compete with conventional

¹² Studies, ARY Ahmad - Islamic Economic, and undefined 2011. n.d. "Role of Finance in Achieving Maqāṣid Shari'ah." Platform.Almanhal.Com. Accessed December 26, 2023. <https://platform.almanhal.com/Files/2/24445>.

¹³ Fitria, L, N Hija, ... M Arsyi - Maqasid al-Shariah, and undefined 2022. 2017. "A Bibliometric Mapping on Maqasid Shariah in Islamic Perspective." Journals.Smartinsight.Id 5 (3): 32–44. <https://www.journals.smartinsight.id/index.php/MSR/article/view/257>.

¹⁴ Asyraf Wajdi Dusuki, Assoc. 2009. "Challenges of Realizing Maqasid Al-Shari'ah (Objectives of Shari'ah) in the Islamic Capital Market: Special Focus on Equity-Based Sukuk Structures." https://www.academia.edu/download/53381434/Challenges_of_Realizing_Maqasid_al-Shariah_Objectives_of_Shariah_in_Islamic.pdf.

¹⁵ Abdurroziq, A, N Buri, ... M Arief - Fara'id and Wealth, and undefined 2022. n.d. "Maqashid Al-Shariah Implementation and Islamic Economics Industry in Indonesia." Journals.Smartinsight.Id. Accessed December 26, 2023. <http://journals.smartinsight.id/index.php/FWM/article/view/186>.

¹⁶ Zailani, MN, N Mohd Satar, RH Zakaria - & Social Finance (JIPSF), and undefined 2022. n.d. "A Review of Indicators for the Preservation of Wealth (Hifz al-Mal) Based on Maqasid al-Shariah." Ir.Uitm.Edu.My 4 (1): 2022. Accessed December 26, 2023. <https://ir.uitm.edu.my/id/eprint/59104/>.

bank products.¹⁷ Even Islamic banking rivals are not only conventional banks but also fintech companies that are mushrooming in Indonesia by offering environmentally friendly services and products.¹⁸ When viewed from the innovation of Islamic banking which is slightly weaker than other financial institutions such as fintech, this is the beginning of the gradual decline of Islamic banking, and over time the function of Islamic banking will be replaced by the role of fintech companies that continue to innovate.¹⁹ Basically, Islamic banking as a sector that is classified as an old and experienced player and is supported by many parties, both regulations and capital, Islamic banking needs to follow the flow like fintech companies that are classified as advanced. Not only that, Islamic banking must make changes to financing patterns, as is the pattern of fintech companies that are oriented towards solving community problems related to finance or innovating to make it easier for people to make transactions.

System innovations and improvements need to be made to maintain existence, and increase efficiency and defeat new competitors in the financial industry.²⁰ Because if seen from the current Islamic banking operational model by looking at changes in technology, it will be difficult for banks to maintain the loyalty of their customers. When viewed from the number of provinces, Indonesia has 34 provinces that have different needs, from these differences Islamic banking needs to create community needs in the use of money,²¹ because each region has a different transaction model, for example urban communities with rural communities have different needs for capital, and not the same transaction model, so Islamic banking cannot demand one group to have the same transaction model.²² Actually, this problem is a prospect for Islamic banking to formulate new transaction concepts that are more affordable, flexible and easily accessible to all circles by integrating in accordance with maqashid sharia, so that banks will continue to develop and carry out their role by creating new innovations in Islamic banking intermediation.

¹⁷ Qalam, IK Anggraini - Al, and undefined 2020. n.d. "Maqasid Al-Shariah Values on Managing Assets in the Indonesian Muslim Merchant Association (Ismi) East Java Perspective." *Jurnal.Uinbanten.Ac.Id* 37 (2): 22. Accessed December 26, 2023. <https://doi.org/10.32678/alqalam.v37i2.3621>.

¹⁸ Lahsasna, A, MK Hassan - Islamic capital markets: Products, and undefined 2012. n.d. "The Shariah Process in Product Development and Approval in ICM." Wiley Online Library. Accessed December 26, 2023. <https://onlinelibrary.wiley.com/doi/abs/10.1002/9781119206040.ch2>.

¹⁹ Rusydiana, AS, MM Ali - Maqasid al-Shariah Review, and undefined 2022. 2017. "The Application of Maqasid Shariah on Banking Industry." *Journals.Smartinsight.Id* 5 (3): 32–44. <http://journals.smartinsight.id/index.php/MSR/article/view/261>.

²⁰ Technology, MA Hurayra - Global Journal of Computer Science and, and undefined 2015. n.d. "Achievement of Maqasid-al-Shari'ah in Islamic Banking: An Evaluation of Islami Bank Bangladesh Limited." *Core.Ac.Uk*. Accessed December 26, 2023. <https://core.ac.uk/download/pdf/231151965.pdf>.

²¹ Dusuki, AW, NI Abdullah - American Journal of Islamic Social, and undefined 2007. n.d. "Maqasid Al-Shariah, Maslahah, and Corporate Social Responsibility." Books.Google.Com. Accessed December 26, 2023. <https://books.google.com/books?hl=id&lr=&id=qJc3DwAAQBAJ&oi=fnd&pg=PA25&dq=Application+of+Maqasid+Al-Shariah+in+Islamic+Economics+and+Finance+as+the+Development+of+Products+of+Islamic+Value&ots=5bCPaEd-D4&sig=Dxtn2jA8C8zmh-nSEsXPspQD0Y>.

²² Ullah, S, ... AK Kiani - of Emerging Economies and Islamic, and undefined 2017. 2017. "Maqasid-al-Shariah-Based Socio-Economic Development Index (SCECDI): The Case of Some Selected Islamic Economies." *Myjms.Mohe.Gov.My* 5 (3): 32–44. <https://myjms.mohe.gov.my/index.php/JEEIR/article/download/8829/3943>

5. Conclusion

The existence of the Sharia banking industry not only meets the needs of the community but also has great prospects and potential if implemented all segments of Sharia financial because of the implementation of Islamic values in practice, for example avoided from the elements of interest, fraud, the unclearness of a barrier and the presence of an agreement by both parties that mutually agree a deal in an barrier. This is because every sharia banking movement is governed by religion so it is required in its operational activities to pay attention to the principles that he has toured in the sharia economy. Not only do they observe what has been prescribed in the law, the Qur'an and the hadiths but in the shariah banking there is also the Shariah Supervisory Council or better known as the DPS. The supervisory council is tasked to oversee the operational traffic of the banking so as not to exit the economic corridors of the shariat. Making transactions with the Shariah system is not only seeking profit in the world, but also to the happiness of the Hereafter. Thus, the function of Maqashid shariah is a tool to understand the meaning of the Qur'an and Hadith as well as to be an important aspect in the development of products in the Shariah financial institutions and also to respond to the social changes and times so that the sharial economy continues to exist and to re-lead the economy. Other must understand the concept of maqashid shariah so that the products produced are not stiff and narrow so that it is impeded against the development of the sharia financial institutions.

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