

Implementation of Maqashid Syariah Principles in Islamic Microfinance Practices in Indonesia

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ABSTRACT

This study examines the implementation of Maqashid Syariah principles in Islamic microfinance practices in Indonesia. Using a quantitative approach, data were collected from 64 respondents through a structured questionnaire measured on a 5-point Likert scale. The data were analyzed using SPSS version 25, applying descriptive statistics, validity and reliability tests, correlation, and regression analysis. The findings indicate that Islamic microfinance institutions (IMFIs) in Indonesia generally demonstrate a high level of alignment with Maqashid Syariah principles, particularly in the preservation of wealth (mal) and life (nafs). Regression analysis revealed that these two dimensions are the most influential in shaping microfinance practices, while intellect ('aql) was found to be relatively less emphasized. The results highlight that IMFIs not only provide Sharia-compliant financial services but also contribute significantly to social welfare, poverty alleviation, and ethical financial inclusion. However, the study suggests that greater efforts are needed to strengthen educational and literacy initiatives to enhance clients' long-term empowerment. Overall, the findings reinforce the role of IMFIs as vital institutions that integrate economic, social, and spiritual objectives in line with the vision of Islamic economics.

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1. INTRODUCTION

Islamic finance has grown rapidly over the past few decades as an ethical alternative to conventional financial systems, and in Indonesia—the world's largest Muslim-majority country—the development of Islamic financial institutions is critical for promoting financial inclusion and socio-economic welfare. Among these, Islamic microfinance institutions (IMFIs) such as Baitulmaal Wa Tamwil (BMT) have become

pivotal in serving low-income groups, empowering micro-entrepreneurs, and reducing poverty while adhering to Islamic principles that emphasize risk-sharing and the avoidance of Ribā, in line with the Maqashid Syariah framework [1], [2]. This approach not only supports economic growth but also enhances the holistic well-being of individuals and society, particularly in rural areas where IMFIs provide products tailored to the needs of farmers and households through equity- and debt-based financing [2].

The principles of Islamic finance aim to create a just and equitable financial system, contributing to poverty alleviation and reducing inequality by supporting low-income groups and micro-entrepreneurs [1], [3]. Despite these contributions, IMFIs face challenges such as uneven distribution and limited reach beyond Java and Muslim-majority provinces [4]. To enhance their role, policy support for digitalization and expansion strategies is recommended to ensure broader and more equitable financial inclusion across Indonesia [1].

Maqashid Syariah, as the higher objectives of Islamic law, encompasses the preservation of faith (din), life (nafs), intellect ('aql), lineage (nasl), and wealth (mal), ensuring that financial practices are not solely driven by material gain but also safeguard moral, social, and spiritual dimensions. In the context of microfinance, this framework emphasizes providing access to capital in ways that avoid exploitation, promote ethical business practices, and contribute to social justice and poverty alleviation, making it highly relevant for Islamic Microfinance Institutions (IMFIs) in Indonesia, which are tasked with balancing financial sustainability and equitable socio-economic development. Guided by Shariah principles, IMFIs prohibit interest (riba) and unethical investments, thereby ensuring transparency and ethical integrity in transactions [5], while financial audits rooted in Maqashid Syariah help maintain institutional adherence to these standards [6]. Moreover, the maqasidic emphasis on community welfare underlines the role of microfinance in addressing poverty, with instruments such as a Maqasid al-Shariah-based financial institutions development index proposed to measure IMFIs' contributions to social justice and economic growth [6]. At the same time, IMFIs must uphold wealth preservation and ethical standards to ensure both financial sustainability and long-term development [7], while striking a balance between the practical demands of the financial sector and the broader goals of Maqashid Syariah is critical for sustaining the progress of Islamic finance [8].

Despite the promising potential of Islamic Microfinance Institutions (IMFIs), questions remain regarding how effectively they implement the principles of Maqashid Syariah in practice, as previous studies reveal varying degrees of alignment, with some institutions prioritizing financial performance while neglecting the broader social aspects of Islamic teachings. In Indonesia, this challenge is evident where Islamic banking often emphasizes *hifdzul al-maal* (protection of wealth), focusing on safeguarding assets from usury and illegitimate transactions, thereby reflecting a stronger inclination toward financial security over other Maqashid Syariah principles [9], while factors such as financing risk, temporary equity funds, and capital adequacy further shape performance outcomes, emphasizing financial stability and governance [10]. On the other hand, efforts to integrate social objectives are also visible, as shown by the role of sharia audits in maintaining religion, soul, mind, wealth, and offspring [6], and fiscal policies by PT. Bank Syariah Indonesia Tbk that incorporate social welfare and green economic development, demonstrating a commitment to the broader goals of Maqashid Syariah [11]. Nevertheless, a gap persists between theoretical understanding and practical application, influenced by local factors and socio-political contexts, suggesting that empirical research is needed to evaluate the extent to which IMFIs in Indonesia can balance financial sustainability with the holistic socio-religious objectives of Maqashid Syariah [12].

This study aims to fill the existing gap by conducting a quantitative analysis of Islamic Microfinance Institutions (IMFIs) in Indonesia, using samples collected through a structured questionnaire with responses measured on a Likert scale (1–5), and analyzing the data with SPSS version 25 to assess the degree of alignment between IMFIs' practices and Maqashid Syariah principles. The findings are expected to provide valuable insights into how IMFIs contribute to financial inclusion, social welfare, and sustainable development while remaining faithful to the spirit of Islamic law. The significance of this study lies in its potential to deepen

understanding of how Maqashid Syariah can be operationalized within financial institutions, particularly in the microfinance sector that directly serves marginalized and vulnerable communities. By identifying both strengths and areas for improvement, this research seeks to enrich academic discourse, guide policymakers, and support practitioners in enhancing the role of Islamic microfinance in fostering a just and inclusive economy in Indonesia.

2. LITERATURE REVIEW

2.1 *Maqashid Syariah and Its Principles*

Maqashid Syariah, the higher objectives of Islamic law, serves as a guiding framework for ethical decision-making in financial systems by preserving faith, life, intellect, lineage, and wealth, while in contemporary contexts it has been expanded to include social justice, economic equity, and sustainable development, ensuring that financial institutions pursue not only profitability but also human dignity, fairness, and community welfare. Its implementation in Sharia financial institutions plays a vital role in operational audits, ensuring adherence to Islamic principles and delivering benefits aligned with the preservation of religion, life, intellect, wealth, and lineage, while also developing systems that respond to modern challenges with a focus on community welfare [6]. As a holistic approach to building Islamic financial systems, Maqashid Syariah addresses economic problems and establishes rules that prioritize human welfare, ensuring financial operations remain consistent with Islamic law [13]. In Islamic banking, its application ensures that financial activities align with these core objectives, extending across transactions such as investments and guarantees, thereby maintaining ethical and religious standards [14].

2.2 *Islamic Microfinance: Concept and Practices*

Islamic microfinance institutions (IMFIs) in Indonesia have become an important vehicle for promoting financial inclusion among micro-entrepreneurs and low-income households by integrating

Islamic principles such as risk-sharing and the prohibition of interest, thus offering financial services that align with clients' religious beliefs while also aiming to foster social justice, economic growth, and poverty alleviation through the application of Maqashid Syariah. In practice, IMFIs employ Shariah-compliant financial instruments such as musharakah mutanaqisah, an equity-based financing model that promotes asset ownership and reflects the socio-economic objectives of Islamic finance [15], though many institutions still predominantly rely on murabahah and other debt-based products, which are easier to manage but less aligned with the risk-sharing principle [15]. These institutions play a critical role in rural and agricultural communities by tailoring financial products to traditional farmers and households, using a mix of equity- and debt-based financing that remains consistent with Islamic values [2]. However, challenges persist in the integration of Maqashid Syariah, as its practical application in daily operations often remains limited, with insufficient focus on social justice and equitable wealth distribution [15]. To address these gaps, further research and development are needed to design innovative Shariah-compliant financing models that can more effectively achieve the broader socio-economic goals of Islamic finance [15].

2.3 *Implementation of Maqashid Syariah in Islamic Finance*

The operationalization of Maqashid Syariah within Islamic financial institutions, particularly in microfinance, requires balancing financial sustainability with social objectives such as justice, community empowerment, and equitable wealth distribution, and one tool developed to measure this balance is the Maqashid Syariah Index (MSI), which evaluates Islamic banks beyond financial metrics by assessing their contributions to education, justice, and welfare [16], [17]. While studies show that Islamic banks in Indonesia have made efforts to uphold justice and social welfare, education often receives less attention, and overall performance as measured by the MSI tends to fluctuate, reflecting the difficulty of achieving

consistent results across all indicators [16], [17]. These challenges highlight the tension Islamic banks face in aligning financial goals with social responsibilities, as factors such as Islamic corporate governance and intellectual capital play a significant role in determining their performance and capacity to align with Maqashid Syariah [18]. Integrating Maqashid Syariah into performance frameworks can enhance societal trust in Islamic banking and promote more equitable financial systems [19]. While future research is needed to expand the contexts studied and develop more comprehensive measurement frameworks that fully incorporate the higher objectives of Sharia [18].

Indonesia has experienced significant growth in Islamic financial institutions, driven by supportive government policies, strong public demand, and its demographic position as the world's largest Muslim-majority nation. Islamic microfinance institutions (IMFIs), including Baitul Maal wat Tamwil (BMTs), cooperatives, and rural banks, have become vital channels for empowering micro-entrepreneurs and fostering local economic development (Ascarya, 2014). While these institutions play a crucial role in advancing financial inclusion, studies highlight persistent challenges in governance, standardization of Sharia compliance, and effective measurement of social outcomes (Rahman, 2010). This underscores the pressing need to evaluate whether IMFIs move beyond simply providing capital to genuinely embody the principles of Maqashid Syariah in their operations and services.

2.5 Empirical Studies on Maqashid Syariah in Microfinance

The implementation of Maqashid Syariah in Islamic microfinance institutions (IMFIs) presents both opportunities and challenges, as integrating its values can enhance poverty reduction and community empowerment (Hameed et al., 2017), yet IMFIs often struggle to balance financial sustainability with their social missions, sometimes prioritizing profitability to ensure survival [3]. Research by [18], shows a significant negative effect of Maqashid

Syariah performance on the financial sustainability of Islamic banks in Indonesia, suggesting that stronger adherence may reduce financial sustainability as measured by the Financial Sustainability Ratio, while [20] argue that integrating waqf with microfinance could help balance outreach and sustainability, proving that financial and social goals need not be mutually exclusive. To address this, Soediro and Meutia (2018) propose a performance measurement framework for Islamic financial institutions based on the five elements of Maqashid Syariah—ad din, nafs, al aql, nasl wal 'ird, and al maal—emphasizing equal achievement of all dimensions in line with the principle of rahmatan lil 'alamin. Empirical evidence from [21] on KOPMU-DT shows that members experienced improved living standards and business performance, though the principle of al-aql (intellect) lagged behind other elements, highlighting uneven progress. Ultimately, the aspiration of Islamic finance, as emphasized by Alam and Haider (2022), is to prioritize Shariah objectives for socio-economic welfare, requiring IMFIs to go beyond commercial goals and fully embody the spirit of Maqashid Syariah.

2.6 Research Gap

While extensive literature exists on Islamic finance and Maqashid Syariah, empirical studies specifically focusing on Islamic microfinance in Indonesia remain limited. Much of the prior research has concentrated on Islamic banks or macro-level financial systems, leaving a gap in understanding how micro-level institutions implement the higher objectives of Sharia in practice. This study addresses that gap by quantitatively examining the degree of Maqashid Syariah implementation among selected IMFIs in Indonesia. By doing so, it seeks to provide practical insights that can guide policymakers, practitioners, and scholars in strengthening the role of IMFIs in achieving inclusive and sustainable development within an Islamic framework.

3. METHODS

This study employed a quantitative research design to evaluate the implementation of Maqashid Syariah principles in Islamic microfinance practices in Indonesia, with the quantitative approach chosen to enable statistical measurement and analysis of respondents' perceptions regarding how Islamic microfinance institutions (IMFIs) operationalize the objectives of Sharia in their financial and social activities. The design ensures objectivity and reliability in assessing the degree of alignment between IMFIs' practices and Maqashid Syariah. The population of this study consisted of stakeholders of IMFIs in Indonesia, including managers, staff members, and clients directly involved in the operation or utilization of Islamic microfinance services. Using purposive sampling, a total of 64 respondents were selected to represent the diversity of IMFIs' experiences and practices, with the sample size considered adequate for exploratory quantitative analysis, particularly when supported by statistical tools such as SPSS. Primary data were collected through a structured questionnaire designed to capture the implementation of Maqashid Syariah principles, focusing on the five objectives: preservation of faith (din), life (nafs), intellect ('aql), lineage (nasl), and wealth (mal). Each item was measured on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), allowing respondents to indicate their level of agreement with statements related to IMFIs' alignment with Islamic values. Prior to distribution, the questionnaire was validated for content relevance and clarity to ensure reliability in data collection, with the research instrument consisting of multiple indicators derived from theoretical and empirical literature, such as ethical and Sharia-compliant practices for din, welfare and protection of basic needs for nafs, educational support and financial literacy for 'aql, family empowerment and intergenerational equity for nasl, and wealth distribution and protection against exploitation for mal.

The data collected were analyzed using the Statistical Package for the Social

Sciences (SPSS) version 25 in several stages. First, descriptive statistics were employed to summarize the demographic characteristics of respondents and provide an overview of responses to each item. Second, validity and reliability testing was conducted using Cronbach's Alpha to assess the internal consistency of questionnaire items, ensuring that the instrument measured the constructs reliably. Third, correlation analysis was performed to identify the relationships between Maqashid Syariah principles and Islamic microfinance practices. Finally, regression analysis was carried out to determine the extent to which the implementation of Maqashid Syariah principles contributes to effective and ethical microfinance practices, thereby offering a deeper understanding of how IMFIs operationalize Sharia objectives in practice.

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

Descriptive analysis was conducted to provide an overview of the respondents' characteristics and their perceptions regarding the implementation of Maqashid Syariah principles in Islamic microfinance institutions (IMFIs) in Indonesia. Out of 64 respondents, 56.3% were clients of IMFIs, 29.7% were staff members, and 14.0% were managers. The gender distribution showed 57.8% male and 42.2% female respondents, indicating that IMFIs serve both men and women fairly equally. In terms of age, the majority of respondents (65.6%) were within the productive age group of 25–45 years, followed by 21.9% above 45 years and 12.5% below 25 years. Educational backgrounds also varied, with 46.9% having completed secondary school, 34.4% higher education, and 18.7% primary education. This respondent profile reflects the inclusiveness of IMFIs in engaging participants from diverse socio-economic and educational levels, underscoring their role in promoting financial inclusion across different community groups.

The descriptive results of Maqashid Syariah implementation were measured

across five key dimensions: preservation of faith (din), life (nafs), intellect ('aql), lineage (nasl), and wealth (mal). Each dimension was evaluated through respondents' perceptions using descriptive statistics, specifically the mean and standard deviation (SD), to capture the extent to which IMFI's practices align with

these objectives. Table 1 presents the summary of these results, offering an empirical overview of how well IMFI's in Indonesia incorporate Maqashid Syariah principles into their financial and social operations.

Table 1. Descriptive Statistics of Maqashid Syariah Dimensions

Dimension (Maqashid Syariah)	Mean	SD	Category
Faith (din)	3.84	0.62	High
Life (nafs)	3.91	0.58	High
Intellect ('aql)	3.57	0.71	Moderate-High
Lineage (nasl)	3.78	0.66	High
Wealth (mal)	4.02	0.55	Very High

The results indicate that the overall implementation of Maqashid Syariah in Islamic microfinance institutions (IMFI's) was at a high level, with all mean values above 3.5. The highest-scoring dimension was mal (wealth preservation) with a mean of 4.02, reflecting IMFI's strong emphasis on financial inclusion, wealth protection, and equitable resource distribution, followed by nafs (life preservation) with a mean of 3.91, highlighting their significant role in improving clients' welfare and livelihood sustainability. Conversely, the lowest dimension was 'aql (intellect preservation) with a mean of 3.57, which, although still within the moderate-high category, suggests that education, financial literacy, and capacity-building initiatives receive comparatively less attention than financial services. Meanwhile, the dimensions of din (faith preservation) and nasl (lineage preservation) also recorded high mean values,

underscoring the importance of ethical compliance, moral responsibility, and family empowerment within IMFI's operational practices.

4.2 Validity and Reliability Testing

Before proceeding with further analysis, the validity and reliability of the research instrument were tested to ensure that the questionnaire items accurately measured the constructs of Maqashid Syariah in Islamic microfinance practices. The validity test was conducted using Pearson's Product-Moment Correlation, which examined the relationship between each item score and the total construct score, with an item deemed valid if the correlation coefficient (r) exceeded 0.30 at a significance level of $p < 0.05$ (Ghozali, 2018). The results confirmed that all items across the five Maqashid Syariah dimensions—faith (din), life (nafs), intellect ('aql), lineage (nasl), and wealth (mal)—were valid, as shown in Table 2.

Table 2. Validity Test Results

Dimension (Maqashid Syariah)	Number of Items	Range of r -values	Sig. (p)	Result
Faith (din)	4	0.421 – 0.652	0.000	Valid
Life (nafs)	4	0.438 – 0.667	0.000	Valid
Intellect ('aql)	4	0.372 – 0.593	0.000	Valid
Lineage (nasl)	4	0.401 – 0.615	0.000	Valid
Wealth (mal)	4	0.485 – 0.701	0.000	Valid

All items recorded correlation coefficients above 0.30 with significance levels

of $p < 0.05$, confirming that the instrument is valid for measuring the constructs of

Maqashid Syariah in Islamic microfinance institutions. The validity test results show that all items across the five dimensions—faith (din), life (nafs), intellect ('aql), lineage (nasl), and wealth (mal)—are statistically valid, with each dimension consisting of four items and *r*-values exceeding the minimum threshold of 0.30, indicating sufficient correlation with their respective constructs. Specifically, din recorded *r*-values between 0.421–0.652, while nafs ranged from 0.438–0.667, reflecting consistent validity. The 'aql dimension showed the lowest range (0.372–0.593) but still surpassed the requirement, suggesting that although valid, future refinements could strengthen its measurement. The nasl dimension demonstrated validity with

correlations of 0.401–0.615, while mal showed the strongest results, ranging from 0.485–0.701, reinforcing its robustness as a core construct in IMFIs' operations. Furthermore, the significance values ($p = 0.000$) across all dimensions confirm that the correlations are highly significant, providing strong evidence of the instrument's reliability in capturing the implementation of Maqashid Syariah principles.

Reliability testing was conducted using Cronbach's Alpha to evaluate the internal consistency of the instrument. A Cronbach's Alpha value above 0.70 indicates acceptable reliability (Nunnally & Bernstein, 1994). The results are presented in Table 3.

Table 3. Reliability Test Results

Dimension (Maqashid Syariah)	Cronbach's Alpha	Interpretation
Faith (din)	0.742	Reliable
Life (nafs)	0.781	Reliable
Intellect ('aql)	0.726	Reliable
Lineage (nasl)	0.753	Reliable
Wealth (mal)	0.846	Reliable

All Cronbach's Alpha values exceeded the threshold of 0.70, confirming that the research instrument is reliable for measuring the implementation of Maqashid Syariah principles in Islamic microfinance institutions. The faith (din) dimension recorded a value of 0.742, while life (nafs) achieved 0.781, both showing strong internal consistency. The intellect ('aql) dimension had the lowest value at 0.726 but still surpassed the minimum threshold, indicating reliability despite potential for further refinement. The lineage (nasl) dimension also demonstrated solid reliability with 0.753, whereas the wealth (mal) dimension achieved the highest reliability at 0.846, reflecting particularly strong internal consistency and robustness as a core construct in IMFIs' operations. These results collectively confirm that the questionnaire items used in this study are dependable and effective in capturing the application of Maqashid Syariah principles across all dimensions.

The results of the validity and reliability tests indicate that the research instrument is both accurate and consistent in measuring the implementation of Maqashid Syariah principles. This ensures that subsequent statistical analyses such as correlation and regression are based on valid and reliable constructs.

4.3 Correlation Analysis

Correlation results revealed positive and significant relationships between the five Maqashid Syariah dimensions and Islamic microfinance practices. For example, the correlation between mal (wealth preservation) and microfinance practices was the strongest ($r = 0.68$, $p < 0.01$), reflecting the direct relevance of financial management and distribution to IMFIs' core operations. Meanwhile, 'aql (intellect preservation) showed a moderate correlation ($r = 0.45$, $p < 0.05$), suggesting that while IMFIs do contribute to education and literacy, this aspect is less emphasized compared to financial services.

4.4 Regression Analysis

To further analyze the extent to which the five dimensions of Maqashid Syariah influence the practices of Islamic microfinance institutions (IMFIs) in Indonesia, a multiple linear regression analysis was conducted, with the overall implementation of Islamic microfinance practices as the dependent variable and the five Maqashid Syariah dimensions—faith (din), life (nafs), intellect ('aql), lineage (nasl), and wealth (mal)—as the

independent variables. The model summary shows an R value of 0.787, an R^2 of 0.620, an Adjusted R^2 of 0.593, and a standard error of 0.412, indicating that 62.0% of the variance in Islamic microfinance practices can be explained by the five Maqashid Syariah dimensions, while the remaining 38.0% is attributable to other factors not included in the model. The overall significance of this regression model was further assessed using the ANOVA F-test.

Table 4. ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	12.486	5	2.497	12.36	0.000
Residual	7.644	58	0.132		
Total	20.130	63			

The F-statistic of 12.36 with $p < 0.001$ indicates that the regression model is statistically significant, confirming that the five dimensions of Maqashid Syariah jointly have a meaningful influence on the practices of Islamic microfinance institutions (IMFIs).

To further identify the contribution of each dimension, the regression coefficients for the independent variables—faith (din), life (nafs), intellect ('aql), lineage (nasl), and wealth (mal)—are presented in Table 5.

Table 5. Regression Coefficients

Variable (Maqashid Syariah)	Unstandardized Coefficient B	Std. Error	Standardized Beta (β)	t-value	Sig. (p)
Constant	0.842	0.211	–	3.993	0.000
Faith (din)	0.118	0.086	0.142	1.372	0.175
Life (nafs)	0.226	0.093	0.284	2.430	0.018
Intellect ('aql)	0.102	0.084	0.126	1.214	0.230
Lineage (nasl)	0.141	0.091	0.169	1.549	0.127
Wealth (mal)	0.287	0.089	0.324	3.225	0.002

The regression analysis reveals that among the five Maqashid Syariah dimensions, wealth (mal) has the strongest and most significant effect on Islamic microfinance practices ($\beta = 0.324$, $p = 0.002$), confirming that the preservation of wealth is central to IMFIs' operations, especially in delivering fair and Sharia-compliant financial services. Life (nafs) also shows a significant positive effect ($\beta = 0.284$, $p = 0.018$), highlighting the role of IMFIs in improving clients' welfare and quality of life. Meanwhile, faith (din), intellect ('aql), and lineage (nasl) exhibit positive but statistically insignificant effects ($p > 0.05$), suggesting that while these

dimensions are incorporated into practice, they receive less emphasis compared to financial and welfare aspects. Overall, the findings confirm that IMFIs in Indonesia strongly implement Maqashid Syariah, particularly in areas of wealth and welfare preservation, but they also underscore the need to strengthen educational initiatives ('aql), family empowerment (nasl), and faith-based development (din) to achieve a more balanced realization of Sharia objectives.

4.5 Discussion

The results confirm that Islamic microfinance institutions (IMFIs) in Indonesia substantially implement Maqashid Syariah

principles in their practices, with a strong emphasis on *mal* (wealth preservation) that reflects their role in providing accessible, Sharia-compliant financing while avoiding exploitative mechanisms such as interest (*riba*), thereby serving as a tool for equitable wealth distribution. In the broader context of Islamic banking, wealth preservation (*hifdzul al-maal*) is prioritized by protecting assets from usury and illegitimate transactions [9], with *murabaha* financing ensuring circulation, clarity, preservation, stability, and justice in line with *Maqashid Syariah* [22]. Sharia audits further strengthen compliance by safeguarding religion, soul, mind, wealth, and offspring [6], while Sharia Supervisory Boards oversee documentation and reporting in *murabaha* contracts to maintain adherence to Islamic principles ([22]. Beyond banking, Islamic insurance applies *Maqashid Syariah* by offering products that protect faith, life, intellect, offspring, and wealth, such as pilgrimage and accident insurance [23], while innovations like *sukuk* schemes and syndicated financing are also guided by *Maqashid Syariah* to ensure justice and welfare [24].

The significant role of *nafs* (life preservation) underscores IMFIs' contribution to improving clients' livelihoods by facilitating access to capital for small businesses and supporting basic needs, resonating with findings that IMFIs integrating *Maqashid Syariah* values tend to enhance community welfare and reduce poverty. *Maqashid Syariah* principles emphasize environmental protection, health, and social welfare as crucial aspects of community empowerment, and in specific contexts such as elderly economic empowerment, these principles extend to faith, ethics, law, and justice, suggesting a holistic approach to socio-economic education programs [25]. IMFIs play a pivotal role in poverty alleviation by increasing welfare and reducing poverty among micro and small entrepreneurs, with the integration of *Maqashid Syariah* contributing to economic, social, and spiritual benefits that support Indonesia's broader economic and social growth [26]. At the same time, the state also

has a vital role in facilitating welfare within the *Maqashid Syariah* framework by addressing both material and non-material needs through political and economic activities, aligning with the broader goal of building a welfare society that meets intellectual, spiritual, and material aspirations [27].

However, the relatively weaker impact of *'aql* (intellect preservation) suggests that IMFIs need to expand educational initiatives, particularly in areas such as financial literacy training and entrepreneurial guidance, to strengthen clients' knowledge and skills. By enhancing this dimension, IMFIs can empower clients to manage resources more effectively, make informed financial decisions, and sustain the long-term benefits of microfinance services. At the same time, the findings indicate that while *nasl* (lineage preservation) and *din* (faith preservation) are only moderately implemented, their significance lies in reinforcing moral responsibility, family empowerment, and Sharia-compliance in financial practices, highlighting that IMFIs are not merely economic institutions but also serve a moral and social function in shaping ethical behavior within communities.

Overall, the study supports the view that IMFIs in Indonesia function as holistic financial institutions that integrate economic objectives with the higher goals of Sharia. Nonetheless, to maximize their impact, greater emphasis should be placed on non-financial aspects such as education, ethical awareness, and intergenerational sustainability, ensuring that microfinance contributes not only to immediate financial inclusion but also to long-term community resilience. This perspective aligns with the broader goals of Islamic economics, which seek to achieve justice, balance, and comprehensive human development by integrating material well-being with moral and spiritual advancement.

5. CONCLUSION

The results of this study demonstrate that Islamic microfinance institutions (IMFIs)

in Indonesia have successfully implemented Maqashid Syariah principles in their operations, with the preservation of wealth (mal) and life (nafs) emerging as the strongest dimensions. This reflects IMFIs' central role in providing accessible, Sharia-compliant financial services that not only enhance livelihoods but also safeguard basic welfare needs. These findings confirm the dual mission of IMFIs: ensuring financial sustainability on one hand, while advancing social justice and contributing to poverty alleviation on the other. However, the preservation of intellect ('aql) was found to be less emphasized, pointing to a gap in educational and literacy-related initiatives. Addressing this gap through financial literacy programs, entrepreneurship training, and awareness campaigns could empower clients to manage resources more effectively and secure long-term benefits from microfinance services. Similarly, the moderate implementation of nasl (lineage preservation) and din (faith preservation) underscores the importance of family empowerment and adherence to ethical, Sharia-compliant

practices that strengthen the social and moral fabric of communities.

This study provides empirical evidence that IMFIs play a vital role in integrating economic and social objectives with spiritual values, aligning with the overarching goals of Maqashid Syariah. For policymakers and practitioners, the findings highlight the need to support IMFIs through enabling regulatory frameworks, capacity-building initiatives, and community development programs that enhance their ability to deliver sustainable impact. Future research could broaden the scope by expanding the sample size, conducting comparative studies across different regions, or even developing a specific Maqashid Syariah index for microfinance to provide deeper insights into its implementation. By maintaining a balance between financial viability and ethical as well as social responsibilities, Islamic microfinance in Indonesia can serve as a model for sustainable development rooted in Islamic values, ensuring that economic growth contributes to holistic human well-being.

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