

The Maqashid Paradox: A Three-Pillar Gap Framework for Understanding Compliance and Social Impact in Indonesian Islamic Banking

Khaidar Rahmaini Jamila¹, Muhammad Irwan Padli Nasution², Muhammad Habibi Siregar³

¹²³Universitas Islam Negeri Sumatera Utara, Indonesia.

khaidarjamila@uinsu.ac.id *✉

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ABSTRACT

Keywords:

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Background: The rapid growth of Islamic banking in Indonesia has raised concerns about the gap between formal sharia compliance and the substantive realization of maqashid sharia objectives. Although Islamic banks demonstrate strong compliance performance, evidence indicates that this has not consistently translated into higher maqashid outcomes, raising questions about whether Islamic banking has fulfilled its substantive role in promoting social welfare, justice, and sustainable development.

Method: This study employed a qualitative approach using a conceptual-descriptive research design based on a systematic literature review. Relevant studies published between 2017 and 2026 were collected from reputable academic databases including Scopus, Google Scholar, Emerald Insight, and ProQuest. A total of 45 articles were selected and analyzed through thematic synthesis to identify structural factors contributing to the compliance-maqashid gap.

Results: The findings reveal three interconnected dimensions underlying the compliance-maqashid gap: regulatory, operational, and human resource factors. Regulatory frameworks remain focused on micro-level contractual compliance rather than substantive maqashid achievement. Operational practices replicate conventional banking models with financing portfolios heavily concentrated in murabahah contracts. Limited maqashid-oriented competencies among banking professionals hinder effective implementation of socio-economic objectives. These conditions collectively reinforce symbolic compliance and sustain a compliance-driven system with limited substantive impact.

Conclusion: Achieving maqashid sharia requires a paradigm shift from compliance-oriented governance toward outcome-oriented Islamic banking practices. Strengthening maqashid-based regulations, diversifying financing structures, and enhancing human resource competencies are essential to bridge the gap between formal compliance and substantive maqashid achievement.

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INTRODUCTION

The development of Islamic banking in Indonesia over the past two decades has shown significant growth, in terms of assets, institutional structure and product innovation. Major transformations, such as the merger of state-owned Islamic banks into Bank Syariah Indonesia (BSI), mark a new phase of Islamic financial industrialisation that is more integrated and globally competitive. By 2025, the assets of Indonesia's Islamic banking industry had reached over Rp456 trillion, reflecting a fairly rapid expansion within the national financial system. However, this quantitative growth has not yet been fully accompanied by the achievement of substantive Islamic objectives, particularly in terms of distributive justice and social welfare (Riswanti et al., 2025).

Conceptually, Islamic banking is not only required to meet legal compliance requirements (sharia compliance), but must also realise the primary objectives of sharia (maqashid al-shariah), which include the protection of religion (hifz al-din), life (hifz al-nafs), intellect (hifz al-'aql), lineage (hifz al-nasl), and wealth (hifz al-mal). However, in practice, various studies indicate that the implementation of the maqashid al-shariah remains largely normative and has not yet been operationally integrated into the banking system (Hudaefi & Badeges, 2022). This suggests a discrepancy between ideal values and empirical practice within the Islamic finance industry.

A number of recent empirical studies confirm the dominance of formal compliance over the achievement of maqashid. Financing products such as murabahah, for example, have become the most dominant instruments because they offer certainty of margins and stability of returns. However, this orientation tends to focus more on profitability and efficiency rather than on the objectives of equitable distribution and the economic empowerment of the community (Taufik et al., 2023). This situation reinforces the argument that there is a gap between formalistic sharia compliance and substantive maqashid compliance.

This disparity becomes even more apparent when measured using different performance approaches. The Sharia Conformity and Profitability (SCnP) method tends to yield positive results as it combines compliance and profitability indicators. Conversely, the Maqashid Sharia Index (MSI/SMI) approach, which measures the dimensions of welfare, education, and distribution, indicates that many Islamic banks still score low in terms of maqashid (Syafa'atur Rahman & Haron, 2019). In other words, a high level of compliance does not automatically result in a significant impact on welfare (Muhammad & Sudrajad, 2023).

Furthermore, structural challenges within the industry have also contributed to widening this gap. Despite industry consolidation and expansion, the market share of Islamic banking in Indonesia remains relatively small compared to conventional banking. The industry's focus, which is more directed towards business expansion, the digitalisation of services, and the improvement of operational efficiency, often overlooks the socio-economic functions that form the essence of the Islamic financial system (Mukhibad et al., 2020). This indicates that industry growth does not always correlate directly with the achievement of the maqashid syariah.

On the other hand, developments in financial technology (fintech) and the digitalisation of banking present new challenges in maintaining a balance between innovation and Sharia ethical values. Whilst digitalisation does enhance the efficiency and accessibility of financial services, it also has the potential to encourage practices that are solely focused on speed and profit without fully considering aspects of fairness and customer protection (Salman, 2021). In this context, the maqashid al-sharia should serve as both a normative and operational framework to guide financial innovation so that it remains grounded in the values of justice and the public good.

Furthermore, a review of the literature indicates the existence of a 'decoupling' phenomenon, namely a situation where Sharia compliance is merely carried out as an administrative formality without the substantive internalisation of the maqashid values (Mukhibad et al., 2020). Meanwhile, Corporate Social Responsibility (CSR) practices in Islamic banks, which should be a tangible manifestation of the maqashid orientation, remain compliance-driven and are not yet based on tangible impacts on community welfare (Hudaefi & Badeges, 2022). Consequently, the maqashid of Sharia have not yet become a primary indicator in strategic banking decision-making.

Based on the above, it can be concluded that although there have been numerous studies examining the performance of Islamic banking from the perspectives of compliance and profitability, there remains

a lack of research that comprehensively integrates an analysis of the gap between Sharia compliance and the Maqashid al-Sharia within a single, coherent conceptual framework, particularly in the Indonesian context. Therefore, this study aims to conduct an in-depth analysis of the gap between formal compliance and the achievement of maqashid syariah in Islamic banking in Indonesia.

The objectives of this study are: (1) to identify the nature of the gap between Sharia compliance and the maqashid al-Sharia, (2) to analyse the factors causing this gap, and (3) to formulate strategic recommendations to promote the transformation from compliance-based banking to maqashid-based banking. This study is expected to make a theoretical contribution to the development of the Islamic economics literature, as well as a practical contribution to regulators and the banking industry in formulating policies that are more oriented towards public welfare.

This study contributes to the literature by developing an integrative conceptual framework that explains the decoupling between Sharia compliance and maqashid Sharia through three interrelated dimensions: regulatory, operational, and human resource gaps. Unlike prior studies that predominantly rely on partial performance measures such as Sharia Conformity and Profitability (SCnP) or the Maqashid Sharia Index (MSI), this research synthesises fragmented findings into a unified analytical structure. The proposed framework highlights how these gaps interact in a self-reinforcing manner, sustaining compliance-driven practices whilst constraining the substantive realisation of maqashid. By offering this integrative perspective, the study provides both a theoretical contribution to the literature on Islamic economics and a conceptual basis for future empirical and policy-oriented research on maqashid-based Islamic banking transformation.

METHOD

This study employs a qualitative approach using a conceptual-descriptive method based on a literature review. A qualitative approach was chosen because the subject of study in this research is interpretative and contextual in nature, namely examining the gap between formal Sharia compliance and the substantive implementation of Maqashid Syariah in Indonesian Islamic banking, a phenomenon that cannot be adequately measured by figures alone, but requires a deep understanding of the meaning, values, and logic underpinning institutional practices (Fadli, 2021)(Varpio et al., 2020).

A conceptual-descriptive method was chosen as the research strategy because this study does not generate primary data from the field, but rather constructs an analytical argument through two complementary steps. First, the descriptive step: describing and mapping the patterns of gaps identified in various empirical studies and relevant regulatory documents. Second, the conceptual step: integrating these findings into a conceptual framework of the three pillars of the gap: regulatory, operational, and human resources, as an analytical proposition explaining why the gap between compliance and maqashid is structural and self-reinforcing (Varpio et al., 2020)(Kalpokaite et al., 2019).

This approach is commonly used in contemporary Islamic economics research, which aims to produce conceptual contributions in the form of new analytical frameworks, critiques of existing practices, or cross-disciplinary syntheses that enrich academic understanding of an institutional phenomenon (Snyder, 2019).

Scope and Object of Study

The scope of this study encompasses academic literature and regulatory documents discussing Islamic banking practices in Indonesia, with a focus on three main dimensions: (1) the Sharia regulatory framework, which includes fatwas from the DSN-MUI, Bank Indonesia Regulations (PBI), and Financial Services Authority Regulations (POJK); (2) the operational practices of Sharia Commercial Banks (BUS) and Sharia Rural Banks (BPRS); and (3) the human resource capacity involved in the operation of Islamic banking.

The temporal scope of the literature reviewed covers publications from 2017 to 2026, with an emphasis on studies published between 2019 and 2026 to ensure the relevance and up-to-date nature of the analysis. This timeframe was selected based on the consideration that the dynamics of regulation and Islamic banking practices in Indonesia have undergone significant changes since the enactment of Law No. 21 of 2008 on Islamic Banking and have strengthened further following the merger of Bank Syariah Indonesia (BSI) in 2021. A total of 45 articles published between 2017–2026 were selected.

Data Sources

All the data for this study were derived from secondary sources obtained through a literature review. The data sources were classified into four categories. Firstly, articles from reputable international journals indexed in Scopus and the Global Index, covering empirical and conceptual studies on the performance of the maqashid of Indonesian Islamic banking. Second, Sinta 2 and Sinta 3 accredited national journal articles discussing aspects of regulation, governance, and the measurement of Sharia compliance. Third, relevant academic reference books published by academically recognised publishers. Fourth, working papers and research reports from academic institutions with credibility in the field of Islamic economics and finance.

The literature review was conducted using several databases and academic portals, including Scopus, Google Scholar, SemanticScholar, Emerald Insight, ProQuest, and the Sinta portal of the Ministry of Education, Culture, Research and Technology. The keywords used in the search included: 'Maqashid Syariah Indonesian banking', 'Maqashid Sharia Index', 'sharia compliance Islamic banking Indonesia', 'Islamic banking governance maqashid', 'intellectual capital maqashid', and variations of these in both English and Indonesian.

Data Analysis Techniques

Data analysis was conducted in two sequential stages. The first stage was a descriptive analysis, involving the reading, recording and grouping of findings from each source of literature into three predefined main thematic categories: regulatory gaps, operational gaps and human resource gaps. Each finding was linked to a relevant sub-theme, for example, the nature of micro-contractual fatwas and institutional fragmentation in the regulatory category; the dominance of murabahah and the phenomenon of decoupling in the operational category; and the limitations of intellectual capital and the non-linear relationship between compliance and maqashid in the human resources category. This thematic coding process refers to the guidelines for thematic analysis as outlined by (Nowell et al., 2017) (Castleberry & Nolen, 2018).

The second stage is conceptual analysis, which involves integrating the findings mapped out in the first stage into a coherent analytical argument. At this stage, the researcher evaluates the consistency and complementarity between findings, identifies recurring patterns across studies, and constructs a conceptual proposition that the three pillars of the gap are mutually reinforcing. Each analytical claim put forward is supported by at least two independent sources to ensure that the resulting conclusions are convergent and accountable (Snyder, 2019).

The validity of the analysis is ensured through the application of the principle of source triangulation that is, by not basing conclusions on a single study and through transparency of argumentation, whereby each conceptual proposition is explicitly linked to its supporting references. This approach ensures that the research does not merely summarise the literature, but produces a conceptual contribution in the form of a three-pillar analytical framework that can serve as a foundation for further empirical research and policy recommendations in the field of Islamic banking in Indonesia (Kalpokaite et al., 2019) (Kalpokaite & Radivojevic, 2019).

Operational Definitions of Key Concepts

To ensure consistency and avoid ambiguity in the analysis, the following operational definitions of key concepts are established. Sharia compliance (formal Sharia compliance) is defined as the fulfilment of the contractual requirements and procedures established by the DSN-MUI and supervised by the DPS, as measured by the conformity of transaction documentation and terminology with the standards of fiqh muamalah. Maqashid Sharia compliance (substantive compliance) is defined as the achievement of the fundamental objectives of Islamic Sharia, the protection of religion (hifz al-din), life (hifz al-nafs), reason (hifz al-'aql), lineage (hifz al-nasl), and wealth (hifz al-mal) measured by the tangible impact on welfare, distributive justice, and the economic empowerment of society.

The gap between the two is defined as a situation in which an Islamic banking institution meets the formal requirements of Sharia compliance but fails to produce a substantive impact in line with the objectives of Maqashid Sharia a condition which, in the literature, is also known as symbolic compliance or decoupling (Hudaefi & Badeges, 2022); (Muhammad & Sudrajad, 2023). The Maqashid Sharia Index (MSI) is defined as a maqashid-based performance measurement instrument for Islamic banks that

measures three dimensions: individual education (tahdhib al-fard), the establishment of justice (iqamah al-'adl), and the attainment of public interest (jalb al-maslahah) (Taufik et al., 2023) (Riswanti et al., 2025).

RESULTS AND DISCUSSION

RESULTS AND DISCUSSION

This study aims to analyse the gap between formal Sharia compliance and the substantive implementation of the Maqashid al-Sharia in Islamic banking practice in Indonesia. Based on a systematic literature review of various empirical studies and regulatory documents, three interrelated structural pillars of the gap were identified: (1) regulatory gap, (2) operational gap, and (3) human resource gap. Together, these three pillars explain why the growth of Indonesia's Islamic banking industry, including the post-merger expansion of BSI which has surpassed assets of Rp456 trillion, has not been accompanied by the achievement of the substantive objectives of Maqashid Syariah as the philosophical and ethical foundation of the Islamic financial system.

These findings are consistent with the initial research questions, which highlighted the paradox between the formal expansion of the Islamic banking industry and the minimal impact on the distribution of welfare and the protection of the economic rights of the community which are, in fact, at the core of the Maqashid al-Shari'ah (Muhammad & Sudrajad, 2023)(Taufik et al., 2023). The relatively small market share of Islamic banking compared to conventional banking reinforces the argument that quantitative expansion has not been accompanied by a strengthening of the industry's position or substantive impact (Syafa'atur Rahman & Haron, 2019).

To synthesize the findings, this study articulates a three-pillar conceptual framework consisting of regulatory, operational, and human resource gaps.



Figure 1. A conceptual framework illustrating the self-reinforcing relationship between regulatory, operational, and human resource gaps in sustaining compliance-driven Islamic banking practices

As illustrated in Figure 1, these three dimensions interact in a self-reinforcing cycle, where regulatory limitations shape operational practices, operational routines influence human resource orientation, and human resource constraints, in turn, sustain regulatory and institutional inertia.

Regulatory Gaps: The Dominance of Micro-Contractual Fatwas and the Absence of Macro-Maqashid Guidelines

Islamic banking regulation in Indonesia currently operates through two main channels: fatwas issued by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), which form the fiqh basis for products, and Bank Indonesia Regulations (PBI) and Financial Services Authority Regulations (POJK), which serve as instruments of prudential supervision. An analysis of this regulatory framework reveals that these two channels operate in a fragmented manner and are not integrated within a coherent vision of Maqashid Syariah.

The DSN-MUI fatwas that have been issued are of a micro-contractual nature, focusing on the validity of individual contracts within banking transactions such as murabahah, ijarah, mudharabah and musyarakah. This approach places greater emphasis on the fulfilment of the essential elements and conditions of a contract rather than evaluating the ethical impact and social distribution of banking activities as a whole (Muhammad & Sudrajad, 2023). Meanwhile, the PBI and POJK regulations governing the operations of Islamic banks have yet to incorporate macro-Maqashid indicators, such as the impact on the welfare of lower-income customers, the enhancement of inclusive financial access, or the bank's contribution to the protection of reason (*hifz al-'aql*) through substantive Islamic financial education.

This regulatory issue is exacerbated by institutional fragmentation between the DSN-MUI, the OJK, and Bank Indonesia, each of which operates with different mandates and institutional logic. This fragmentation creates a grey area where banks can declare themselves 'Sharia-compliant' solely on the basis of contractual compliance, without needing to prove that their products genuinely achieve the Maqashid objectives. Consequently, the Sharia compliance label risks becoming merely a formal legitimisation lacking sufficient ethical substance (Hudaefi & Badeges, 2022).

This finding is consistent with the findings of Hudaefi and Badeges (2022), who employed text mining on the annual reports of Indonesian Islamic banks. They identified a gap between the maqashid narrative in annual reports and actual practices reflected in operational data a condition they termed 'symbolic compliance', meaning compliance that is merely symbolic and rhetorical. Islamic banks have become adept at using language and framing of maqashid in their public communications, yet have not yet transformed this language into tangible operational changes.

Regulatory challenges are becoming increasingly complex as the digitalisation of banking services accelerates and technology-based financial products emerge. Rapidly evolving digital innovations often outpace the regulatory capacity to respond adequately, meaning that digital Islamic banking products face the risk of 'sharia formalism' a situation where the sharia label is maintained in text but the substance of asset protection (*hifz al-mal*) and fairness for customers is not adequately accommodated in the product design (Salman, 2021). This underscores the urgency of integrating macro-Maqashid guidelines into Sharia digital banking regulations.

The logical consequence of this regulatory gap is the absence of mandatory performance measurement standards for Maqashid within the Indonesian regulatory framework. The success of Islamic banks is currently measured using conventional indicators such as Return on Assets (ROA), Non-Performing Financing (NPF), and the Capital Adequacy Ratio (CAR), rather than through the Maqashid Sharia Index (MSI) or similar instruments. Consequently, there are no regulatory incentives for banks to invest resources in achieving Maqashid objectives that fall outside the scope of formal compliance requirements (Mukhibad et al., 2020).

Until Indonesia's regulatory framework integrates measurable macro-maqashid guidelines into PBI and POJK, the gap between compliance and maqashid will persist. Systemic regulatory reform is a prerequisite for the substantive transformation of Indonesia's Islamic banking industry from compliance-based banking towards maqashid-based banking (Muhammad & Sudrajad, 2023).

Operational Gap: The Adoption of Conventional SOPs within a Sharia Terminology Framework

At the operational level, the gap between Sharia compliance and the Maqashid al-Sharia is most evident in the structure of financing portfolios and the Standard Operating Procedures (SOPs) used by Islamic banks. Various empirical studies have consistently found that the murabahah contract dominates the financing portfolios of Indonesian Islamic banks—not because it best suits customer needs or most closely aligns with the spirit of Maqashid, but because it provides a guaranteed return resembling interest in conventional banking (Taufik et al., 2023)(Saoqi, 2017).

The dominance of murabahah reflects the tendency of Islamic banks to adopt conventional banking business models, merely replacing the terms ‘interest’ with ‘margin’ and ‘credit’ with ‘financing’, without altering the underlying logic of business decision-making. (Taufik et al., 2023) explicitly states that profitability and efficiency are more dominant than maqashid in determining the operational direction of Indonesian Islamic banks, thus indicating a fundamental imbalance between business objectives and Sharia objectives.

A study of Islamic banking governance, conducted via a systematic literature review, identified the phenomenon of ‘decoupling’, a situation in which Sharia compliance is treated merely as the fulfilment of an administrative checklist, rather than as an ethical commitment rooted in the objectives of Maqashid al-Sharia (Muhammad & Sudrajad, 2023). This implies that the Sharia Advisory Board (DPS), management, and Sharia auditors confirm compliance based on the completeness of documentation and the conformity of contracts, without evaluating whether the bank’s products and services actually provide significant benefits (maslahah) to society.

This phenomenon of decoupling was also identified in a study by Salman (2021), which examined the relationship between governance, Islamic Social Reporting (ISR) and the maqashid in Indonesian Islamic banks. Salman found that the banks’ social reporting did not yet reflect the maqashid in a substantive manner, and identified a gap between symbolic compliance and actual implementation. Staff managing ISR reporting tend to focus on the quantity of reported items rather than the quality and relevance of social programmes to the objectives of maqashid (Salman, 2021). Furthermore, the CSR function, which should be a tangible manifestation of the maqashid orientation, remains compliance-driven without measurable substantive impact (Hudaefi & Badeges, 2022).

The acceleration of the digitalisation of Islamic banking services has introduced a new dimension to operational disparities. On the one hand, digitalisation enhances the efficiency and accessibility of financial services for the wider public. On the other hand, the pressure to compete within the digital ecosystem is driving Islamic banks to adopt conventional fintech operational standards focused on transaction speed and user acquisition, rather than on customer protection and the distribution of public benefit (Salman, 2021). Consequently, digital transformation has the potential to widen the operational gap between formal compliance and the achievement of maqashid if it is not accompanied by a reconceptualisation of SOPs based on Sharia values.

This situation is exacerbated by the absence of specific operational guidelines that integrate the principles of maqashid into the design of digital Islamic banking products. Without such guidelines, digital innovation tends to follow conventional market logic and merely adds a ‘Sharia’ label as a superficial layer, rather than as the actual foundation of product design (Hudaefi & Badeges, 2022).

The operational gap has been shown to be widening at the level of Sharia Rural Banks (BPRS). BPRS operations tend to be heavily focused on business continuity and financial survival, meaning that the role of distributing social welfare is often sidelined. This situation is consistent with the findings of Riswanti et al. (2025), who evaluated the performance of Bank Syariah Indonesia (BSI) using the MSI. Although BSI, as the result of a merger of three state-owned banks, has assets exceeding Rp456 trillion and positions itself as a global player, its social performance and welfare distribution remain far lower than its financial performance. These findings reinforce the argument that industry growth is not synonymous with the achievement of the maqashid (Riswanti et al., 2025).

Methodologically, operational gaps can be quantified by comparing two instruments: the Sharia Conformity and Profitability (SCnP) index, which measures formal compliance and profitability, and the Maqashid Sharia Index (MSI), which measures the achievement of substantive Sharia objectives. Saoqi (2017) found that Indonesian and Malaysian Sharia banks exhibit similar patterns: relatively high

compliance scores, yet Maqashid performance particularly in the pillars of education (tahdhib al-fard) and welfare remains significantly lagging.

The findings of Hudaefi and Badeges (2022) reinforce this point: Islamic banks have become adept at using the language of maqashid in public communications, yet have not yet translated this rhetoric into tangible changes to their standard operating procedures. Without maqashid-based SOP reform, business expansion may actually reinforce the conventional logic already embedded in the bank's operations (Hudaefi & Badeges, 2022).

The findings of this study are further reinforced by recent literature indicating that a performance measurement approach based on maqashid yields results that differ significantly from those of conventional indicators. Empirical studies show that financial-based measurement systems such as CAMELS or profitability ratios are unable to capture the social and welfare dimensions that lie at the heart of maqashid syariah. Consequently, the use of the Maqashid Sharia Index (MSI) is becoming increasingly important for identifying the gap between the financial and social performance of Islamic banks (Taufik, 2020)(Wahyudi et al., 2025).

Furthermore, research based on the maqashid model indicates that the Islamic banking system still tends to be profit-oriented rather than focused on its social functions, resulting in an imbalance between the business and social roles of Islamic financial institutions. This confirms that the dominance of murabahah is not merely an operational phenomenon, but a consequence of a performance evaluation system that is not yet based on maqashid (Prasetyo, 2022)(Ramdhoni & Fauzi, 2020).

Thus, the operational gaps identified in this study are not incidental but rather a reflection of structural biases within the performance measurement system of the global Islamic banking industry.

The Human Resources Gap: Practitioners' Limited Philosophical Capacity

The third pillar of the gap is more fundamental in nature, as it concerns the human capacity that drives the entire system. The majority of Islamic banking practitioners in Indonesia—ranging from account officers and risk managers to board members—have educational backgrounds in conventional economics and banking, with their understanding of the Maqashid al-Shari'ah limited to textual aspects or merely an introduction to the terminology of fiqh al-muamalah. This situation creates a structural gap in understanding: those who carry out the day-to-day operations of Islamic banks lack the necessary framework to internalise the values of Maqashid into business decision-making.

This argument is supported by the reverse logic of empirical findings: if strong human capital drives maqashid performance, then a deficit in human capital regarding the philosophical understanding of maqashid will become the primary obstacle to achieving optimal maqashid performance. The human capital gap is thus not merely a matter of technical training, but rather a more fundamental issue of paradigm shift (Mukhibad et al., 2020).

Rahman and Haron (2019), who used the Maqashid Sharia Index to evaluate the effect of corporate governance on the performance of Indonesian Islamic banks, found that although levels of Sharia compliance were high, the contribution to the welfare of the maqashid remained limited. One explanation they put forward is that members of the board of directors and the Sharia Supervisory Board (DPS) with a formal governance background tend to interpret 'compliance' narrowly as procedural conformity, rather than as the achievement of the ethical objectives of Maqashid Sharia (Syafa'atur Rahman & Haron, 2019).

These findings are consistent with the (Mukhibad et al., 2020) which confirms that Islamic banking governance focuses more on administrative compliance than on Maqashid outcomes. The quality and orientation of a bank's human resources are not merely supplementary supporting factors, but rather key explanatory variables that determine whether a bank will achieve the objectives of Maqashid Syariah or merely meet formal compliance requirements.

The most critical finding in the context of the human resources gap is the result of a study examining whether Sharia compliance automatically leads to improved maqashid performance. (Riswanti et al., 2025) found that the relationship between Sharia compliance and maqashid performance is not linear: banks that are highly compliant with DPS regulations do not necessarily achieve optimal maqashid performance in the dimension of community empowerment.

This non-linear relationship can be explained by the mediating role of human resource quality. When banking practitioners possess an adequate understanding of maqashid, compliance transforms into substantive maqashid performance; conversely, when understanding of maqashid is weak, compliance becomes merely a formal ritual that yields no tangible impact. This situation underscores that investment in the development of the philosophical capacity of human resources is a prerequisite for a genuinely maqashid-oriented transformation of Islamic banking (Taufik et al., 2023).

Towards Maqashid-Based Banking Transformation

The three pillars of the gap identified in this study regulation, operations and human resources are not isolated issues, but rather reinforce one another in a self-reinforcing cycle. A regulatory framework that merely requires formal compliance provides an incentive for banks to adopt SOPs that are merely compliance-oriented; SOPs that are not based on maqashid do not encourage the development of maqashid capacity in human resources; and human resources that do not have a maqashid paradigm will not generate internal pressure to reform regulations or SOPs. Consequently, Indonesia's Islamic banking industry is trapped in a low-level equilibrium: formally compliant, yet far from achieving the substance of Maqashid Syariah.

The results of this study support Hudaefi's (2018) findings that Indonesia excels in formal Sharia compliance compared to Malaysia, yet lags behind in the achievement of maqashid a paradox that remains relevant until at least 2025 based on the available empirical evidence. Mukhibad's (2020) finding, which confirms that Sharia banking governance focuses more on administrative compliance than on maqashid outcomes, also remains relevant, indicating that this issue is structural in nature and requires systemic intervention.

Strategic Recommendations: Three Pathways to Transformation

Referring to the third research objective, this study formulates three strategic transformation pathways to encourage Indonesian Islamic banking to move from compliance-based banking towards maqashid-based banking:

Firstly, regulatory reform. The Financial Services Authority and Bank Indonesia need to integrate measurable macro-Maqashid guidelines into PBI and POJK regulations, including making the Maqashid Sharia Index (MSI) a mandatory performance assessment tool. Without regulatory reform that establishes clear and verifiable Maqashid standards, Islamic banks have no incentive to go beyond the minimum thresholds of formal compliance (Mukhibad et al., 2020)(Syafa'atur Rahman & Haron, 2019).

Secondly, operational restructuring. Islamic banks need to redesign their standard operating procedures (SOPs) based on the principles of maqashid, rather than merely contractual terminology. This includes diversifying the financing portfolio towards profit-sharing contracts (mudharabah and musyarakah) that better reflect the spirit of distributive justice, as well as the application of digital product design standards that require an evaluation of the impact on maqashid at every stage of product development (Taufik et al., 2023)(Salman, 2021).

Thirdly, the restructuring of human resources. The transformation of the human resources paradigm in Islamic banking from a compliance-oriented mindset to a maqashid-oriented mindset requires education and training programmes designed in a systematic manner, rather than merely technical training in muamalah fiqh. The development of a maqashid-based curriculum in Islamic banking educational institutions, as well as the establishment of maqashid-based philosophical competencies as a requirement in the recruitment of DPS and directors, are concrete steps that need to be prioritised (Syafa'atur Rahman & Haron, 2019)(Riswanti et al., 2025).

The gap between Sharia compliance and the Maqashid al-Sharia in Indonesian Islamic banking is not merely a matter of technical implementation that can be resolved through minor procedural changes. It is a paradigmatic issue requiring a comprehensive overhaul at three levels simultaneously: regulatory, operational and human resources. Without these three reconstructions being carried out simultaneously and systematically, the 'Sharia' label in Islamic banking in Indonesia will continue to risk becoming merely a formal identity that has lost its ethical and social substance. Ultimately, the transformation towards Maqashid-based banking is not merely an academic agenda, but a moral responsibility of the Indonesian Islamic finance industry towards the society entrusted to its care.

CONCLUSION

This study concludes that its primary objectives—namely, to identify the nature of the gap, analyse its structural causes, and formulate a direction for transformation—have been achieved. It was found that Islamic banking in Indonesia is experiencing a decoupling between formal Sharia compliance and the achievement of substantive Maqashid Sharia. High levels of compliance do not automatically result in welfare outcomes, thereby confirming the existence of a Maqashid paradox within industry practice.

In substance, this gap is shaped by three interrelated main pillars. Firstly, the regulatory aspect, which remains focused on micro-contractual compliance without integrating macro-maqashid indicators. Secondly, the operational aspect, which demonstrates the dominance of conventional, profit-driven logic, reflected in financing practices and standard operating procedures (SOPs) that are not yet oriented towards the public good. Thirdly, the human resources aspect, which lacks sufficient philosophical capacity regarding maqashid, resulting in compliance being interpreted merely in administrative terms. These three factors form a self-reinforcing cycle that perpetuates compliance-driven practices without substantive transformation.

Thus, the main findings of this study confirm that the gap between Sharia compliance and the Maqashid al-Sharia is not a partial issue, but rather a structural and systemic one. Therefore, the transition towards Maqashid-based banking requires a comprehensive paradigm shift, not merely technical improvements.

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