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ISLAMIC ECONOMIC LAW ON MUSYARAKAH AND MURABAHAH: IMPACTS ON ISLAMIC BANKING GROWTH

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Abstract: This research uses a qualitative approach with a literature study method to explore the performance of Islamic banking. This method allows researchers to understand the natural context of the phenomenon under study through data collection from various relevant literature, such as official reports from Bank Indonesia, the Financial Services Authority, and Islamic economic literature. This qualitative analysis aims to describe the condition and performance of Islamic banking in detail and in depth. The results show that Islamic banking has experienced significant growth in several indicators, such as asset growth and financing, compared to conventional banking. However, financing is still dominated by the consumptive sector, with MSME financing remaining low. The study also highlights the differences between murabaha and musyarakah contracts, as well as Islamic banking faces challenges such as limited product offerings and financial literacy issues. The key differences between Murabahah, a cost-plus sale contract, and Musyarakah, a partnership contract based on profit and loss sharing, lie in the way risks and profits are distributed.

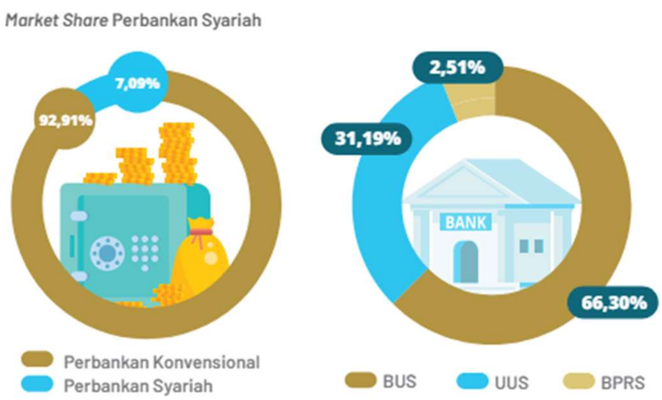
Keyword: Sharia Law, Musyarakah and Murabahah Contracts, Productive Sector Financing

A. Introduction

Banks are monetary teach that are a put for people, private commerce substances, business entities to get credit or the process of raising funds (Simatupang, 2019). So that banking can be interpreted simply as a financial institution that carries out its duties to raise funds from the public and then channel them back with various forms of products provided. Law No. 10 of 1998 expressly states in the Law that it is possible to establish banks based on Sharia Principles and it is possible for conventional banks to have Islamic windows by establishing Islamic business units. Since then, Indonesia has adopted a Dual banking system, i.e. conventional banking system and Islamic banking system (Abdul, Dewi, Siti, 2022). Depending on the nature of its operations, banking operations can be divided into two areas.Conventional banking, which is a bank that operates according to the traditional system, and Islamic banking, which operates based on Islamic law. Product development and all related operations will be carried out. The operations are conducted using fatwas and supervised by the DPS.

The establishment of Islamic banks began with the ratification of Law No. 7 of 1992 concerning Islamic Banks. The first Islamic bank established was Bank Muamalat Indonesia on May 1, 1992The establishment of Islamic banks was strengthened by the Decree on the Prohibition of Bank Interest from the MUI Fatwa Committee dated December 16, 2003. Which was then reaffirmed in Indonesia Number 1 of 2004 concerning Interest (Fa'iddah), which decided that the current practice of lending money meets the criteria of usury that occurred during the reign of the Prophet Muhammad, namely riba nasiah (Umam, 2023). Based on data from the Directorate General of Population and civil registration of the Ministry of Home Affairs (Dukapil), Indonesia's population reached 272.23 million people in June 2021. Of these, 236.53 million (86.88%) are Muslims. These two statements are the drivers of the success of Islamic banks.

According to OJK report data (Otoritas Jasa Keuangan, 2022) The performance of Islamic banking in several indicators shows better performance than conventional banking. Islamic banking asset growth in 2022 of 15.63% (yoy) is higher than that of conventional banking of 9.50% (yoy) during 2022. Market share is a metric that shows the percentage of a company's sales of total sales in the market during a certain period of time or Market share is a comparison of business turnover with the turnover of all competitors in the same niche. However, the marketshare results show that 921.91% owned by conventional banking.



Gambar 1. Source By OJK

The development of Financing Composition by Industrial Sector in 2022 experienced a change in proportion Loans to the corporate sector, which for the past four years accounted for the majority of lending, are now being replaced by the non-corporate (household) sector.From the industrial sector, Islamic banks channeled 48.04% of their total loans to the corporate sector. Since the last five years, the portion of loans to the corporate sector has decreased. (Otoritas Jasa Keuangan, 2022).

The growth of Islamic banking is not only reflected in the increase in the number of financial institutions in operation, but also in their wider market penetration and growing contribution to the national economy. Islamic banks have successfully attracted the interest of the public to use their products and services, proving that there is a significant demand for financial solutions that comply with Islamic values.

The conception of a company that carries out business activities based on sharia principles including Islamic banking is to implement maqasid sharia in its business activities.(Dan et al., 2021). Islamic morality emphasizes fair, transparent, and responsible financial practices, while maqashid sharia emphasizes the maintenance of sharia's objectives which include religion, soul, mind, offspring, and property.

Despite having a clear framework, Islamic banking is faced with a number of challenges that hinder the effective implementation of Islamic principles in their practices. One of the main challenges is the gap between the expected Islamic banking practices and the reality on the ground. This is reflected in the practice of transactions with Islamic contracts that are, however, implemented with conventional transaction patterns.

Islamic banking also faces problems in properly assessing their performance. The lack of a shariah-based performance assessment system could potentially result in decision-making that is not aligned with the principles of morality and maqashid shariah, and reduce their focus on the benefit and welfare of society.

The social and economic impact of not aligning Islamic banking practices with the principles of morality and maqashid sharia can be significant. A more business-centric orientation can result in economic injustice and social harm to Muslims and society as a whole. One of the important aspects of Islamic banking is the effort to build a moral economy that is in accordance with the Islamic law. with Islamic values. However, the failure of Islamic banking institutions to achieve this is often due to the pressure to transform into commercial financial institutions that prioritize profits over social benefits.

The mission of Islamic banking should be more than just seeking financial returns. They also have a social responsibility Building a sharia-based economy and realizing social welfare for Muslims and society as a whole.

Previous research conducted by (Darmalaksana, 2022) With the title The need for social theology to strengthen the social function of Islamic banks in Indonesia.This research is motivated by the objective situation of Islamic banking in Indonesia today which has not performed its social function optimally.The growth and development of Islamic banks shows that the presence of Islamic banks has a strategic value in achieving the welfare and stability of the Indonesian Muslim economy. This is also in line with the purpose of introducing the Islamic economy to the public as an economic order that prohibits usury, gambling (maysir), insecurity (gharar), or financial practices that do not follow Islamic teachings (haram). There are four main foundations of Islamic economic principles on which Islamic banking is based.First, faith (akida). It promotes the recognition that all human activities are accountable to God. Second, the principle of sharia (Islamic law relating to muammarah in the economic field), which guides economic activities according to sharia guidelines. Third, the Muslim Brotherhood in business relationships to achieve mutual success (Ukhwa), and fourth, the teachings of Islamic morals that guide economic actors to always prioritize virtues in achieving their goals (Akhlaq). (financial services authority 2015: 7). Another Reseacrh from (Arshad et al., 2016) Some cases of transactions with sharia contracts, but carried out with conventional transaction patterns The attitude of customers and bankers on the grounds that 70% of the public consider there to be no difference between Islamic and conventional interests and benefits Challenges include issues of liquidity, stability, audits in Islamic financial institutions (IFIs), as well as the growth of the Islamic financial market which cannot be avoided without facing certain challenges. Then (Buana et al., 2020) Islamic banking does not yet have a truly sharia-based performance assessment system (using maqashid sharia measures) that focuses on the benefit and welfare of society. Islamic banking mostly uses strategies that focus on capital adequacy ratios, income and liquidity, while reducing its social functions with prudential considerations and business resilience. From (Hudaefi & Badeges, 2022) mentioned that subjective problems with the fundamentals of Islamic banking continue to emerge in Indonesia. Some IBs are claimed to be inconsistent with sharia (Islamic law), and existing knowledge about IBs' efforts in advancing maqasid al-Shariah (the objectives of Islamic law) is limited. Interpretations of maqasid al-Shariah among various Islamic financial institutions, which may lead to ambiguity in the assessment of their performance and contribution to the broader objectives of sharia. From Research (Tamanni & Haji Besar, 2019) The purpose of this paper is to This illustrates the process of mission-switching and the neglect of poverty targets by Islamic microfinance institutions. This article examines whether the widespread use of banking logic has caused the Fund to shift from focusing on development and fiscal objectives to exclusively considering sustainability as its primary mission. And so (Yafiz, 2019) explains The main objective of Maqâshid al-Shar'i in Islamic economics is to achieve human benefit or welfare in the field of property or material wealth. However, it is important to note that this benefit is not understood as something separate from devotion to Allah. Although Islamic banking has shown significant growth, there are still gaps in the literature regarding operational challenges and the effective application of maqasid sharia principles. Previous studies have focused more on the financial performance of Islamic banks than conventional banks, but less on the socio-economic impact on people's welfare, especially in Indonesia. In addition, practical challenges in aligning products with maqasid sharia, such as the dominance of consumptive financing and low support for MSMEs, as well as the need to improve financial literacy, have not been explored in depth. This study aims to fill this gap by analyzing the challenges faced by Islamic banking, the implementation of maqasid sharia, and the potential for improving social mission through financial literacy and community involvement, so as to provide practical recommendations for stakeholders in strengthening the role of Islamic banks in economic stability and community welfare.

With a better understanding of the background and challenges faced by Islamic banking, it is hoped that this research can make a significant contribution to the development of Islamic banking in Indonesia and strengthen its role in advancing the welfare of Muslims and society as a whole.

B. Method

The most crucial aspect of a scientific discipline that contributes significantly to the advancement of knowledge is research (Lestari et al., 2024). The present study employs qualitative research, which entails the involvement of researchers to comprehend the background and context of natural events related to the subject of the study. Because of various settings, every phenomena is distinct from the others. Understanding the conditions of a context by focusing on the detailed and comprehensive portrayal of conditions in a natural context (natural setting) and what truly occurs in accordance with what is in the field is the aim of qualitative research (Fadli, 2021). This article's approach makes use of library research, which is a technique for gathering information by comprehending and examining theories from diverse research-related books (Adlini et al., 2022). A literature review, then, is the process of identifying a suitable theoretical viewpoint to comprehend the subject being studied. Here, the concept of perspective is purposefully presented to prevent being interpreted as a "response" to a phenomenon or objective, as is the case with quantitative research. Therefore, when research has been conducted, a suggested theory may need to be improved or amended (Harahap, 2020). With this approach, researchers can utilize a variety of literature sources, such as books, academic journals, and official reports, to gain a comprehensive insight into the challenges and opportunities faced by Islamic banking. This approach also allows researchers to critically analyze issues related to the social mission of Islamic banking, so as to provide recommendations that contribute to the welfare of society at large.

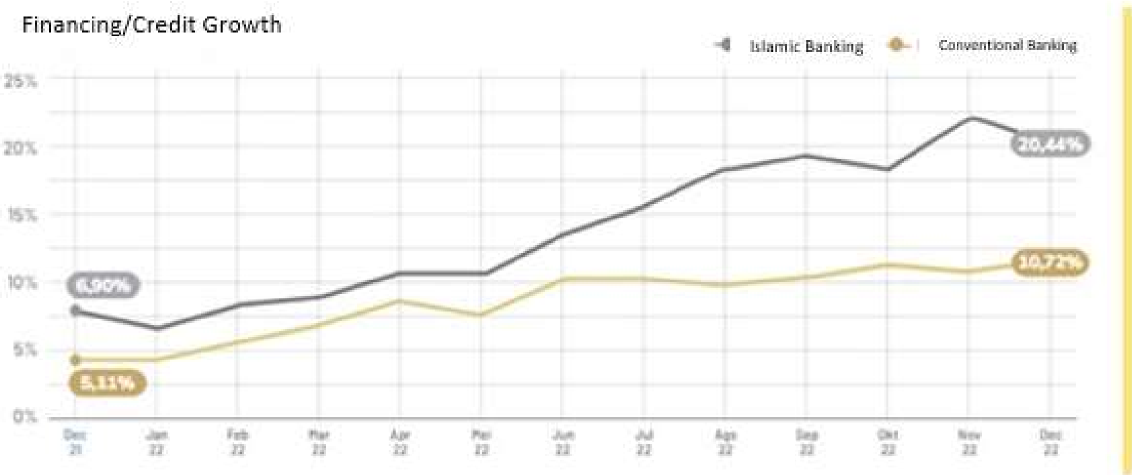
The steps that can be taken are:

1. Finding the point of the problem. The writer must check the exact issue of the problem raised.
2. Sourcing literature. In reviewing the research, the writer must have appropriate literature sources in order to have a strong basis in reviewing the research.
3. Evaluation of sources and data. This is done so that the source of data obtained by the research conducted by the author.
4. Analyzing research and making conclusions.

This research uses Various documents pertaining to institutional official reports on the state of Islamic banking, such as those from Bank Indonesia, The Financial Services Authority, or Islamic bank statements in Indonesia, as well as the findings of earlier research and Islamic economic literatures, served as the study's data sources.

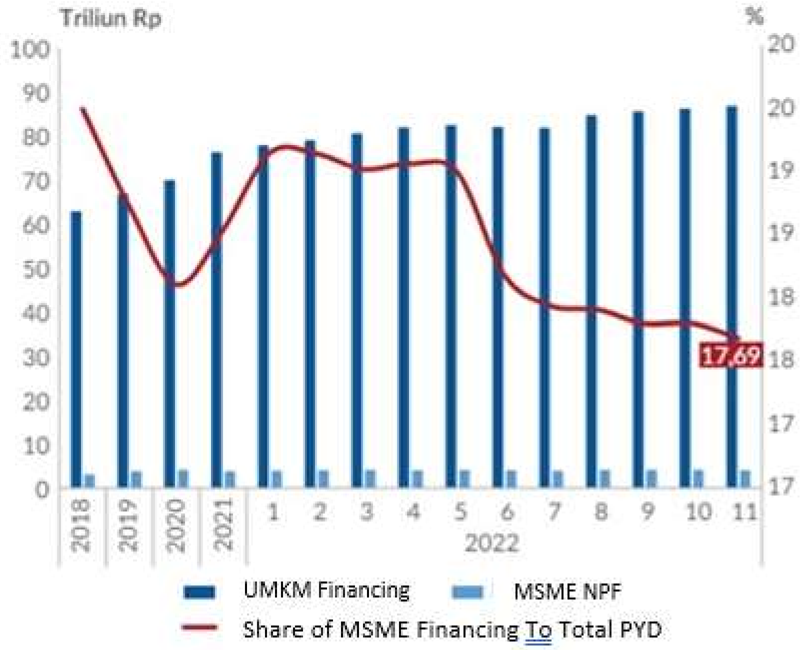
C. Result and Discussion

The performance of Islamic banking in several indicators shows better performance than conventional banking. The growth of Islamic banking assets in 2022 of 15.63% (yoy) was higher than that of conventional banking of 9.50% (yoy) during 2022. Similarly, the growth of Islamic banking financing, showed a better positive trend compared to conventional banking by recording a growth of 20.44% (yoy) in December 2022, higher than the conventional banking of 10.72% (yoy). (Otoritas Jasa Keuangan, 2022).



Gambar 2. Pertumbuhan Pembiayaan/ Kredit

However, the financing is still dominated by consumptive financing, in a report by Bank Indonesia in 2022. (Indonesia, 2022) explained that MSME financing is still below 20% of total Islamic banking financing.



Gambar 3. Data Pembiayaan UMKM

This is in line with the statement (Otoritas Jasa Keuangan, 2022) Financing with murabaha contracts is one of the most dominating products, while the highest growth of 30.93% yoy in multiservice, and salam contracts successfully marketed by Islamic Banking in 2022 amounted to IDR 2.14 trillion. With the proportion of financing as follows:

Financing Based On Type Of Use			
Type Of Use	Nominal (In Trillion)	Growth (yoy) 2022	Growth (yoy) 2021
Consumption	261.62	23,35%	13,88%
Working Capital	131.28	11,28%	-1,49%
Invesment	113,04	23,15%	3,57%
Total	505,94	19,93%	6,90%

Gambar 4. Pembiayaan berdasarkan jenis penggunaan

Among the various types or structures of contracts, the Musharakah partnership contract is considered the most appropriate. In a Musharakah arrangement, both the microfinance institution (MFI) and the borrower act as partners in a joint business venture, where the distribution of equity (in the form of goodwill, cash, or other assets) and profit/loss sharing are agreed upon at the outset. However, in practice, qardh hasan and Murabaha contracts are more commonly used.

The following are the differences between murabahah and Musyarakah contracts in financing in Islamic Banking :

Tabel 2.1 The Different Musharakah and Murabahah Contracts

The different Musharakah and Murabahah Contracts		
Akad	**Musyarakah**	**Murabahah**
Source	(Departemen Keuangan Syariah, 2024)	(Departemen Keuangan Syariah, 2023)
Technique	1. Partnership: The bank and the customer become partners in the business being financed, so both are responsible for the management of the business. 2. Profit Sharing: Profits from the business are shared based on the profit-sharing ratio agreement between the bank and the customer. Profit sharing can be done periodically or at the end of the contract period. 3. Business Capital: Both the bank and the customer include business capital in Musyarakah Financing. Business capital can be included in a lump sum or gradually. 4. Financing Object: The object of Musyarakah Financing can be the customer's business or a specific project. The income that is shared is only derived from the object of Musyarakah Financing. 5. Type of Business: The form of business in Musyarakah Financing can be in the form of buying and selling, leasing, services, or other forms of business that are in accordance with sharia principles. 6. Return of Capital: The customer returns the bank's business capital in stages according to the agreement.	1. Transactional: In this case, the bank acts as a seller and the customer as a buyer. The bank buys the assets desired by the customer and resells them to the customer with an agreed profit margin. Technical murabahah financing products are as follows: 2. Profit Sharing: Margin is the profit agreed upon by both parties, the bank as seller and the customer as buyer. This margin is fixed in the agreed nominal during the contract period of the agreement. 3. Business Capital: The Bank transfers the ex-murabahah asset or other customer-owned assets previously purchased by the Bank to the customer as business capital for a mudharabah arrangement. The value of the assets provided as the Bank’s capital must be mutually agreed upon through an appraisal process (taqwimul urudh) 4. Financing Object: Assets must be in the form of goods and/or rights that can be utilized and traded according to sharia principles and applicable laws and regulations. 5. Type of Business: Focus on the Purchase of Capital Goods, Customers who need financing to purchase capital goods, such as heavy industrial equipment, large production machines, or high-tech equipment can also use murabaha. 6. Return on Capital: Murabaha receivables represent the remaining amount owed by the customer to the bank, calculated as the difference between the Murabaha selling price and the down payment made by the customer.
Disadvantages	1. Loss Responsibility: Business losses agreed upon in Musyarakah Financing shall	1. Customers who do not fulfill their promises in accordance with the agreement must be responsible for

The different Musharakah and Murabahah Contracts		
Akad	**Musyarakah**	**Murabahah**
	be borne by the bank and the customer in accordance with the portion of business capital contributed by each party. 2. Loss Calculation: The calculation of business loss in Musyarakah Financing refers to the calculation of actual or constructive liquidation. The calculation of liquidation must refer to the method of distribution of business income agreed upon by the bank and the customer. 3. Proof of Loss : In the case of a loss, both the customer and the bank are required to provide evidence of the loss. If the bank accepts the provided evidence, the loss is shared between both parties. However, if the bank rejects the evidence, the dispute may be resolved through either litigation or non-litigation channels. 4. Return of Capital: The repayment of the bank’s working capital in Musharakah financing is based on the amount initially provided to the customer. If the bank incurs a share of the loss, the customer’s repayment is adjusted by deducting the value of the loss attributed to the bank. 5. Transfer of Capital: In syirkah amwal, the transfer of the bank's capital by the customer can be done by way of return of the bank's capital in Musyarakah Financing and purchase of the bank's unit portion in Musyarakah Mutanaqishah Financing (MMQ).	the Bank's losses in the amount of the real costs incurred in obtaining the object of murabaha financing. 2. Collateral in a murabaha contract can be executed if the customer does not make payment obligations in accordance with the agreement or the customer violates the contract which results in the contract becoming void. The mechanism for executing collateral is guided by the applicable provisions. 3. Compensation (ta'widh) received by the Bank can be recognized as a right (Bank income).

The different Musharakah and Murabahah Contracts		
Akad	**Musyarakah**	**Murabahah**
Conclusion	Partnership-based contract where both the bank and the customer contribute capital and share responsibility for managing the financed business. Profits are distributed according to a pre-agreed profit-sharing ratio, while losses are borne proportionally to each party's capital contribution. This contract is typically used for specific business projects or ventures, with capital returned gradually as agreed	Sale-based contract where the bank purchases goods requested by the customer and resells them at a marked-up price. The profit margin is fixed and agreed upon at the outset. The customer repays the total cost, including the margin, in installments. Murabahah focuses on financing tangible goods like machinery or equipment, offering less risk-sharing compared to Musyarakah.

In musyarakah-based financing, the bank and the customer establish a strong partnership relationship, where both become partners in managing the financed business. In this framework, both the bank and the customer contribute capital to the business in accordance with the initial agreement, which can be contributed in a lump sum or gradually. Profits and losses from the business are shared based on the agreed ratio, so both are responsible for managing business risks. The object of musyarakah financing can vary, ranging from buying and selling businesses, leasing, to other types of businesses that are in accordance with sharia principles. In terms of capital repayment, customers return the bank's business capital gradually according to the agreement, and in the event of a loss, the responsibility is also shared according to the portion of each party's capital. The process of calculating losses is based on the calculation of actual or constructive liquidation, with the bank and the customer having to prove the losses incurred. If there is a loss that must be borne by the bank, the value of the return of the bank's venture capital by the customer can be reduced by the value of the loss that is the bank's portion, according to a predetermined agreement.

On the other hand, in murabaha-based financing, the relationship between the bank and the customer is transactional, where the bank acts as a seller and the customer as a buyer. The bank purchases the asset desired by the customer and resells it to the customer at a pre-agreed profit margin. In this framework, the margin is a fixed profit in nominal terms agreed by both parties, and the profit from this transaction is predetermined. The object of financing in murabahah must be goods or rights that can be utilized and traded in accordance with sharia principles. Generally, the type of business that receives financing through murabahah is the purchase of capital goods, such as heavy industrial equipment, production machinery, or high-tech equipment. For capital repayment, the bank holds a Murabaha receivable from the customer, determined by the difference between the Murabaha selling price and the down payment made by the customer. If the customer does not meet the obligations in accordance with the agreement, the bank has the right to execute the collateral or demand compensation (ta'widh) as a form of return of capital recognized as the bank's right.

This is reinforced by research conducted by (Ridwan, M., 2013) which explains that Musyarakah is preferred over murabaha in Islamic banking as it has several significant advantages that are in line with sharia principles. Musyarakah is based on the principle of profit and loss sharing, where profits and losses are shared between the bank and the customer, reflecting the Islamic justice of sharing risks and profits equally. Furthermore, it offers greater flexibility as the value of the return is not necessarily fixed and can be revised according to business and market conditions, in contrast to murabaha which tends to have a fixed return. In addition, musyarakah allows for better risk management as risks and profits are shared, so liquidity risk can be avoided more effectively compared to murabaha. Musyarakah also promotes the principles of fairness and transparency in financial transactions, as all parties are involved in the sharing of profits and losses, reflecting Islamic ethical values. Lastly, the use of musyarakah can spur the development of the Islamic banking industry more broadly, particularly in Indonesia, thereby supporting the growth of Islamic banking. Therefore, musyarakah is considered a more Shariah-compliant and more beneficial option for all parties involved in Islamic banking transactions.

The failure of Islamic commercial banks in serving the poor mimics the inability of the disadvantaged. The assumption of market failure seems to hold true even in the Islamic banking sector, which for many is considered a distinct financial institution Although it is unfair to task Islamic banks with such social objectives (Tamanni & Haji Besar, 2019). The targets given and the shift to commercialization is one of the reasons for mission drift.

With the growing financial performance of Islamic banking each year, numerous studies have focused on evaluating bank performance solely through financial metrics. (Amalia, 2020). Assessing a company's performance solely based on financial information has several limitations. (Irianti, Marsidin, Rukun, & Jama, 2018). Therefore, one of the evaluation concepts that aims to measure banking performance, both financial and non-financial performance, is the use of Maqashid Syariah.

The concept of welfare in Sharia economics should be more applied because it emphasizes the importance of benefits for others. In Maqâshid al-Shar'i, welfare does not only mean achieving material gain, but also involves concern for the social and moral welfare of society at large. Thus, the values of devotion to Allah and benefits for others become the main foundation in achieving economic welfare in the perspective of Sharia economics Maqâshid al-Syar'i is a concept in Islam that refers to the goals or intentions of Islamic law. The term “Maqâshid” comes from the word qashada which means the purpose or target object of something, while “Shar'i” refers to the laws of Islamic law relating to the actions of mukallaf (people who are required to carry out religious law). Thus, Maqâshid al-Syar'i is the ultimate goal to be achieved by Islamic law and reveals the secrets behind every provision in sharia law. (Hudaefi & Badeges, 2022).

From the Research (Hanafi Syahputra Harsian, 2016) explained that the technical implementation of the application of the principles of the murabahah contract in the working capital agreement at Bank Nagari Syariah Padang Branch still has several things that do not meet the principles of the murabahah contract, namely the object of sale and purchase that does not match the RAB with the realization of the purchase, the unclear position of the principal guarantee and additional collateral in the working capital murabahah, and the minimal understanding of customers regarding the implementation of discounts on financing repayment before maturity so that customers often feel disadvantaged. In addition, other research conducted by (Darlisna, 2020) There is still

Islamic banking in carrying out murabaha contracts that are not in accordance with sharia, it shows that Islamic banking does not comply with the DSN Fatwa and regulations issued by Bank Indonesia. So that the guidelines that should be implemented based on :

1. Alquran

a. Surah Al baqarah ayat 275

ٱلَّذِينَ يَأْكُلُونَ ٱلرِّبَوٰا۟ لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ ٱلَّذِى يَتَخَبَّطُهُ
ٱلشَّيْطَـٰنُ مِنَ ٱلْمَسِّ ۚ ذَٰلِكَ بِأَنَّهُمْ قَالُوٓا۟ إِنَّمَا ٱلْبَيْعُ مِثْلُ ٱلرِّبَوٰا۟ ۗ وَأَحَلَّ
ٱللَّهُ ٱلْبَيْعَ وَحَرَّمَ ٱلرِّبَوٰا۟ ۚ فَمَن جَآءَهُۥ مَوْعِظَةٌ مِّن رَّبِّهِۦ فَٱنتَهَىٰ فَلَهُۥ مَا سَلَفَ
وَأَمْرُهُۥٓ إِلَى ٱللَّهِ ۖ وَمَنْ عَادَ فَأُو۟لَـٰٓئِكَ أَصْحَـٰبُ ٱلنَّارِ ۖ هُمْ فِيهَا
خَـٰلِدُونَ ﴿٢٧٥﴾

Meaning: "Those who eat (take) usury cannot stand but as one who is possessed by a demon because of insanity. That is because they say that buying and selling is the same as usury, whereas Allah has justified buying and selling and forbidden usury. And as for those to whom the prohibition of their Lord has come, and they have ceased (from usury), then to them belongs what they had taken (before the prohibition came); and their affair is (up to) Allah. But whoever returns (to usury), those are the inhabitants of Hell; they shall abide therein."

b. QS An-Nisaa ayat 29

يَـٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوا۟ لَا تَأْكُلُوٓا۟ أَمْوَٰلَكُم بَيْنَكُم
بِٱلْبَـٰطِلِ إِلَّآ أَن تَكُونَ تِجَـٰرَةً عَن تَرَاضٍ مِّنكُمْ ۚ وَلَا تَقْتُلُوٓا۟
أَنفُسَكُمْ ۚ إِنَّ ٱللَّهَ كَانَ بِكُمْ رَحِيمًا ﴿٢٩﴾

Meaning: O you who believe!Do not eat (take) each other's property by false means, except by way of a voluntary trade between you.

2. Fatwa DSN

The Fatwa of the National Sharia Council No. 04/DSN-MUI/IV/2000 on Murabahah states that if the bank intends to act on behalf of the customer to purchase goods from a third party, the Murabahah agreement can only be executed once the goods have, in principle, become the property of the bank.

All of this is inseparable from the challenges of liquidity and stability, which are the main obstacles for Islamic banking. (Adiyes Putra et al., 2023). This demand began because of the dominance of conventional banks in Muslim-majority countries, especially in Indonesia. However, customers who use Islamic banking are still low (Putri & Andriana, 2022). The social and economic impact of the misalignment of Islamic banking practices with maqasid sharia principles is significant, resulting in potential economic injustice and social harm.

The Islamic perspective views sharia-based economic financing as a solution that can improve the economy of the people. In the Islamic view, sharia-based economic financing is a fairer and more sustainable way of developing the economy. (Rakhima Salsabila et al., 2023). By avoiding riba (interest), gharar (uncertainty), and maysir (gambling), Islamic banking offers fairer and more transparent products and services. This not only increases financial inclusion but also helps create jobs and reduce poverty, ultimately improving the social and economic well-being of Muslim communities.

Islamic banking also contributes to national economic stability. This is in accordance with the statement from (Emy Widyastuti & Nena Arinta, 2020) which explains that The financing provided by Indonesian Islamic banking, categorized by use and business type—including working capital, investment, and consumption financing—has played a significant role in driving the dynamics of Indonesia's economic growth. This business model that prioritizes fairness and risk sharing between banks and customers helps reduce systemic risk and increase economic resilience. In addition, the growth of Islamic banks in Indonesia has broadened the banking base and increased the competitiveness of the financial sector, which has a positive impact on the overall stability of the national economy.

However, it is not always easy for Islamic banking to be fully aligned with the maqasid principles of sharia, which include the protection of religion, life, reason, offspring and property. This misalignment can arise when Islamic banks focus too much on financial returns and neglect their social responsibilities. For example, certain practices may appear to follow sharia law, but actually adopt conventional transaction patterns that are unfair or non-transparent. This can result in economic and social injustice and reduce public trust in Islamic banking. Therefore, there needs to be more effort to ensure that the operations of Islamic banks truly reflect the maqasid objectives of sharia.

To strengthen its social mission, Islamic banking should focus more on implementing maqasid sharia in every aspect of their operations. This can be achieved by developing products and services that are not only financially profitable but also beneficial to society. For example, banks can introduce microfinance schemes for small and medium enterprises (SMEs) that often find it difficult to gain access to capital. In addition, Islamic banks should commit to fair and transparent business practices, as well as engage in social activities that contribute to the benefit of the people.

Improving Islamic financial literacy among the public is also important to strengthen the social mission of Islamic banking. Islamic banks can organize educational programs that aim to improve people's understanding of the principles of Islamic finance and its benefits. This can be in the form of seminars, workshops or social media campaigns. With better knowledge, people will be more trusting and interested in using Islamic banking services, which in turn expands the customer base and increases financial inclusion.

Close cooperation with financial authorities and supervisory agencies is essential to ensure that Islamic banking operates in accordance with sharia principles. Islamic banks should work closely with authorities such as the Financial Services Authority (OJK) and the National Sharia Council (DSN) to ensure compliance and operational integrity. In addition, this collaboration can help develop regulations and standards that support the growth of Islamic banking. With greater supervision and regulatory support, Islamic banking can operate with more transparency and accountability, thereby strengthening public confidence and its contribution to economic stability.

With these strategies and initiatives, Islamic banking can more effectively fulfill its social mission, improve the welfare of Muslims, and contribute positively to national economic stability.

D. Conclusion

The implementation of maqasid sharia in Islamic banking is crucial to improving the welfare of Muslims and national economic stability, because although Islamic banking has shown better growth than conventional banking, there are still challenges such as the dominance of consumptive financing and the low financing of MSMEs. By focusing on partnerships and profit sharing such as in musyarakah financing, as well as improving Islamic financial literacy and cooperation with financial authorities, Islamic banking can implement sharia principles more consistently, reduce economic and social injustice, and strengthen its contribution to economic stability and community welfare.

Research Limitations

This study has several limitations, including limited data and information sources that may not cover all important aspects of Islamic banking performance and practices. In addition, there is variability in the application of Islamic principles between different Islamic banks in different countries or even within a single country, which makes it difficult to reach universal conclusions. The research focus that may be too limited to a few specific performance indicators is also a hindrance, as is the limited time period that may not capture long-term trends.

Future research

For future research, it is recommended to use a longitudinal approach to monitor long-term changes, conduct cross-country comparative studies, and analyze the socio-economic impact of Islamic banking more comprehensively. Further research on the integration of financial technology in Islamic banking, as well as the development of more comprehensive measurement tools to evaluate compliance with maqasid sharia, is also needed. In-depth case studies on successful and challenged Islamic banks can help identify key success factors and barriers, and provide practical recommendations for other Islamic banks. By exploring these aspects, it is hoped that the understanding of Islamic banking can be improved and its contribution to the economy and the welfare of society can be further enhanced.

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