

## **Evaluating The Role Of Maqasid Sharia In The Performance Of Islamic Rural Banks (BPRS)**

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### **ABSTRACT**

This study evaluates the role of Maqasid al-Shariah in assessing the performance of Islamic Rural Banks (Bank Pembiayaan Rakyat Syariah – BPRS) in Indonesia. Unlike conventional performance models that emphasize financial indicators such as profitability and liquidity, this research applies a maqasid-based perspective to capture the broader ethical and socio-economic objectives of Islamic banking. Employing a library research method, the study systematically reviews contemporary literature, regulatory documents, and empirical findings related to BPRS performance and Maqasid Sharia implementation. Comparative insights are drawn from previous studies that applied the Maqasid Shariah Index (MSI) and Maqashid-based Performance Evaluation Model (MPEM), revealing significant variation across BPRS institutions in achieving maqasid dimensions such as intellect, justice, and welfare. The findings indicate that BPRS demonstrating higher engagement in social and environmental programs tend to perform better holistically, achieving a balance between financial sustainability and social welfare. Furthermore, recent regulatory reforms by the Financial Services Authority (OJK) have strengthened governance structures and expanded opportunities for capital growth, reinforcing the alignment between Sharia compliance and institutional competitiveness. This study concludes that the integration of Maqasid al-Shariah as a performance framework enables BPRS to evolve from transactional entities into value-driven institutions that contribute to inclusive and sustainable financial development.

Keyword: Maqasid al-Shariah, Islamic Rural Banks, Performance Evaluation, Islamic Finance, Governance

### **INTRODUCTION**

The role of Islamic banking in driving inclusive financial development has become increasingly significant in the global economy, particularly in Muslim-majority countries such as Indonesia. Sharia Bank up to Desember 2024 showed a positive growth trend, with assets increasing by 9,88%, financing disbursed (PYD) growing by 9.92%, and third-party funds (DPK) rising by 10.09%, while the market share of Islamic banking accounted for 11.45% of the national banking sector (OJK, 2024). Within this landscape, *Bank Pembiayaan Rakyat Syariah* (BPRS), or Islamic Rural Banks, hold a strategic position in serving micro, small, and medium enterprises (MSMEs), rural households, and underserved communities. Unlike conventional rural banks, BPRS are governed by the principles of Sharia, embedding their financial operations within an ethical framework that prioritizes justice, welfare, and the holistic well-being of society. This orientation makes performance measurement in BPRS a multidimensional exercise, requiring metrics that extend beyond profitability and liquidity (Tarmizi et al., 2024). The concept of *Maqasid al-Sharia*, or the higher objectives of Islamic law, provides such a framework, enabling the evaluation of BPRS based on their capacity to preserve faith (*din*), life (*nafs*), intellect (*'aql*), lineage (*nasl*), and wealth (*mal*) (Chapra, 2008).

In the broader discourse of Islamic finance, Maqasid Sharia has emerged as an essential paradigm for assessing whether institutions achieve their moral and social mandates in addition to

meeting financial targets. Previous research highlights that Islamic banks are often judged solely on financial ratios, such as capital adequacy, financing-to-deposit ratios, and levels of non-performing financing, without sufficient emphasis on their social contributions (Jannati et al., 2023).

Recent empirical studies employing the *Maqashid Shariah Index* (MSI) and the *Maqashid-based Performance Evaluation Model* (MPEM) demonstrate that BPRS performance varies considerably when assessed through Maqasid dimensions. For example, an analysis of BPRS in West Java revealed that while some institutions excelled in the preservation of wealth and social welfare, they lagged in areas such as knowledge dissemination and intellectual development (Tarmizi et al., 2024). This variation indicates the need for a structured approach that balances financial indicators with Maqasid-based benchmarks to ensure sustainable impact. Likewise, investors and stakeholders increasingly recognize the importance of Maqasid compliance in shaping their investment decisions, suggesting that Islamic conformity is not merely a moral imperative but also a determinant of competitiveness (Mashfufah & Yasid, 2021).

The dual mandate of BPRS pursuing financial viability while advancing social justice introduces both opportunities and challenges. On one hand, this duality strengthens BPRS's legitimacy as institutions aligned with Sustainable Development Goals (SDGs), particularly in eradicating poverty and promoting financial inclusion. On the other hand, the trade-offs between profit maximization and social objectives create tensions in operational strategies, especially in environments marked by regulatory pressures and high competition. This tension underscores the importance of governance structures, including the pivotal role of *Dewan Pengawas Syariah* (Sharia Supervisory Boards), whose oversight ensures that operational decisions remain consistent with Maqasid principles (Roswan & Darwanto, 2021). Furthermore, regulatory reforms initiated by Indonesia's Financial Services Authority (*Otoritas Jasa Keuangan* – OJK) have introduced performance benchmarks that attempt to balance financial resilience with Sharia compliance, further shaping the trajectory of BPRS (OJK, 2025).

Against this backdrop, the present study seeks to evaluate the role of Maqasid Sharia in the performance of Islamic rural banks in Indonesia. Specifically, it interrogates how Maqasid-based frameworks can be operationalized to measure, compare, and enhance BPRS performance. By drawing on both theoretical foundations and empirical evidence, the article examines six interrelated dimensions: (1) conceptualizing Maqasid Sharia and its application in BPRS performance measurement, (2) conducting a comparative analysis of BPRS performance using Maqasid-based metrics, (3) exploring the dual mandate of financial and social performance, (4) analyzing governance structures and regulatory reforms that shape BPRS operations, (5) identifying operational dimensions of Maqasid implementation in BPRS activities, and (6) formulating strategic imperatives for enhancing integrated performance in the modern era.

## METHODOLOGY

This research utilizes a library-based method, which systematically gathers and analyzes data from a range of scholarly and documentary sources. As emphasized by Daruhadi & Sopiati (2024), effective data collection is essential in both quantitative and qualitative studies to maintain the validity and reliability of findings. The adoption of this approach aims to review and synthesize existing academic discussions, interpretations, and theoretical contributions related to Maqasid Sharia, Islamic banking performance, and the operational framework of Islamic Rural Banks (BPRS). The goal is to present a comprehensive understanding of these themes through the perspectives of economists and Islamic finance scholars. The study's data are drawn from two categories: primary sources, consisting of original texts and reference books that provide firsthand information, and secondary sources, which include analytical and interpretive materials such as academic journals, magazines, reports, and newspaper articles.

## DISCUSSION

## **CONCEPTUALIZING MAQASID SHARIA AND ITS APPLICATION IN BPRS PERFORMANCE MEASUREMENT**

The concept of *Maqasid al-Shari'ah* represents a profound and comprehensive framework within Islamic jurisprudence, aimed at defining the higher objectives and purposes of the Sharia. It seeks to move beyond the mere observance of legalistic rules to the realization of a holistic well-being for humanity in this world and the hereafter (Güney, 2024). This framework is built upon the foundational principle that every divine law (*shari'ah*) has an underlying wisdom and objective designed to promote benefit (*maslaha*) and prevent harm (A. W. Dusuki & Bouheraoua, 2005). The classical formulation of these objectives, most notably articulated by scholars like Imam Al-Ghazali and Imam Al-Shatibi, identifies five essential values or necessities (*al-dharuriyyat al-khams*) that are paramount for the stability and flourishing of human society (Nasution et al., 2025). These five pillars are the preservation of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), lineage or posterity (*hifz al-nasl*), and property or wealth (*hifz al-mal*) (Chapra, 2008). The protection of religion ensures the freedom to practice faith without coercion, while the protection of life encompasses not only physical safety but also health and dignity. The preservation of intellect mandates access to education, critical thinking, and mental well-being. Lineage protection focuses on maintaining family structures, kinship bonds, and moral integrity. Finally, the protection of property is a cornerstone of economic justice, ensuring individuals can acquire, own, develop, and circulate wealth in legitimate ways (Cheumar et al., 2023; A. Dusuki & Bouheraoua, 2011).

In contemporary application, particularly within the Indonesian context of Islamic rural banks, these core principles are operationalized through a multi-level classification system. Scholars categorize the *dharuriyyat* into three tiers: essentials (*daruriyyāt*), which are non-negotiable for societal survival; complementary needs (*hājjiyyāt*), which improve quality of life; and embellishments or refinements (*tahsīniyyāt*), which cater to luxury and aesthetic enhancements (Al-Ayubi & Halawatuddu, 2021; Cheumar et al., 2023). This hierarchy provides a flexible yet structured approach for BPRS to prioritize their activities. For instance, financing for basic food production for the poor would fall under the *daruriyyāt*, whereas funding for a high-end tourism venture might be considered a *tahsīniyyah*. This conceptualization allows BPRS to align their financial products and social initiatives with the fundamental goals of Sharia, ensuring that their operations contribute meaningfully to community welfare. The International Islamic Fiqh Academy (IIFA) and other bodies have affirmed the role of *Maqasid* in interpreting religious texts and guiding contemporary financial transactions, though they caution against using it to legitimize practices that contradict clear textual evidence (*nass*) (Güney, 2024). The challenge lies in navigating the potential subjectivity in determining what constitutes a *maqasid*-aligned action, a process that requires collective scholarly effort (*ijtihad jumhūrī*) to minimize error and ensure robust application.

The practical application of *Maqasid* in measuring BPRS performance has led to the development of specific frameworks, most notably the Maqasid Syariah Index (MSI). The MSI serves as a tool to evaluate a bank's performance across dimensions that extend far beyond conventional financial metrics. Different studies have proposed varying versions of the index, reflecting the flexibility of the framework. For example, Safitri et al., (2023) developed an MSI for PT BPRS Harta Insan Karimah (HIK) with three main objectives: Education (weighted 30%), Justice (41%), and Welfare (29%). In contrast, Tarmizi et al., (2024) utilized a framework based on Abdul Majid Najjar's work, which includes four broader objectives and eight consequences covering Faith, Human Rights, Self, Intellect, Prosperity, Social Entity, Wealth, and Ecology. These diverse approaches underscore that the MSI is not a rigid, one-size-fits-all model but a customizable methodology that can be tailored to reflect the specific strategic priorities and operational realities of different BPRS. The ultimate goal of these indices is to bridge the gap between the theoretical ideals of Islamic finance and its practical implementation, holding institutions accountable for fulfilling both their commercial and social responsibilities (Mohiuddin & Siddiqui, 2023). By integrating indicators related to zakat distribution, employee training, CSR spending, and financing directed towards underserved communities, the MSI provides a more holistic picture of a

BPRS's contribution to socio-economic justice and public welfare, which is central to the spirit of *Maqasid al-Shari'ah* (Utami et al., 2024).

### **COMPARATIVE ANALYSIS OF BPRS PERFORMANCE USING MAQASID-BASED METRICS**

A comparative analysis of BPRS performance reveals significant heterogeneity across institutions, highlighting how differing interpretations and applications of *Maqasid Sharia* influence outcomes. Several studies provide a snapshot of this variance, offering quantitative data that illustrates the wide spectrum of performance levels. One such study evaluated nine Sharia Rural Banks in West Java for the year 2023 using a *Maqasid Shariah Index* based on Abdul Majid Najjar's framework (Tarmizi et al., 2024). The results showed a clear disparity in scores, with BPRS Al Salaam Amal Salman achieving the highest overall score at 53.09%, followed closely by BPRS PNM Mentari with 48.86% and BPRS Almadinah Tasikmalaya Perseroda with 48.84%.

Further examination of the components within this index uncovers the reasons for this performance gap. The 'Self' consequence, which measures investment in the real economic sector, was the top-scoring category for all banks, suggesting a general consensus on the importance of productive financing. However, the 'Intellect' consequence, focusing on education and training, was the lowest-scoring category with an average score of just 2.84%. This points to a critical area for improvement, where many BPRS are falling short of their educational mandate. The case of BPRS PNM Mentari stands out, having achieved the highest 'Intellect' score (20.20%) due to a deliberate policy of allocating 80.78% of its expenses to employee education grants. This demonstrates that targeted investment in human capital can lead to tangible improvements in *Maqasid*-based performance. Similarly, BPRS Al Salaam Amal Salman's high overall score was driven by its strong focus on the 'Ecology' consequence, scoring 59.60% by channeling CSR funds towards environmental projects like clean water wells, a stark contrast to the near-universal 0% score given to this category by other BPRS in the sample (Tarmizi et al., 2024). This highlights how a forward-thinking approach to social and environmental responsibility can differentiate a BPRS and elevate its performance.

Another study focused specifically on PT BPRS Harta Insan Karimah (HIK) from 2020 to 2022, providing a different perspective on performance measurement. Using an MSI with weighted objectives of Education (30%), Justice (41%), and Welfare (29%), the study found a steadily improving performance, with the annual scores rising from 47.98% in 2020 to 52.45% in 2022. The analysis revealed that the 'Justice' objective was the primary driver of this success, particularly through high ratios of Mudharabah and Musyarakah financing and increasing net profits. This contrasts with the findings from the West Java study, where 'Welfare' was a separate objective and the 'Justice' component was part of a larger index (Safitri et al., 2023).

This comparison underscores that there is no single formula for high *Maqasid*-based performance. Success appears to be contingent on institutional strategy, leadership vision, and the willingness to invest in areas that may not yield immediate financial returns but are central to long-term community development. Furthermore, the findings highlight a common weakness: the low prioritization of intellectual development. While financing livelihoods is crucial, the lack of investment in the education and training of employees and customers limits the institution's capacity to foster sustainable growth and deepen its impact. The fact that BPRS PNM Mentari achieved the highest 'Intellect' score suggests that this is a solvable problem through conscious policy choices, rather than an insurmountable structural constraint. The analytical insight derived from this comparison is that a truly high-performing BPRS must achieve a balanced application of *Maqasid*, addressing not only the material needs of the community but also investing in its human capital and environmental sustainability.

### **FINANCIAL VS. SOCIAL PERFORMANCE: THE DUAL MANDATE OF BPRS**

The evaluation of Islamic Rural Bank (BPRS) performance necessitates a dual assessment, balancing their financial viability with their social mission, a duality deeply rooted in the principles of *Maqasid al-Shari'ah*. Stakeholders, including BPRS management, regulators, and scholars, view

performance as a holistic combination of financial metrics such as Return on Assets (ROA), profitability, growth, and *maṣlahah* (well-being) (Akbar & Siti-Nabiha, 2021). The ultimate goal, *falāh*, signifies success in both worldly and spiritual realms, mandating that BPRS operate with a balance between commercial aims and social and da'wah (Islamic propagation) purposes (Akbar & Nabiha, 2019). This dual mandate means that a BPRS cannot be considered successful if it achieves high profitability at the expense of its social outreach, nor can it be deemed effective if it fails to generate sufficient revenue to ensure its own sustainability and long-term impact. The challenge, therefore, lies in finding the optimal equilibrium between these two dimensions.

Evidence from various studies suggests that these two facets of performance are not mutually exclusive but are, in fact, positively correlated. Research analyzing 17 BPRS institutions in Indonesia found that Zakat, used as a proxy for social performance, had a positive and significant effect on financial performance, measured by both ROA and ROE (Mubark et al., 2020). Trustworthiness, leading to better financial outcomes. Similarly, another study confirmed that Sharia adherence itself which includes avoiding prohibited activities and fulfilling social purposes significantly influences banking performance (Hamid et al., 2016).

This correlation implies that embedding *Maqasid* principles into the core business model can be a sound financial strategy. When a BPRS actively works to alleviate poverty, empower microentrepreneurs, and distribute zakat, it builds a loyal customer base and strengthens its social license to operate, which can translate into increased deposits and more stable financing portfolios over time. The case of BPRS Amanah Ummah, where financing provided to microentrepreneurs led to a statistically significant increase in their profits, further substantiates this link between social impact and economic empowerment (Prasetyo et al., 2025).

However, the path to achieving this balance is fraught with challenges, and historical data shows that many BPRS have struggled to meet both ends of their mandate. A 2013 study highlighted that despite being formal Islamic microfinance institutions (MFIs) regulated by OJK, BPRS lagged significantly behind their conventional counterparts, the Bank Perkreditan Rakyat (BPR), in financial and social metrics. Data from 2012 to 2017 showed that BPRS total financing was a mere fraction of BPR financing (e.g., 2.080 trillion IDR vs. 23.749 trillion IDR in 2012), and their profit was similarly dwarfed. The number of BPRS customers was also disproportionately small compared to BPRs. This underperformance was attributed to several factors, including weak human resource knowledge in Islamic finance, which limited competitiveness, and poor corporate governance, which was cited as the cause of 70% of microfinance bank closures (Akbar & Nabiha, 2019).

The modern regulatory environment in Indonesia is increasingly geared towards forcing this convergence. Recent regulations aim to strengthen the financial standing of BPRS, which in turn will enable them to expand their social impact. For instance, POJK Number 26 of 2024 allows BPRS to engage in equity participation with supporting institutions and to sell receivables, which can improve liquidity and capital efficiency. More transformative are the changes introduced by POJK Number 7 of 2024, which permit BPRS to make public offerings on the stock exchange (Wisdyan et al., 2024). This opens up a new avenue for raising large-scale capital, allowing BPRS to grow their financing capacity significantly. While this move is driven by a desire for consolidation and enhanced oversight, it creates a powerful incentive for BPRS to improve their financial performance. A BPRS seeking an Initial Public Offering (IPO) must meet stringent criteria, including a minimum core capital of IDR 80 billion and high ratings for governance and risk profile (Devina et al., 2024).

### GOVERNANCE STRUCTURES AND REGULATORY REFORMS SHAPING BPRS OPERATIONS

The effectiveness of a BPRS in realizing its *Maqasid*-based mission is intrinsically linked to its internal governance structures and the external regulatory environment in which it operates. Historically, weak corporate governance has been identified as a primary reason for the underperformance of BPRS in Indonesia. Unlike conventional BPRs, BPRS are mandated to have a Sharia Supervisory Board (Dewan Pengawas Syariah, DPS), a mechanism intended to ensure Sharia compliance and ethical

conduct . However, the effectiveness of this board depends heavily on its composition, independence, and the authority vested in it. Poorly structured boards or those lacking competent members can fail to act as a meaningful check on management, contributing to the very governance failures that have plagued the sector . Therefore, strengthening the DPS is often cited as a critical step in improving BPRS performance (Akbar & Nabiha, 2019).

Recognizing these long-standing issues, the Financial Services Authority (OJK) has initiated a series of landmark reforms designed to fundamentally reshape the governance and operational landscape of BPRS. The most significant of these is POJK Number 7 of 2024, which replaces previous regulations and introduces transformative policies. This regulation is built on the foundation of Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (UU P2SK) and aims to enhance public trust, strengthen capital capacity, and level the playing field for BPRS . One of the most impactful changes is the allowance for BPRS to become publicly listed companies via an Initial Public Offering (IPO) (Wisdyan et al., 2024). This is a revolutionary step that forces BPRS to adopt international standards of transparency, accountability, and corporate governance to attract investors. To qualify for an IPO, a BPRS must meet strict criteria, including having a minimum core capital of IDR 80 billion and receiving high ratings for its governance and risk profile from OJK (Devina et al., 2024).

Alongside enabling market access, the new regulations also introduce mechanisms for mandatory consolidation. OJK is empowered to mandate mergers or acquisitions for BPRS that are undercapitalized, facing operational difficulties, or obstructing the orderly functioning of the market . This policy addresses the fragmentation of the BPRS sector and aims to create larger, more competitive entities capable of serving a wider geographic area and a greater number of clients. Consolidation is required to occur between BPRS operating under the same controlling shareholder within a single region, with extensions available for government-owned entities (Wisdyan et al., 2024). This is expected to improve efficiency, reduce competition among smaller players, and enhance the sector's resilience.

To support these structural changes, OJK has also issued new regulations that strengthen Sharia governance at the institutional level. POJK Number 25 of 2024 enhances the authority of the DPS, mandates the establishment of dedicated functions for Sharia compliance, risk management, and internal audit, and integrates principles from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (OJK, 2025). This ensures that Sharia considerations are embedded throughout the organization, from the front office to the back office. Other recent regulations have expanded permissible business activities, such as allowing BPRS to engage in equity participation and manage cash waqf-linked deposits, further diversifying their income streams and deepening their integration into the national economy . Together, these reforms create a comprehensive package designed to address the historical weaknesses of the BPRS sector. By linking market access to high standards of governance, mandating consolidation to build scale, and strengthening Sharia oversight, OJK is creating a new paradigm for BPRS operations. This new environment compels BPRS to focus on building sustainable, transparent, and scalable institutions, which is a necessary condition for them to fully realize their *Maqasid*-oriented social and economic objectives.

## **OPERATIONAL DIMENSIONS OF MAQASID IMPLEMENTATION IN BPRS ACTIVITIES**

One of the most prominent operational dimensions is the provision of financing through Sharia-compliant contracts, primarily Mudharabah (profit-sharing), Musyarakah (joint venture), Murabaha (cost-plus sale), and Ijarah (leasing) (Wasiaturrahma et al., 2020). These instruments are chosen because they align with the *Maqasid* by promoting risk-sharing and asset-backed transactions. Financing is channeled towards micro-, small, and medium enterprises (MSMEs) and low-income groups, directly targeting the *Maqasid* of protecting property (*hifz al-mal*) and enhancing welfare (*al-maslahah*) (Prasetyo et al., 2025). The effectiveness of this approach is evident in studies showing that BPRS financing leads to tangible economic benefits. For example, a study on BPRS Amanah Ummah found that its financing resulted in a statistically significant mean increase of 1,370,416 rupiah in the profits of microentrepreneurs (Prasetyo et al., 2025). This demonstrates a direct fulfillment of the *Maqasid* objective of economic empowerment. The types of financing also reveal a focus on essential

needs; for instance, BPRS Al Salaam Amal Salman's allocation of CSR funds for clean water infrastructure targets the *Maqasid* of preserving life (*hifz al-nafs*), while BPRS PNM Mentari's support for orphans and family counseling services relates to the protection of lineage (*hifz al-nasl*) (Marwan et al., 2020).

Beyond financing, BPRS implement *Maqasid* through Corporate Social Responsibility (CSR) and charitable activities, which are explicitly aligned with the five core *Maqasid* dimensions. A study analyzing CSR programs in Indonesian sharia banking found that these activities were intentionally designed to generate both social value and worship value (Yusdiansyah & Hendar, 2025). The protection of religion is addressed through aid for Hajj and Umrah pilgrimages, while the preservation of life is supported through disaster relief and animal aid during Eid. The *Maqasid* of intellect is served through educational scholarships and literacy programs, lineage is supported by aiding orphans and providing family counseling, and property is protected through business capital assistance and waqf funding (Yusdiansyah & Hendar, 2025). These programs are managed through instruments like zakat (obligatory charity), infaq (voluntary charity), sadaqah (charity), and waqf (endowments), which are central tools for wealth redistribution in Islamic social finance (Al-Ayubi & Halawatuddu, 2021). The existence of these programs distinguishes BPRS from conventional BPRs and is a key element of their social performance (Akbar & Nabihah, 2019).

## **STRATEGIC IMPERATIVES FOR ENHANCING INTEGRATED PERFORMANCE IN THE MODERN ERA**

To remain resilient amid evolving regulatory and market dynamics, Islamic Rural Banks (BPRS) in Indonesia must transition from transactional intermediaries to mission-driven institutions that integrate financial performance with measurable social value. Their future competitiveness depends on internalizing *Maqasid al-Shariah* not as a compliance checklist but as an organizational ethos guiding all strategic and operational dimensions. Achieving this transformation demands progress in three interconnected areas: enhancing human resource capacity, utilizing digital innovation to expand financial inclusion, and cultivating partnerships that reinforce institutional sustainability.

At the core of this agenda lies the development of human capital. The realization of a *Maqasid*-oriented vision fundamentally depends on the skill, integrity, and dedication of personnel who implement it. Empirical evidence consistently indicates that inadequate human resource quality remains one of the most critical constraints on the development and operational effectiveness of Islamic microfinance institutions (MFIs) and BPRS. The solution lies in a dual-pronged approach. Internally, BPRS must invest heavily in continuous training and development for their employees, focusing not only on technical Islamic finance skills but also on the ethical and spiritual dimensions of their work (Oktaria Ardika Putri & Muhammad Solikhudin, 2021). Training should emphasize the connection between their daily tasks and the overarching goals of *Maqasid*, fostering a sense of purpose and stewardship. Externally, BPRS must collaborate with higher education institutions to help shape curricula that produce graduates with cognitive, emotional, and spiritual intelligence aligned with Islamic finance values (Setiawan & Tarigan, 2025). Initiatives like certified teacher training programs and the development of standardized teaching modules are crucial steps in building a sustainable talent pipeline. By nurturing a workforce that embodies the principles of amanah (trustworthiness) and ikhlas (sincerity), BPRS can ensure their *Maqasid* implementation is authentic and impactful.

## **CONCLUSION**

This study has demonstrated that the *Maqasid al-Shari'ah* framework provides a robust and holistic lens through which to evaluate the performance of Islamic Rural Banks (BPRS) in Indonesia. Moving beyond conventional financial metrics, the integration of *Maqasid* encompassing the protection of religion, life, intellect, lineage, and property reveals a more comprehensive picture of institutional success that balances profitability with social welfare, ethical governance, and community empowerment. The comparative analysis of Indonesian BPRS shows significant variation in how these higher objectives are operationalized, with high-performing institutions excelling not only in financial

returns but also in strategic investments in human capital, environmental sustainability, and inclusive financing.

Crucially, the findings indicate that financial and social performance are not competing goals but are mutually reinforcing. BPRS that actively fulfill their Maqasid-driven social mandate through zakat distribution, MSME financing, financial literacy programs, and CSR initiatives tend to build stronger community trust, enhance customer loyalty, and ultimately achieve greater financial resilience. However, historical challenges related to weak governance, limited scale, and insufficient human resource capacity have constrained the sector's potential. The recent regulatory reforms by OJK, particularly POJK No. 7/2024, represent a pivotal turning point by incentivizing consolidation, strengthening Sharia governance, and enabling capital market access thereby creating structural conditions for BPRS to scale their impact while remaining anchored in Islamic ethical principles.

To fully realize the transformative potential of Maqasid al-Shari'ah, BPRS must adopt an integrated strategy that prioritizes human capital development, leverages digital innovation for inclusive service delivery, and fosters collaborative ecosystems with government, academia, and civil society. In doing so, BPRS can evolve from localized microfinance providers into dynamic engines of equitable and sustainable rural development, embodying the true spirit of Islamic finance: achieving *falah* prosperity in this world and the hereafter for all stakeholders.

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