



## **Reforming Qardh Practices in Islamic Banking: A Critical Analysis Based on Jasser Auda's Maqāṣid al-Sharīah Systems Approach in Indonesia**

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**Abstract:** This study examines the extent to which *qardh* contracts in Indonesian Islamic banking align with the higher objectives of shariah (*maqasid*) as conceptualised in Jasser Auda's systems-based framework. The research addresses a gap in the existing literature, where *qardh* is often analysed in terms of legal-formal compliance without a critical assessment of its multidimensional ethical and social functions. The research adopts a qualitative-normative approach, utilising library research to analyse primary sources from classical fiqh, Qur'anic verses, hadiths, fatwas, and relevant regulatory texts, as well as secondary scholarly literature on *qardh* and Maqasid al-Shari'ah. Jasser Auda's multidimensional *maqasid* framework serves as the primary analytical tool. The study reveals a significant disparity between the ideal concept of *qardh* as a benevolent, non-profit financial instrument and its current implementation in Indonesia, which frequently includes administrative charges, restrictive eligibility criteria, and limited outreach. Through Auda's systems approach, the research demonstrates that properly designed *qardh* contracts can fulfil five *maqasid* dimensions: protection of wealth (equitable resource access), protection of life (emergency aid), protection of intellect (educational funding), protection of lineage (family economic support), and protection of religion (ethical lending). This study offers a conceptual reform model for aligning *qardh* practices with *maqasid*-oriented policies and product designs. It advances Islamic finance scholarship by shifting the discourse from procedural compliance toward holistic socio-economic transformation, positioning Islamic banking as a genuine instrument for justice and inclusion in Indonesia.

**Keywords:** *qardh*; *maqāṣid al-sharīah*; Jasser Auda; Islamic banking; Indonesia.

**Abstrak:** Penelitian ini mengkaji sejauh mana kontrak qardh dalam perbankan Islam Indonesia selaras dengan tujuan-tujuan utama syariah (*maqasid*) sebagaimana dikonseptualisasikan dalam kerangka kerja berbasis sistem Jasser Auda. Penelitian ini menanggapi kesenjangan dalam literatur yang ada, di mana qardh sering dianalisis dalam konteks kepatuhan hukum formal tanpa penilaian kritis terhadap fungsi etis dan sosial multidimensinya. Penelitian ini menggunakan pendekatan kualitatif-normatif, dengan memanfaatkan penelitian perpustakaan untuk menganalisis sumber primer dari fiqh klasik, ayat-ayat al-Qur'an, hadis, fatwa, dan teks regulasi yang relevan, serta literatur akademik sekunder tentang qardh dan Maqasid al-Shari'ah. Kerangka kerja Maqasid multidimensional Jasser Auda berfungsi sebagai alat analitis utama. Studi ini mengungkapkan ketidakseimbangan yang signifikan antara konsep ideal qardh sebagai instrumen keuangan yang welas asih dan nirlaba dengan implementasinya saat ini di Indonesia, yang sering kali mencakup biaya administrasi, kriteria kelayakan yang ketat, danjangkauan yang terbatas. Melalui pendekatan sistemik Auda, penelitian ini menunjukkan bahwa kontrak *qardh* yang dirancang dengan baik dapat memenuhi lima dimensi maqasid: perlindungan harta (akses yang adil terhadap sumber daya), perlindungan kehidupan (bantuan darurat), perlindungan akal (pendanaan pendidikan), perlindungan keturunan (dukungan ekonomi keluarga), dan perlindungan agama (peminjaman etis). Studi ini menawarkan model reformasi konseptual untuk menyelaraskan praktik *qardh* dengan kebijakan dan desain produk yang berorientasi pada maqasid. Studi ini memperkaya kajian keuangan Islam dengan memindahkan diskursus dari kepatuhan prosedural menuju transformasi sosial-ekonomi holistik, menempatkan perbankan Islam sebagai alat sejati untuk keadilan dan inklusi di Indonesia.

**Kata kunci:** *qardh*; *maqasid syariah*; Jasser Auda; perbankan Islam; Indonesia.



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## Introduction

The fundamental objective of Islamic finance is not limited to legal-formal Sharia compliance, but also lies in the realisation of *maqasid syariah*, the higher objectives of Islamic law.<sup>1</sup> These objectives aim to ensure human welfare by protecting religion (*dīn*), life (*nafs*), intellect (*'aql*), progeny (*nasl*), and wealth (*māl*).<sup>2</sup> Over time, scholars have refined the *maqasid* framework, and among the most influential contemporary thinkers is Jasser Auda, who offers a systems-based approach to

<sup>1</sup> Supriyadi, Ahmad. "Implementation of Islamic Economic Principles about Mortgages". *QIJS: Qudus International Journal of Islamic Studies* 2 no. 2 (2014): 122-1443, <https://iiit.org/wp-content/uploads/Maqasid-Al-Shariah-as-a-Philosophy-of-Islamic-Law-Combined.pdf>

<sup>2</sup> Galuh Nashrullah Kartika Mayangsari and H. Hasni Noor, "Konsep Maqashid Al-Syariah Dalam Menentukan Hukum Islam (Perspektif Al-Syatibi dan Jasser Auda)", *Al-Iqtishadiyah*, 1, no. 1 (2014): 50-69. <https://dx.doi.org/10.31602/iqt.v1i1.136>

*maqasid*.<sup>3</sup> His multidimensional and dynamic framework enables a more context-sensitive and integrative analysis of Islamic law, allowing it to respond to modern challenges such as poverty, inequality, and systemic injustice. <sup>4</sup>Auda's vision of *maqasid* goes beyond formalism, promoting ethical, social, and ecological sustainability in economic life.<sup>5</sup>

Despite this rich ethical foundation, the actual implementation of *qardh* contracts in Indonesian Islamic banking shows a significant gap between theory and practice.<sup>6</sup> While *qardh* is designed to serve as a non-profit, benevolent form of financial aid, in practice, it is often applied with administrative charges, bundled services, or mechanisms that generate indirect profits.<sup>7</sup> This deviation from the spirit of *maqasid al-sharia* not only undermines the contract's original purpose but also blurs the distinction between Islamic and conventional finance.<sup>8</sup> Consequently, the social transformative function of *qardh* is diminished, reducing its potential to serve as a genuine instrument of justice and financial inclusion.

This study, therefore, addresses a critical question: to what extent do *qardh* contracts in Islamic banking in Indonesia reflect the principles of *maqāṣid al-sharīah*, especially as formulated in Jasser Auda's contemporary framework? While prior research has explored the operational and regulatory aspects of *qardh*,<sup>9</sup> Few studies have systematically examined its congruence with a systems-based *maqasid*

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<sup>3</sup> Abdul Wahab, "Akad Qardh Dalam Perspektif Maqashid Syariah", *Jurnal Justisia Ekonomika: Magister Hukum Ekonomi Syariah* 5, no. 1, (2021): 300–8. <https://doi.org/10.30651/justeko.v5i2.11384>

<sup>4</sup> M. Ziqhri Anhar Nst & Nurhayati, N, "Teori Maqashid Al-Syari'ah dan Penerapannya Pada Perbankan Syariah", *Jesya (Jurnal Ekonomi Dan Ekonomi Syariah)*, 5 no. 1, (2022): 899-908. <https://doi.org/https://doi.org/10.36778/jesya.v5i1.629>

<sup>5</sup> Jasser Auda is a contemporary Islamic scholar in London, England. He is the director and founder of the Maqashid Research Center in London. director of the Doha Islamic Ethics Center, Professor at the University of Waterloo Canada He obtained a Ph.D degree from the University of Wales in England and the University of Waterloo Canada, the Islamic University of Novi Pazar in Sanjaq Qatar and the American University of Sahrjah, he wrote 25 books in Arabic and English, and some of his books have been translated into 25 languages. See [www.jasserauda.net](http://www.jasserauda.net), accessed September 17, 2024.

<sup>6</sup> COMCEC Coordination Office, *Risk Management in Islamic Financial Instruments*, (Ankara: Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC), 2024.

<sup>7</sup> Ahmad Zainal Abidin, Norhayati Mohd Alwib and Noraini Mohd Ariffin. A Case Study on the Implementation of Qardhul Hasan Concept as a Financing Product in Islamic Banks in Malaysia." *International Journal of Economics, Management & Accounting, Supplementary Issue* 19 no. 3, (2013): 81-100. <https://doi.org/10.31436/ijema.v19i3.201>

<sup>8</sup> Deri Wanto, Rahmad Hidayat, and R. Repelita, "Maqasid Shariah's Change as Theory: From Classical to Contemporary Maqasid Shariah." *Al-Istinbath: Jurnal Hukum Islam* 6 (2021): 427-54. <https://doi.org/10.29240/jhi.v6i2.3122>.

<sup>9</sup> Hanudin Amin., M. Kabir Hassan & Imran Mehboob Shaikh, "Waqf-based qardhul hassan financing preference in Malaysia: an exploratory study." *International Journal of Ethics and Systems*, Emerald Group Publishing Limited, vol. 40 no. 3, (2023): 651-671, <https://doi.org/10.1108/IJOES-02-2023-0025>

perspective. The current study is unique in that it evaluates *qardh* through the lens of Auda's multidimensional *maqasid* theory, highlighting normative contradictions and proposing conceptual realignment strategies.

The primary objective of this study is to critically examine the extent to which the implementation of *qardh* contracts in Indonesian Islamic banking aligns with the multidimensional objectives of Shariah (*maqasid*) as conceptualised in Jasser Auda's systems-based framework. Specifically, it aims to bridge the normative-practical gap between the ideal concept of *qardh* as a benevolent, non-profit social finance instrument and its current application, which often involves administrative charges, restrictive eligibility criteria, and limited outreach.

The urgency of this research stems from the pressing need to realign Islamic banking products with their ethical and social purposes as Islamic finance in Indonesia becomes more commercialised. As the largest Muslim-majority country, Indonesia faces persistent challenges of poverty, economic inequality, and a lack of accessible financing, particularly in rural and underserved communities. *Qardh*, when designed in accordance with *maqāṣid al-sharīah*, has the potential to function as a strategic instrument for financial inclusion, social justice, and human dignity. However, its current implementation often prioritises institutional sustainability over social impact, undermining its transformative role. Employing Jasser Auda's systems approach, this study not only evaluates existing practices but also proposes a conceptual reform model to ensure that *qardh* fulfils its intended ethical function.

The relevance of *qardh* as a social finance instrument is particularly urgent in Indonesia, which faces persistent issues of poverty, economic inequality, and limited access to affordable financial services. Despite being the largest Muslim-majority country in the world, Indonesia still fails to achieve widespread financial inclusion, especially in rural and underserved communities. Islamic banking, with its ethical foundations, is projected to have a transformative role in addressing these socio-economic challenges. However, in practice, the application of *qardh* by Islamic banks often prioritises financial sustainability over social objectives. This indicates a rising tension between institutional viability and moral accountability, necessitating a reconsideration of sharia-based financial products not only from a legalistic lens but from a purposive, *maqasid*-oriented perspective.<sup>10</sup>

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<sup>10</sup> Ahmad Syafi'I Sulaiman Jamrozi, Suad Fikriawan, Syamsul Anwar, and Misnen Ardiansyah. "Maqashid Al-Sharia in the Study of Hadith and Its Implication for the Renewal of Islamic Law: Study on Jasser Auda's Thought." *Justicia Islamica* 19 no. 1 (2022): 74-93. <https://doi.org/10.21154/justicia.v19i1.3269>.

Moreover, the increasing commercialisation of Islamic finance poses a threat to the social justice mission. *Qardhul Hasan*-labelled products are often in short supply and are only available as complementary features, rather than central financing schemes. In some cases, they are associated with mandatory insurance, collateral requirements, or limited repayment terms and conditions, which may deter people with low incomes, whom these instruments are intended to empower. Although technically Sharia-compliant, these activities do not match with *maqasid* ideals such as mercy (*rahmah*), empowerment (*tamkīn*), and equity (*‘adl*).<sup>11</sup> Through Jasser Auda’s systems approach, this study seeks to go beyond surface-level compliance and assess whether the institutional structure, decision-making logic, and impact of *qardh* products contribute substantially to holistic human development.

This research is not merely a legal or doctrinal inquiry, but a normative and critical examination aimed at reconstructing the ethical foundations of Islamic finance in response to the practical challenges of implementing *qardh* in Indonesian Islamic banking.<sup>12</sup> The primary objective is to assess the extent to which current *qardh* practices align with the multidimensional objectives of Sharia (*maqasid*) as outlined in Jasser Auda’s systems-based framework, while identifying gaps between normative ideals and operational realities. The urgency lies in the growing commercialisation of Islamic finance, which risks turning *qardh* into a symbolic, profit-masked product rather than a genuine instrument of social justice.<sup>13</sup> By critically analysing current practices and pinpointing structural deficiencies, this study proposes a conceptual model of *qardh* that integrates economic empowerment, social equity, and spiritual integrity, ensuring that Islamic banking in Indonesia fulfils its *maqasid*-driven mandate as an authentic vehicle for justice, not simply a rebranded version of conventional finance.

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<sup>11</sup> Zulkefly Ibrahim, Nur Farhah Mahadi, Habeebullah Zakariyah, Aznan Hasan & Junarti Bahtiar, “Cash Waqf: Ethical & sustainable Qard Hasan Microfinancing in Malaysia for B40 & M40 inclusion”, *Environment-Behaviour Proceedings Journal*, 9 no. 29, (2024): 31-37. <https://doi.org/10.21834/e-bpj.v9i29.6014>

<sup>12</sup> Nur’aini., & Jeni Oktaviani. Islamic Social Finance and Maqashid Shariah. *International Journal of Waqf*, 2 no. 2 (2022). <https://doi.org/10.58968/ijf.v2i2.172>

<sup>13</sup> Provita Wijayanti, Intan Salwani Mohamed, Dalila Daud, Hani Werdi Apriyanti, M. Ja’far Shodiq, Arifathul Khoiriyah. “The integration of *maqasid* sharia principles on digital accounting information system in Indonesian Islamic microfinance.” *Journal of Islamic Accounting and Finance Research*, 7, no. 1, (2025): 107-126. <https://doi.org/10.21580/jiafr.2025.7.1.25345>



### Implementation of *Qardh* Contracts In Indonesian Islamic Banking

*Qardh*, in its linguistic sense, means “a deduction,” while in *fiqh* terminology, it refers to giving property to another person that can be reclaimed in the same amount and in the same form.<sup>14</sup> Simply put, *qardh* is lending to another party without expecting any return or profit. In the context of *qardh hasan*, the loan is provided free of charge to those in need, with no interest or profit margin, and repayment is limited to the principal amount.<sup>15</sup> Although it is permissible for the borrower to offer a token of appreciation or make an extra payment to the lender voluntarily, such compensation may not be stipulated in the contract.<sup>16</sup> Classical scholars, including those from the Maliki and Shafi'i schools, agree that the virtue of *qardh* is the benefit given to the borrower only for the sake of attaining Allah's pleasure.<sup>17</sup>

In the Islamic financial system, *qardh hasan* is classified as a *tabarru'* contract, which is intended to be an act of mutual assistance for good purposes.<sup>18</sup> This principle carries implications for social justice, as the party extending the loan cannot require compensation from the borrower.<sup>19</sup> The normative basis for *qardh* is found in the Qur'an, specifically Surah Al-Hadid (57:11), and in the hadith narrated by Ibn Mas'ud, which likens lending twice to giving charity once.<sup>20</sup> In practice, *qardh* in Indonesia is implemented in various schemes, including emergency consumer loans for urgent needs, capital assistance for micro and small entrepreneurs, financing support for prospective Hajj pilgrims, and employee welfare loans with repayments deducted from salaries.

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<sup>14</sup> Muhammad Sholahuddin, *Kamus Istilah Ekonomi Keuangan dan Bisnis Syariah*, (Jakarta: Gramedia Pustaka Utama, 2011), 142.

<sup>15</sup> Iza Hanifuddin, Nur Kasanah, Eficandra. “Al-Qard al-Hasan Program of Bankziska: Zakat Fund-Based Empowerment Model for Victims of Loan Sharks.” *JURIS (Jurnal Ilmiah Syariah)*, 23, no. 1 (2024): 1-12. <https://dx.doi.org/10.31958/juris.v23i1.10799>

<sup>16</sup> Coby Morvinski & Yaniv Shani. "Misaligned mindsets between borrowers and lenders of small interpersonal loans." *Organizational Behavior and Human Decision Processes*, 169, (March 2022), 104117. <https://doi.org/10.1016/j.obhdp.2022.104117>

<sup>17</sup> Syafi'i Antonio, *Bank Syariah Dari Teori ke Praktik*, (Jakarta: Gema Insani Press, 2001), 131.

<sup>18</sup> Putri Rizka Citaningati, Kamaluddin, K., & Ilham Dwitama Haeba, Implementation of the Qardhul Hasan Agreement at Indonesian Islamic Financial Institutions, *FITRAH: Jurnal Kajian Ilmu-ilmu Keislaman*, 8 no. 2, (2022): 237-256. <http://dx.doi.org/10.24952/fitrah.v8i2.5903>

<sup>19</sup> Soritua Ahmad Ramdani Harahap & Iza Hanifuddin. “Qardul Hasan Principles Theory and Implementation in Islamic Banking.” *Jurnal Masharif al-Syariah: Jurnal Ekonomi dan Perbankan Syariah*, 4, no. 1, (2019): 140-148. <http://dx.doi.org/10.30651/jms.v4i2.3196>

<sup>20</sup> Sutan Semi Sjahdeini, *Perbankan Syariah Produk-Produk dan Aspek-Aspek Hukumnya*, (Jakarta: Kencana, 2014), 342-351.

The sources of *qardh* can come from both internal and external to Islamic financial institutions. Internal funds are typically derived from repayments of previous *qardh* loans, while external funds come from *infaq*, *sadaqah*, grants, or other community contributions. The only charges that are permitted are administrative fees directly related to the contract's validity, such as stamp duty or legal certification. Ideally, the *qardh* arrangement should benefit the customer more than the institution, as its primary orientation is social empowerment rather than profitability.

From a *maqasid al-shariah* perspective, *qardh* plays a crucial role in preserving wealth (*hifz al-mal*), safeguarding human dignity, and fostering social solidarity.<sup>21</sup> However, in practice, its share within the portfolios of Islamic banks, such as *Bank Syariah Indonesia (BSI)*, *Bank Pembiayaan Rakyat Syariah (BPRS)*, and *Baitul Maal wat Tamwil (BMT)*, remains limited. This product is often positioned as an auxiliary service rather than a core offering, resulting in small allocations and limited outreach to underserved segments.<sup>22</sup>

Jasser Auda's *maqāṣid al-sharīah* framework offers a broader analytical lens for understanding the role of *qardh*.<sup>23</sup> Auda proposes a paradigm shift from a formalistic legal approach to a value and purpose-oriented approach, articulated through six core elements: cognition, openness, wholeness, interrelatedness, multidimensionality, and purposefulness.<sup>24</sup> In this framework, *qardh* is evaluated not only for its textual compliance but also for its capacity to deliver tangible public benefits, such as economic empowerment, human rights protection, and enhanced financial inclusion.

Auda's emphasis on *fathu al-dhara'i* (opening means to good) alongside *sadd al-dhara'i* (blocking means to harm) is highly relevant for *qardh* innovation, such as digital *qardh hasan* platforms.<sup>25</sup> *Qardh* for productive zakat projects, and other forms

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<sup>21</sup> Galuh Nasrullah Kartika MR & Hasni Noor. "Konsep Maqashid al-Syari'ah dalam Menentukan Hukum Islam (Perspektif Al-Syatibi dan Jasser Auda)." *Al-Iqtishadiyah: Ekonomi Syariah dan Hukum Ekonomi Syariah*, 1, no 1 (2014): 50-69. <https://dx.doi.org/10.31602/iqt.v1i1.136>

<sup>22</sup> Achmad Soediro, Inten Meutia. "Maqasid Sharia as A Performance Framework for Islamic Financial Institutions". *Jamal: Jurnal Akuntansi Multiparadigma*, 9 no. 1, (2018): <https://dx.doi.org/10.18202/jamal.2018.04.9005>

<sup>23</sup> Jasser Auda, *Maqasid Al-Shariah as Philosophy of Islamic Law: A Systems Approach*, (London: Washington, The International Institute os Islamic Thought. 2008): 154.

<sup>24</sup> Shofaussamawati, S, Alfi Nikmah, and Muhammad Azka Azkiya, "Reading of JasserAuda's System Theory in the Law Verse on Women and Mosques". *QiST: Journal of Quran and Tafseer Studies* 4 no. 1 (2025): 91-108. <https://doi.org/10.23917/qist.v4i1.7954>.

<sup>25</sup> Abdul Ghafar Ismail & Bayu Taufiq Possumah. "Qardhul Hasan Principles Applied to Micro Finance Facilities." Working Paper in Islamic Economics and Finance No. 1021, in *the 2nd International Workshop in*

of social financing.<sup>26</sup> His classification of *maqasid* into *maqasid 'ammah* (general), *maqasid khassah* (specific), and *maqasid juz'iyah* (partial) affords legal flexibility, allowing *qardh* to be adapted to the socio-economic realities of Indonesia.<sup>27</sup>

By integrating *fiqh* principles, national regulations, and Jasser Auda's *maqasid* framework, the implementation of *qardh* in Indonesian Islamic banking holds significant potential as an effective social finance instrument.<sup>28</sup> However, this potential remains underutilised due to profitability constraints, limited institutional incentives, and a lack of regulatory policies that encourage banks to embed *qardh* in their core portfolios.<sup>29</sup> Policy reform, product innovation, and more substantial institutional commitment are required for *qardh* to function as a genuine instrument of social justice aligned with the objectives of *maqāṣid al-sharīah*.

### Critical Comparison With Indonesian Qardh Practices

In the absence of *maqāṣid al-sharīah*, there can be a loss of sharia substance based on all banking, fatwas, regulations, policies (monetary and fiscal), products, and finance.<sup>30</sup> Without the *maqāṣid al-sharīah*, it is impossible to ensure that the regulation and development of *muamalah* jurisprudence are adapted to the formulation of finance and banking; otherwise, what occurs will be silent and permanent. As a result, the institutions of Sharia banking and finance are delayed and struggle with development. Along with the rapid emergence of sharia banking and financial improvement, several problems can be addressed gradually.<sup>31</sup>

Therefore, the sharia banking supervisory board, based on Indonesian banks, must possess the expertise and ability in shariah knowledge in accordance with standardisation, including the science of *usul fiqh* and *maqāṣid al-sharīah*, which the

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*Islamic Economics Theory: Islamic Micro-finance Towards Global Poverty Alleviation and Sustainable Development*, 8-9 December 2010, Bangi, Malaysia.

<sup>26</sup> Ahmad Al-Raysuni and Nancy Roberts. "Imam Al Shatibi's Theory of the Higher Objectives and Intents of Islamic Law". *International Institute of Islamic Thought*, 2005. <https://doi.org/10.2307/j.ctvkjb1w9>.

<sup>27</sup> Anas Asy'ari Nashuha, Muthoifin & Mariam Elbanna. "An Analysis of Jasser Auda's Thought on Maqashid Sharia and Its Implications for Sharia Economic Law". *Solo International Collaboration and Publication of Social Sciences and Humanities*, 3 no. 3, (2025): 441-456. <https://doi.org/10.61455/sicopus.v3i03.361>

<sup>28</sup> Gamal Eldin Attia, *Towards Realization of the Higher Intents of Islamic Law: Maqasid Al-Shariah: A Functional Approach*, (London, The International Institute of Islamic Thought, 2007), 95.

<sup>29</sup> Mohammad Hashim Kamali, M. *Maqasid al-Shariah, Ijtihad and Civilisational Renewal*. IIIT, 2019, 127.

<sup>30</sup> Abbas Arfan, Ikil Athroz Arfan, Abdulrahman Alkoli, and Ramadhita Ramadhita. "The Implementation of Maqashid Sharia: Heterogeneity of scholars' Fatwas towards Islamic Banking Agreements." *Legality: Jurnal Ilmiah Hukum* 32 no. 1, (2024):105-28. <https://doi.org/10.22219/ljih.v32i1.32170>.

<sup>31</sup> Muhammad Majdy Amiruddin, Nasrullah bin Sapa, and Abdul Syatar, "Uncovering Wasathiyah Values on Sharia Banking." *Al-Mashrafiyah: Jurnal Ekonomi, Keuangan, Dan Perbankan Syariah* 4 no. 2 (2020):15-28. <https://doi.org/10.24252/al-mashrafiyah.v4i2.14676>.



authority's institutions have neglected to date.<sup>32</sup> Even some scholars argue that if the law does not contain *maslahah*, then it is not a Sharia product because Sharia solves problems, not creates issues.

The concept of contract *qardh*, in the context of *hifdz al-mal* (guarding property) described above, essentially involves guarding property by participating in protecting Muslim wealth from usurious lending practices. Thus, the property of Muslims can be saved and safe from swelling bills. In the *qardh* contract, the customer only returns the funds according to the loan amount without any compensation or additional costs.

This reformulation of Jasser Auda's thoughts on *maqāṣid al-sharīah*, employing a systematic methodology, represents a form of constructive criticism of the traditional classical paradigm model, aiming to establish *maqāṣid al-sharīah* as a discipline in its own right. To address the different dangers and problems confronting Muslims today, he employs the basic principles of expediency, justice, and tolerance. The concept of reformulation is still derived from the primary sources of law, the Qur'an and the Hadith, rather than the literature of the Madhhab in Islamic jurisprudence. In the *qardh* contract in sharia, when viewed through the lens of *maqasid* Jasser Auda, the loan fund can prevent various difficulties and protect the welfare of people in the economic and social fields; the community will be helped in meeting their household needs; and they will be able to maintain their mindset and protect their dignity as a nation and a country. The following table outlines Jasser Auda's views on the *qardh* contract in Sharia banking, as explained by the manifestation paradigm.<sup>33</sup>

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<sup>32</sup> Muhammad Syarofi & Lutfianah Putri. "The Importance of Sharia Supervisory Board on Islamic Financial Institution. " *Airlangga Journal of Innovation Management*, 4 no. 1 (2023), 74–83. <https://doi.org/10.20473/ajim.v4i1.45357>

<sup>33</sup> Jasser Auda, *Maqasid Al-Shariah as...*, 167.

**Table 1.** The Manifestation Paradigm of Jasser Auda's Thinking Related to The *Qardh* Contract in Sharia Banking

Classical <i>Maqāṣid al-Sharīah</i>	Paradigm <i>Maqasid</i> Jasser Auda	Fulfilment
Protecting lineage ( <i>Hifdz Nasl</i> )	Concern for family institutions	-
Protecting reason ( <i>Hifdz Aql</i> )	Multiply the pattern of thinking and scientific research	-
Protecting honour, protecting the soul ( <i>Hifdz Iradh</i> )	Maintain and preserve human dignity and human rights	-
Protecting religion ( <i>Hifdz Din</i> )	Maintain, protect, and respect freedom of religion and belief.	-
Protecting wealth ( <i>Hifdz Mal</i> )	Economy, well-being, social concern	√

**Source:** Adapted from Auda (2008); author's elaboration.

Based on the data presented above, the *qardh* contract in Sharia banking, which is a manifestation of Jasser Auda's thinking, can help the community in fulfilling and maintaining economic stability and well-being, as its primary goal is to improve the community's financial aspects and overall well-being.<sup>34</sup> The concept of the *qardh* contract is also a genuine form of social concern among Muslims that promotes well-being, generates a sense of comfort in life, and alleviates anxiety in recent times. This is consistent with the concept of *takaful al-ijtima'i*, which is a form of mutual assistance that aims to provide comfort and peace in community life.

In practice, however, the application of *qardh* contracts in Indonesian Islamic banking contradicts these *maqasid* ideals. The gaps are illustrated as follows:

**Table 2.** Actualisation *Maqāṣid al-sharī'ah* Ideal

<i>Maqāṣid al-sharī'ah</i> Ideal	Actual Practice in Indonesian Islamic Banking
Preservation of wealth (hifz al-mal) through interest-free loans accessible to all in need.	<i>Qardh</i> products are limited in availability, with small allocation volumes and strict eligibility requirements that exclude many low-income borrowers.
Promotion of human dignity through equitable access to financial resources.	<i>Qardh</i> often serves only select customer segments (e.g., employees, existing clients), leaving out financially excluded communities.
Strengthening social solidarity by prioritising community welfare over	Institutional focus remains on revenue-generating contracts; <i>qardh</i> is treated as a

<sup>34</sup> Elfia, Nurul Shalihin, Surwati Surwati, Yan Fajri, and Aulia Rahmat. "Institutionalizing maqāṣid hifz Al-naṣl Within the Minangkabau Inheritance Framework." *Ijtihad: Jurnal Wacana Hukum Islam Dan Kemanusiaan* 24 no. 2 (2024): 193-222. <https://doi.org/10.18326/ijtihad.v24i2.193-222>.

institutional profit. Encouragement of socio-economic empowerment via long-term, supportive financing.	supplementary, non-priority product. Qardh is typically short-term and small-scale, with repayment periods that may not fully address borrowers' financial recovery needs.
Integration into core banking portfolios as a key social finance tool.	Absence of regulatory mandates or incentives leads to <i>qardh</i> being peripheral in bank operations.

Source: author's elaboration, 2025.

While *qardh* is formally defined as a *qardh hasan* with no expectation of return other than the principal, its current usage is often limited to small, temporary, and administrative-based loans, primarily as supplementary features to larger commercial products.<sup>35</sup> According to Bank Indonesia and OJK regulations, *qardh* is permissible as long as it does not involve interest (*riba*); however, banks frequently attach operational charges or bundle it with other profit-generating mechanisms, thus diluting its social purpose.<sup>36</sup>

For example, some Islamic banks in Indonesia only offer *qardh* in minimal amounts (usually below IDR 5 million), tied to strict eligibility criteria and repayment enforcement.<sup>37</sup> Instead of targeting the economically marginalised, *qardh* is often allocated to employees or select loyal customers, which contradicts its intended purpose as a tool of financial inclusion and social upliftment.<sup>38</sup> The result is a formal compliance with *fiqh* regulations, but a functional deviation from *maqasid* principles, particularly from *hifz al-māl* (protection of wealth), *hifz al-nafs* (protection of life), and *hifz al-'irdh* (preservation of dignity).

The misalignment becomes more evident when analysed through Auda's multidimensional *maqasid* lens. For instance, *openness* and *interconnectedness*, two pillars of Auda's system approach, require Islamic finance to be responsive to social, ecological, and cultural realities. However, current *qardh* practices remain institutionally rigid, guided more by financial risk management than social benefit

<sup>35</sup> Azhar Alam, Achmad Fajar Sidiq, Aditya Nurrahman. "Qardhul Hasan's Contract at Islamic Microfinance Institutions: A Management and Evaluation Study." *Al-Infaq: Jurnal Ekonomi Islam*, 14, no. 1, (2023): <https://doi.org/10.32507/ajei.v14i1.1655>

<sup>36</sup> Muhammad Maksum. "The Mechanism of Avoiding Riba in Islamic Financial Institutions: Experiences of Indonesia and Malaysia." *JURIS: Jurnal Ilmiah Syari'ah*, 22, no. 2 (2023): 235-244. <https://dx.doi.org/10.31958/juris.v22i2.6952>

<sup>37</sup> Otoritas Jasa Keuangan (OJK). *Indonesian Islamic Finance Report 2023*. (Jakarta: Department of Islamic Banking-Indonesian Financial Services Authority. 2023).

<sup>38</sup> Mimma Maripatul Uula & Darwis Harahap. "The Implementation of Maqasid Shariah in Economic Studies." *Journal of Islamic Economics Literatures*, 4 no. 1, (2023): <https://doi.org/10.58968/jiel.v4i1.223>

optimisation. This undermines the contract's *multidimensionality*, as it fails to integrate ethical, psychological, and communal dimensions. Furthermore, the lack of adequate training among Sharia Supervisory Boards (*Dewan Pengawas Syariah*) on *maqasid* methodologies, such as the integration of *ushul fiqh* with social data, has weakened ethical oversight.<sup>39</sup>

### **Integrating Auda's Paradigm with *Qardh* Reform**

To reconcile the discrepancies between the legal formality of *qardh* and its intended ethical function, Jasser Auda's *maqasid* system offers a transformative model that reconnects the purpose of *qardh* with real-world policy and financial practice. Rather than treating *maqasid* as abstract legal objectives, Auda advocates a systems-based approach that interprets the five universal aims of Shariah as dynamic principles aligned with human welfare, justice, and dignity.<sup>40</sup> This concept expands asset protection (*hifz al-māl*) beyond individual property to encompass equal access to resources, thereby avoiding economic marginalisation and actively promoting financial inclusion.

This reconceptualisation is reflected in the table below, which illustrates how each classical *maqasid* principle is expanded under Auda's system and fulfilled through *qardh* when correctly applied:

**Table 3.** Illustration of the reformulated paradigm

<b>Classical <i>Maqāṣid al-sharī'ah</i></b>	<b><i>Maqāṣid al-sharī'ah</i> (Jasser Auda)</b>	<b>Fulfilment through <i>Qardh</i></b>
Protection of wealth	Social concern, well-being	✓ Financing without burden
Protection of life	Welfare and dignity	✓ Emergency assistance
Protection of intellect	Knowledge-based empowerment	✓ No exploitation
Protection of lineage	Family economic support	✓ Household aid
Protection of religion	Freedom and ethical responsibility	✓ Faith-consistent lending

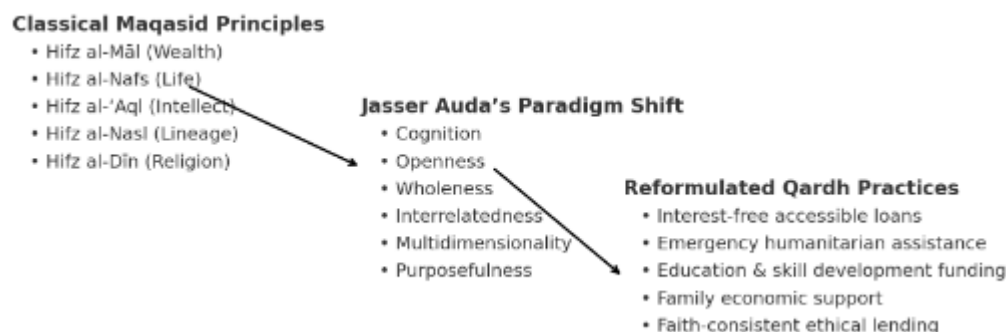
**Source:** Adapted from Auda (2008); author's elaboration.

<sup>39</sup> Niaz Makhdum Muhammad, Salina Kassim, Nur Farhah Binti Mahadi & Engku Rabiah Adawiah Bt Engku Ali. "Analysing the Significance of Maqasid-Al-Shariah in Islamic Microfinance: A Narrative Review." *Journal of Islamic Finance*, 14 no. 1, (2025): 60-72. <https://journals.iium.edu.my/iiibf-journal/index.php/jif/article/view/880>

<sup>40</sup> Jasser Auda. "Maqasid as a Basis for an Integrated Framework and Methodology." *Journal of Contemporary Maqasid Studies* 4 no. 1, (2025): 1-20. <https://doi.org/10.52100/jcms.v4i1.161>

Whereas the formulation Integration of Jasser Auda's Maqasid Paradigm with *Qardh* Reform, can be described as follows:

**Figure 1.** Integration of Jasser Auda's Maqasid Paradigm with *Qardh* Reform



**Source:** Adapted from Auda (2008); author's elaboration.

Thus, when interpreted and applied through Jasser Auda's *maqasid* framework, the *qardh* contract can transcend its minimalist legal status and function as a robust tool for economic justice and empowerment.<sup>41</sup> However, achieving this transformation requires a realignment of financial policies, ethical product design, and the empowerment of Shariah supervisory boards to become not only *fiqh*-literate but also *maqasid*-oriented.<sup>42</sup> Without this transition, *qardh* risks becoming a symbolic legal instrument, devoid of its deeper moral and spiritual purpose.

One of the key advantages of applying Auda's systems-based *maqasid* model to *qardh* is its ability to address structural inequality through financial inclusion. In conventional Islamic finance, *qardh* is often regarded as a benevolent but marginal instrument with limited scope. However, when redefined through the lens of *hifz al-māl* as social well-being, *qardh* transforms into a proactive tool for financial equity. Dusuki and Abozaid argue that when Islamic finance incorporates the

<sup>41</sup> Andri Sutrisno. "The Concept of Maqasid Sharia According to Jasser Auda." *El-Faqih: Jurnal Pemikiran Dan Hukum Islam* 8 no. 2 (2022): 23-36. <https://doi.org/10.58401/faqih.v8i2.707>

<sup>42</sup> Rita Wijayanti & Doddy Setiawan. "The role of the board of directors and the sharia supervisory board on sustainability reports." *Journal of Open Innovation: Technology, Market, and Complexity*, 9, Issue 3, (September 2023), 100083. <https://doi.org/10.1016/j.joitmc.2023.100083>



principle of distributive justice, especially for the underserved, *qardh* can serve as a lifeline to prevent economic exclusion and dependence on exploitative lending.<sup>43</sup>

Applying the *maqasid* of *hifz al-nafs* (protection of life) emphasises the importance of *qardh* as a humanitarian response mechanism. In emergency contexts such as health crises, natural disasters, or sudden unemployment, institutions can deploy *qardh* as emergency assistance without profit motives or bureaucratic obstacles. This approach aligns with Chapra, who asserts that Islamic financial systems must safeguard human dignity by integrating ethical imperatives into their economic models.<sup>44</sup> The use of *qardh* for essential survival needs reflects the spirit of Shariah more genuinely than profit-based lending schemes.

From the perspective of *hifz al-'aql* (protection of intellect), *qardh* plays a significant role in empowering individuals through education and skill development. When *qardh* is designed to fund tuition, vocational training, or entrepreneurship initiatives, it contributes directly to human capital enhancement. Ghozali et al., highlight that Islamic microfinance, based on non-exploitative contracts, improves long-term intellectual and economic self-sufficiency, particularly among youth and women.<sup>45</sup> Therefore, *qardh* becomes not merely a financial transaction, but also a strategy for educational and cognitive liberation.<sup>46</sup>

In the domain of *hifz al-nasl* (protection of lineage), Auda's framework implies that financial products must uphold family stability and continuity. *Qardh*-based lending models tailored to family needs, such as housing renovation, maternity costs, or school expenses, ensure that Islamic finance contributes to intergenerational well-being. Obaidullah and Khan emphasise the role of interest-free lending in strengthening household economies, which in turn stabilises communities and reduces the transmission of poverty across generations.<sup>47</sup> Through this lens, *qardh* becomes a strategic investment in social sustainability.

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<sup>43</sup> Asyraf Wajdi Dusuki and Abdulazeem Abozaid. "A Critical Appraisal on The Challenges of Realizing Maqasid Al-Shariaah in Islamic Banking and Finance." *International Journal of Economics, Management and Accounting* 15 no. 2, (2013): <https://doi.org/10.31436/ijema.v15i2.133>

<sup>44</sup> M. Umer Chapra, *The future of Islamic economics: an Islamic perspective* (Markfield: Islamic Foundation, 2016), 446.

<sup>45</sup> Mohammad Ghozali, Mohamad Andi Syamsul Maula, and Muhamad Muhamad. "Akad Qardh Pada Perbankan Syariah Di Indonesia Perspektif Maqashid Sayriah Dr. Jasser Auda." *Jurnal Masharif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah* 7 no. 4, (2022). <https://doi.org/10.30651/jms.v7i4.12652>.

<sup>46</sup> Mucahit Ozdemir, Fatih Savasan & Salih Ulev. "Leveraging financial inclusion through Islamic microfinance: A new model proposal for participation banks in Türkiye." *Borsa Istanbul Review*, 23, Issue 3, (May 2023): 709-722. <https://doi.org/10.1016/j.bir.2023.01.011>

<sup>47</sup> Mohammed Obaidullah and Tariqullah Khan, *Islamic Microfinance Development: Challenges and Initiatives*. *Islamic Research & Training institute Policy Dialogue Paper*. no. 2, (May 1, 2008): <http://dx.doi.org/10.2139/ssrn.1506073>

Regarding *hifz al-dīn* (protection of religion), Auda emphasises that financial instruments should not only comply with legal shariah principles but also reflect spiritual ethics such as sincerity, trust, and moral accountability. A *maqasid*-driven *qardh* program must guarantee that borrowers are not psychologically or religiously coerced, and that contracts uphold transparency and mutual respect. As Laldin and Furqani argue, aligning products with faith-based ethics ensures that Islamic finance retains its spiritual essence while addressing real economic needs. In this way, *qardh* becomes a manifestation of moral economy rather than a mere procedural compliance.<sup>48</sup>

To institutionalise these values, a systemic transformation of Islamic financial governance is required. Regulatory frameworks must incentivise *maqasid*-oriented innovations and provide more flexibility for ethical experimentation within Shariah boundaries. Moreover, Shariah boards must shift from narrowly *fiqh*-based evaluations to broader outcome-oriented judgments that consider long-term social and spiritual consequences. Kamali emphasises the need to retool Islamic jurisprudence to accommodate the civilizational renewal of Shariah, a renewal in which instruments like *qardh* play a pivotal role in achieving economic justice, public interest (*maslahah*), and human dignity.<sup>49</sup>

Then, by integrating Jasser Auda's *maqasid* paradigm into the reform of *qardh* repositions, this Islamic financial instrument is transformed from a narrow legal contract into a dynamic tool for achieving social justice, economic inclusion, and spiritual integrity. In practice, the principle of multidimensionality can be operationalised by designing *qardh* products that address not only financial needs but also educational, health, and community development goals, such as combining interest-free loans with financial literacy training or vocational skills programs.

The principle of openness necessitates regulatory frameworks and institutional policies that enable Islamic banks to collaborate with non-bank social finance actors, such as zakat agencies, waqf boards, and fintech platforms, thereby expanding *qardh* outreach and diversifying funding sources. Purposefulness should be embedded in governance structures by mandating Sharia Supervisory Boards to evaluate not only the compliance of *qardh* products with *fiqh*

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<sup>48</sup> Mohamad Laldin Akram, Hafas and Furqani. "Developing Islamic finance in the framework of *maqasid* al-Shari'ah: Understanding the ends (*maqasid*) and the means (*wasail*).*" International Journal of Islamic and Middle Eastern Finance and Management*, 6 no. 4, (2013): 278-289.<https://doi.org/10.1108/IMEFM-05-2013-0057>

<sup>49</sup> Mohammad Hashim Kamali, M. *Maqasid al-Shariah, Ijtihad...*, 132.

requirements, but also their alignment with *maqasid* outcomes, such as reducing poverty, enhancing human dignity, and fostering social solidarity.<sup>50</sup>

The integration of Auda's *maqasid* paradigm with *qardh* reform also carries a crucial epistemological dimension. Auda critiques the classical *fiqh* approach for its tendency to treat contracts in isolation, detached from wider social realities. By employing systems thinking, he highlights that each legal instrument should be analysed in terms of its interactions with the broader socio-economic environment. In the case of *qardh*, this means moving beyond the formalities of loan contracts to assess how they contribute to resilience, justice, and communal well-being. Thus, *qardh* becomes not simply a financial transaction, but an ethical and systemic intervention.

From a comparative standpoint, this *maqasid*-driven interpretation positions *qardh* differently from conventional microcredit schemes. While microfinance has been celebrated for expanding access to credit, critics argue that its reliance on high interest rates often traps borrowers in cycles of indebtedness. *Qardh*, when grounded in *maqasid*, avoids this pitfall by prioritising empowerment over extraction. On the other hand, if *qardh* is confined to minimalistic *fiqh* compliance, it risks becoming a symbolic "charity loan" with limited practical relevance. Auda's paradigm thus bridges these extremes by offering a model that is both ethically authentic and practically impactful.

At the policy level, embedding *maqasid* into financial regulation is essential. Current Shariah governance tends to privilege textual compliance, leaving little room for outcome-based evaluations. Auda's multidimensionality principle demands that regulators assess *qardh* not merely by its conformity to *fiqh* rulings, but also by its contribution to poverty reduction, household stability, and social equity. Central banks and supervisory authorities, for example, could introduce *maqasid*-oriented performance indicators to ensure that *qardh* schemes are evaluated based on their ability to enhance social welfare, rather than just by their legal form.

Institutional collaboration further illustrates the application of Auda's openness principle. Commercial banks alone may lack the incentive to scale *qardh*, given profitability concerns. However, partnerships with zakat agencies, waqf boards, and fintech platforms can spread financial responsibility and expand outreach. Waqf, for example, could be used to establish revolving funds for *qardh*,

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<sup>50</sup> Nasrulloh. "Maqasid Shari'ah Sebagai Pendekatan Sistem Dalam Hukum Islam." *De Jure: Jurnal Hukum dan Syar'iah*, 2 no. 2 (2010): 101-109 <https://doi.org/10.18860/j-fsh.v2i2.2970>.

while digital platforms can minimise administrative costs and connect lenders with underserved communities. This networked approach reflects the systems theory that Auda champions, in which multiple actors interact dynamically to fulfil *maqasid* objectives.

Embedding purposefulness into governance structures also ensures that *qardh* retains its ethical character. The Sharia Supervisory Board (SSB) must go beyond checking formal *fiqh* compliance to evaluate ethical outcomes.<sup>51</sup> This includes assessing whether *qardh* programs actually reduce financial vulnerability, support education, or enhance family welfare. Such a dual mandate prevents *qardh* from being reduced to a mere corporate social responsibility tool, instead securing its role as a vehicle of justice and compassion.

This approach addresses Kamali's call for *tajdīd* (renewal) of Islamic jurisprudence.<sup>52</sup> By incorporating *maqasid* into evaluative processes, Islamic finance can transition from a defensive focus on legality to a proactive pursuit of social transformation. *Qardh* then becomes not only compliant with Shariah but also consistent with the higher objectives of justice (*'adl*), public interest (*maslahah*), and human dignity (*karāmah insāniyyah*). Such a renewal ensures that Islamic finance avoids stagnation and remains relevant to the socio-economic challenges of contemporary Muslim societies.

Another critical implication is the alignment of *maqasid*-based *qardh* with global developmental agendas.<sup>53</sup> For example, the Sustainable Development Goals (SDGs) emphasise reducing inequality, promoting quality education, and ensuring healthy lives.<sup>54</sup> *Qardh* schemes designed under *maqasid* principles, such as education loans without exploitation, emergency health loans, or family welfare financing, directly contribute to these goals. In this way, *qardh* ceases to be a parochial Islamic finance instrument and becomes a globally relevant model for ethical finance.

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<sup>51</sup> Peni Nugraheni. "Sharia supervisory board and social performance of Indonesian Islamic banks." *Jurnal Akuntansi dan Auditing Indonesia* 22 no. 2 (December 2018): 137-147. <https://doi.org/10.20885/jaai.vol22.iss2.art6>

<sup>52</sup> Mohammad Hashim Kamali, *The Middle Path of Moderation in Islam: The Qur'ānic Principle of Wasāṭiyyah*, (Oxford: Oxford University Press, 2015), 61.

<sup>53</sup> Nurul Ilyana Muhd Adnan, et al. "Leveraging Qardhul Hasan Practices from Zakat Funds for Sustainable Development: a Maqasid Sharia Perspective and Its Contribution to SDGs in Malaysia." *Journal of Lifestyle and SDGs Review*, 5 no. 2, (2024): 1-30. <https://doi.org/10.47172/2965-730X.SDGsReview.v5.n02.pe04016>

<sup>54</sup> Shahryar Sorooshian. "The sustainable development goals of the United Nations: A comparative midterm research review." *Journal of Cleaner Production*, Vol. 453, (10 May 2024), 142272. <https://doi.org/10.1016/j.jclepro.2024.142272>

Moreover, the systemic integration of *maqasid* into *qardh* reform provides a safeguard against the commodification of Islamic finance. Scholars like Asutay argue that Islamic finance has often mirrored conventional banking practices, prioritising profitability over justice.<sup>55</sup> In contrast, *maqasid*-oriented *qardh* explicitly prioritises distributive justice, community solidarity, and human welfare. This acts as a corrective force, steering Islamic finance back to its foundational ethical commitments.

Finally, the broader application of Auda's paradigm ensures that *qardh* contributes to both individual empowerment and societal transformation. When interest-free loans are tied to complementary initiatives such as financial literacy, entrepreneurship training, or healthcare support, the impact extends beyond temporary relief to long-term capacity building. This holistic integration embodies Auda's vision of Shariah as a dynamic, open, and purpose-driven system. It situates *qardh* not only as a contract of benevolence but as a structural mechanism for achieving inclusive and sustainable development.

By converting these systemic principles into tangible policy incentives, innovative product models, and outcome-focused governance, *Qardh* can evolve into a proactive instrument that directly connects Islamic spiritual ethics with measurable social and economic benefits. Such an approach would enable *qardh* to fulfil its role as a bridge between Islamic financial ideals and the urgent developmental needs of contemporary Indonesian society, ensuring that it is not a symbolic compliance tool, but a strategic driver of *maqasid*-oriented transformation.

## Conclusion

This study has revealed that while the *qardh* contract in Indonesian Islamic banking holds strong potential to promote *maqasid*-oriented values of justice, dignity, and inclusivity, its actual application remains marginal and overshadowed by profit-driven priorities. To address this gap, Islamic banks should elevate *qardh* as a core social finance product, regulators must adopt *maqasid*-based performance indicators, and Sharia Supervisory Boards need to assess not only legal compliance but also socio-economic outcomes, supported by collaborative networks with zakat, waqf, and fintech institutions. Given that the research is conceptual and normative, future studies should empirically examine the impact of *qardh* across

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<sup>55</sup> Mehmet Asutay. "Conceptualising and locating the Social Failure of Islami Finance: Aspirations of Islamic Moral Economy vs the Realities of Islamic Finance." *Asian and African Area Studies*, 11 no. 2, (2012): 93-113. <https://doi.org/10.14956/asafas.11.93>



institutions and contexts to ensure that *qardh* evolves from a symbolic instrument into a strategic driver of ethical and inclusive Islamic finance in Indonesia.

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