

Mudharabah and Maqashid al-Sharia Al-Shatibi (A Comparative Study of Islamic Microfinance Practices)

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Introduction

The development of Islamic financial institutions in Indonesia has experienced significant growth over the past few decades. This growth is not only evident in the increasing number of Islamic banks and financial institutions but also in the broader acceptance of sharia-based financial systems by the public (Antonio, 2001). The rising awareness among Muslims regarding the importance of an economy rooted in justice, welfare, and sustainability has been one of the main drivers of this development. Globally, Islamic finance is even recognized as an alternative financial system that offers ethical and justice-oriented solutions to the crises of conventional finance, which are often linked to speculation and systemic inequality.

Among the key instruments in Islamic finance is the *mudharabah* contract, a profit-sharing partnership between a capital provider (*shahib al-mal*) and an entrepreneur (*mudharib*). Profits are distributed according to prior agreement, while losses are borne solely by the capital provider unless caused by negligence or misconduct of the entrepreneur (Fatmawati et al., 2022) (Jumaa, 2016). This principle highlights justice, transparency, and equitable partnership. Compared to interest-based lending in conventional finance (Dhamar, 2023), *mudharabah* offers a more ethical and empowering mechanism for small-scale entrepreneurs to access business capital without the oppressive burden of interest.

However, practical implementation of *mudharabah* continues to face persistent challenges. Weak monitoring mechanisms, limited public literacy on Islamic financial principles, inadequate partner reporting, and the lack of technological integration to improve accountability and efficiency (Azmi & Mahardika, 2020) (Mujib, 2017) undermine its effectiveness. The research problem lies in the gap between the ideal objectives of *mudharabah*, as a just, transparent, and empowering financial instrument, and its actual performance in community-based Islamic microfinance institutions. Previous studies have primarily examined *mudharabah* either from the perspective of normative jurisprudence or from managerial and technical efficiency, but rarely through a comprehensive *maqashid al-sharia* lens that connects financial practice with the higher objectives of the sharia. This research gap underscores the need for an integrative analysis that bridges classical Islamic legal theory with contemporary institutional practices.

Accordingly, the problem statement of this study can be articulated as follows, how do BMT NU Ganding (Sumenep) and BMT UGT Nusantara (Pasuruan) implement *mudharabah* contracts, and to what extent do these practices align with the higher objectives of sharia as conceptualized by Al-Shatibi's *maqashid al-sharia*? Addressing this question is essential to determine whether Islamic microfinance

institutions have succeeded not only in fulfilling legal compliance but also in achieving justice, welfare, and sustainability.

The benefits of this research are twofold. Theoretically, it contributes to the growing literature on Islamic economics by integrating Al-Shatibi classical *maqashid* framework, covering *dharuriyyat*, *hajiyyat*, and *tahsiniyyat*, into the empirical evaluation of contemporary microfinance practices. Practically, the findings are expected to guide BMT managers, policymakers, and regulators in designing *mudharabah* products that are not only sharia-compliant but also socially responsive, ethically grounded, and contextually adaptive.

The novelty of this research lies in its application of Al-Shatibi's *maqashid al-sharia* as an evaluative framework for *mudharabah* implementation at the microfinance level. Unlike prior works that often rely on modern systemic *maqashid* approaches or focus narrowly on governance, this research directly employs Al-Shatibi's classical tripartite categorization of human interests (*dharuriyyat*, *hajiyyat*, and *tahsiniyyat*) to assess institutional practices. By doing so, it highlights both the strengths and limitations of BMT NU Ganding and BMT UGT Nusantara, while offering recommendations for advancing a more welfare-oriented, participatory, and sustainable model of Islamic microfinance.

Methodology

This research employed a qualitative approach with a multi-case study design (Muhammad & Bachri, 2022) (Tanzeh, 2009). The qualitative approach was selected to allow an in-depth exploration of the implementation of *mudharabah* contracts in Islamic microfinance institutions and their relevance to Al-Shatibi's conception of *maqashid al-sharia*. The multi-case study design was applied because the research compared two BMT with distinct institutional and cultural characteristics, thereby enabling a comprehensive comparative and thematic analysis.

The research was conducted at BMT NU Ganding in Sumenep and BMT UGT Nusantara in Pasuruan. These two institutions were intentionally selected because they represent two contrasting models of BMT governance, BMT NU Ganding reflects a community-based institution rooted in traditional and familial networks, while BMT UGT Nusantara demonstrates a more professionalized and modern management system. Research participants included managers, executives, employees, and business partners directly involved in *mudharabah* practices. Informants were chosen through purposive sampling, considering their level of engagement and experience in financing activities.

Data were collected using three main techniques. *First*, in-depth interviews with key informants to capture perspectives and lived experiences. *Second*, participant observation to observe contractual processes and interactions between managers and clients. *Three*, document analysis, which examined institutional records, financial reports, and relevant scholarly literature. These sources were categorized into primary data (interviews and observations) and secondary data (official documents, books, and academic journals) (Hamzah, 2020).

The primary research instrument was the researcher, supported by interview guides, observation sheets, and systematically organized field notes aligned with the research's objectives. Data analysis followed Miles and Huberman's interactive model, consisting of data reduction, data display, and conclusion drawing (Muhajir, 2006). The analytical process was inductive, beginning with empirical field findings and subsequently connecting them with the theoretical framework of *maqashid al-sharia* as elaborated by Al-Shatibi, particularly the protection of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-mal*).

To strengthen the validity of findings, triangulation techniques were applied, including source triangulation, methodological triangulation, and time triangulation. In addition, member checking was conducted by confirming interview data with participants, while peer debriefing with supervisors and colleagues was carried out to minimize interpretive bias. Through this methodological framework, the research aims to generate a scientifically robust and academically accountable analysis of *mudharabah* practices within the *maqashid al-sharia* paradigm of Al-Shatibi.

Results and Discussion

Mudharabah and Maqashid al-Sharia Al-Shatibi in the Practices of BMT NU Ganding and BMT UGT Nusantara Pasuruan

The comparative analysis of *mudharabah* practices at BMT NU Ganding (Sumenep) and BMT UGT Nusantara (Pasuruan) demonstrates the dynamic relationship between Islamic legal principles and their contextual implementation in microfinance institutions. Both institutions employ *mudharabah* as one of their main financing contracts, yet the operationalization reflects distinctive orientations rooted in their institutional character, community engagement, and governance models.

BMT NU Ganding represents a community-based model where *mudharabah* practices are closely tied to local culture, kinship, and trust networks. Profit-sharing mechanisms are often communicated directly and depend heavily on the moral integrity of both managers and partners. This model highlights Al-Shatibi's *maqashid* of *hifz al-mal* (protection of wealth) and *hifz al-nasl* (protection of dignity), particularly

in its emphasis on fairness, trust, and solidarity (Al-Raysuni, 1995) (Al-Shatibi, n.d.) (Sa'dah, 2013). However, the strong reliance on social proximity often results in limited documentation, weak digital adaptation, and a rigid approach to fund management. While justice is pursued through relational mechanisms, the lack of structured monitoring and adaptive innovation reduces its ability to achieve Al-Shatibi's higher objective of ensuring sustainable economic welfare (*tahqiq al-mashlahah*).

In contrast, BMT UGT Nusantara reflects a more professionalized and systematized governance framework. *Mudharabah* contracts are managed through standardized procedures, formal financial reporting, and digitalized monitoring systems. This aligns with Al-Shatibi's emphasis on *hifz al-mal* through accountability and transparency, while also supporting the *maqashid* of *hifz al-nafs* and *hifz al-din* by ensuring that economic activities are sustainable and consistent with sharia principles (Auda, 2008). Nevertheless, its highly bureaucratic orientation sometimes reduces the participatory and empowering dimensions of *mudharabah*. The relationship between managers and partners tends to be more formal than relational, limiting the space for flexibility and mutual negotiation, which Al-Shatibi considers crucial in realizing the balance between legal compliance and communal welfare (Al-Shatibi, n.d.).

From Al-Shatibi's *maqashid* perspective, both institutions partially fulfill the objectives of sharia. BMT NU Ganding excels in cultivating trust, solidarity, and moral responsibility, yet its limited systemization hinders broader socio-economic transformation. Meanwhile, BMT UGT Nusantara demonstrates strength in professionalism, transparency, and sustainability, but it needs greater sensitivity to cultural participation and adaptive partner development (Rahman, 2010). This contrast reveals a central dilemma, how to balance the legal-procedural dimension of *mudharabah* with its ethical-social objectives in promoting communal prosperity.

The comparative findings indicate that *mudharabah*, when assessed through Al-Shatibi's *maqashid* framework, should not be reduced to a mere contractual agreement but must be evaluated in terms of how it safeguards wealth, ensures fairness, and fosters long-term welfare. The practices of both BMTs remain partial, NU Ganding emphasizes social values but lacks systemic integration, while UGT Nusantara achieves systemic governance but tends to downplay relational empowerment.

Accordingly, the research suggests the need for a synthetic model that combines the social sensitivity of BMT NU Ganding with the structured governance of BMT UGT Nusantara. Such integration would reflect Al-Shatibi's vision of *maqashid* as both a legal and ethical compass, ensuring that *mudharabah* contracts are not only sharia-compliant but also welfare-oriented, participatory, and sustainable. This synthesis

would strengthen the role of Islamic microfinance as a transformative instrument of economic justice and community development.

Table 1. Comparative Analysis of *Mudharabah* Practices at BMT NU Ganding and BMT UGT Nusantara Based on Al-Shatibi's *Maqashid al-Sharia*

<i>Maqashid</i> Dimension	BMT NU Ganding (Sumenep)	BMT UGT Nusantara (Pasuruan)	Analytical Note
<i>Hifz al-Din</i> (Protection of Religion)	Emphasis on trust, honesty, and moral accountability in <i>mudharabah</i> contracts, religious values are embedded in community culture.	Ensures sharia compliance through formal auditing, <i>fatwa</i> reference, and standardized procedures.	BMT NU Ganding prioritizes ethics and communal morality, while BMT UGT Nusantara institutionalizes sharia compliance.
<i>Hifz al-Nafs</i> (Protection of Life)	Financing is focused on small traders and farmers to support basic livelihoods.	Provides larger-scale financing with risk management mechanisms to ensure sustainability of clients' businesses.	BMT NU Ganding safeguards subsistence, BMT UGT Nusantara ensures sustainability and business continuity.
<i>Hifz al-'Aql</i> (Protection of Intellect)	Limited training and education for clients, reliance on informal knowledge exchange.	Offers structured financial literacy programs, training, and digital services.	BMT NU Ganding relies on traditional mentoring, BMT UGT Nusantara more advanced in empowering intellectual capacity.
<i>Hifz al-Nasl</i> (Protection of Lineage / Progeny / Community Continuity)	Strengthens familial and kinship-based trust networks, ensuring intergenerational solidarity.	Focuses on broader community development programs with measurable impacts beyond families.	BMT NU Ganding secures family cohesion, BMT UGT Nusantara secures institutionalized community progress.
<i>Hifz al-Mal</i> (Protection of Wealth)	Relies on informal agreements, risk of weak documentation and limited accountability.	Strong governance, transparent contracts, and digital monitoring systems.	BMT NU Ganding emphasizes moral trustworthiness, BMT UGT Nusantara excels in safeguarding wealth formally.

Source: Data Processed

This comparative framework reveals that both BMT NU Ganding and BMT UGT Nusantara contribute differently to realizing Al-Shatibi's *maqashid al-sharia*. BMT NU Ganding embodies the ethical-social dimension, rooted in kinship, solidarity, and

moral integrity, while BMT UGT Nusantara represents the systemic-structural dimension, prioritizing governance, accountability, and sustainability. A synthetic model that integrates these two approaches would more comprehensively achieve the objectives of sharia in Islamic microfinance, ensuring that *mudharabah* contracts are not merely legally valid but also socially transformative.

The Strategy of Mudharabah Contracts in Light of Al-Shatibi's Maqashid al-Sharia

The implementation of *mudharabah* contracts in Islamic microfinance institutions, particularly at BMT NU Ganding (Sumenep) and BMT UGT Nusantara (Pasuruan), represents an effort to operationalize Islamic economic practices that are not only legally valid but also socially transformative. When examined through the lens of Al-Shatibi's *maqashid al-sharia*, the strategies of both institutions reveal distinctive orientations that correspond, albeit partially, to the higher objectives of the sharia, namely the protection of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-mal*).

At BMT NU Ganding, *mudharabah* practice is deeply rooted in communal trust and cultural solidarity. The financing schemes are often based on kinship networks, religious values, and shared moral responsibility. This approach reflects the *maqashid* dimension of *hifz al-din*, as contracts are bound by ethical awareness and accountability before God, and *hifz al-nafs*, since the financing targets small traders and farmers whose livelihoods depend on accessible capital. Nevertheless, the management structure tends to be rigid and top-down, with limited participatory mechanisms in decision-making. This rigidity risks undermining *hifz al-mal*, as weak documentation and informal monitoring can expose the institution and its members to financial vulnerability. Thus, while BMT NU Ganding exemplifies the spirit of solidarity and moral responsibility, its operational system still requires stronger governance to ensure that wealth is preserved effectively in line with *maqashid* principles (Mbengue, 2010) (Rudnyckij, 2014).

By contrast, BMT UGT Nusantara exhibits a more professional and systematic orientation. Its *mudharabah* strategy emphasizes formal risk assessment, transparency in profit-sharing ratios, and digital-based monitoring systems. These mechanisms directly support *hifz al-mal*, as they safeguard the financial assets of both the institution and its partners, while also fostering *hifz al-'aql* through structured financial literacy and entrepreneurship training programs (Tarique et. al., 2021). In addition, BMT UGT Nusantara develops broader community empowerment initiatives that resonate with *hifz al-nasl*, ensuring that microfinance contributes not only to individual success but also to collective well-being (Sapuan, 2016). However, despite its institutional strength, BMT UGT Nusantara evaluative practices remain largely legal-formalistic, focusing on

financial indicators while paying less attention to socio-cultural and psychological dimensions of its partners. This leaves a gap in fully realizing *hifz al-nafs* and the holistic welfare orientation envisioned by Al-Shatibi.

When compared, both BMT reflect partial realizations of Al-Shatibi's *maqashid*. BMT NU Ganding embodies the ethical-social dimension of Islamic economics, grounded in kinship, trust, and religious values, but faces challenges in ensuring financial accountability and adaptability. BMT UGT Nusantara, on the other side, illustrates the systemic-structural dimension, excelling in professionalism, openness, and technological integration, yet requiring stronger sensitivity to local contexts and participatory monitoring. From Al-Shatibi's perspective, the *maqashid* are not fulfilled by formal compliance alone but must be actualized in a way that ensures both justice and sustainability of human welfare.

Accordingly, the comparative study demonstrates that the two BMT have laid important foundations toward *maqashid*-oriented governance in *mudharabah* contracts, but neither has achieved a comprehensive model. BMT NU Ganding needs to strengthen documentation, participatory decision-making, and systematic evaluation to safeguard wealth more effectively, while BMT UGT Nusantara should enhance its contextual adaptability and broaden its evaluation beyond financial performance. For both, aligning more closely with Al-Shatibi's *maqashid* requires balancing ethical values, professional governance, and social responsiveness (Norman & Ruhullah, 2024).

Ultimately, *mudharabah* in Islamic microfinance should not be reduced to a transactional contract, it must serve as an instrument of socio-economic transformation that preserves wealth, protects livelihoods, strengthens community solidarity, and upholds justice, objectives that are at the heart of Al-Shatibi's *maqashid al-sharia*.

Mudharabah and Al-Shatibi's Maqashid al-Sharia in Islamic Microfinance Practices

The comparative study of *mudharabah* contracts at BMT NU Ganding (Sumenep) and BMT UGT Nusantara (Pasuruan) reveals significant insights into how Islamic microfinance institutions in Indonesia operationalize sharia principles within the framework of Al-Shatibi's *maqashid al-sharia*. In both institutions, *mudharabah* is not merely applied as a technical financial contract, but also as a vehicle for embodying the higher objectives of Islamic law in the preservation of wealth, the realization of justice, and the promotion of welfare. Yet, the implementation differs considerably, reflecting distinct institutional orientations, cultural contexts, and managerial approaches, which in turn generate both opportunities and challenges in achieving the *maqashid*.

At BMT NU Ganding, the practice of *mudharabah* is deeply intertwined with community trust and cultural solidarity. Financing is distributed largely through networks of kinship and locality, enabling small-scale traders, farmers, and micro-entrepreneurs to access capital with relatively low barriers. This accessibility demonstrates a concern for livelihood security, reflecting Al-Shatibi's principle that the sharia aims to protect the essentials of life and wealth at the community level. By focusing on inclusivity, BMT NU Ganding approach resonates with the *maqashid* imperative to prevent exclusion and to uphold fairness in economic participation. However, this same reliance on personal trust and informal mechanisms creates vulnerabilities. Profit-sharing arrangements often follow rigidly predetermined ratios without sufficient flexibility to respond to the changing circumstances of partners (Burrows & Black, 1998). Monitoring mechanisms, being largely informal and based on personal relationships, sometimes lack the rigor necessary to ensure accountability and financial sustainability. Documentation is minimal, and digitalization has not been systematically adopted, limiting both transparency and efficiency (Hersperger et. al., 2022). From Al-Shatibi's perspective, these weaknesses pose risks not only to financial integrity but also to the broader objective of preserving communal resources and ensuring justice (Kholis, 2025). A system that relies too heavily on trust without institutional safeguards can inadvertently perpetuate inequalities or foster inefficiencies, thereby undermining the holistic goals of the sharia.

In contrast, BMT UGT Nusantara presents a more professionalized model of *mudharabah* implementation. Here, contracts are formalized with clear documentation, and profit-sharing ratios are determined transparently in consultation with partners. The institution integrates digital systems in financial reporting, which enhances accountability and builds greater trust between the institution and its members. Furthermore, BMT UGT Nusantara provides structured mentoring and financial literacy programs that support capacity building among partners. These initiatives fulfill *maqashid* dimensions beyond wealth preservation, particularly the protection of intellect through education and the empowerment of individuals to manage resources responsibly (Abdulhameed, 2021). By embedding professionalism, transparency, and empowerment into its model, BMT UGT Nusantara appears to embody Al-Shatibi's view that the *maqashid* should guide not only compliance with the letter of the law but also the realization of its spirit in promoting human welfare. Nonetheless, challenges remain. Monitoring and evaluation processes at BMT UGT Nusantara tend to be highly administrative, focusing on financial performance rather than social realities. While the institution excels in systemic and structural efficiency, it risks overlooking the contextual needs of its diverse partners (Vogel et. al., 2022). Without sufficient

adaptation to local socio-cultural conditions, the *maqashid* principles of fairness and welfare may be achieved only partially, as the broader human dimensions of economic empowerment are not fully captured by financial metrics alone.

When the practices of these two institutions are compared, a clear contrast emerges between ethical-social and systemic-structural orientations. BMT NU Ganding represents an approach grounded in solidarity, trust, and cultural embeddedness, aligning closely with the community's ethos but limited in governance sophistication. BMT UGT Nusantara, on the other side, reflects modern professionalism, transparency, and technological integration, providing a model of efficiency but with less sensitivity to localized and cultural factors. Both orientations embody aspects of *maqashid* (Bedoui & Mansour, 2015). BMT NU Ganding preserves the ethical and social fabric of community cooperation, while BMT UGT Nusantara secures systemic stability and transparency. However, neither institution has fully realized the comprehensive *maqashid* envisioned by Al-Shatibi, which require a balance between safeguarding wealth, ensuring justice, and promoting sustainable welfare (Hamilton & Atkinson, 2006).

Al-Shatibi's *maqashid* framework emphasizes that the law is instituted for the preservation of necessities (*dharuriyyat*), the facilitation of needs (*hajiyyat*), and the pursuit of enhancements (*tahsiniyyat*) (Al-Shatibi, n.d.). In practice, this means that *mudharabah* contracts should not only ensure financial compliance with sharia but also contribute to the fulfillment of essential human and communal needs, the alleviation of difficulties, and the enhancement of quality of life. The case of BMT NU Ganding shows that by ensuring accessibility for the marginalized, it fulfills the need to secure the basics of life and livelihood, though it falters in enhancing efficiency and governance. BMT UGT Nusantara, meanwhile, succeeds in providing professional systems that protect wealth and empower intellect, but requires further effort to align its monitoring and evaluation with the *maqashid* principle of holistic welfare that integrates socio-cultural realities.

From this perspective, several key implications emerge. *First*, Islamic microfinance institutions must avoid viewing *mudharabah* merely as a financial contract, rather, it is an ethical-economic tool that carries with it the responsibility of realizing *maqashid* (Rahman, 2010). *Second*, the balance between formalization and flexibility is critical (Yordanova et. al., 2025). While professional systems ensure accountability, excessive rigidity may undermine inclusivity. Conversely, while trust-based mechanisms embody solidarity, the absence of institutional safeguards can compromise justice. *Third*, the integration of digital technologies should not only enhance efficiency but also serve as a means of fostering broader participation and

transparency, thereby realizing the *maqashid* principle of collective welfare (Othman et. al., 2024). Finally, evaluation systems must evolve beyond financial metrics to encompass social and cultural dimensions, ensuring that *maqashid* are realized in practice rather than merely in principle.

In light of these findings, the research concludes that both BMT NU Ganding and BMT UGT Nusantara contribute meaningfully to the realization of *maqashid* in Islamic microfinance but in incomplete and partial ways. BMT NU Ganding should strengthen its governance, documentation, and digital integration while retaining its community-oriented ethos. BMT UGT Nusantara should develop more adaptive and participatory monitoring systems that account for socio-cultural contexts while maintaining its professionalism and transparency. Both institutions, by enhancing contractual flexibility, participatory evaluation, and digital inclusivity, can move closer to embodying Al-Shatibi's holistic *maqashid* framework. Ultimately, the *mudharabah* contract, when grounded in *maqashid*, becomes not just an economic arrangement but a transformative mechanism for promoting justice, empowerment, and sustainable welfare in society.

The contribution of this research lies in integrating classical Islamic legal theory into contemporary empirical practices, showing how Al-Shatibi's *maqashid* can serve as a normative and evaluative foundation for Islamic microfinance. By situating *mudharabah* not only as a legal contract but also as an ethical tool for socio-economic empowerment, the research advances the discourse in Islamic economics from purely jurisprudential analysis toward a welfare-driven paradigm.

The significance of this research is twofold. Theoretically, it enriches scholarly debates by connecting *maqashid al-sharia* to practical challenges in microfinance, bridging the gap between classical thought and modern institutional realities. Practically, it offers valuable lessons for BMT managers, regulators, and policymakers in balancing community-based trust with professional governance and technological adaptation. In this way, *mudharabah* is repositioned as more than a financing mechanism, it becomes an instrument of justice, welfare, and sustainable development in society.

Based on these insights, several recommendations emerge. BMT NU Ganding is encouraged to enhance governance, documentation, and digital innovation without losing its community-oriented ethos. BMT UGT Nusantara should strengthen participatory monitoring and socio-cultural adaptability while maintaining professionalism and transparency. For both institutions, a hybrid model that combines ethical-social sensitivity with structural governance is proposed as the ideal *maqashid*-oriented framework. Furthermore, policymakers are advised to support regulatory

mechanisms that encourage flexibility, inclusivity, and participatory evaluation, thereby ensuring that Islamic microfinance contributes to holistic welfare in line with the objectives of the sharia.

Conclusion

This research finds that the implementation of *mudharabah* contracts in BMT NU Ganding and BMT UGT Nusantara reflects, to varying degrees, Al-Shatibi's *maqashid al-sharia*, particularly in protecting wealth (*hifz al-mal*), promoting justice, and supporting community welfare. BMT NU Ganding emphasizes trust and cultural solidarity, yet struggles with governance and financial accountability. BMT UGT Nusantara demonstrates professionalism and transparency through clear contracts and digital monitoring, though its approach remains overly administrative and less attuned to socio-cultural realities. Neither institution has fully realized a comprehensive *maqashid*-oriented model, which requires balancing essentials (*dharuriyyat*), needs (*hajiyyat*), and refinements (*tahsiniyyat*). Strengthening participatory evaluation, contractual flexibility, and context-sensitive digital integration are crucial steps for both institutions to align *mudharabah* not only as a financial mechanism but also as a transformative tool for justice, empowerment, and sustainable welfare.

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