

The Reception of Maqasid al-Shariah in Islamic Finance Reforms: A Comparative Study of Indonesia and Morocco

Saira Mustafa, Mohsin Ali

Universitas Islam Internasional Indonesia

Received: November 10, 2025

Last Revised: December 26, 2025

Accepted: December 29, 2025

Abstract

This analogy shows that Indonesia and Morocco are each applying maqasid al-Shariah to the same Islamic financial reforms but differently because of their social, political, legal and religious environments. Indonesia focuses on social justice, financial inclusion and institutional development, whereas Morocco focuses on stability, community trust and wary integration. Nonetheless, the reforms are justified by maqasid that serve as an ethical binding force, ensuring they adhere to the Islamic mandate. The contribution of maqasid towards shaping the structure of ethical financial systems cannot be overstated, but equally important is fostering a culture of trust and institutional credibility in people. Such comparative studies are beneficial to policymakers and even researchers. It is evident that the way to Islamic finance reform is not easy. The reforms should represent the local realities. Further studies might also examine the long-term effects of such legal regimes on financial inclusion, protection, and economic development among consumers. This will bring us a step forward in understanding how Islamic finance can truly be principled and practical as it relates to local situations but is concerned with economic issues in the context of the modern world.

Keywords: Maqasid al-Shariah; Islamic finance; Indonesia; Morocco; Islamic banking law; participatory banking.

Corresponding, Saira Mustafa email: saira.mustafa@uiii.ac.id

10(2), 2025.pp 1-10



1. Introduction

The higher objectives of the Islamic law (Maqāšid al-Shariah offer a solution.

An ethical and holistic model of the assessment of the legal, economic, and social policies in terms of justice, welfare, and common good. In the field of Islamic finance, Maqāšid is increasingly invoked to promote fair distribution of wealth, economic soundness, moral behaviour, and socio-economic inclusion (Ahmed, 2017). Islamic financial systems. Going international, Muslim dominance states have started integrating Maqāšid-oriented logic reasoning towards legal and regulatory reform to align Shariah compliance with modern politics and business needs (Kamali, 1999).

Indonesia and Morocco are two major but different cases of Islamic finance reform. Indonesia's institutionalised Islamic banking, with Law No. 21 of 2008, is similar to Morocco's participatory banking, introduced under Law No.103.12 of 2015, although the two frameworks are inspired by maqāšid (Rahma et al., 2024). Their application expresses the divergence, such as in justice, stability, and the welfare of the population, institutional, political, and religious structures. Indonesia is characterised by a pluralistic society and a bottom-up model influenced by the interaction between state regulators and religious organisations, especially the National Sharia Council (DSN-MUI), in active civil society engagement (Republic of Indonesia, 2008). Morocco, on the other hand, takes a centralised, state-driven approach, with a religious authority closely controlled by the Higher Council of Ulema, run on a royal basis (El-Gamal, 2006).

The paper is a comparative analysis on the interpretation of maqāšid al-Sharīah legalized in these two national legal systems and operationalized. It answers three fundamental research questions: (1) how are Islamic finance reforms in Indonesia and Morocco Maqāšid at the level of law and regulation? (2) In what ways are these interpretations the result of their institutional and socio-political situations? And (3) what are such distinctions telling us anything of the flexibility and adaptability of Maqāšid in? modern financial governance?

The unique input of the research is its comparative nature of the legal frameworks. Instead of financial products, emphasizing the way maqāšid is a normative guide in separate systems of religious power and of the state (Obaidullah, 2005). By juxtaposing the pluralistic hierarchy of the Indonesian regulatory system with the centralised system of Morocco, the paper illustrates how the contextual adaptation of maqSharieah is possible without impairing its ethical core.

The paper is organised as follows: the next section will review the main theoretical and empirical. Maqāšid Shariah and the regulation of Islamic finance literature; and then a final part, a comparison of the Moroccan and the Indonesian legal frameworks, exploring the consequences of the findings for Islamic finance reforms in various countries, in institutional settings.

2. Literature Review

Maqāšid Shariah as an Islamic finance ethical and normative framework control is a concept that has received much attention in classical and modern literature.

Classical theorists such as al-Shāṭibi theorised Maqāšid Shariah as the protection of key human interests, whereas contemporary thinkers such as Dusuki and Bouheraoua, S. (2011) have applied this structure to modern financial systems. This literature points out that Islamic finance must go beyond formal Shariah compliance to substantive ends, including justice (adl), popular well-being (maṣlaḥah), risk-sharing, and securing wealth (ḥifz al-māl). Taken together, these works put Islam in perspective. finance as a moral economy as opposed to a technical alternative to mainstream banking. More recent works have examined the institutionalisation of Maqāšid in national regulatory systems. The interaction between takes place in the literature written post-2008 in the context of Indonesia state bodies and religious organizations, especially the place of fatwas of DSN-MUI and the control over the work of such authorities like Bank Indonesia and the Financial Services (Widayanti and Sari 2023). Authority (OJK): According to scholars, this setup has resulted in a rather pluralistic environment of regulation among religious guidance, state control, and the market. Considerations are co-existent, whereby the principles of maqāšid can inform financial inclusion, social and financial products, and community-based programs (Obaidullah and Khan, 2008).

By contrast, the literature on participatory banking in Morocco focuses on the country's participation. The Religious Governance model is centralised. Research on the application of Law. No. 103.12 observes the prevailing role of the Higher Council of Ulema in defining Shariah compliance, and the wary and slow pace of the state regarding Islamic finance reform (Usmani 2021). This scholarship usually underscores Morocco's past emphasis on financial stability, regulatory control, and religious uniformity, which constitute a top-down interpretation of Maqāšid in the financial sector (Zehra et al., 2022).

According to comparative studies, Maqāšid Shariah is flexible by nature and could be adjusted to various political and institutional environments. Nevertheless, there is

literature that often isolates Indonesia and Morocco or focuses on products. instead of legal structures. This paper advances and develops earlier research giving a comparative legal study of the implementation of Maqāšid into national Islamic finance legislation thus filling a vacuum in the comprehension of the correlation between religious power, governmental control and ethical finance (Majid and Ghazal 2012).

3. Research Methodology

The research design applied in this study is a qualitative comparative legal study, which uses comparative legal and document analysis to examine how Maqāšid Shariah is integrated into the reforms of Islamic finance in Indonesia and Morocco. The comparative method is well-suited to discovering similarities and differences in reasoning, institutional structures, and regulatory interests across a variety of socio-political contexts. The information and resources include mostly the official legal and regulatory documents, such as the Law No. 21 of 2008 on Islamic Banking of Indonesia and the Law No. 103.12 of Morocco. Participatory Banking 2015 and 2015 on regulative guidelines by financial governments (including OJK and Bank Al-Maghrib), official fatwas and opinions given by religious institutions (DSN-MUI and the Higher Council of Ulema), role and peer-reviewed role respectively (Widayanti and Sari, 2023).

Islamic finance governance and academic literature on maqāšid al-Sharīah and comparative regulatory systems. Scholarly books, journals, articles, and institutional reports are all secondary sources on Islamic finance reforms in the two nations. Primary sources were used to gather data through library research, document analysis, and thematic reading. In its analysis, it used qualitative thematic coding, with an emphasis on how compensation for the Maqāšid wealth (ḥifz al-māl), justice (‘adl), and public welfare (mašlaah), risk-sharing, and ethical governance are addressed. Maqāšid al-Sharīah serves as the analytical prism informing statutory interpretation, governmental regimes, and regulatory goals in each legal system.

The research uses no quantitative measures or econometric models, as it is qualitative. The objective is normative and institutional rather than predictive. Instead, findings are explained in accordance with the theory of Maqāšid Shariah, and, through comparative policy analysis, it is possible to evaluate the operationalisation of Islamic ethical goals in the contemporary legal and financial systems. The study's limitation is that it relies on documentaries and secondary sources. limits direct observation of policy implementation outcomes and of stakeholders' behaviour. Besides, the research does not quantify the long-term economic effects, such as financial inclusion percentages or

stability factors. These drawbacks are recognised, and the discussion is consequently restricted to the level of legal-institutional reform, rather than empirical performance evaluation.

4. Results and Discussion

As the comparative analysis shows, both Indonesia and Morocco integrate Maqāṣid al-Sharīah into their Islamic finance reforms, but in very different legal mechanisms, governance arrangements, and institutional priorities as shaped by their respective political and religious situations. Instead of using Maqāṣid in a similar way each country highlights specific dimensions that are consistent with national goals.

4.1 Mapping Legal Provisions to Maqāṣid Dimensions

In Indonesia, Maqāṣid is embedded in Law No. 21 of 2008, which facilitates financial inclusion, ethical governance, and social-economic development. The profit-and-loss sharing contracts (including contracts of this nature) should be legally acknowledged. Mandatory Shariah supervision dispute resolution and muḍārabah and musharakah mechanisms based on Islamic principles directly aid in the protection of wealth (protection of) wealth and ‘adl (justice) (Putra et al., 2024). The dynamic aspect of Shariah is made possible by the active role of DSN-MUI interpretation, which grants Maqāṣid the authority to guide product innovation, social finance projects and access to underserved populations.

Conversely, Law No. 103.12 (2015) of Morocco indicates a Maqāṣid orientation that is centred on systemic stability, regulatory coherence, and public trust. By limiting participatory banking first to contracts (notably to specifically mentioned contracts such as murabaah and ijtiḥad) and placing Shariah rule through the Higher Council of Ulema, the Moroccan system insists on ḥifẓ al-māl and ḥifẓ al-‘aql in this case, meaning the preservation of the rational system, predictability, and certainty of the financial system (Berghabi, 2020). This timid state-controlled model represents a Maqāṣid reading that favours stability instead of fast growth.

4.2 Indicators and Observable Outcomes

Although the results are not quantitatively measured in this study, several are reported. Indicators of the practical implications of these models are illustrated:

4.3 Governance arrangements: The pluralistic nature of Indonesia in terms of regulatory framework (OJK as a coordinator with DSNMUI) as opposed to the centralised nature of Morocco in terms of religious authority.

4.4 Product scope: Indonesian comparative contractual diversity and innovation to gradual and partial implementation in Morocco. Inclusion programs in Indonesia focus on SME financing, Islamic microfinance, and social finance tools, in contrast to the emphasis on consumer protection and market education in Morocco (Karim et al., 2008).

4.5 Adoption trajectory: More rapid institutional growth in Indonesia as compared to gradual stability-based adoption in Morocco. These signs show how the principles of maqāṣid can be applied to various regulatory priorities and reform outcomes, even though they share similar ethical foundations (Nugroho et al., 2018).

4.6 Comparative Implications

The results validate that the concept of using maqāṣid al-Sharīah is not a set of regulations, but a flexible ethical framework that can be adapted to various governance environments. Indonesia focuses on welfare, inclusion and participatory. Morocco stresses intentional order, legitimacy, and control, whereas the interpretation is predominant integration. Both strategies meet the requirements of maqāṣid in general, albeit with a priority for aims that differ by nationality. This discussion adds to the literature on Islamic finance by demonstrating how it can be applied within legal maqāṣid, how the use of maqāṣid extends beyond financial products, and how frameworks and the influence of political power and faith shape moral finance reforms in practice.

Empirical evaluation of the long-term impacts of these reforms on financial inclusion, market stability, and ethical governance, especially in emerging regions such as fintech and Islamic social finance, should be conducted in future research.¹

5. Conclusion

This study shows that both Indonesia and Morocco incorporate Maqāṣid al-Sharī'ah into their Islamic finance reform agendas, albeit through markedly different legal and institutional pathways shaped by their respective socio-political, legal and religious contexts. The comparative analysis shows that Indonesia operationalizes maqāṣid

¹ No, Law. "of 2008 concerning Islamic Banking." *Jakarta: Fokusmedia* (21).

primarily through financial inclusion, community engagement and adaptive governance facilitated by the pluralistic interaction between state regulators and the National Sharia Council (DSN-MUI). Morocco embeds maqāṣid within a centralised, state-led regulatory framework that prioritises financial stability, uniform religious interpretation, and gradual market integration under the authority of the Higher Council of Ulema.

Despite these differences, the findings confirm that Maqāṣid al-Sharī‘ah functions as a shared ethical rationale that legitimises Islamic finance reforms and aligns them with both Shariah requirements and modern regulatory objectives. The comparison illustrates that maqāṣid is not a rigid blueprint but a flexible normative framework capable of guiding Islamic finance across diverse governance models without losing its ethical core.

Several practical implications emerge from this analysis. First, regulators should recognise that maqāṣid-based reform does not require institutional uniformity; rather, effective Islamic finance governance can be achieved through both pluralistic and centralised models, provided ethical objectives are clearly articulated and enforced. Second, Islamic banks may benefit from aligning product development not only with formal Shariah compliance but also with explicitly stated maqāṣid priorities, such as inclusion, risk-sharing or systemic stability, depending on the national context.

Third, policymakers should strengthen coordination between religious authorities and financial regulators to enhance public trust and ensure that maqāṣid principles translate into meaningful social and economic outcomes. Future research should move beyond legal-institutional analysis to empirically assess the long-term impacts of these reforms particularly in terms of financial inclusion, consumer protection, market stability and ethical governance. Further studies could also explore the role of emerging sectors, such as Islamic fintech and Islamic social finance, in advancing maqāṣid objectives across different regulatory environments. Such an inquiry would deepen understanding of how Islamic finance can remain both principled and practically responsive in an evolving global economy.

Table 5.1: Comparative Overview of Islamic Finance Reform in Indonesia and Morocco

Aspect	Indonesia (Islamic Banking Law No. 21/2008)	Morocco (Participatory Finance Law No. 103.12/2015)
Legal Framework	Established Islamic banking law with a detailed regulatory system	New participatory banking law with cautious, gradual implementation
Religious Authority	Dewan Syariah Nasional – Majelis Ulama Indonesia (DSN–MUI)	Higher Council of Ulema under Ministry of Awqaf with royal oversight
Maqāṣid Emphasis	Financial inclusion, poverty alleviation, and social justice	Financial stability, gradual reform, and public trust
Implementation Approach	Bottom-up, active engagement of Islamic civil society	Top-down, state and monarchy-led implementation
Public Participation	High involvement by Islamic organizations and consumers	Limited public discourse, more controlled narrative
Challenges	Regulatory gaps; balancing profit motives with maqāṣid goals	Limited financial literacy; cautious adoption; market skepticism
Impact	Growing Islamic banking sector with greater access for underserved	Slow sectoral growth; steady trust-building; limited market penetration

The comparative overview reveals in table 5.1 some stark differences in the two states' approaches to reforming Islamic finance. Indonesia supports grassroots agency through a participatory model led by Islamic organisations, which reflect and emphasise the social justice and inclusive growth of Islamic finance (Suzuki and Pramono, 2020). Conversely, Morocco has implemented a market-based development approach that is cautious and state- and monarchy-led, promoting financial stability and establishing trust incrementally. These two contrasting approaches reflect the broader socio-political contexts and varying levels of public engagement that influence the pace and depth of

reform in each state (Zehra et al., 2022). The challenges that have emerged in both states, namely the outstanding regulatory aspects in Indonesia and low levels of financial literacy in Morocco, highlight the difficulties associated with aligning financial innovation with the maqāsid (objectives) of Islamic finance, and underscore the need for appropriate policy measures.

References

- Ahmed, H. (2017). *Contribution of Islamic finance to the 2030 agenda for sustainable development*. In *High-level conference on financing for development and the means of implementation of the 2030 agenda for sustainable development* (pp. 1–53).
- Berghabi, H. (2020). *The representation of British modernity by Moroccan travelers in the late 19th and early 20th centuries* [Master's thesis or doctoral dissertation].
- Dusuki, A. W., & Abdullah, N. I. (2007). Maqasid al-Shariah, maslahah, and corporate social responsibility. *American Journal of Islamic Social Sciences*, 24(1), 25–45.
- Dusuki, A. W., & Bouheraoua, S. (2011). The framework of Maqasid al-Shari'ah and its implication for Islamic finance. *ICR Journal*, 2(2), 316–336.
- El-Gamal, M. A. (2006). *Islamic finance: Law, economics, and practice*. Cambridge University Press.
- Kamali, M. H. (1999). Maqāṣid al-Sharī'ah: The objectives of Islamic law. *Islamic Studies*, 38(2), 193–208.
- Karim, N., Tarazi, M., & Reille, X. (2008). *Islamic microfinance: An emerging market niche*. CGAP.
- Majid, M. Z. A., & Ghazal, R. (2012). Comparative analysis of Islamic banking supervision and regulation development. *Money and Economy*, 6(3), 114–162.
- Nugroho, L., Hidayah, N., & Badawi, A. (2018). The Islamic banking asset quality: Does financing segmentation matter? Evidence from Indonesia. *Mediterranean Journal of Social Sciences*, 9(5), 221–235.
- Obaidullah, M. (2005). *Islamic financial services*. Islamic Economics Research Center.

- Obaidullah, M., & Khan, T. (2008). *Islamic microfinance development: Challenges and initiatives* (Policy Dialogue Paper No. 2). Islamic Research & Training Institute.
- Putra, T. W., Abubakar, A., & Irham, M. (2024). Islamic social finance and poverty alleviation efforts: A contextual Al-Qur'an tafsir study. *Al-Kharaj: Journal of Islamic Economic and Business*, 6(2), 145–162.
- Rahma, F. A., Noviarita, H., & Zaharah, R. (2024). The implementation of Law Number 21 of 2008 concerning Sharia banking on Sharia financial institutions: A Sharia economic law perspective. *ASAS*, 16(1), 1–15.
- Republic of Indonesia. (2008). *Law No. 21 of 2008 concerning Islamic banking*. Fokusmedia.
- Suzuki, Y., & Pramono, S. (2020). *The growth of Islamic banking in Indonesia: Theory and practice*. Routledge.
- Usmani, M. M. T. (2021). *An introduction to Islamic finance* (Vol. 20). Brill.
- Widayanti, I., & Sari, S. W. H. P. (2023). The role of DSN-MUI fatwa in Indonesian Sharia banking development flows in the Industrial Revolution 4.0. *El-Qish: Journal of Islamic Economics*, 3(1), 29–44.
- World Bank Group. (2016). *The World Bank Group A to Z 2016*. World Bank Publications.
- Zehra, N., Umair, H., Shabbir, M. S., & El Mallouli, A. (2022). The role of Islamic banking development and its impact on financial stability: Evidence from Morocco's financial institutions. *Pakistan Journal of Humanities and Social Sciences*, 10(1), 354–365.