

**BUSINESS RISK MODELLING USING MAQASID SHARIA FOR
ISLAMIC BANK FINANCING DECISIONS**

**PEMODELAN RISIKO BISNIS MENGGUNAKAN MAQASID
SHARIA UNTUK KEPUTUSAN PEMBIAYAAN BANK SYARIAH**

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Abstract

This research aims to model business risk based on Maqasid Sharia as a framework for financing decision-making at Bank Syariah Indonesia (BSI) Pekalongan Branch. This study departs from the increasing complexity of financing risks amid demands for compliance with Sharia principles and financial stability. This study seeks to answer the question of the extent to which Maqasid Sharia values, such as hifz al-mal (property protection), hifz al-nafs (protection of life and welfare), and hifz al-din (protection of religious values), can be integrated into the risk management and decision-making process of Islamic bank financing. This study employs a qualitative-descriptive approach, collecting data through in-depth interviews, field observations, and an analysis of financing documents at the BSI Pekalongan Branch. The data was analysed thematically by linking empirical practices and Maqasid Sharia theory in the study of business risk management. The study results show that the application of Maqasid Sharia values has been gradually internalised in feasibility analysis, contract determination, and financing monitoring. The principle of hifz al-mal is the basis for prudent protection of banks' and customers' assets. Hifz al-nafs directs policies towards businesses oriented towards social benefits, and hifz al-din ensures compliance with Sharia fatwa and Islamic business ethics. The integration of these values has been proven to reduce non-performing financing (NPF) and strengthen customer confidence. The implications of this study confirm that maqasid Sharia plays a role as a meta-framework in risk management, which can simultaneously balance financial and moral goals. These findings offer a theoretical contribution to expanding the Sharia risk management paradigm and opening space for developing value-based risk models to support sustainable financing practices in the Islamic banking sector.

Keywords: *Maqasid Sharia; business risk; decision-making; Sharia financing; Bank Syariah Indonesia.*

Abstrak

*Penelitian ini bertujuan untuk memodelkan risiko bisnis berbasis Maqasid Sharia sebagai kerangka pengambilan keputusan pembiayaan pada Bank Syariah Indonesia (BSI) Cabang Pekalongan. Kajian ini berangkat dari fenomena meningkatnya kompleksitas risiko pembiayaan di tengah tuntutan kepatuhan terhadap prinsip syariah dan stabilitas keuangan. Penelitian ini berupaya menjawab pertanyaan sejauh mana nilai-nilai Maqasid Sharia seperti *hifz al-mal* (perlindungan harta), *hifz al-nafs* (perlindungan jiwa dan kesejahteraan), dan *hifz al-din* (perlindungan nilai-nilai agama) dapat diintegrasikan dalam proses manajemen risiko dan pengambilan keputusan pembiayaan bank syariah. Penelitian ini menggunakan pendekatan kualitatif-deskriptif dengan pengumpulan data melalui wawancara mendalam, observasi lapangan, dan analisis dokumen pembiayaan pada BSI Cabang Pekalongan. Data dianalisis secara tematik dengan menautkan praktik empiris dan teori Maqasid Sharia dalam konteks manajemen risiko bisnis. Hasil penelitian menunjukkan bahwa penerapan nilai-nilai Maqasid Sharia telah diinternalisasi secara gradual dalam proses analisis kelayakan, penetapan akad, dan monitoring pembiayaan. Prinsip *hifz al-mal* menjadi dasar kehati-hatian dalam melindungi aset bank dan nasabah, *hifz al-nafs* mengarahkan kebijakan terhadap usaha yang berorientasi pada kemaslahatan sosial, dan *hifz al-din* memastikan kesesuaian dengan fatwa syariah dan etika bisnis Islam. Integrasi nilai-nilai tersebut terbukti menurunkan tingkat non-performing financing (NPF) dan memperkuat kepercayaan nasabah. Implikasi penelitian ini menegaskan bahwa Maqasid Sharia berperan sebagai meta-framework dalam manajemen risiko, yang mampu menyeimbangkan tujuan finansial dan moral secara simultan. Temuan ini menawarkan kontribusi teoretis dalam memperluas paradigma manajemen risiko syariah serta membuka ruang bagi pengembangan model risiko berbasis nilai untuk mendukung praktik pembiayaan berkelanjutan di sektor perbankan Islam.*

Kata kunci: *Maqasid Sharia; risiko bisnis; pengambilan keputusan; pembiayaan syariah; Bank Syariah Indonesia.*

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A. Introduction

The moral crisis in business risk management in modern financial institutions has become a latent threat that is no less serious than the global economic crisis (Sain & Adinugraha, 2025). In today's complex financial industry, many banks still prioritize profit over social welfare and sustainable economic values central to Maqasid Sharia. This also occurs in Indonesia's Islamic banking sector, where the pursuit of efficiency and financing growth often conflicts with the need to uphold prudence and Sharia justice (Roy Purwanto et al., 2022).

Pekalongan, a city with a strong creative economy and a high concentration of MSMEs, presents a unique case. According to the OJK (2025), Islamic banking financing in the region grows at a rate of 10.2% per year, which is higher than the national average of 8.6%. However, non-performing financing (NPF) also increased to 3.4% in late 2023,

exceeding the ideal rate of 2.5%. This indicates rising business risks that threaten the stability of Sharia financing, particularly in the micro and consumer sectors. Bank Syariah Indonesia (BSI) Pekalongan faces a dilemma: balancing the need to boost financing and support growth while managing risks in accordance with Sharia principles. Islamic banks must strike a balance between economic goals and their role in promoting social justice. Thus, risk management is not only a regulatory duty but part of the maqasid Sharia vision to protect property (*hifz al-mal*), life (*hifz al-nafs*), and faith (*hifz al-din*) (Prasojo et al., 2023).

Risk mitigation in Islamic finance is often reactive and short-term (Adinugraha et al., 2025). Maqasid Sharia offers a broader approach by linking business decisions with moral and social values (Cahyandari et al., 2023). Its application guides ethics and strengthens risk resilience (Alziyadat & Ahmed, 2019). Research by Yaacob and Azmi (2012) shows it increases customer trust and reduces moral hazard. However, implementation remains mostly normative Hendri (2021), and Islamic banks still struggle to operationalize it in risk assessments Henderianto et al. (2025). The gap between theory and practice stems from a limited understanding of Maqasid Sharia as a strategic, not merely ethical, framework (Sa’adah & Hasanah, 2021). Therefore, this study examines how Maqasid Sharia can be practically integrated into financing decisions at Bank Syariah Indonesia Pekalongan to promote fair risk management and support social welfare.

This study aims to analyse the relationship between the dimensions of Maqasid Sharia (*hifz al-din*, *hifz al-nafs*, *hifz al-’aql*, *hifz al-nasl*, and *hifz al-mal*) and banking business risk indicators, including credit risk, operational risk, and market risk. In addition, this study aims to map the internal and external factors that affect the effectiveness of implementing Maqasid Sharia in financing decision-making. Thus, the research results are expected to produce a business risk analysis model based on Maqasid Sharia that is applicable and in accordance with the institution of Bank Syariah Indonesia.

B. Theoretical Framework

Business Risk: Conceptualisation and Categorisation

Business risk refers to the likelihood that actual results will differ from expectations due to internal or external changes (Durst & Zieba, 2020). In Islamic banking, it encompasses financial risks associated with non-compliance with Sharia principles. These risks are multidimensional, linked to economic stability and the integrity of Islamic values (Adinugraha et al., 2024). They are also tied to partnership contracts, such as *mudharabah* and *musyarakah*, which involve profit uncertainty (Novianti, 2019). Therefore, Islamic banks must carefully identify, measure, and manage risks while considering both moral and social aspects. Risk management should be comprehensive and oriented toward public benefit (*maslahah*) (Al Hammadi et al., 2024).

Maqasid Sharia: Conceptualisation and Categorisation

Maqasid Sharia is a core principle in Islamic law that seeks to achieve benefit and prevent harm in human life. It comes from *maqasid* (goals) and *al-shari'a* (law or way of life). Al-Ghazali stated that its main aims are to protect religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), lineage (*hifz al-nasl*), and property (*hifz al-mal*). This concept guides Islamic economics and finance to balance spiritual, social, and economic values (Arsyi, 2024). In financial institutions, Maqasid Sharia ensures that business activities promote justice, welfare, and sustainability. It classifies human needs into *dharuriyyat* (primary), *hajiyyat* (secondary), and *tahsiniyyat* (tertiary) (Güney, 2024). In Islamic banking, it helps determine policy priorities, such as protecting institutions (*hifz al-mal*) and customer interests (*hifz al-nafs*). Thus, Maqasid Sharia functions as both a moral compass and a strategic guide in fair, responsible financial decisions (Hija, 2024).

Financing Decisions in Sharia Banks: Conceptualisation and Categorisation

Financing decisions are strategic activities of banks in distributing funds to parties in need with a Sharia contract mechanism that avoids elements of *riba*, *gharar*, and *maisir*. In operational studies, financing decisions involve various stages, ranging from business feasibility analysis and risk assessment to contract determination and post-financing monitoring. This process requires an integration between the prudential principle and the Sharia compliance principle (Muhdar et al., 2023). Contracts in Sharia financing are divided into two major groups: profit-sharing contracts, such as *mudharabah* and *musyarakah*, and trading-based contracts, such as *murabahah*, *salam*, and *istisna'* (Nugraheni & Alimin, 2022). Financing decisions can be categorised into productive

financing (investment and working capital) and consumptive financing (individual needs). Each type of financing has different risk characteristics, so an evaluation mechanism is necessary according to Maqasid Sharia. For example, productive financing aligns more closely with the values of *hifz al-mal* and *hifz al-nasl*, as it contributes to community welfare and economic sustainability (Mohamad et al., 2021).

Integration of Maqasid Sharia in Financing Decision Making

Integrating Maqasid Sharia into financing decisions links Sharia objectives with risk management. It can be applied in two ways: as an ethical guide to assess moral suitability and as a strategic framework for profit-oriented decisions. Thus, financing is evaluated not only by profit but also by its social and moral impact (Najihah & Permatasari, 2021). At Bank Syariah Indonesia, this integration is crucial amid growing business risks from economic changes and shifting consumer behaviour. An empirical study by Alziyadat and Ahmed (2019) found that institutions applying Maqasid Sharia in risk assessment reduced non-performing financing (NPF) by up to 1.5% within two years. This shows that Maqasid Sharia effectively supports risk mitigation by promoting more selective and long-term financing decisions.

The Relevance of Maqasid Sharia in Business Risk Modelling

Sharia-based business risk modelling combines quantitative and qualitative aspects to assess financing risks. Unlike conventional models that emphasize financial indicators, debt ratios, cash flow, and profitability, this approach also includes moral and social values (Boubaker et al., 2023). Studies show that banks applying the maqasid Sharia framework have more stable and healthy financing portfolios (Goud et al., 2021). However, integrating maqasid Sharia into risk management still faces challenges, especially in measuring its practical impact. Most previous studies treat it only as a normative concept without an operational model. Meanwhile, risk management in Islamic banks remains dominated by conventional quantitative methods that ignore spiritual dimensions. This research aims to fill that gap by developing a maqasid Sharia-based risk model for financing decisions at the Bank Syariah Indonesia Pekalongan Branch, with the goal of aligning financial practices with Islamic principles of justice, benefit, and sustainability.

C. Research Methods

This study employs a qualitative descriptive approach to investigate how the Maqasid Sharia framework informs financing decisions at Bank Syariah Indonesia (BSI) Pekalongan Branch. It aims to develop a value-based model that links business risk dimensions with Maqasid al-Shari'ah objectives. Data were collected through semi-structured interviews with branch leaders, financing analysts, risk managers, and Sharia Supervisory Board members. The interviews explored their views and experiences in applying Maqasid Sharia in risk analysis. Participatory observations were conducted to understand interactions among work units and financing procedures. Secondary data were obtained from internal bank documents, including annual and risk reports, as well as Sharia financing policies, and were supported by relevant academic literature (Jalari et al., 2023)

The study used primary data (interviews and field observations) and secondary data (official documents and reports). All data were collected using triangulation to ensure validity and reliability. Analysis followed the Miles and Huberman interactive model, consisting of data reduction, data display, and conclusion drawing (Miles et al., 2021). Relevant information was selected and organized during reduction, while narratives and matrices were used to present data patterns. Conclusions were drawn inductively to interpret empirical findings and develop a Maqasid Sharia-based business risk model applicable in Islamic banking.

D. Results and Discussion

Implementing Maqasid Sharia Values in Financing Decision-Making

The implementation of maqasid Sharia values in financing decisions at Bank Syariah Indonesia (BSI) Pekalongan Branch has been gradual and contextual but not yet institutionalized as a structured maqasid-based risk assessment system. Interviews with financing managers, risk analysts, and the Sharia Supervisory Board (DPS) reveal that maqasid values, *hifz al-mal*, *hifz al-nafs*, and *hifz al-din* serve as moral considerations rather than formal policies. The principle of *hifz al-mal* is reflected in prudential assessments that evaluate business feasibility, customer capacity, and asset risk. *Hifz al-nafs* is reflected in avoiding financing for businesses that cause harm or exploitation, such as those that harm the environment or society. Meanwhile, *hifz al-din* is realized through

strict adherence to DSN-MUI fatwas and DPS supervision, ensuring all financing contracts comply with Sharia law and remain free from *riba*, *gharar*, and *maisir*.

Table 1. Implementation of Maqasid Sharia values in the financing stage at BSI Pekalongan Branch

Stages of the Financing Process	Actual Practice in BSI Pekalongan	The Value of Maqasid Applied
Customer Eligibility Analysis	Assess business feasibility based on cash flow, collateral, and market prospects.	<i>Hifz al-mal</i>
Determination of Financing Contract	Choose a contract according to the character of the business (<i>murabahah</i> , <i>musyarakah</i> , <i>ijarah</i>).	<i>Hifz al-din</i>
Business Ethics Evaluation	Avoid financing for non-halal sectors and exploitative businesses.	<i>Hifz al-nafs</i> , <i>Hifz al-din</i>
Financing Monitoring	Monitoring business sustainability and customer welfare after the contract.	<i>Hifz al-mal</i> , <i>Hifz al-nafs</i>

Source: Qualitative data processing results, 2025.

Table 1 shows that the maqasid Sharia principles serve as both moral guidance and a strategic tool for risk mitigation. Field observations in 2023 indicate that the BSI Pekalongan Branch reduced its non-performing financing (NPF) ratio from 3.4% to 2.8% after implementing a business ethics-based screening in financing selection. This finding highlights that implementing maqasid Sharia supports more stable financial performance (BSI, 2025).

The integration of Maqasid Sharia at BSI Pekalongan Branch is based on internalising Sharia values into organisational culture and employee behaviour. Although no formal system measures maqasid in financing analysis, values like justice (*‘adl*), trust, and social responsibility guide decision-making. Interviews with DPS reveal that Sharia supervision functions not only as a compliance control but also as a continuous education tool to help employees understand the essence of maqasid in modern business (Kurniawan et al., 2025).

Based on the organisational view, maqasid al-shari'ah application in financing primarily focuses on *hifz al-mal*, which is linked to asset protection and business continuity. The *hifz al-nafs* and *hifz al-din* dimensions remain implicit, as they are not yet utilised as performance indicators. Thus, the BSI Pekalongan Branch is still transitioning from a normative Sharia to an integrative maqasid approach, a shift from “Sharia compliance” toward “maqasid orientation.” The practice depends largely on local

leadership. Branch heads and DPS with a strong understanding of maqasid can embed ethical values in risk assessments, whereas transactional leaders treat maqasid as mere formality. In BSI Pekalongan, maqasid-literate leadership becomes the key driver in strengthening value-based risk governance. This aligns with the views of Faliza (2023), who stated that maqasid Sharia can only be implemented effectively if translated into operational policies internalised through organisational culture.

The Maqasid-based decision framework views risk assessment beyond profit, emphasizing moral and social sustainability (A. Abdullah & Muhammad, 2013). This study supports the Islamic Risk Management concept, where maqasid acts as a soft control guiding ethical and rational decisions. *Hifz al-mal* protects assets, *hifz al-nafs* promotes community welfare, and *hifz al-din* ensures Sharia compliance (H. Abdullah et al., 2025). At BSI Pekalongan, applying these values helps prevent moral hazards. The Sharia Governance Framework also strengthens this finding: active DPS supervision maintains balance between profitability and Sharia compliance. DPS evaluates both contract legality and ethical consistency with Maqasid principles. Thus, maqasid functions not only as an Islamic legal theory but also as an ethical management framework for sustainable business decisions (Meutia & Adam, 2021).

The findings of this study are consistent with the results of a study by Sutrisno and Widarjono (2018), which found that the application of Maqasid Sharia in the financing assessment process contributed to a decrease in the level of non-performing financing in several Islamic banks in Malaysia. The study confirms that banks adopting the maqasid approach in credit assessment exhibit more stable performance and higher customer loyalty, as the relationships built are not solely transactional but are based on trust and ethical values. This result is also strengthened by the study of Hendri (2021), who explain that the maqasid compliance framework can strengthen the risk management function by integrating moral, social, and economic dimensions. In the Indonesian condition, the findings of Alziyadat and Ahmed (2019) show that Islamic financial institutions, which base their financing policies on maqasid, have portfolios that are more resilient to market turmoil. Meanwhile, Soemitra et al. (2021) highlight that integrating maqasid in financing policies encourages forming a more participatory and transparent internal supervision system.

Compared to previous studies, the BSI Pekalongan findings offer unique regional insights. The integration of maqasid here is socio-cultural, where *maslahah* values shape bank policies and relationships between employees and customers. Trust is built on ethics and social benefit rather than mere legal compliance. Thus, maqasid functions as a form of relational governance rooted in Islamic spiritual values. Conceptually, the study shows that Maqasid Sharia implementation in financing decisions at BSI Pekalongan has reached a pragmatic internalization stage, maqasid values are consciously applied, though not yet formalized. The integration of *hifz al-mal*, *hifz al-nafs*, and *hifz al-din* across financing processes demonstrates that maqasid can serve both as a legal foundation and as an operational ethical system for Islamic banking. This finding strengthens Moch. Nurcholis’s (2021) argument that maqasid has an epistemological and managerial function in the Islamic economic system. In Islamic banks, maqasid is a measure of compliance and a value system that shapes organisational behaviour. Practice at BSI Pekalongan shows that the higher the internalisation of the value of maqasid, the lower the potential financing risk and the higher the level of customer trust.

An Integrative Analysis of Conventional Risk Management and the Maqasid Sharia Framework

The research reveals two parallel yet interrelated risk management frameworks in Islamic banking. Conventional risk management, in accordance with OJK regulations, relies on the 5C analysis, quantitative scoring, and strict monitoring of Non-Performing Financing (NPF) to maintain Risk-Weighted Asset (RWA) efficiency. Meanwhile, the Maqasid Sharia framework, especially *hifz al-mal* (asset protection), *hifz al-nafs* (business sustainability), and *hifz al-din* (Sharia compliance) functions as an ethical filter that guides risk tolerance and decision-making, particularly in MSME financing. Conventional systems serve as hard financial controls, while Maqasid Sharia provides soft ethical oversight. Data indicate that conventional frameworks dominate feasibility assessments; however, Maqasid Sharia corrects rigid criteria in MSME cases, allowing for flexibility to protect livelihoods and ensure sustainability. In non-performing cases, restructuring is preferred over liquidation, demonstrating that Maqasid Sharia moderates, rather than removes, risk by supporting productive and socially beneficial financing (Muthoifin et al., 2024).

The integration between these two frameworks occurs most effectively at the level of employee behaviour and discretion (behavioural discretion). Conventional scoring systems establish a quantitative threshold limit (e.g., a score of 70 or above for eligibility). However, Maqasid Sharia provides moral and ethical validity for AO when making decisions in the grey zone. Operationally, the AO used *Hifz al-nafs* as a strong argument before the financing committee to channel funds to MSMEs, which, although at higher risk (as evidenced by the higher NPF), had a greater social impact (Elgharbawy, 2020).

This approach is reinforced by internal policies, which, although not explicitly outlined in the 5C procedure, encourage a corporate culture that prioritises benefits (*Maslahah*) over zero-risk tolerance. Therefore, the Scoring System provides ‘rational data’. In contrast, the Maqasid Sharia framework provides a ‘moral justification’ that allows banks to carry out the dual functions of commercial and socio-religious institutions. In the study of financing Batik Pekalongan, for example, the AO specifically assesses how financing will help cultural preservation (*Hifz al-Nasl* – protection of descendants, in the local cultural heritage), a dimension of non-financial risk that is completely ignored by conventional risk frameworks (Abdel Megeid, 2017).

The phenomenon of coexistence and potential conflict between conventional risk management systems and Maqasid Sharia at BSI Pekalongan Branch is rooted in two fundamental causalities: Double Regulatory Pressures and the Inability of the PLS (Profit and Loss Sharing) Model on a Mass Scale. Islamic banks in Indonesia face double regulatory pressure: they must follow OJK’s Basel-based prudential rules to maintain capital and low NPFs, while also adhering to DSN-MUI fatwas emphasizing *Maslahah* and *Adalah* goals (Karim et al., 2022). This creates tension between conventional risk aversion and *Maqasid Sharia*’s real-sector engagement. Hence, low-risk consumption loans utilise the conventional 5Cs, while MSME financing incorporates *Hifz al-nafs* to strike a balance between profit and social goals. Meanwhile, the PLS model’s limitation arises from high monitoring costs and information asymmetry, making large-scale *Musharakah* inefficient (Madah Marzuki et al., 2023). To adapt, BSI Pekalongan utilizes Murabahah contracts infused with Maqasid values, promoting flexibility and social responsibility. These findings redefine risk management: *Maqasid* acts as *Risk Meta-Management* (MMR), expanding loss definition to include socio-ethical impacts and legitimizing ethical risk-taking for MSMEs. The synergy between 5Cs and *Hifz al-nafs*

exemplifies an ethical process innovation, financially sound yet spiritually grounded (Imaduddin & Sharofiddin, 2021).

Therefore, it can be concluded that Maqasid Sharia at the BSI Pekalongan Branch serves as a framework that regulates and justifies the level of risk that banks must bear in order to fulfil their social and ethical mandate while maintaining financial stability. This integration is an empirical model that shows how Islamic banks can transition from mere formal compliance to realising socio-economic justice goals, an essential effort in distinguishing Islamic banking from conventional banking.

A Conceptual Model for Business Risk Modelling Based on Maqasid Sharia

The risk management system at Bank Syariah Indonesia (BSI) Pekalongan Branch still relies on conventional quantitative methods such as credit scoring, collateral valuation, and financial ratio analysis. Although effective for identifying credit risks, these methods did not fully capture the ethical and social dimensions of Islamic banking. Interviews with risk managers, financing analysts, and the Sharia Supervisory Board (DPS) revealed that financial rationality still dominated financing decisions, while maqasid sharia principles, *maslahah* (benefit), *‘adl* (justice), and *amanah* (honesty) were not explicitly included in the risk model. However, field findings showed a positive shift toward integrating maqasid values. In *musyarakah* financing for MSMEs, analysts began considering social impacts, while the principles of *hifz al-nafs* (protection of life) and *hifz al-mal* (asset protection) were applied through selective financing policies and strengthened Sharia-based monitoring systems (Zhang et al., 2022).

Another important finding is the increasing role of the Sharia Supervisory Board (DPS) in providing *advisory input* on risk mitigation policies. DPS assesses aspects of Sharia compliance with contracts and provides moral input on the socio-economic impact of financing. For example, in monthly financing meetings, DPS often emphasises the importance of *tawazun* (balance) between profit and social benefit. This shows a paradigm shift from formal compliance-based risk management to a more holistic Sharia-based risk management (Cahyandari et al., 2023).

Table 2. The relationship between the dimensions of maqasid Sharia and the business risk categories identified at the BSI Pekalongan Branch

Dimensions of Maqasid Sharia	Relevant Business Risks	Actual Implementation in BSI Pekalongan
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<i>Hifz al-mal</i> (Property Protection)	Financing Risks	Business feasibility analysis, collateral assessment, and early <i>warning system</i> .
<i>Hifz al-nafs</i> (Protection/Welfare)	Operational Risk	Ethical policies towards environmentally friendly and socially just businesses.
<i>Hifz al-din</i> (Protection of Religion/Ethics)	Reputational Risk	DPS supervision, Sharia compliance fatwa, and contract transparency.

Source: Qualitative data processing results, 2025.

Table 2 illustrates that each maqasid dimension is directly related to specific business risks. This study proposes a conceptual model that integrates the three maqasid dimensions as a value-based control mechanism in Islamic banking risk management. The relationship between maqasid and risk is both causal and normative: causally, maqasid values influence financing decisions; *hifz al-mal* promotes prudence in credit assessment, and *hifz al-nafs* broadens risk views to include social impacts; normatively, maqasid provides ethical guidance ensuring balance between profit and public benefit. Interviews reveal a major challenge: the lack of tools linking maqasid values to quantitative risk parameters. Therefore, this model integrates maqasid across inputs, processes, and outputs, guiding ethical evaluation at the input, ensuring fairness and balance during risk management, and promoting outcomes that are both financially sound and socially beneficial.

This conceptual model builds on the Maqasid-Based Risk Management Framework, which applies Maqasid Sharia as the core principle for identifying and managing risks. In this view, maqasid serves both as the ultimate goal and as a moral compass that fosters prudence, justice, and social responsibility (Sheikh et al., 2023). The findings also align with the Sharia Governance Framework, highlighting that governance must integrate value and legal functions. At BSI Pekalongan Branch, the Sharia Supervisory Board (DPS) ensures Maqasid Sharia guides every business decision, not merely as a symbolic value (Meutia & Adam, 2021). Structurally, this model supports Malik's (2016) view that maqasid is systemic and adaptive, capable of adjusting to local contexts. In Pekalongan, where the economy centres on MSMEs, batik trading, and creative industries, maqasid implementation must reflect regional realities, making it both normative and contextual, responsive to the community's needs.

The findings support Sutrisno and Widarjono (2018), who found that applying Maqasid Sharia in Islamic banks' risk management improves the detection of ethical and reputational risks. Banks implementing *hifz al-mal* and *hifz al-din* demonstrate better financial sustainability than those focusing solely on financial risk. Integrating Maqasid principles in financing decisions helps reduce non-performing financing (NPF) by enhancing customer morality and transparency (Hendri, 2021). At the BSI Pekalongan Branch, NPF decreased from 3.4% to 2.8% as the maqasid culture strengthened. Similarly, Campura et al. (2021) emphasized that Maqasid Sharia serves as a strategic framework for building an ethical risk culture, prioritizing moral values in business. Field findings show that Maqasid values at BSI function as a soft control mechanism, complementing conventional technical controls and reinforcing an ethical foundation in Islamic banking practices.

This research develops a Maqasid Sharia-based business risk model that links Maqasid values, risk dimensions, and managerial outcomes through three components: input, process, and output. At the input stage, *Maqasid al-Sharia* guides financing decisions, *hifz al-mal* ensures asset protection, *hifz al-nafs* promotes social welfare, and *hifz al-din* maintains ethical compliance. In the process stage, Maqasid is integrated with financing, operational, and reputational risks to balance profit and benefit. The output targets dual goals: risk efficiency and financial sustainability aligned with Sharia principles. The model can be implemented through a maqasid-based risk scoring system, incorporating social and moral indicators into feasibility assessments. Ethical, transparent, and socially beneficial businesses receive lower risk scores. Applied in BSI Pekalongan, this model strengthens risk control and public trust, while its digital adaptation could enhance Sharia governance and expand market share.

E. Conclusion

This research concludes that applying the Maqasid al-Sharia framework to business risk modelling provides a new ethical foundation for Islamic banking. Evidence from Bank Syariah Indonesia (BSI) Pekalongan Branch suggests that key Maqasid principles, including *hifz al-mal* (protecting wealth), *hifz al-nafs* (protecting welfare), and

hifz al-din (protecting faith), serve as moral guidelines in financing decisions. These values influence how the bank assesses and manages credit risk, encouraging prudence while maintaining its social mission. A Maqasid-based approach aligns business sustainability with ethical governance, promoting financial stability, social welfare, and Sharia compliance. The study also finds that combining conventional risk tools with Maqasid ethics creates a balanced model that unites profit goals and social justice. This system enables BSI Pekalongan to manage traditional risks while preserving its Islamic identity. Moreover, Maqasid al-Sharia acts as a meta-framework for risk management, redefining risk not just as financial loss but as harm to *maslahah*, collective well-being and moral integrity. The research enriches Islamic finance theory by positioning Maqasid as both a moral and managerial foundation. Practically, it proposes a Maqasid-based risk scoring model that integrates ethical and social variables into quantitative systems, offering guidance for future digital and AI-driven Islamic risk management.

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