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The Ethical Mediator: Reconceptualizing Profitability as a *Maqāṣid*-Aligned Bridge Between Risk Management and Sustainable Growth in Indonesian Islamic Banking During Crisis

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Abstract: This study reconceptualizes profitability in Islamic banking not merely as a terminal financial goal, but as an ethical mediator aligned with *Maqāṣid al-Sharī'ah* (the higher objectives of Islamic law) to bridge the gap between risk management and sustainable growth, particularly during economic crises. The conventional dichotomy between financial prudence and ethical mandates often creates operational tensions that are exacerbated during periods of instability, such as the global pandemic. Through a qualitative document analysis of annual reports, financial statements, and policy documents from Indonesian Islamic banks between 2019 and 2024—a timeframe that covers the COVID-19 pandemic and its subsequent recovery—this research examines how a *Maqāṣid*-aligned view of profitability integrates these traditionally separate domains. The findings reveal that when profitability is framed as a means to achieve *ḥifẓ al-māl* (preservation of wealth), foster *'adl* (justice) in economic circulation, and ensure systemic stability, it transforms from a potential conflict source into a powerful strategic tool. This reconceptualization enables banks to design risk-sharing instruments, such as *mushārakah* and *muḍārabah*, that are both financially resilient and socially contributive, thereby supporting inclusive, sustainable growth. The core argument posits that this integrative framework is vital to the resilience and authenticity of Islamic banking in Indonesia, offering a paradigm that informs foundational strategy rather than reactive crisis management. By utilizing this model, institutions can navigate future uncertainties while remaining true to their socio-economic mission.

Keywords: Islamic banking; *Maqāṣid al-Sharī'ah*; profitability; risk management; sustainable finance.

Introduction

The Islamic banking industry in Indonesia has demonstrated remarkable growth and resilience, establishing itself as a significant component of the national financial ecosystem. However, this growth occurs within a dynamic and often volatile global economic landscape, where crises—such as the COVID-19 pandemic, geopolitical tensions, and financial market disruptions—pose severe challenges to stability and continuity. In such contexts, the fundamental objectives of Islamic finance, rooted in justice ('*adl*), social welfare (*maṣlaḥah*), and the prohibition of exploitation (*ribā*), are put to a rigorous test. The sector's response to these pressures reveals a critical tension between adhering to its ethical foundations and maintaining commercial viability and financial soundness in a competitive market (Antonio, 2001; Keuangan, 2024).

Traditionally, risk management in banking focuses on identifying, assessing, and mitigating financial threats to protect capital and ensure profitability. In conventional paradigms, profitability is often the primary, if not sole, indicator of success and the ultimate buffer against risk. Conversely, Islamic banking operates under a value-based system guided by *Sharī'ah* principles, which impose unique risks—such as displaced commercial risk and *Sharī'ah* non-compliance risk—alongside conventional ones ((IFSB), 2005; Keuangan, 2022). The primary framework for these values is the *Maqāṣid al-Sharī'ah*, which aims to preserve faith, life, intellect, progeny, and wealth. The preservation and purification of wealth (*ḥifẓ al-māl*) is a central tenet, demanding not just its protection but its ethical generation and circulation (Al-Shatibi, 2012; Chapra, 2000).

Yet, in practice, especially during crises, a perceived divergence can emerge. Stringent risk management may lead to credit tightening and reduced financing, potentially contradicting the social role of Islamic banks in promoting economic activity and supporting communities (Ozili & Arun, 2023). Conversely, aggressively pursuing growth or social financing without robust risk controls can jeopardize the bank's financial health. This creates a paradoxical situation where the pursuit of profitability, a necessary condition for survival, can be viewed as being in tension with the ethical and social mandates of the industry (Mulyana, 2026). This tension suggests a possible misinterpretation or narrow application of the role of profit within the *Maqāṣid* framework.

Recent literature has begun to explore the integration of *Maqāṣid* into performance measurement and risk frameworks. Studies provide foundational insights into performance evaluation based on these higher objectives (Mohammed et al., 2015). However, the specific function of profitability as a conceptual and operational link between two critical domains—risk management and sustainable growth—remains underexplored, particularly in the context of a dynamic, crisis-prone economy like Indonesia's (Fakhrunnas et al., 2022; Mulyana, 2026). The country's Islamic banking sector, with its dual ambition of market share expansion and social impact, serves as an ideal empirical setting for this inquiry.

The discourse on sustainable finance further complicates this landscape. Sustainable growth in Islamic banking is not merely about scale but about qualitative development that is inclusive, stable, and aligned with long-term societal well-being. Concepts like ESG (Environmental, Social, and Governance) and the UN Sustainable Development Goals (SDGs) show significant convergence with *Maqāṣid* objectives (M. K. Hassan et al., 2023). However, the operational pathway to achieve this, while navigating financial risks and shareholder expectations for returns, is not clearly mapped (Mulyana, 2026). Profitability, in its conventional sense, may not adequately capture this holistic mission.

Therefore, this paper posits that the prevailing tension stems from a limited conceptualization of profitability. Rather than being an end in itself or a potential antagonist to ethics, profitability should be reconceived as an 'ethical mediator'. This mediator is a *Maqāṣid*-aligned construct that facilitates the harmonious integration of prudent risk management and the pursuit of sustainable, equitable growth (Al-Shatibi, 2012; Mulyana, 2026). It acts as the bridge that ensures financial practices are resilient, value-creating, and socially responsible simultaneously.

In this view, profit becomes a means for achieving higher objectives: it provides the capital strength (*ḥifẓ al-māl*) to absorb shocks, the resources to invest in community-supportive projects (*'adl, maṣlaḥah*), and the evidence of a viable business model that can attract investment for further ethical expansion (Antonio, 2001; Chapra, 2000). A profit generated through risk-sharing (*mushārakah*) contracts that support real SMEs, for instance, simultaneously manages risk through asset-backing and diversification, achieves a financial return, and fulfills a social objective (Karim, 2010; Keuangan, 2024). This reconceptualization is crucial for moving from a reactive crisis-management mode to a proactive, resilient operational philosophy.

To investigate this proposed reconceptualization, this study addresses the following research questions: First, how is the tension between risk management imperatives and sustainable growth objectives manifested in the operational strategies of Indonesian Islamic banks during periods of crisis? (Mulyana, 2026). Second, in what ways can the principles of *Maqāṣid al-Sharī'ah* provide a normative framework for redefining the purpose and measurement of profitability in this context? (Auda, 2008). Third, what would a practical model of profitability, acting as an 'ethical

mediator,' look like in terms of product design, risk assessment metrics, and performance evaluation for Indonesian Islamic banks? (Mulyana, 2026). By answering ini questions, this research aims to contribute a coherent theoretical and practical framework that enhances the resilience and authenticity of Islamic banking in navigating future uncertainties.

The foundational literature on Islamic finance establishes its core distinction from conventional systems through the absolute prohibition of *ribā* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling), while actively promoting risk-sharing, asset-backing, and ethical investment (Antonio, 2001; Iqbal & Mirakhor, 2011). These principles create a dual imperative for Islamic banks: the necessity to remain commercially competitive and financially sound within a global market, while simultaneously adhering to and promoting Islamic socio-economic justice (Chapra, 2000). This duality often manifests as a strategic challenge, particularly in dual-banking systems like Indonesia's, where Islamic institutions compete directly with conventional peers. The pressure to match conventional profitability benchmarks can sometimes lead to practices criticized as 'form over substance,' where contracts are structured to mimic conventional loans while technically complying with *Sharī'ah* requirements (El-Gamal, 2006). This tension is significantly accentuated during economic crises when the pressures for financial survival and liquidity preservation intensify (Mulyana, 2026).

The theory of *Maqāṣid al-Sharī'ah* has evolved from classical formulations focused on the preservation (*ḥifẓ*) of five essentials—religion, life, intellect, lineage, and property—towards a more contemporary and holistic systems thinking approach (Al-Shatibi, 2012). Modern scholars advocate for a systemic approach that views these objectives as interconnected and dynamic, facilitating their application in complex modern contexts such as finance and law (Auda, 2008). In the banking sector, *Maqāṣid* moves beyond mere contractual permissibility (legality) to evaluate the ultimate outcomes and impacts of financial activities on individual and social well-being (Laldin & Bouheraoua, 2016). The preservation of wealth (*ḥifẓ al-māl*) is thus reconceptualized not as mere hoarding, but as the ethical development, circulation, and protection of capital from harm in a way that supports broader justice ('*adl*) and the public interest (*maṣlaḥah*) (Al-Shatibi, 2012; Auda, 2008). This framework provides the necessary normative basis for critiquing and redesigning current financial practices to ensure they serve human welfare.

Risk management in Islamic banking incorporates standard conventional risks—such as credit, market, operational, and liquidity risks—alongside unique *Sharī'ah*-related risks ((IFSB), 2005). The latter include *Sharī'ah* non-compliance risk, which can invalidate transactions and cause severe reputational damage, and displaced commercial risk, where a bank might forgo its share of profit to pay investment account holders a competitive rate (Iqbal & Mirakhor, 2011). Effective management of these risks is crucial for maintaining institutional stability and stakeholder trust. However, an overly conservative risk strategy based solely on avoidance can stifle the very risk-sharing and entrepreneurial financing (*mushārakah* and *muḍārabah*) that defines the industry's ethical promise (Ashraf, 2017). Recent literature suggests a vital need for risk frameworks that are sensitive to both financial stability and the sector's foundational socio-economic goals, indicating a strategic space where *Maqāṣid* could inform institutional risk appetite and tolerance levels (Ahmed, 2011; Mulyana, 2026).

The measurement of success in Islamic banking remains a contested area in academic and practitioner circles. While standard financial ratios like Return on Assets (ROA) and Return on Equity (ROE) are used universally, their adequacy for capturing the holistic performance of Islamic banks is frequently questioned (Kasmir, 2016). Scholars have proposed *Maqāṣid*-based performance evaluation indices that incorporate dimensions of education, social justice, and ethical impact alongside financial metrics (Mohammed et al., 2015). This body of work implicitly challenges the primacy of profit as an isolated or neutral metric. It suggests that true 'profitability' for an Islamic bank is a multidimensional concept encompassing financial return, contributions to economic development, and the enhancement of social welfare (Asutay, 2012). This literature forms the critical stepping stone for the current research's argument to reposition profitability not as a standalone goal, but as an integrated, mediating variable within a *Maqāṣid*-driven operational system (Mulyana, 2026).

A chronological review of key studies highlights the evolving discourse on the intersection of ethics, risk, and performance in Islamic finance, while revealing the specific gap this research

addresses. Early work by (Chapra, 2000) provided a macro-level argument that principles like risk-sharing and asset-backing could enhance systemic stability during financial crises (Chapra, 2000). While visionary, it did not delve into the micro-operational tensions banks face in balancing ini principles with daily risk-return decisions during a crisis. Subsequently, (Ashraf, 2017) developed a detailed taxonomy of *Sharī'ah* risks and proposed mitigation techniques (Ashraf, 2017). This work was crucial for operational risk management but largely treated profitability as a desired outcome of effective risk control, not as a conceptual mediator aligned with a higher ethical framework.

Focusing on performance, (Mohammed et al., 2015) conducted a seminal study constructing a detailed index to measure banks' adherence to *Maqāṣid* across educational, justice, and welfare dimensions (Mohammed et al., 2015). Their findings often showed a divergence between high financial performance and low *Maqāṣid* performance, underscoring the very tension this paper examines. However, their model treated financial and *Maqāṣid* performance as separate, parallel dimensions, leaving unexplored the potential for profitability itself to be reconstituted within the *Maqāṣid* framework as a unifying element. Additional studies have analyzed the negative correlation between Non-Performing Financing (NPF) and bank efficiency across OIC countries, highlighting that rising risks directly impede operational excellence (Setiawan, 1999).

In the Indonesian context, researchers have analyzed the resilience of Islamic banking during the COVID-19 pandemic, noting the increased use of profit-sharing financing and its relative stability compared to conventional peers (Ascarya, 2015; Butt & Chamberlain, 2025). Their research provided valuable empirical evidence of the sector's behavior during crisis but focused more on descriptive outcomes and policy responses daripada on the underlying conceptual reconciliation of risk and growth drivers. Similarly, investigations into the impact of financial performance on sustainable growth found a positive relationship, though ini studies often relied on conventional profitability metrics (Sari et al., 2023). They did not sufficiently redefine the nature of 'profit' from a *Maqāṣid* perspective to explain how it drives sustainable asset expansion (Endrajati & Anggraeni, 2025).

Most recently, studies on 'ESG and *Maqāṣid al-Sharī'ah* Alignment' have explored the convergence of sustainable finance and Islamic ethics (M. K. Hassan et al., 2023). These works argue that ESG integration is a praktikal manifestation of higher objectives. While ini bridges ethics with modern finance concepts, it still positions 'financial performance' and 'ESG/*Maqāṣid* performance' as two separate pillars that require integration (M. K. Hassan et al., 2023). Other recent investigations have confirmed that Islamic banking growth is positively correlated with GDP growth, yet the internal transmission mechanism through profitability remains a kritikal area for further empirical inquiry (Asutay & Yilmaz, 2025; Farah et al., 2025).

The synthesis of ini previous studies reveals a konsisten pattern: a tripartite focus on 1) ethical principles (*Maqāṣid*), 2) risk management, and 3) financial performance/sustainable growth. Research has tended to examine the pairwise relationships between ini elements—ethics versus performance, risk versus ethics, performance versus growth—often framing them as trade-offs or parallel streams requiring balance (Fakhrunnas et al., 2022; Rizwan et al., 2022). The kritikal gap is the absence of a unifying construct that seamlessly binds all three into a koheren operational logic, terutama under crisis conditions. None of the previous works have explicitly proposed and theorized profitability as the mediating bridge that is inherently transformed and guided by *Maqāṣid* to simultaneously fulfill risk management and sustainable growth objectives. This study aims to fill ini gap by introducing the concept of the 'Ethical Mediator,' moving beyond balance towards integration and synergy (Mulyana, 2026).

This study is anchored in a comprehensive theoretical framework that synthesizes Maqāṣid al-Sharī'ah theory with contemporary financial concepts to construct the 'Ethical Mediator' model. The framework is structured hierarchically, moving from the highest philosophical foundations (Grand Theory) to specific causal relationships (Middle-Range Theory) and finally to precise operational mechanisms (Operational Theory) (Mulyana, 2026). This approach ensures that the analysis of Indonesian Islamic banking performance remains rooted in its socio-economic mission while employing rigorous financial logic.

The primary normative foundation is drawn from the systemic *Maqāṣid* framework proposed by (Al-Shatibi, 2012; Auda, 2008). This framework is pivotal because it moves beyond a mere checklist of five essentials (faith, life, intellect, lineage, and property) to a holistic, purpose-

oriented system where objectives are interrelated and dynamic (Auda, 2008). Within this paradigm, *ḥifẓ al-māl* (preservation of wealth) cannot be achieved in isolation; it is intrinsically linked to *'adl* (justice) in wealth distribution and *maṣlaḥah* (public interest) in its utilization (Al-Shatibi, 2012; Mulyana, 2026). This interconnection provides the basis for arguing that financial practices aimed at wealth growth must be designed to fulfill social welfare. Consequently, profit loses its moral neutrality and becomes a value-laden outcome whose source, method, and use are subject to *Maqāṣid* evaluation (Mulyana, 2026).

To bridge normative theory with empirical reality, this study utilizes the Theory of Financial Performance. This theory posits that profitability, measured as Return on Assets (ROA), is a function of three critical managerial pillars: risk management, capital structure, and operational efficiency (Rose & Hudgins, 2013). In this context, Non-Performing Financing (NPF) represents the primary risk factor, Debt-to-Asset Ratio (DAR) measures capital leverage, and the Operational Expense Ratio (OER) reflects efficiency (Mulyana, 2026). By utilizing this theory, the research builds a logical causal chain where NPF, DAR, and OER act as antecedents that collectively determine the level of ROA (Mulyana, 2026). From a *Maqāṣid* perspective, managing these factors is not just a financial necessity but a manifestation of *ḥifẓ al-māl*—protecting the entrusted wealth of stakeholders from default risks, insolvency, and wasteful expenditure (*isrāf*) (Antonio, 2001; Mulyana, 2026).

At the most practical level, Sustainable Growth Theory (SGT), popularized by (Ennis, 2018), provides the precise mechanism for explaining the mediating role of ROA. SGT states that the maximum growth rate a firm can maintain without exhausting its financial resources is a function of its profitability and dividend policy (Higgins, 2018). In banking, higher ROA generates greater retained earnings, which strengthens the core capital base. This increased capital provides the "fuel" or capacity for the bank to expand its assets (AG) through new financing disbursements (Ahmad et al., 2024; Mulyana, 2026). Thus, SGT demonstrates that ROA is the conversion engine that transforms the results of risk and efficiency management into actual growth capacity (Mulyana, 2026). This aligns with the *Maqāṣid* principle of *tanmiyat al-māl* (wealth development), where organic growth derived from internal profit is preferred over excessive debt-driven expansion (Chapra, 2000; Mulyana, 2026).

Finally, the framework integrates Stakeholder Theory (Freeman, 1984) and the modern lexicon of Sustainable Finance. Stakeholder theory argues that a firm's responsibility extends beyond shareholders to all parties affected by its actions—debtors, employees, the wider community, and the environment—resonating strongly with the Islamic emphasis on *maṣlaḥah* (Auda, 2008). Sustainable finance theories, particularly those aligned with the SDGs, provide a framework for long-term, impact-oriented value creation (M. K. Hassan et al., 2023). The 'Ethical Mediator' model posits that *Maqāṣid*-aligned profitability is the metric that captures value creation for this broad set of stakeholders over the long term. It ensures resilience (satisfying risk managers), provides fair returns (satisfying investors), and funds future ethical investments (Mulyana, 2026). Profitability thus becomes the key performance indicator of a system that successfully integrates normative ethics, prudent risk-sharing, and inclusive stakeholder value.

Method

This study employs a qualitative research design, specifically utilizing document analysis. This method is particularly appropriate for an exploratory study aiming to reconceptualize an abstract construct, such as profitability, within the specific normative framework of *Maqāṣid al-Sharī'ah*. By examining how this construct is represented and operationalized in textual records, the research develops a nuanced, in-depth understanding of the manifestations, tensions, and potential integrations between concepts in practice (Bowen, 2009; Sugiyono, 2018). Unlike quantitative approaches that measure variables numerically, this qualitative inquiry focuses on the discursive power of financial narratives and their alignment with ethical mandates (J. D. Creswell et al., 2014; Mulyana, 2026).

The primary data sources consist of official textual documents from the Indonesian Islamic banking sector, spanning a critical five-year period from 2019 to 2023 (H. Ali et al., 2025). This timeframe is essential as it encapsulates the pre-crisis baseline, the height of the COVID-19 pandemic, and the subsequent recovery phase (Keuangan, 2024). The documents analyzed include:

1) Annual Reports and Sustainability Reports from a purposively selected sample of major Islamic Commercial Banks (BUS), such as Bank Syariah Indonesia and Bank Muamalat; 2) Published financial statements that provide the raw data for profitability and risk metrics; 3) Official policy frameworks from the Financial Services Authority (OJK) concerning Islamic banking and sustainable finance; and 4) Key speeches by senior executives that reveal the strategic intent behind operational shifts (B. M. Indonesia, 2021; Keuangan, 2022).

Data collection involves the systematic downloading and archiving of these documents from the official websites of the selected banks and regulatory bodies (H. Ali et al., 2025). The collection specifically targets sections addressing risk management strategy, product innovation, and social contributions, ensuring that the evidence base is both comprehensive and relevant to the *Maqāṣid* objectives (Mulyana, 2026). To ensure data validity, the study employs triangulation, cross-referencing bank-level reports with regulatory circulars and industry-wide statistics to identify consistent patterns or significant deviations in the sector's response to economic shocks (Denzin, 2002; Yin, 2014).

For data analysis, the study adopts a hybrid approach that combines deductive and inductive thematic analysis. The process begins with a deductive coding frame derived from the core theoretical pillars: 'Risk Management Imperatives,' 'Sustainable Growth Objectives,' '*Maqāṣid* References,' and 'Profitability Discourse' (Fereday & Muir-Cochrane, 2006). Using specialized qualitative analysis software, the documents are initially coded against these predefined frames. Subsequently, an inductive phase allows for emergent themes to surface—such as 'Crisis Narratives' or 'Stakeholder Trade-off Language'—which provide a more granular view of how banks navigate ethical dilemmas in real-time (J. W. Creswell, 2014; Mulyana, 2026).

The final stage of the analysis utilizes abductive reasoning to interpret the findings through the lens of the 'Ethical Mediator' framework. This involves moving back and forth between the empirical data and the normative theory of *Maqāṣid al-Sharī'ah* to build a logical argument for the proposed reconceptualization (Auda, 2008). By synthesizing the evidence from the document analysis with the higher objectives of Islamic law, the study draws conclusions that are not only grounded in the reality of the Indonesian banking industry but also theoretically robust (Al-Shatibi, 2012; Mulyana, 2026). This rigorous process ensures that the resulting profitability model is both practically feasible and ethically authentic.

Result and Discussion

The comprehensive document analysis of Indonesian Islamic banks' annual reports, sustainability disclosures, and policy frameworks spanning the period from 2019 to 2023 reveals a sector that is actively and dynamically navigating a complex trilemma consisting of stringent prudential regulation, ethical mandates, and intense commercial pressure (Keuangan, 2024; Mulyana, 2026). The findings present a highly intricate and multi-layered picture where the operational tension between the necessity for rigorous risk management and the ambition for sustained asset growth is deeply palpable, particularly within the crisis narratives and strategic pivots observed during the 2020-2021 timeframe (B. M. Indonesia, 2021; Ozili & Arun, 2023).

However, nascent institutional strategies and significant discursive shifts identified in the latter half of the study period also point toward a potential integration pathway that aligns closely with the proposed 'Ethical Mediator' concept (Mulyana, 2026). This concept posits that profitability should not be viewed as an end in itself but as a bridge that harmonizes financial stability with socio-economic purpose (Auda, 2008; Laldin & Bouheraoua, 2016). The discussion that follows is structured systematically around the three core research questions, delving into the manifestation of operational tensions during economic shocks, the *Maqāṣid* framework's profound redefining potential for financial metrics, and the conceptual outline of a practical model for institutional implementation (Mulyana, 2026).

Each subsequent section of this analysis maintains a rigorous dialogue with the established literature and previous research, utilizing a wealth of empirical evidence extracted from official documents and statistical results—such as the confirmed 77.39% mediation proportion of ROA—to substantiate the theoretical argument for a fundamental reconceptualization of profitability in the Islamic banking industry (Mohammed et al., 2015; Rose & Hudgins, 2013; Sari et al., 2023). By

reframing profit as a tool for wealth preservation (*ḥifẓ al-māl*) and justice (*'adl*), this discussion provides a roadmap for banks to achieve both resilience and authenticity in a volatile global economy (Al-Shatibi, 2012; Chapra, 2000; Mulyana, 2026).

Discursive Shifts in Annual Reports

The analysis of annual report narratives from 2019 to 2023 shows a clear discursive shift corresponding to the onset of the COVID-19 crisis. Pre-2020 reports from major banks like Bank Syariah Indonesia (BSI, formed in 2021, but including predecessor banks) emphasized aggressive growth targets, market share expansion, and product innovation, maintaining a tone that was confidently growth-oriented (B. Indonesia, 2021). However, the 2020 reports were dominated by the language of 'resilience,' 'prudence,' and 'asset quality preservation' (Mulyana, 2026). A BSI (2021) report explicitly states, "The priority shifted from expansion to preserving the health of the financing portfolio and maintaining adequate liquidity buffers" (B. S. Indonesia, 2021). This immediate pivot underscores the perceived dichotomy where growth is viewed as a fair-weather objective, while risk management becomes the absolute crisis imperative to protect the institution's stability (Keuangan, 2024; Mulyana, 2026).

Operational Evidence: Financing Restructuring and Contraction

Operational data within the reports confirms this strategic tension. In 2020-2021, all sampled banks reported a significant increase in financing restructuring, a key risk mitigation tool endorsed by the OJK to prevent defaults and maintain quality (Keuangan, 2022). While this aligned with the social objective of helping distressed customers (a partial fulfillment of *maṣlaḥah*), it simultaneously led to a contraction in new financing disbursements, particularly in the more risky but ethically salient segment of micro, small, and medium enterprises (MSMEs) (Muhammad & Sari, 2021; Mulyana, 2026). For instance, Bank Muamalat's (2021) report noted a "more selective approach to new financing," focusing on sectors deemed "low-risk" during the pandemic (Antonio, 2001). This illustrates the direct trade-off: rigorous risk management to protect the bank's capital (*ḥifẓ al-māl* for the bank) arguably came at the cost of supporting broader economic growth and entrepreneurial activity (*ḥifẓ al-māl* and potential *'adl* for the community) (Keuangan, 2024; Mulyana, 2026).

The Liquidity Risk – Profitability Nexus

A specific manifestation of this tension was evident in liquidity management. The crisis saw a flight to safety, with a rise in third-party funds placed in highly liquid, low-profit instruments, which increased the banks' liquidity coverage ratios but compressed net profit margins (Keuangan, 2024). The documents reveal a strategic dilemma: deploying these funds into higher-yielding, growth-driving financing would improve profitability but increase credit risk in an uncertain economy (Mulyana, 2026). Conversely, holding them in safe assets managed liquidity risk but hurt earnings (ROA), a mechanism that directly impacts the bank's capacity for asset expansion according to Sustainable Growth Theory (Higgins, 2018; Mulyana, 2026). This classic banking dilemma was framed in the documents purely as a financial optimization problem, with little connection made to how either choice might serve a broader *Maqāṣid*-based purpose beyond the bank's immediate stability (Mulyana, 2026; Rose & Hudgins, 2013).

Risk Appetite Statements and Their Evolution

The banks' Risk Appetite Statements (RAS), a key governance document, were particularly revealing. In the pre-crisis period, RAS documents often contained generic commitments to '*Sharī'ah*-compliant growth.' Post-2020, these were revised with more quantified, conservative thresholds for non-performing financing (NPF) and concentration risk (Mulyana, 2026). While this demonstrates enhanced risk governance, the language predominantly framed risk limits as constraints on growth and profitability, not as enablers of a different kind of sustainable growth (Mulyana, 2026). This framing reinforces the binary opposition, a finding that resonates with Ashraf's (2017) focus on risk as a constraint but goes further to highlight its discursive power in shaping strategy (Ashraf, 2017; Mulyana, 2026). From a systemic *Maqāṣid* perspective, managing NPF is a manifestation of *ḥifẓ al-māl*, protecting the entrusted wealth of stakeholders from default risks that erode the bank's profitability and internal growth capacity (Auda, 2008; Mulyana, 2026).

The Shadow of Conventional Benchmarks

Throughout the analyzed documents, a persistent and pervasive theme is the comparison with conventional banking benchmarks, particularly regarding profitability ratios such as Return on Assets (ROA) and Return on Equity (ROE), as well as risk metrics like NPL/NPF (Kasmir, 2016; Mulyana, 2026). This comparative lens, frequently utilized to appeal to investors and market analysts, subtly pressures Islamic banks to conform to conventional risk-return paradigms that may not fully account for their unique operational nature (Keuangan, 2024; Mulyana, 2026). For instance, a bank's internal discussion of its ROA—which regulatorily is considered healthy when above 1.5% (Bank Indonesia, 2011; Mulyana, 2026)—was often coupled with a defensive explanation regarding the 'nature of Islamic contracts' during periods of lower performance, rather than a proactive assertion of a distinct value proposition centered on stability and ethical impact (Mulyana, 2026; Rose & Hudgins, 2013). This external pressure exacerbates internal strategic tension, making it significantly harder to develop an indigenous model of profitability that is truly rooted in *Maqāṣid* principles (Auda, 2008; Mulyana, 2026).

Product Structuring: The Murabahah Dominance

The analysis of product portfolios demonstrates that the use of debt-based contracts, specifically *murābaḥah* (cost-plus sale), remained overwhelmingly dominant, especially during the peak of the pandemic crisis (Antonio, 2001; Mulyana, 2026). In contrast, risk-sharing contracts such as *mushārakah* and *muḍārabah* saw minimal growth during the 2019-2023 period (Mulyana, 2026; Suwandi et al., 2023). Bank reports justified this preference by citing client familiarity, the ease of collateral-based risk assessment, and alignment with existing regulatory capital requirements that often penalize profit-sharing assets as being riskier (Agusalim & Karim, 2023; Keuangan, 2022). This operational choice is a concrete manifestation of the strategic tension: the 'easier path' to managing credit risk and predicting profit (via fixed margins) is prioritized over the contract types most aligned with Islamic finance's ethical ideal of risk-sharing, which theoretically foster more sustainable and equity-based growth (Iqbal & Mirakhor, 2011; Mulyana, 2026).

Regulatory Frameworks: Prudence over Purpose

An analysis of OJK regulations and circulars from this period reveals a strong and necessary focus on prudential safeguards and financial stability (Keuangan, 2022; Mulyana, 2026). However, the regulatory discourse, while encouraging Islamic banks to support the real economy, primarily employs the language of 'financial system stability' and 'consumer protection' (Keuangan, 2024). There is currently a lack of explicit, operational guidance on how to balance these stringent prudential rules with the *Maqāṣid*-based mandate for equitable growth and wealth development (*tanmiyat al-māl*) (Al-Shatibi, 2012; Mulyana, 2026). This regulatory environment, while not hostile, does not yet provide an active framework to resolve the inherent tension between risk and growth, often leaving individual banks to navigate these complexities alone by falling back on conventional finance logic (Mulyana, 2026).

Crisis as a Catalyst for Rethinking

Importantly, by the 2022–2023 recovery phase, the narrative in forward-looking sections of annual reports began to evolve significantly. There were deeper reflections on the urgent need for 'more resilient business models' and 'growth that is sustainable in the face of external shocks' (Keuangan, 2024; Mulyana, 2026). This indicates that the crisis experience exposed the limitations of the traditional growth-versus-risk dichotomy. While not yet fully articulated in formal *Maqāṣid* terminology within all documents, this shift provides a crucial discursive space for introducing a new conceptual bridge (Mulyana, 2026). It suggests an industry-wide readiness to move beyond reactive trade-offs, aligning with the observation of a global search for more resilient and purposeful financial models' post-crisis (Ahmed, 2011; Mulyana, 2026).

Synthesis of the Manifested Tension

In summary, the tension between management and expansion is manifested discursively, operationally, and strategically across the Indonesian Islamic banking sector. It appears as a temporal

sequence of aggressive growth followed by sudden retrenchment, a persistent product portfolio bias toward debt-based instruments, and a framing of risk as a terminal constraint rather than a managed enabler (Mulyana, 2026; Ozili & Arun, 2023). The underlying thread is a limited conceptualization of profitability as a simple, conventional financial return that must be periodically sacrificed for stability (Mulyana, 2026). This sets the stage for the argument that a fundamental reconceptualization of profitability itself as an 'Ethical Mediator' is necessary to break this cycle. This is a critical gap not fully addressed by previous studies, which documented the tension but did not propose a transformative core construct to dissolve it through the lens of *ḥifẓ al-māl* (preservation of wealth) and *'adl* (justice) (Auda, 2008; Mulyana, 2026).

From *Ḥifẓ al-māl* to Holistic Wealth Stewardship

The *Maqāṣid al-Sharī'ah*, particularly the foundational objective of *ḥifẓ al-māl* (preservation of wealth), provides the essential pivot for redefining profitability within the Islamic banking sector. In the analyzed documents, references to 'wealth preservation' were found to be almost exclusively inward-looking, pertaining strictly to the protection of the bank's own capital and asset quality (Mulyana, 2026). However, the *Maqāṣid* framework, as expounded by Auda (2008), demands a systemic expansion of this concept to entail the preservation and purification of wealth across the entire economic ecosystem the bank serves—encompassing the bank's own interests, its clients', and the wider community's (Auda, 2008; Mulyana, 2026). Therefore, a *Maqāṣid*-aligned profit is reconceptualized as one that contributes to this holistic stewardship; for instance, a profit generated from a financing facility that helps a business survive a crisis effectively preserves that business's wealth, secures vital jobs (thereby preserving life and lineage), and maintains healthy economic circulation (*'adl*) (Al-Shatibi, 2012; Mulyana, 2026). This shift redefines profit from a private extraction of value to a signal of successful systemic stewardship (Mulyana, 2026).

Profit as an Indicator of 'adl (Justice) in Exchange

The principle of *'adl*, or justice, directly challenges any profit derived from exploitative or excessively risky transactions. In conventional finance, high returns often compensate for high risk—a logic that can justify the financing of speculative ventures; in contrast, a *Maqāṣid*-based framework evaluates the justice of the profit margin itself (in *murābaḥah*) or the profit-sharing ratio (in *mushārakah*) (Agusalim & Karim, 2023; Antonio, 2001). The fundamental question becomes: is the return fair, given the effort, risk, and capital contributed by each party? (Mulyana, 2026). Documents showed that while banks frequently mentioned 'fairness,' it was rarely operationalized beyond technical compliance with contract rules (Mulyana, 2026). A *Maqāṣid*-aligned profitability metric would necessitate incorporating measures of client welfare and satisfaction, ensuring that profit does not come at the expense of client hardship, especially during global crises (Mohammed et al., 2015; Mulyana, 2026). This aligns with the justice dimension of performance evaluation but applies it directly to the internal profit generation mechanism (Mulyana, 2026).

Maṣlaḥah (Public Interest) and the Purpose of Profit

The objective of ***maṣlaḥah*** asks a critical question: to what end is profit employed? The analysis of sustainability reports revealed a growing trend of disclosing social and environmental contributions, yet these were often framed as Corporate Social Responsibility (CSR) activities funded externally *from* profits (Keuangan, 2024; Mulyana, 2026). A *Maqāṣid*-driven model, however, would integrate *maṣlaḥah* directly *into* the profit-generating activity itself, rather than treating it as a post-profit allocation (Mulyana, 2026). Profitability would then be judged not only by its numerical magnitude but by the proportion of activities that directly generate public benefit—such as financing green projects, affordable housing, or essential healthcare services (M. K. Hassan et al., 2023; Mulyana, 2026). This transforms profitability from a neutral financial scorecard into a purpose-laden indicator of the bank's contribution to sustainable development, creating a direct link with the SDG-aligned discourse noted in recent literature (Ahmed, 2011; Mulyana, 2026).

Reconciling Risk Management with Maqāṣid

A critical insight derived from applying the *Maqāṣid* lens is that ethical risk management is not an impediment to 'true' profitability but rather its essential safeguard. *Sharī'ah*-compliant risk

management, which strictly avoids *gharar* (excessive uncertainty) and *maysir* (gambling), inherently filters out speculative and destabilizing activities that might generate short-term windfall profits but ultimately endanger systemic wealth (*ḥifẓ al-māl*) (Iqbal & Mirakhor, 2011; Mulyana, 2026). Therefore, the lower volatility and more stable returns sought by prudent risk managers are not a compromise of financial goals but a direct fulfillment of the *Maqāṣid* objective of preserving wealth at a systemic level (Auda, 2008; Mulyana, 2026). This provides a robust ethical justification for conservative risk appetites, reframing them not as commercial timidity but as a religious and social duty to maintain the stability of the entrusted financial system (Antonio, 2001; Mulyana, 2026).

Profitability in Risk-Sharing Contracts: A Maqāṣid Ideal

The theoretical superiority of profit-sharing contracts from a *Maqāṣid* perspective becomes increasingly evident when examined through the lens of economic justice. The profit generated in a successful *mushārakah* venture represents the ultimate *Maqāṣid*-aligned return: it is directly tied to real economic value creation by supporting the real sector, shares both upside and downside potential fairly (*'adl*), preserves the partner's wealth through equitable loss-sharing (*ḥifẓ al-māl*), and can be strategically directed to socially beneficial sectors (*maṣlaḥah*) (Antonio, 2001; Karim, 2013; Mulyana, 2026). The documented underutilization of these contracts in Indonesian Islamic banks indicates a systemic failure to conceptualize and communicate their profitability in this holistic, *Maqāṣid*-rich sense (Muhammad & Sari, 2021; Mulyana, 2026). Currently, such profit is often viewed only through the narrow, conventional lens of its variability and high administrative costs, thereby missing its profound value as an 'ethical mediator' that validates the bank's religious and social mandate (Auda, 2008; Mulyana, 2026).

Operationalizing the Redefinition: Beyond Financial Ratios

To redefine profitability normatively, institutional performance metrics must evolve beyond traditional accounting boundaries. This involves complementing standard ratios like ROA and ROE—which remain essential for assessing internal growth capacity—with *Maqāṣid*-sensitive indicators that capture the quality of earnings (Mulyana, 2026; Rose & Hudgins, 2013). For instance, a 'Profit Quality Ratio' could be implemented to measure the percentage of total profit derived from authentic risk-sharing contracts versus debt-based sales, while a 'Social Return on Financing' could attempt to quantify the employment or environmental impact generated per unit of profit (Ahmed, 2011; Mulyana, 2026). While none of the sampled banks in Indonesia have fully adopted such advanced metrics yet, the increasing detail in their sustainability reporting constitutes a foundational step (Keuangan, 2024). This gradual move towards integrated reporting represents a practical pathway for the redefinition long called for by scholars of the Islamic moral economy (Asutay & Yilmaz, 2025; Mohammed et al., 2015).

Challenges in Normative Integration

The document analysis also revealed significant challenges that hinder the full integration of this normative framework. The primary obstacle is the current lack of a standardized, widely accepted *Maqāṣid*-based accounting and performance framework within the global or national regulatory landscape (Keuangan, 2022; Mulyana, 2026). Without such a standard, banks struggle to measure and report on this redefined profitability consistently, often falling back on conventional standards to maintain market comparability (Kasmir, 2016; Mulyana, 2026). Furthermore, investor education remains a significant hurdle; until the broader market values *Maqāṣid*-aligned profit as highly as conventional financial returns, Islamic banks may face a cost-of-capital disadvantage if they fully embrace the model (Muhammad & Sari, 2021; Mulyana, 2026). This highlights that the redefinition of profitability is not merely an internal management exercise but requires a fundamental shift in the entire financial ecosystem's valuation logic (Ascarya, 2015; Mulyana, 2026).

Conclusion of the Normative Argument

In conclusion, the application of *Maqāṣid al-Sharī'ah* does not diminish the clinical importance of profitability; rather, it elevates and transforms its fundamental meaning. It shifts the strategic question from "How much profit was made?" to "What is the nature, source, and purpose of this profit?" (Chapra, 2000; Mulyana, 2026). Profit thus becomes the quantifiable manifestation of a bank's

success in fulfilling its holistic mandate of wealth stewardship, just exchange, and public benefit (Al-Shatibi, 2012; Mulyana, 2026). This redefinition directly addresses the operational tension between risk and growth by providing a common ethical language and purpose (Mulyana, 2026). It aligns the objectives of risk managers, who seek stable and preservative returns (***ḥifẓ***), with those of growth strategists, who seek impactful expansion and development (***tanmiyah***), creating a synergistic rather than a dichotomous relationship (Auda, 2008; Mulyana, 2026).

A Tripartite Model of *Maqāṣid*-Aligned Profitability

Building upon the foundational normative redefinition, a practical and operational model of profitability functioning as an 'Ethical Mediator' can be conceptualized as a robust tripartite construct that seamlessly interconnects Risk Management, Sustainable Growth, and *Maqāṣid* Fulfillment (Mulyana, 2026). In this innovative model, profit is no longer viewed as a peripheral byproduct or a terminal goal, but as the central, intentional output that is consciously shaped by strategic inputs from all three domains, creating a synthesis rather than a conflictual trade-off (Auda, 2008; Laldin & Bouheraoua, 2016). For instance, a strategic decision to finance a large-scale renewable energy project (Sustainable Growth) using a diminishing *mushārakah* structure—which effectively manages risk through asset-backing and specialized sectoral expertise (Risk Management)—to provide clean energy to underserved rural communities (*Maqāṣid*: *maṣlaḥah*, *'adl*) generates a profit that serves as the mediator; it empirically validates the financial viability and ethical authenticity of the integration strategy (Al-Shatibi, 2012; Mulyana, 2026).

Product Design: Embedding Mediation from Inception

The proposed model demands a significant paradigm shift in product design that intentionally embeds the mediating function from the very inception of the financial contract. This involves transitioning beyond mere '*Sharī'ah*-compliant' structuring—which often mimics conventional debt instruments—toward '*Sharī'ah*-based' or '*Maqāṣid*-driven' structuring that prioritizes substance over form (El-Gamal, 2006; Mulyana, 2026). For example, a standard working capital financing product could be simply designed as a reverse *murābaḥah* (*tawarruq*) with a simple fixed margin, or more authentically structured as a commodity-based *Salam* contract that directly supports a farmer's supply chain, where the bank's profit is intrinsically linked to the success of the harvest (Antonio, 2001; Karim, 2010). The latter, while operationally more complex, generates a profit that effectively mediates between the inherent risks of agricultural production (which are diversified and managed) and the sustainable growth of the agricultural sector, thereby fulfilling multiple *Maqāṣid* objectives (Karim, 2010; Mulyana, 2026). Recent product innovation disclosures in annual reports (2022–2023) have shown initial glimpses of this thinking with mentions of 'green sukuk' and 'halal value chain financing,' although the explicit conceptual linkage to a redefined profitability remains largely absent (B. S. Indonesia, 2021; Keuangan, 2024).

Risk Assessment Metrics: Integrating Ethical Risk

The model requires a significant augmentation of traditional risk assessment frameworks utilized by Islamic banks. Alongside conventional credit scores and collateral valuations, risk assessment should be expanded to include '***Maqāṣid*** Impact Scores' or integrated 'ESG/***Maqāṣid*** Risk Ratings' (H. Hassan, 2020; Mulyana, 2026). Financing a tobacco-related enterprise, while potentially highly profitable and rich in collateral, would carry a severe negative ***Maqāṣid*** risk due to its inherent harm to life and intellect (***ḥifẓ al-nafs*** and ***ḥifẓ al-'aql***), effectively lowering its 'profitability' within this mediator model (Auda, 2008; Mulyana, 2026). Conversely, financing a burgeoning education technology startup might carry a higher conventional business risk but would receive a high positive ***Maqāṣid*** score for preserving and developing intellect, thereby justifying a different risk-return calculus (Mohammed et al., 2015; Mulyana, 2026). This approach integrates the foundational work of Ashraf (2017) on ***Sharī'ah*** risk management with a broader impact lens, transforming risk management from a terminal constraint into a proactive selector for growth opportunities that align with higher religious and social objectives (Ashraf, 2017; Mulyana, 2026).

Performance Evaluation and Incentives

For the 'Ethical Mediator' model to be truly operational and effective, internal performance

evaluation systems for both senior management and staff must be fundamentally recalibrated. Management incentives should no longer be based solely on the raw volume of financing or the maximization of gross profit margins, but rather on a sophisticated balanced scorecard (Mulyana, 2026). This scorecard would include specific metrics for the portfolio's alignment with ***Maqāṣid***, the stability of internal returns through economic cycles, and indicators of client welfare and financial health (Mohammed et al., 2015; Mulyana, 2026). Such a framework would align individual professional actions with the institutional purpose of profitability as a mediator (Mulyana, 2026). While current bank reports have not yet disclosed such advanced incentive schemes, the global financial trend toward sustainability-linked executive compensation provides a clear template that Indonesian Islamic banks can adapt through a ***Maqāṣid***-oriented lens to ensure long-term resilience and asset growth (Higgins, 2018; Mulyana, 2026).

Stakeholder Communication and Reporting

A key component of the model is transparent communication that reframes how profitability is reported to various stakeholders. The 'Ethical Mediator' model would be showcased in integrated reports that clearly articulate: "Our profit of X billion Rupiah was achieved while maintaining an NPF of Y%, increasing our financing to the renewable energy sector by Z%, and directly supporting A number of MSMEs." This narrative explicitly positions profit as the outcome of successfully managed risk and directed growth towards ethical goals (Mulyana, 2026; Rose & Hudgins, 2013). The analysis shows that leading Indonesian Islamic banks are moving towards this integrated reporting style, aligning with the principles of transparency (***al-ṣidq***) and accountability (***amanah***) in financial stewardship (M. M. Ali, 2015; Mulyana, 2026). However, the current conceptual framing in most industry documents is often centered on 'sustainability' rather than a dedicated '***Maqāṣid***-aligned profitability' framework (Ahmed, 2011; Mulyana, 2026).

Governance and Leadership: The Role of the Shariah Supervisory Board (SSB)

The practical implementation of this model necessitates elevating the role of the Shariah Supervisory Board (SSB) from a reactive compliance-review body to a proactive strategic partner. In this capacity, the SSB would be involved ex-ante in product development and high-level strategy sessions, providing expert guidance on how to maximize ***Maqāṣid*** fulfillment in profitable ventures rather than just avoiding prohibitions (Auda, 2008; Mulyana, 2026). Their formal reports, traditionally included in annual documents, would ideally shift from simple lists of approved contracts to qualitative commentaries on the ***Maqāṣid*** impact of the bank's overall activities and internal profit generation (D. S. N. M. U. Indonesia, 2021; Mulyana, 2026). This strategic shift was not yet prominently evident in the sampled SSB reports from 2019–2023, which remained largely focused on transactional compliance and technical legalities (Keuangan, 2024; Mulyana, 2026).

Technology as an Enabler

Technology serves as a powerful and essential enabler of the 'Ethical Mediator' model, particularly through FinTech and RegTech innovations. Big data analytics can significantly improve the assessment of both credit risk and social impact potential for small-ticket, high-*Maqāṣid* financing, such as supporting micro-enterprises and the *halal* value chain (Moeljadi et al., 2016; Mulyana, 2026). Furthermore, blockchain technology can enhance transparency in complex profit-sharing calculations and ensure the traceability of funds in green or social *sukuk* (Mulyana, 2026). The analyzed documents revealed a significant and ongoing investment in digital banking platforms, although these were primarily aimed at operational efficiency (OER) and customer acquisition (B. Indonesia, 2021; Mulyana, 2026). The next critical step implied by this model is to channel this technological capability towards enabling the more complex, data-intensive assessments required for authentic *Maqāṣid*-aligned profit mediation (Kamarudin et al., 2023; Mulyana, 2026).

Challenges and Transition Pathways

Transitioning to this integrative model is not without significant structural and cultural challenges. It requires a substantial investment in new technical skills, advanced reporting systems, and broad stakeholder education to ensure market acceptance of non-traditional metrics. A phased approach is highly practical; for instance, banks could start by piloting 'Ethical Mediator' product lines or specific

business units, such as a dedicated social finance division, with their own P&L and tailored performance metrics (Keuangan, 2022; Mulyana, 2026). Furthermore, institutions could lead the development of industry-wide ***Maqāṣid***-aligned profitability disclosure standards through collaboration with the Indonesian Ulema Council (MUI) and ASBISINDO, thereby creating a level playing field (Mulyana, 2026). This approach addresses the gap identified in previous research by moving from abstract theory and critique toward a structured, actionable transition plan for the industry (Asutay, 2012; Mulyana, 2026).

Synthesis of the Practical Model

In conclusion, the practical model of the 'Ethical Mediator' transforms profitability from a passive financial result into an active, designed outcome of a coherent and purposeful strategy. It manifests concretely in purpose-driven product design, integrated risk-assessment frameworks that include ethical dimensions, realigned performance incentives for management, and strategic Shariah governance (Ashraf, 2017; Mulyana, 2026). This model provides a concrete answer to the final research question, offering a clear pathway for Indonesian Islamic banks to operationalize the *Maqāṣid* redefinition discussed previously (Auda, 2008; Mulyana, 2026). By resolving the fundamental tension between risk management (preservation) and asset growth (development), it charts a strategic course beyond reactive crisis management toward a resilient, authentic, and high-impact identity for the Islamic banking sector (Chapra, 2000; Mulyana, 2026).

Conclusion

This study embarked on the critical task of reconceptualizing profitability within the Indonesian Islamic banking sector, arguing for its transformative role as an 'Ethical Mediator' that bridges the gap between the imperatives of risk management and the objectives of sustainable growth. Guided by the normative framework of *Maqāṣid al-Sharī'ah*, this research moved beyond the traditional view of profit as a mere financial surplus. Through a comprehensive qualitative document analysis of industry reports, financial statements, and strategic disclosures during a period of unprecedented global crisis from 2019 to 2023, the study has systematically addressed its foundational research questions, offering both a rigorous theoretical refinement and a clear, actionable pathway for the industry's future development.

The investigation into the first research question revealed a clear and palpable operational tension within the sector. During the height of economic instability, Indonesian Islamic banks exhibited a significant strategic pivot where long-term growth objectives were often subordinated to the immediate demands of stringent risk management. This was manifested in widespread credit tightening, a renewed preference for low-risk debt-based contracts, and a discursive framing of risk as a terminal constraint on profitability rather than a manageable variable. While these actions ensured short-term survival, they also exposed the limitations of the existing growth-versus-risk dichotomy and triggered a nascent industry-wide reflection on the urgent need for a more resilient and authentic growth model that can withstand future shocks without compromising its social mission.

The second research question was addressed by deploying the systemic *Maqāṣid al-Sharī'ah* framework to theoretically redefine the essence of profitability. The study argues that profit, when viewed through the lens of interconnected objectives—specifically *ḥifẓ al-māl* (holistic wealth stewardship), *'adl* (justice), and *maṣlaḥah* (public interest)—transforms from a narrow, clinical financial metric into a purpose-laden indicator of systemic ethical performance. In this light, a 'profitable' bank is one that successfully preserves the wealth of its stakeholders, ensures just economic circulation, and generates tangible public benefit. This profound redefinition provides the common ethical ground upon which the duty of preservation (risk management) and the duty of development (sustainable growth) can be harmoniously reconciled.

Finally, the third research question was answered by outlining a comprehensive practical model of the 'Ethical Mediator.' This model proposes concrete institutional changes, starting with product design that prioritizes authentic risk-sharing and impact-linked structures over debt-mimicry. It advocates for risk assessment frameworks that integrate ethical impact scores alongside traditional credit metrics and suggests the implementation of balanced scorecards for performance evaluation to

align management incentives with higher objectives. Furthermore, the model emphasizes elevating the Shariah Supervisory Board to a strategic role, ensuring that profitability is the designed outcome of a strategy that intentionally seeks synergies between financial prudence, real economic contribution, and social welfare.

This study is not without its limitations. As an interpretative qualitative document analysis, its findings are naturally dependent on the transparency and comprehensiveness of publicly available corporate records. It may not fully capture the internal, unstated decision-making processes or the informal challenges faced by bank management. Furthermore, while the proposed 'Ethical Mediator' model is theoretically coherent and grounded in empirical observations, it requires further empirical testing and validation through specific case studies or action research within individual banks to fully assess its practical feasibility, implementation costs, and long-term impact on both financial and social performance metrics.

Based on these findings, several strategic recommendations are proposed. For Islamic banking practitioners and regulators, it is recommended to initiate a collaborative industry taskforce to develop pilot frameworks for *Maqāṣid*-aligned profitability reporting and risk-adjusted product incentives. For scholars, future research should focus on operationalizing and quantifying this mediator model, perhaps by constructing a composite index that weights financial returns against objectives fulfillment. Finally, for educators in Islamic finance, it is crucial to integrate this reconceptualized view of profitability into academic curricula, thereby training a new generation of bankers who are fluent in both technical finance and the higher ethical objectives of their trade, equipped to build the resilient, authentic, and impactful industry envisioned in this study.

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