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Research Paper

Maqāṣid al-Sharī'ah's Criticism of the Hybrid Contracts Practice in Sharia Financial Institutions in Indonesia

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ABSTRACT

The rapid development of Islamic financial products in Indonesia has increased the use of hybrid contracts (*al-'uqūd al-murakkabah*), raising concerns over their conformity with the substantive objectives of Islamic law. This study aims to analyze the implementation of hybrid contracts in Islamic financial institutions from the perspective of *maqāṣid al-sharī'ah* and to formulate a reconstruction of their conceptual framework. This research employs a qualitative approach with a normative-critical method. Data were collected through a literature review of classical Islamic legal sources, contemporary scholarly publications, and relevant Indonesian regulations governing Islamic finance. The findings reveal that the implementation of hybrid contracts remains predominantly driven by a legal-formal approach, emphasizing contractual validity rather than the realization of *maqāṣid al-sharī'ah*. In many cases, the contractual structures closely resemble conventional financial mechanisms and potentially constitute *ḥīlah* (legal stratagems), thereby weakening the principles of justice, transparency, and social welfare. The study argues that the current practice has not fully achieved the objectives of Islamic finance, particularly in promoting distributive justice and public benefit (*maṣlaḥah*). Accordingly, it proposes a *maqāṣid*-based reconstruction of hybrid contracts that prioritizes substantive justice, transparency, and welfare-oriented financial practices.

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Introduction

The development of the sharia economy in Indonesia in the last two decades has shown significant growth, both in terms of institutions, products, and regulations. Islamic financial institutions are required to be able to adapt to the modern financial system without

ignoring Islamic principles. One of the main innovations is the use of *hybrid contracts*, which is the combination of several contracts in one transaction. This practice is widely used in products such as murābaḥah bil wakālah, ijārah muntahiyah bi al-tamlīk (IMBT), and musyārakah mutanāqiṣah. Normatively, such practices are allowed as long as they do not violate sharia principles.

However, in practice, there has been criticism that *hybrid contracts* are often only an instrument of adaptation to the conventional financial system. The resulting financing structure tends to resemble interest-bearing loans, raising questions about the substance of sharia.

The approach of maqāṣid al-sharī'ah (Kamali, 2008) is important in this context because it not only assesses the legal-formal aspects, but also evaluates the extent to which economic practices bring justice and benefits(Al-Shatibi, 1997). Although various studies have examined the practice of hybrid contracts, most of them still focus on the normative aspects and legality of contracts. Studies that emphasize the critical analysis of maqāṣid on socio-economic implications are still limited. Therefore, this research aims to fill this gap.

Maqāṣid al-sharī'ah is the fundamental goal of the establishment of Islamic law which is oriented towards the realization of benefits (*jalb al-maṣāliḥ*) and the prevention of damage (*dar' al-mafāsid*) in human life (Al-Shatibi, 1997). This concept emphasizes that sharia does not solely contain normative rules, but a value system that aims to create a just, balanced, and dignified order of life. Therefore, an understanding of maqāṣid is important to ensure that the implementation of the law does not stop at the formal aspect, but also achieves its substantive goals.

Classically, maqāṣid al-sharī'ah is classified into three levels of need, namely *ḍarūriyyāt* (primary), *ḥājiyyāt* (secondary), and *taḥsīniyyāt* (tertiary). At *the ḍarūriyyāt level*, sharia aims to protect the five main elements (*al-kulliyyāt al-khams*), namely religion, soul, intellect, descent, and property. In the economic context, the protection of property (*ḥifẓ al-māl*) is not only interpreted as the protection of ownership, but also includes fair distribution, transparent transaction mechanisms, and the avoidance of economic exploitation. Thus, maqāṣid provides a normative and ethical framework in economic activities (Mansur et al., 2024).

In contemporary developments, *maqāṣid al-sharī'ah is* no longer understood in a limited way as a classical legal objective, but has evolved into an evaluative paradigm in the Islamic economic system.(Chapra, 2000) affirming that maqāṣid must be the basis for realizing distributive justice, economic stability, and overall social welfare. This shows that the success of the sharia economic system is not only measured by compliance with the contract, but also by its impact on economic equity and the reduction of social inequality (Fadlan, 2019).

Furthermore, the maqāṣid approach demands an integration between legal, moral, and social aspects in economic practice. In other words, a transaction is not enough to be considered valid in fiqh, but must also meet the principles of justice ('adl), balance (tawāzun), and the common good (*maṣlaḥah 'āmmah*). In this context, maqāṣid serves as a tool of criticism of economic practices that are formally in accordance with sharia but have not substantively reflected the values of justice (Wahab, 2022).

Therefore, maqāṣid al-sharī'ah has a strategic position as a normative and analytical framework in examining modern Islamic financial practices. This approach allows for a more comprehensive evaluation of economic products and policies, thus ensuring that the system built is not only free from formal usury, but also capable of realizing economic

justice and social welfare (Munir, 2025).

Hybrid contract (al-'uqūd al-murakkabah) refers to the merger of two or more contracts in a series of interrelated financial transactions. In the perspective of classical fiqh, this concept is debatable because it has the potential to give rise to elements of gharar, ta'āruḍ al-'uqūd (contract conflict), or even open a gap to the practice of covert usury. Therefore, the scholars provide strict limits so that the incorporation of the contract does not eliminate the clarity of the rights and obligations of the parties, and does not produce legal consequences that are contrary to sharia principles (Aryanti, 2016).

In modern Islamic finance practices, *hybrid contracts* have evolved in response to the complexity of contemporary economic transaction needs. Products such as murābaḥah bil wakālah, ijārah muntahiyah bi al-tamlīk (IMBT), and musyārakah mutanāqiṣah are concrete examples of the implementation of this concept. The merger of the contract aims to increase the flexibility, efficiency, and competitiveness of Islamic financial products amid the dominance of the conventional system (Dusuki, 2008). Thus, *hybrid contracts* are seen as an innovative instrument that allows Islamic financial institutions to adapt to market dynamics.

However, the development of *hybrid contracts* has also raised criticism, especially regarding the tendency to use contracts instrumentally to achieve certain economic goals without considering the substance of maqāṣid al-sharī'ah. In some cases, *the structure of hybrid contracts* resembles conventional fixed-profit-oriented financing mechanisms, potentially blurring the distinction between sharia and non-sharia systems. This raising concerns that *hybrid contracts* no longer function as an authentic means of innovation, but rather as a form *of ḥīlah shar'iyyah* that prioritizes formal compliance alone.

Therefore, the existence of *hybrid contracts* needs to be critically evaluated using the maqāṣid al-sharī'ah approach. This evaluation is important to ensure that the incorporation of the contract is not only legally valid, but also able to realize justice, transparency, and benefits in economic practices. Thus, *hybrid contracts* are not only a technical solution, but also in line with the main goal of sharia in building a fair and sustainable economic system.(Masnur et al., 2025).

Several studies show that there is a tendency of form over substance in Islamic financial practice, where compliance with the structure of the contract takes precedence over the achievement of the substantive goals of maqāṣid al-sharī'ah(Asutay, 2012). This phenomenon is reflected in the dominance of trade-based products such as murābaḥah which in practice results in a fixed profit pattern that resembles interest(Haneef, 2011, p. 19). Although formal fiqh is considered legitimate, the practice raises critical questions about the extent to which the value of justice and benefit is truly realized.

Furthermore, the legal-formal approach in Islamic finance often leads to the reduction of sharia to mere contractual instruments. In this context, product innovation is often directed to achieve administrative conformity with sharia principles without changing the underlying economic substance. This condition leads to the practice of *ḥīlah shar'iyyah*, which is legal engineering that is formally legal but has the potential to deviate substantially from the purpose of sharia (El-Gamal, 2006).

Other criticisms also highlight that the modern Islamic financial system tends to adopt capitalistic logic that is oriented towards maximum profit, thus ignoring the socio-economic dimension that is the spirit of maqāṣid. As a result, the principle of risk sharing, which should be the main character of Islamic economics, has been displaced by the practice of risk transfer which disproportionately imposes risks on customers. This shows that there

is an inequality in the distribution of economic benefits, which is contrary to the principles of justice ('adl) and balance (tawāzun).

Thus, criticism of Islamic finance is not only related to the technical aspects of the contract, but also touches on the epistemological dimension and paradigm of the development of the system itself. It is necessary to reorient from the legal compliance approach to a value-based approach, where *maqāṣid al-sharī'ah* is used as the main framework in designing, evaluating, and developing Islamic financial products in a more substantive and equitable manner.

Method

This study uses a qualitative approach with a normative-critical method that aims to analyze the practice of hybrid contracts in the perspective of maqāṣid al-sharī'ah. The qualitative approach was chosen because this research focuses on an in-depth understanding of Islamic finance concepts, norms, and practices, not on quantitative measurement. Meanwhile, the normative-critical method is used to evaluate the suitability between empirical practices in Islamic financial institutions and the principles of Islamic law, especially in the framework of maqāṣid. The data source in this study consists of secondary data obtained through library research. The data includes classic literature such as ushul fiqh works related to maqāṣid al-sharī'ah, contemporary scientific books and articles on Islamic economics and finance, as well as official regulations issued by the Financial Services Authority (OJK) and fatwas of the National Sharia Council-Indonesian Ulema Council (DSN-MUI). The selection of this source aims to obtain a theoretical foundation as well as a practical context in analyzing the phenomenon being studied.

The data analysis technique was carried out in a descriptive-analytical manner with the maqāṣid al-sharī'ah approach. In the descriptive stage, the researcher systematically explained the concept *of hybrid contracts* and their practice in Islamic financial institutions in Indonesia. Furthermore, at the analytical stage, the data is critically evaluated using the maqāṣid framework to assess the extent to which the practice is in line with the principles of justice, balance, and benefit. This approach allows researchers not only to identify formal conformities, but also to uncover the substantive dimensions of sharia economic practices. Thus, this methodology provides a comprehensive analytical framework in examining the practice of *hybrid contracts*, not only from the legal-formal aspect, but also from the perspective of sharia objectives. The normative-critical approach based on maqāṣid is expected to be able to produce a more in-depth and relevant analysis in answering contemporary Islamic financial problems.

Results and Discussion

The practice *of hybrid contracts* in Islamic financial institutions in Indonesia shows significant development in line with the increasing need for financial product innovation. The merger of several contracts in one transaction is a solution to answer the complexity of modern financing needs. Products such as murābaḥah bil wakālah, ijārah muntahiyah bi al-tamlīk (IMBT), and musyārakah mutanāqiṣah are concrete forms of hybrid *contract* implementation that are widely used in Islamic banking. This model allows flexibility in financing while providing an alternative to conventional schemes (Murtadho, 2013).

Regulatively, the practice of *hybrid contracts* has gained legitimacy through the fatwa of the National Sharia Council-Indonesian Ulema Council (DSN-MUI) as well as policies issued by the Financial Services Authority (OJK). The regulation basically provides space

for product innovation as long as it does not conflict with sharia principles, such as the prohibition of riba, gharar, and maisir. Thus, formally, hybrid contracts can be said to have a strong legal foundation in the Indonesian Islamic financial system (Susamto, 2016).

However, in its implementation, the practice of *hybrid contracts* shows a number of problems that need to be criticized in depth. One of the main problems is the dominance of the legal-formal approach in product design. Islamic financial institutions tend to focus more on the preparation of contract structures that are in accordance with the provisions of fiqh, without being balanced with an evaluation of the substantive impact of the product. This causes the orientation of sharia compliance to be more administrative than substantive (Tiaranissa & Fitriah, 2025). In addition, the practice *of hybrid contracts* often shows significant similarities to conventional financial systems, particularly in terms of profit structure. Murāba ḥ ah-based financing products, for example, generate fixed margins that functionally resemble interest. This condition raises criticism that the Islamic financial system has not been fully able to present a clear differentiation from the conventional system, both in terms of mechanisms and values (Munir, 2025).

Another critical issue in the implementation of hybrid contracts (*al-'uqūd al-murakkabah*) is the potential emergence of *ḥīlah shar'iyyah* (legal stratagems), whereby contractual structures formally comply with Islamic legal requirements while effectively replicating transactions that Islamic law seeks to prevent. Although the combination of multiple contracts is, in principle, permissible provided that each individual contract fulfills the requirements of Islamic jurisprudence, problems arise when such combinations are intentionally designed to circumvent the prohibition of *ribā* or other prohibited elements without altering the underlying economic substance. In these circumstances, hybrid contracts may function merely as legal engineering mechanisms that preserve formal Sharī'ah compliance while reproducing economic relationships substantially similar to conventional interest-based financing. Consequently, the legitimacy of Islamic financial products becomes dependent upon the contractual form rather than the ethical objectives that Islamic law intends to achieve. This tendency has generated considerable debate among contemporary Islamic legal scholars, many of whom argue that excessive reliance on legal form risks undermining the credibility and distinctiveness of Islamic finance.

From the perspective of *maqāṣid al-sharī'ah*, such practices reflect a reduction of Sharī'ah from a comprehensive ethical and legal framework into a collection of technical contractual rules. The higher objectives of Islamic law require that every economic transaction should not only satisfy procedural legality but also produce tangible benefits (*maṣlaḥah*), prevent harm (*mafsadah*), and promote justice within society. Therefore, compliance with contractual formalities alone cannot be regarded as sufficient if the resulting transaction fails to advance these broader objectives. When greater emphasis is placed on the legal structure of a contract than on its socio-economic consequences, Islamic finance risks losing its normative identity and becoming indistinguishable from the conventional financial system except in terminology. Such an approach contradicts the essence of *maqāṣid al-sharī'ah*, which prioritizes substantive outcomes over mere legal formalism and views legal rulings as instruments for realizing justice and public welfare rather than ends in themselves.

Furthermore, the prevalence of hybrid contracts structured primarily to secure predetermined returns often contributes to an unequal allocation of risks and benefits between financial institutions and customers. In many contemporary financing arrangements, Islamic financial institutions are able to secure relatively stable profits

through predetermined margins, while the majority of commercial and payment risks are transferred to customers. This financing pattern reflects a risk transfer mechanism rather than the risk sharing principle that constitutes one of the defining characteristics of Islamic economics.

Such an imbalance raises important questions concerning the realization of the principles of *'adl* (justice) and *tawāzun* (equilibrium), both of which are central components of *maqāṣid al-sharī'ah*. Justice in Islamic commercial law requires that rights, obligations, risks, and rewards be distributed proportionately among contracting parties according to their respective contributions and responsibilities. Likewise, the principle of balance seeks to prevent the concentration of economic power and ensure that contractual relationships remain mutually beneficial rather than exploitative. Accordingly, when hybrid contracts are predominantly designed to minimize institutional risk while maximizing financial certainty, they may satisfy the formal requirements of Islamic jurisprudence but fail to achieve the substantive ethical aspirations of Islamic finance. This demonstrates that the legitimacy of hybrid contracts should ultimately be assessed not only through their contractual validity but also through their ability to realize fairness, shared responsibility, and sustainable social welfare in accordance with the higher objectives of *maqāṣid al-sharī'ah*. (Chapra, 2000).

In terms of social impact, the practice *of hybrid contracts* is also considered to have not made a significant contribution to the economic empowerment of the community. Product orientation that emphasizes profitability causes the social welfare aspect to receive less attention. This shows that the social function of Islamic finance has not run optimally as expected within the framework of maqāṣid.

This phenomenon is in line with the criticism put forward by Dusuki (Dusuki, 2008) and Asutay (2012), which states that modern Islamic finance tends to be dominated by a formalistic approach (*form over substance*). Therefore, it is necessary to reconstruct the paradigm in the practice *of hybrid contracts*, by placing maqāṣid al-sharī'ah as the main basis in product development, so that the Islamic financial system not only meets the legality aspect, but is also able to realize justice and benefits in real terms.

Empirical Reinforcement

Data from the Financial Services Authority (OJK) consistently indicates that sale-based financing, particularly *murābaḥah*, continues to dominate the financing portfolio of Islamic banking in Indonesia. Compared to profit-sharing contracts such as *muḍārabah* and *musyārakah*, *murābaḥah* accounts for the largest proportion of financing disbursed by Islamic financial institutions. This dominance reflects the operational preference of Islamic banks for financing instruments that offer predictable returns, lower information asymmetry, and relatively manageable risks. Through the *murābaḥah* contract, banks can determine the profit margin at the outset of the transaction, thereby ensuring greater certainty in projected revenue. In contrast, profit-sharing contracts require continuous monitoring of business performance, transparent financial reporting, and higher administrative costs because the distribution of profits depends on the actual performance of the financed business. Consequently, Islamic financial institutions tend to prioritize *murābaḥah* as a more efficient and commercially viable financing model, even though the philosophical foundation of Islamic finance emphasizes partnership and risk sharing.

The predominance of *murābaḥah* financing also indicates a gradual shift in the operational paradigm of Islamic finance from the principle of risk sharing toward a

mechanism that more closely resembles risk transfer, a characteristic commonly associated with conventional financial systems. In theory, Islamic economics promotes the equitable sharing of risks and returns among contracting parties, ensuring that both financiers and entrepreneurs bear proportional responsibility for business outcomes. However, in the implementation of *murābaḥah*, the bank's commercial risk is generally confined to the period before the asset is transferred to the customer, while subsequent risks related to payment obligations are largely borne by the customer. As a result, the financing relationship becomes predominantly debt-based rather than partnership-based. This practice reduces the role of Islamic financial institutions as partners in productive economic activities and instead positions them primarily as creditors seeking repayment with predetermined margins. Such a tendency raises critical questions regarding the extent to which contemporary Islamic finance differs substantively from conventional finance beyond contractual formalities.

From the perspective of *maqāṣid al-sharī'ah*, the continued dominance of *murābaḥah* raises concerns regarding the realization of the fundamental objectives of Islamic law in economic transactions. Islamic finance is not merely intended to eliminate *ribā*; rather, it seeks to establish a financial system grounded in justice (*'adl*), balance (*tawāzun*), transparency, and public welfare (*maṣlaḥah*). Profit-sharing contracts such as *muḍārabah* and *musyārakah* embody these objectives because they distribute both risks and rewards fairly between capital providers and entrepreneurs, thereby encouraging productive investment and inclusive economic growth. By contrast, excessive reliance on *murābaḥah* may limit the transformative potential of Islamic finance, as financing becomes concentrated on debt-like transactions rather than genuine business partnerships. This situation may also reduce opportunities for micro, small, and medium enterprises (MSMEs), start-ups, and innovative entrepreneurs to access financing based on shared business risks. Consequently, while *murābaḥah* remains legally permissible, its overwhelming dominance may not fully reflect the broader aspirations of *maqāṣid al-sharī'ah* in promoting distributive justice, financial inclusion, and sustainable socio-economic development.

The empirical evidence therefore reinforces the growing scholarly criticism that the contemporary practice of Islamic finance tends to prioritize commercial pragmatism and short-term operational efficiency over the comprehensive realization of *maqāṣid al-sharī'ah*. Although the widespread use of *murābaḥah* has contributed significantly to the rapid expansion of the Islamic banking industry by providing certainty and minimizing financing risks, it may simultaneously constrain innovation in equity-based financing instruments that more closely embody the ethical ideals of Islamic economics. To address this challenge, a strategic reorientation of financing portfolios is necessary by gradually strengthening the proportion of profit-and-loss sharing contracts through supportive regulatory frameworks, enhanced risk management mechanisms, improved governance, and stronger incentives for Islamic financial institutions. In addition, greater capacity building for financial institutions and entrepreneurs is essential to reduce information asymmetry and improve the feasibility of partnership-based financing. Such reforms would enable Islamic finance to move beyond mere legal compliance toward achieving its substantive objectives, namely fostering justice, shared prosperity, and sustainable economic development in accordance with the principles of *maqāṣid al-sharī'ah*.

Another factor contributing to the persistent dominance of *murābaḥah* financing is the regulatory and institutional environment in which Islamic financial institutions operate. Islamic banks are subject to prudential standards, capital adequacy requirements, and risk

management frameworks that generally favor financing instruments with predictable cash flows and lower default uncertainty. Equity-based contracts such as *muḍārabah* and *musyārakah* require more intensive monitoring, greater transparency from customers, and more sophisticated governance mechanisms to mitigate agency problems and moral hazard. Consequently, Islamic banks often perceive these contracts as involving higher operational costs and legal uncertainties, making *murābaḥah* a more attractive option from both regulatory and business perspectives.

Nevertheless, the predominance of debt-based financing should not be viewed solely as an operational necessity but also as a strategic challenge for the future development of Islamic finance. The success of Islamic financial institutions should not merely be measured by asset growth or profitability but also by their contribution to achieving the higher objectives of Islamic law, including equitable wealth distribution, financial inclusion, and sustainable economic development. Therefore, strengthening partnership-based financing requires not only institutional commitment from Islamic financial institutions but also regulatory support, customer financial literacy, and an enabling legal framework capable of balancing commercial sustainability with the ethical objectives embodied in *maqāṣid al-sharī'ah*.

Paradigm reconstruction

The reconstruction of the paradigm governing hybrid contract (*al-'uqūd al-murakkabah*) practices has become increasingly urgent as Islamic finance continues to face criticism for emphasizing formal legal compliance at the expense of the substantive objectives of Islamic law. Although hybrid contracts have enabled Islamic financial institutions to develop innovative products capable of competing with conventional financial systems, many of these products remain primarily structured to satisfy the legal requirements of Islamic jurisprudence rather than to realize the broader socio-economic values embedded in *maqāṣid al-sharī'ah*. Consequently, the legitimacy of Islamic financial products is frequently assessed through the validity of contractual combinations and the avoidance of explicit *ribā*, while their contribution to justice, equitable wealth distribution, and public welfare receives comparatively limited attention. This condition creates a significant gap between the normative ideals of Islamic economics and the operational realities of contemporary Islamic finance. Therefore, a paradigm shift is required, moving beyond a legal compliance-oriented framework toward a value-based approach in which *maqāṣid al-sharī'ah* serves as the primary foundation for designing, implementing, and evaluating hybrid contracts.

The first dimension of this reconstruction involves adopting a substantive, impact-based approach in assessing Islamic financial products. The effectiveness of hybrid contracts should no longer be measured solely by their compliance with contractual rules or their approval by *Sharī'ah* supervisory authorities. Instead, evaluation should incorporate the tangible socio-economic outcomes generated by these contracts. Islamic financial products should be assessed according to their ability to promote distributive justice, reduce economic inequality, expand financial inclusion, empower productive sectors, and enhance overall societal welfare (*maṣlaḥah*). Such an approach reflects the fundamental objectives of *maqāṣid al-sharī'ah*, which seek not merely the formal application of legal rules but the realization of justice and human well-being. Accordingly, performance indicators for Islamic financial institutions should include not only profitability and asset growth but also measurable social impacts, such as financing support for micro, small, and

medium enterprises (MSMEs), employment generation, poverty reduction, and equitable access to financial services. By integrating these dimensions into institutional performance assessments, Islamic finance can better distinguish itself from conventional finance through its ethical and developmental orientation.

The second dimensions concerns strengthening the regulatory framework by embedding *maqāṣid al-sharī'ah* into policy formulation, product approval, and supervisory mechanisms. Existing regulations generally focus on ensuring that contractual structures comply with established fiqh principles and relevant legal standards. While this legal certainty is indispensable, it is insufficient to guarantee that financial products genuinely contribute to the objectives of Islamic law. Regulators should therefore develop comprehensive *maqāṣid*-based assessment frameworks that complement traditional legal compliance tests. Such frameworks may include indicators evaluating whether a product promotes fairness in contractual relationships, balances rights and obligations between financial institutions and customers, minimizes exploitation and excessive uncertainty, supports productive economic activities, and contributes to long-term social welfare. Integrating these substantive criteria into regulatory oversight would encourage Islamic financial institutions to prioritize innovation that advances ethical objectives rather than merely creating technically compliant contractual structures. Moreover, periodic evaluations of Islamic financial products based on their socio-economic impact would ensure that regulatory compliance remains dynamic and responsive to changing societal needs.

The third dimension focuses on reorienting product innovation toward the principles of justice, partnership, and shared prosperity. One of the recurring criticisms of contemporary Islamic finance is that innovation frequently aims to replicate conventional financial products while replacing prohibited contractual elements with permissible legal structures. Although such adaptations may satisfy formal Sharī'ah requirements, they often fail to embody the distinctive ethical characteristics of Islamic economics. Future innovation should therefore emphasize financing models that strengthen risk sharing rather than risk transfer, encourage entrepreneurship instead of debt dependence, and facilitate productive investment over purely consumptive financing. Hybrid contracts should function as flexible legal instruments that enable Islamic financial institutions to respond effectively to evolving market demands without compromising the substantive objectives of Islamic law. In practical terms, greater integration of partnership-based contracts such as *muḍārabah* and *musyārakah* within hybrid financing structures can promote more balanced relationships between capital providers and entrepreneurs. Likewise, hybrid contracts should be designed to accommodate the financing needs of MSMEs, social enterprises, and environmentally sustainable projects, thereby contributing to broader economic resilience and inclusive development.

Another essential aspect of paradigm reconstruction is strengthening the governance of Islamic financial institutions through a more substantive role for Sharī'ah governance. The responsibilities of Sharī'ah Supervisory Boards should extend beyond verifying contractual legality to evaluating whether financial products effectively achieve the objectives of *maqāṣid al-sharī'ah*. This broader mandate requires multidisciplinary expertise encompassing Islamic jurisprudence, economics, finance, public policy, and social development. By incorporating impact assessment into Sharī'ah governance, supervisory authorities can ensure that product innovation aligns not only with legal standards but also with ethical values and public interests. Furthermore, Islamic financial institutions should

enhance transparency by publishing reports on the social and economic outcomes of their financing portfolios, thereby reinforcing accountability to stakeholders and strengthening public confidence in the integrity of Islamic finance.

Finally, successful paradigm reconstruction requires strong collaboration among academics, regulators, practitioners, and Sharī'ah scholars in building an Islamic financial ecosystem genuinely oriented toward *maqāṣid al-sharī'ah*. Academic institutions play a crucial role in developing theoretical frameworks and empirical methodologies for measuring the socio-economic impacts of Islamic financial products. Regulators are responsible for translating these conceptual advances into effective policies and supervisory standards, while financial practitioners must implement innovative products capable of balancing commercial sustainability with ethical commitments. Sharī'ah scholars, meanwhile, should continue to engage in contextual *ijtihād* that addresses emerging financial challenges without losing sight of the higher objectives of Islamic law. Such interdisciplinary collaboration will enable Islamic finance to move beyond formal contractual compliance toward a more comprehensive realization of justice, welfare, and sustainable development. Ultimately, hybrid contracts should no longer be perceived merely as technical legal instruments designed to avoid prohibited elements, but as strategic mechanisms for achieving the transformative vision of Islamic economics, one that integrates legal certainty, economic efficiency, social responsibility, and human prosperity within the overarching framework of *maqāṣid al-sharī'ah*.

Conclusion

Based on the formulation of this research problem, it can be emphasized that *hybrid contracts* are conceptually a form of contract innovation that is justified in fiqh muamalah as long as it fulfills sharia principles. In practice in Indonesian Islamic financial institutions, *hybrid contracts* have grown rapidly and gained regulatory legitimacy. However, the implementation is still dominated by a legal-formal approach that emphasizes the suitability of the contract structure rather than the achievement of sharia substantive goals. From the perspective of maqāṣid al-sharī'ah, the practice *of hybrid contracts* shows a number of fundamental problems, namely the reduction of sharia value to a formality, the tendency to resemble the conventional financial system, and the dominance of *the risk transfer* mechanism over *risk sharing*. This condition indicates that the principles of justice ('adl), balance (tawāzun), and benefit (maṣlaḥah) have not been fully internalized in Islamic finance practice.

Therefore, this study emphasizes the urgency of paradigm reconstruction in the development of *hybrid contracts*, from a formal compliance-based approach to a maqāṣid al-sharī'ah-based approach. This reconstruction includes strengthening value-based regulations, developing products oriented towards justice and partnership, and integrating maqāṣid indicators in the evaluation of Islamic financial performance. Thus, the Islamic financial system is not only normatively legal, but also able to realize economic justice and social welfare in real terms.

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