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Adapting the Maqashid Syariah Index for Islamic Cooperatives: Evidence from KSPPS BTM West Sumatra

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ABSTRACT

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Introduction/ Main Objectives: The performance measurement of Islamic financial institutions is not sufficient by only using financial indicators because it does not fully reflect the achievement of Sharia objectives. KSPPS, as a cooperative-based financial institution, has a different orientation through member welfare, distribution of economic benefits, and community empowerment. This study aims to analyse the performance of KSPPS using the Modified Maqashid Syariah Index (MSI) adjusted to the characteristics of sharia cooperatives. **Novelty:** This research develops the adaptation of MSI from the Islamic banking sector to the KSPPS context by adjusting indicators in the three dimensions of maqashid syariah, namely educating individuals, establishing justice, and public interest, using indicators such as member education, SHU distribution, member financing, and social contribution. **Research Methods:** The research uses a quantitative descriptive approach (index measurement without hypothesis testing) with the object of KSPPS BTM West Sumatra for the 2025 financial year. Data were obtained from the management accountability report, financial statements, and profit-sharing report. **Finding/Results:** The research results show a Modified MSI value of 42.76% with a sufficient category. The Educating Individuals dimension received a score of 51.25%, Establishing Justice 40%, and Public Interest 37.04%. These results indicate that KSPPS has performed the functions of educating members, distributing economic benefits, and financing members, but the social aspect still needs to be strengthened. **Conclusion:** Modified MSI can be an alternative measure of KSPPS performance because it can more comprehensively depict economic, social, and sharia aspects. This approach complements financial indicators with the perspective of achieving maqashid syariah goals in Islamic cooperatives.

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1. Introduction

The development of the Islamic finance industry in recent decades has shown a paradigm shift in viewing the success of Islamic financial institutions. Islamic financial institutions are no longer viewed merely as entities conducting financial activities without interest, but also as entities responsible for creating economic justice, improving community welfare, and providing social benefits in accordance with the principles of maqashid sharia. Therefore, the measurement of the success of Islamic financial institutions cannot rely solely on financial performance indicators such as profitability, operational efficiency, and asset growth, but must also consider the achievement of social goals and Islamic values (Chapra, 2008; Dusuki & Abdullah, 2007)

The use of conventional financial indicators in assessing the performance of Islamic financial institutions is still a subject of debate because these measures tend to prioritise profit maximisation as the main goal of the organization. However, Islamic financial institutions have different characteristics because their existence is not only aimed at generating profit but also at achieving a balance between material and spiritual aspects (falah). Islamic financial institutions have an accountability dimension that is not limited to achieving economic performance but also includes responsibility to stakeholders and the fulfilment of Sharia values. Therefore, the performance evaluation of Islamic financial institutions requires an approach that can capture ethical, social, Sharia compliance, and sustainability dimensions, not just financial indicators (Ammar et al., 2023; Bedoui & Mansour, 2015; Hameed et al., 2004; Muhamad et al., 2022).

In response to these limitations, the Maqashid Syariah Index (MSI) concept was developed as an alternative approach to measure the performance of Islamic financial institutions based on the main objectives of Sharia. Mohammed et al. (2008) introduced a performance measurement model based on maqashid syariah by adopting three main objectives, namely educating individuals, establishing justice, and public interest. The model is

based on the idea that the success of Islamic financial institutions is not only determined by their ability to generate profits but also by their capacity to contribute to human development, economic justice, and societal welfare.

The implementation of the Maqashid Sharia Index (MSI) in previous research shows that this approach is capable of providing a broader perspective in evaluating the performance of Islamic financial institutions. Antonio et al. (2012) applied the Maqashid Index to compare the performance of Islamic banks in Indonesia and Jordan, and showed that the achievement of Sharia objectives can differ even though the institutions have good financial performance.

Several studies show that measurements using the Maqashid Syariah Index provide different information and complement performance measurements based on profitability. Empirical findings also indicate that high levels of operational efficiency or profitability are not always accompanied by high achievements in maqashid syariah. This condition indicates that conventional financial indicators are not yet fully capable of depicting the success of Islamic financial institutions in achieving broader goals, especially in the aspects of education, justice, and welfare (Al Parisi et al., 2021; Alhammadi et al., 2022; Asmar et al., 2023; Rusydiana & Firmansyah, 2018; Wahyudi et al., 2022).

Although MSI has been widely used in studies on Islamic banks, most existing research still focuses on the Islamic banking sector. The application of MSI to general Islamic banks, regional development Islamic banks, and other Islamic banking institutions has rapidly developed, especially in the context of Indonesia (Mohiuddin & Siddiqui, 2023; Rusydiana & Firmansyah, 2018; Sa'diyah et al., 2021; Yusup & Nasution, 2020). However, the application of MSI in sharia-based cooperative financial institutions is still relatively limited. This condition is important because Sharia Savings and Loan Cooperatives (KSPPS) have institutional characteristics that differ from Islamic banks. KSPPS is a member-based institution that positions its members as both

owners and users of services, so its success is not only determined by the institution's profit but also by the improvement of its members' welfare.

These differences in characteristics cause some MSI indicators developed for Islamic banking to not be directly applicable to KSPPS. Some indicators, such as real sector investments, specific income structures, and certain contract-based financing ratios, are often not available in the financial reports of Islamic cooperatives. On the other hand, KSPPS has specific indicators that better reflect the goals of cooperatives, such as the distribution of Business Results Surplus (SHU), member education programs, social activities, and the distribution of financing to members. Therefore, a Modified Maqashid Syariah Index approach is needed to adjust the maqashid syariah indicators to the operational characteristics of KSPPS.

In the perspective of a sharia cooperative, the achievement of maqashid sharia can be seen through several main aspects. First, the aspect of education (educating individuals) is reflected through activities that enhance the capacity of cooperative members and managers. Second, the aspect of justice (establishing justice) is reflected through mechanisms for distributing economic benefits to members through fair profit-sharing. Third, the aspect of public interest (public interest) is reflected through the cooperative's ability to provide access to financing and offer social benefits to the community. This approach aligns with the fundamental goals of Islamic cooperatives, which are not only orientated towards business sustainability but also the economic empowerment of the community.

KSPPS BTM West Sumatra has become a relevant object of research because this institution performs the function of cooperative-based sharia financial intermediation with the main activities of collecting member funds and distributing financing. Based on the RAT report for the 2025 financial year, KSPPS BTM West Sumatra shows financing activities that are an important component in the asset structure and distributes SHU to various parties such as members, managers, education funds, social funds,

and cooperative reserves. This condition indicates that the performance evaluation of KSPPS needs to be conducted through an approach that can capture both the economic dimension as well as the social and sharia dimensions.

Based on the description, there is a research gap in that most studies on the Maqashid Syariah Index still focus on Islamic banking institutions, while research on the adaptation of the MSI to KSPPS is still limited. This research aims to fill that gap through the development of a Modified Maqashid Syariah Index for KSPPS by adjusting the indicators based on the characteristics of Islamic cooperatives. The novelty of this research lies in the effort to integrate the objectives of maqashid sharia with cooperative-specific indicators, namely member education, fairness in the distribution of profit-sharing, and welfare through financing activities and social activities.

Thus, this research aims to analyse the performance of KSPPS BTM West Sumatra for the 2025 financial year using the Modified Maqashid Syariah Index approach. This research is expected to provide theoretical contributions to the development of performance measurement models for cooperative-based sharia financial institutions and to offer practical contributions for KSPPS managers in enhancing the achievement of economic and social goals in accordance with the principles of maqashid syariah.

2. Literature Review

2.1. Maqashid Syariah in the Perspective of Islamic Financial Institutions

Maqashid syariah is a fundamental concept in Islamic economic thought that explains the main objectives of the application of Islamic law, which are to achieve human welfare (*maslahah*) and prevent harm (*mafsadah*). The concept of maqashid syariah developed from the thoughts of classical scholars such as Al-Ghazali and Al-Syatibi, who explained that the main objectives of sharia are to protect five fundamental aspects of human life, namely religion (*din*), life (*nafs*), intellect (*aql*), lineage (*nasl*), and property (*mal*) (Amanatin Nazwa et al., 2024).

In the context of Islamic economics, maqashid syariah is not only understood as adherence to halal and haram transaction rules, but also encompasses how economic activities can create justice, balanced wealth distribution, and the improvement of societal welfare. Chapra (2008) explains that the Islamic economic system has broader goals compared to the conventional economy because it is directed towards achieving human well-being comprehensively. Therefore, Islamic financial institutions have the responsibility to perform both economic and social functions.

The concept implies that the success of Islamic financial institutions cannot be assessed solely based on their ability to generate profit. Islamic financial institutions must be able to demonstrate their contribution to community empowerment, human quality improvement, and the creation of economic justice. Dusuki & Abdullah (2007) state that Islamic financial institutions have an inherent social responsibility because their existence is based on the principle of balance between profit and social benefit.

In line with that view, Mallin et al. (2014) emphasise that Islamic financial institutions have a broader dimension of accountability compared to conventional financial institutions. The accountability is not only directed towards the capital holders but also towards the community and the Sharia principles that form the operational basis of the institution. Thus, the evaluation of the performance of Islamic financial institutions requires an approach that can reflect the achievement of those values.

2.2. Maqashid Syariah Index as a Performance Measurement Approach

The performance measurement of Islamic financial institutions generally still relies heavily on financial indicators such as Return on Asset (ROA), Return on Equity (ROE), operational efficiency, and asset growth. Although these indicators are important for assessing the financial stability of institutions, this approach has limitations because it cannot explain the extent to which Islamic financial institutions

achieve their social and normative goals (Asutay & Harningtyas, 2015). To address these limitations, Mohammed et al. (2008) developed the Maqashid Syariah Index (MSI) as an alternative model for measuring the performance of Islamic financial institutions. This model adopts the concept of maqashid syariah and transforms it into indicators that can be empirically measured.

MSI from Mohammed et al. (2008) consists of three main objectives:

1. Educating Individuals (Tahdzib al-Fard). This dimension describes the role of Islamic financial institutions in enhancing the quality of individuals through education, research, training, and knowledge improvement. In the context of financial institutions, this dimension shows that Islamic institutions not only function as providers of financial services but also as agents of human development.
2. Establishing Justice (Iqamah al-Adl). This dimension demonstrates the institution's ability to create justice through fair transactions, benefit distribution, and balanced relationships between the institution and stakeholders.
3. Public Interest (Jalb al-Maslahah). This dimension describes the institution's contribution to the welfare of society through productive economic activities, empowerment, and the enhancement of social benefits.

Antonio et al. (2012) demonstrate that MSI is capable of providing a different perspective compared to financial performance metrics because it can show the level of achievement of an institution's Sharia objectives. The research shows that institutions with high financial performance do not necessarily have high maqashid achievement.

Asutay & Harningtyas (2015) reinforce this view by explaining that maqashid-based measurement can capture the moral and social dimensions that are the main characteristics of Islamic economics. Therefore, MSI has become one of the important approaches in research on the evaluation of the performance of Islamic financial institutions.

The research by Al Parisi et al. (2021) found that the maqashid approach can provide additional

information regarding the performance of Islamic banks that is not visible through profitability indicators. Meanwhile, Rusydiana & Firmansyah (2018) showed that the operational efficiency of Islamic financial institutions does not always align with the achievement of maqashid goals. The findings indicate that MSI has the ability to complement the financial approach in assessing the success of Islamic financial institutions.

2.3. Performance of KSPPS in the Perspective of Sharia Economics

Sharia Savings and Loan Cooperatives (KSPPS) have different characteristics compared to sharia banking institutions. KSPPS is a cooperative-based financial institution that makes members both owners and users of the services. Therefore, the main orientation of KSPPS is not only to obtain profit but also to improve the welfare of its members through savings and loan activities and financing based on Sharia principles.

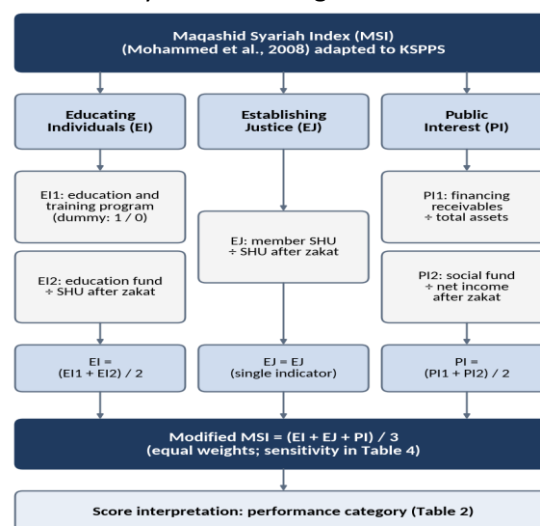
According to Ghulam (2016), cooperatives have characteristics that include togetherness, mutual assistance, and shared welfare. In the context of Sharia, these characteristics align with the concept of maqashid sharia because they place human welfare as the primary goal of economic activities.

Unlike Islamic banks that have an organisational structure and operational mechanisms based on investors, KSPPS has a benefit distribution mechanism through the Remaining Business Results (SHU). SHU becomes one of the important indicators because it illustrates how economic benefits are redistributed to members.

Research related to sharia cooperatives shows that the success of KSPPS needs to be viewed from several dimensions, namely financial sustainability, financing quality, member empowerment, and social contribution (Asmita, 2020; Firda Zahriya & Isgiyarta, 2019; Herlis Lintang Nabilila, 2020; Yunia & Darwanto, 2018). Thus, the performance measurement approach for KSPPS requires more appropriate indicators compared to those used for Islamic banks.

2.4. Conceptual Framework

This study measures an index and does not test hypotheses. It is therefore a descriptive measurement study, and no formal research hypotheses are proposed. Instead, the conceptual framework in Figure 1 shows how the three maqashid objectives of the MSI (Mohammed et al., 2008) are translated into KSPPS-specific indicators and aggregated into a single score. Data from the cooperative's accountability report (RAT) are used to compute five indicators (EI1, EI2, EJ, PI1, and PI2); the indicators are averaged into three dimension scores (EI, EJ, and PI); and the dimension scores are averaged with equal weights into the Modified MSI, which is finally classified using the scale in Table 2.



Data: KSPPS accountability report (RAT), FY2025. Descriptive index measurement; no hypothesis is tested.

Figure 1. Conceptual Framework of the Modified MSI for KSPPS

Source: author's own

3. Method, Data, and Analysis

3.1. Research Design

This study uses a quantitative descriptive approach to analyse the performance of Sharia Savings and Loan Cooperatives and Financing (KSPPS) based on the perspective of maqashid sharia. The quantitative approach is used because the research measures the maqashid syariah indicators that have been modified into numerical measures, while the descriptive approach is used to describe the level of achievement of sharia objectives in the research object.

3.2. Object and Data Source

The object of this research is the Sharia Savings and Loan Cooperative and Financing (KSPPS) Baitut Tamwil Muhammadiyah (BTM) West Sumatra for the 2025 Financial Year period. The selection of the research object was conducted purposively because KSPPS BTM West Sumatra has characteristics that align with the research objectives, namely: 1. engaging in fundraising and financing activities based on sharia principles; 2. having an annual accountability report (RAT); 3. having information on economic activities, profit distribution, social programs, and member development activities. The data used in the research are secondary data sourced from: 1. The Accountability Report of the KSPPS BTM West Sumatra Management for the 2025 Financial Year; 2. The cooperative's financial report; 3. The profit distribution report; 4. Information on educational programs, training, and cooperative social activities.

The use of RAT report data was chosen because the report comprehensively depicts the operational activities and accountability of the cooperative to its members. A single-case, single-year design was used because the aim of this study is to develop and demonstrate an adapted index that can be computed consistently from the information reported in a cooperative's RAT, rather than to rank cooperatives or to track performance over time. KSPPS BTM West Sumatra was selected purposively on the basis of the completeness of its accountability report, which covers financing, SHU distribution, social funds, and member education activities (see the three criteria above), and not on the basis of statistical representativeness. The score is therefore interpreted against the absolute scale in Table 2, not against other cooperatives or previous years, and the findings are analytical illustrations of how the index works in a KSPPS setting; they are not intended for statistical generalisation to all KSPPS in Indonesia. The implications of this design are discussed in the limitations in the Conclusion.

3.3. Development of Modified Maqashid Syariah Index

This research uses the Modified Maqashid Syariah Index (Modified MSI) approach. This model is an adaptation of the MSI concept by Mohammed et al. (2008), which was originally developed to measure the performance of Islamic banks.

The modification was made due to the differences in characteristics between Islamic banks and KSPPS. Islamic banks have an operational structure based on banking intermediation, while KSPPS has a cooperative orientation that places members at the center of economic activities. Therefore, the Modified MSI indicators in this study are structured as follows:

Table 1. Modified Maqashid Syariah Index for KSPPS

Maqashid Dimension	Concept	KSPPS Adaptation Indicator
Educating Individuals	Improvement of individual quality	Education programs, training, education funds
Establishing Justice	Fair distribution of benefits	SHU distribution to members and stakeholders
Public Interest	Achievement of welfare	Funding for members and social activities

Source: author's own

3.4. Measurement Indicators

The measurement of the Modified Maqashid Syariah Index (MSI) in this study is conducted through three main dimensions, namely Educating Individuals (EI), Establishing Justice (EJ), and Public Interest (PI). The indicators used are modifications of the Maqashid Syariah Index model by Mohammed et al. (2008), adjusted to the characteristics of Sharia Savings and Loan Cooperatives and Financing (KSPPS) as member-based financial institutions.

Each indicator is converted into an index value ranging from 0 to 1 before aggregation. The normalisation process is carried out so that ratio and dummy indicators have the same measurement scale. The indicators were selected by mapping each of the three MSI objectives onto information that a KSPPS routinely reports in its RAT, so that every indicator has a direct conceptual counterpart in the original framework (Table 1) and can be replicated from the same documents. In this initial adaptation,

the modified indicators were not validated through expert judgement (such as the expert-judgement procedure applied in the original MSI study), and no reliability test was applied because the index is calculated from reported financial figures rather than from survey responses. This is acknowledged as a limitation, and expert validation of the indicators is recommended for future research.

1. Educating Individuals (EI)

The Educating Individuals Dimension measures the contribution of KSPPS in improving individual quality through educational activities, training, and capacity development for cooperative members and managers.

This dimension consists of two indicators, namely:

a. Education and Training Program

This indicator measures the existence of educational and training activities organised by KSPPS.

Measurement using the dummy variable approach:

$$EI_1 = \begin{cases} 1 & \text{if there is an education/training program} \\ 0 & \text{if there is no education/training program} \end{cases}$$

Data obtained from the management accountability report and the cooperative work program report.

b. Education Fund Ratio

This indicator shows KSPPS's commitment to allocating resources to enhance members' capacity through educational funds.

$$EI_2 = \frac{\text{Educational Fund}}{\text{SHU after Zakat}} \times 100\%$$

Educating Individuals Value (EI)

The value of the Educating Individuals dimension is calculated using the average of the two indicators:

$$EI = \frac{EI_1 + EI_2}{2}$$

2. Establishing Justice (EJ)

The Establishing Justice dimension describes the ability of KSPPS to create a fair distribution of economic benefits to members as both owners and users of cooperative services.

The indicator used is:

a. Distribution of Member's Profit Sharing

This indicator measures the proportion of economic benefits returned to members through the mechanism of distributing Business Results Surplus (SHU).

$$EJ = \frac{\text{SHU Member}}{\text{SHU After Zakat}} \times 100\%$$

The larger the proportion of SHU received by members, the greater the direct economic benefits provided by the cooperative to its members. Data obtained from the KSPPS SHU distribution report.

Establishing Justice is measured with one indicator because the SHU distribution is the only measure of how benefits are shared between members and other parties that could be derived directly and consistently from the RAT available for this study. Because the dimensions are averaged with equal weights, each dimension still contributes one third of the final score; the single indicator of EJ therefore carries a weight of 1/3 in the Modified MSI, whereas each indicator of EI and PI carries 1/6. This imbalance in the number of indicators is acknowledged as a limitation, and additional indicators of justice (for example, the fairness of profit-sharing on member savings) could be added in future research if the data are available.

3. Public Interest (PI)

The Public Interest Dimension measures the contribution of KSPPS in creating welfare through member financing activities and social contributions. This dimension consists of two indicators:

a. Member Financing Activities

This indicator shows the level of utilisation of cooperative assets in supporting members' economic activities through sharia financing.

$$PI_1 = \frac{\text{Financing Receivables}}{\text{Total Assets}} \times 100\%$$

The higher the financing ratio, the greater the intermediary function of KSPPS in providing financing access for members.

b. Social Fund

This indicator illustrates the contribution of KSPPS to social aspects through the allocation of social funds.

$$PI_2 = \frac{\text{Social Fund}}{\text{Net Income After Zakat}} \times 100\%$$

Public Interest Value (PI)

The value of the Public Interest dimension is calculated using the formula:

$$PI = \frac{PI_1 + PI_2}{2}$$

Based on these three dimensions, the value of the Modified Maqashid Syariah Index is calculated using the same weighted average:

$$MSI = \frac{EI + EJ + PI}{3}$$

Information :

EI = Educating Individuals Index

EJ = Establishing Justice Index

PI = Public Interest Index

The use of the same weight indicates that the three dimensions of maqashid syariah are considered to have equal importance in describing the achievement of sharia objectives at KSPPS. Equal weights were retained because no established weights exist for KSPPS and no dimension can be argued a priori to matter more than the others; equal weighting is also the most transparent and easily replicated choice. The same reasoning applies to the simple average of indicators within each dimension. Because equal weighting is a simplifying assumption, its effect on the result is examined in a sensitivity analysis in the Results and Discussion section (Table 4).

3.5. Interpretation of MSI Score

Because there is no standard in the interpretation of the Modified Maqashid Syariah Index value at KSPPS, this study uses index interpretation categories based on a performance achievement scale approach with a value range of 0–100%.

The category is used as a descriptive analysis tool to provide an overview of the achievement level of maqashid syariah KSPPS based on indicators that have been modified according to the characteristics of sharia cooperatives.

The cut-off values are not taken from an established MSI standard or from previous studies. They form a heuristic scale set by the authors, in which scores below 40% are classed as low and the range above 40% is divided into three bands of 20 percentage points. The categories should therefore be read as indicative descriptive labels and not as a normative benchmark; the numerical index and dimension scores are the main results of this study.

Table 2. Modified MSI Value Categories

Index Value	Category
≥ 80%	Very Good
60% to < 80%	Good
40% to < 60%	Sufficient
< 40%	Low

Source: author's own

4. Results and Discussion

4.1. Overview of KSPPS BTM West Sumatra

KSPPS BTM West Sumatra is a sharia-based cooperative financial institution that conducts activities of collecting member funds and distributing financing based on sharia principles. As a cooperative, the main orientation of KSPPS is not only to generate business profits but also to create economic benefits for members through the distribution of Surplus from Business Activities (SHU), the provision of financing access, as well as social and empowerment activities.

Based on the RAT report for the 2025 financial year, the business activity structure of KSPPS shows that financing is the main activity in the management of productive assets. The total assets of the cooperative are recorded at Rp35,933,605,187, while financing receivables amount to Rp25,716,585,429. This condition shows that most of the cooperative's assets are allocated for member financing activities. In addition to financing activities, KSPPS also performs the function of distributing economic benefits through the SHU distribution mechanism.

The SHU after zakat amounting to Rp69,651,603.70 is allocated to several components, namely member services,

management, education fund, social fund, cooperative reserves, and related institutions. The distribution pattern shows that the cooperative's activities are not only orientated towards profit accumulation but also towards benefiting stakeholders.

4.2. Result of Modified Maqashid Syariah Index Measurement

This research measures the performance of KSPPS BTM West Sumatra using the three main dimensions of the Modified Maqashid Syariah Index, namely: 1. Educating Individuals 2. Establishing Justice 3. Public Interest The measurement results are displayed in Table 3.

Table 3. Modified Maqashid Syariah Index Result of KSPPS BTM West Sumatra 2025

Dimension	Indicator	Value
Educating Individuals	Education and training program	1
	Education fund ratio	2.5%
	Dimension score	51.25%
Establishing Justice	SHU distribution to members	40%
	Dimension score	40%
Public Interest	Financing to total assets	71.58%
	Social fund ratio	2.5%
	Dimension score	37.04%
Modified MSI Score		42.76%

Source: author analysis

Based on the measurement results, the value of the Modified Maqashid Syariah Index for KSPPS BTM West Sumatra in 2025 is 42.76%. According to the index interpretation categories, this value falls into the sufficient category. This result shows that KSPPS has performed its economic and social functions in accordance with the principles of maqashid syariah, but there is still room for improvement, especially in the aspects of social welfare and strengthening member empowerment programs.

Because equal weighting is a simplifying assumption, the Modified MSI was recalculated with three alternative weighting schemes in which one

dimension receives 40% and the other two 30% each (Table 4). The score ranges from 42.19% to 43.61% and remains in the Sufficient category in every scheme. The result is stable because the three dimension scores are relatively close to one another (37.04% to 51.25%), so shifting weights among them changes the final score by less than one percentage point. Since the final score is a weighted average of the dimension scores, it would fall below 40% (the Low category) only if the Public Interest dimension received a weight above about 65%, with the remaining weight split equally between the other two dimensions. The classification therefore does not depend on the equal-weight assumption.

Table 4. Sensitivity of the Modified MSI to Alternative Dimension Weights

Weighting scheme	Modified MSI	Category
Equal weights (1/3 each)	42.76%	Sufficient
EI 40%, EJ 30%, PI 30%	43.61%	Sufficient
EI 30%, EJ 40%, PI 30%	42.49%	Sufficient
EI 30%, EJ 30%, PI 40%	42.19%	Sufficient

Source: author analysis

4.3. Educating Individuals: The Role of Education in Strengthening Member Capacity

The first dimension in the Modified MSI is Educating Individuals, which refers to the institution's ability to enhance individual quality through education and capacity development. The research results show that the Educating Individuals dimension received a score of 51.25%. This value indicates that KSPPS BTM West Sumatra has met one of the main objectives of maqashid sharia through the existence of educational programs and the allocation of educational funds.

From the perspective of maqashid sharia, education is not only understood as a formal activity but also as an effort to enhance individual capabilities so that they can participate more effectively in economic activities. Mohammed et al. (2008) place individual education as one of the main objectives of Islamic financial institutions because humans are the main actors in economic development.

These findings are in line with the research of Asutay & Harningtyas (2015), which explains that

Islamic financial institutions should not only function as financial institutions but also as instruments for community development. With the implementation of education and training programs, cooperatives can enhance the financial literacy of their members and strengthen the sustainability of the organization.

However, the value of this dimension is still not optimal because most of the educational contributions are still in the form of relatively small fund allocations compared to the total SHU. In the future, KSPPS can improve the achievement of this dimension through more structured programs such as: member entrepreneurship training, Islamic financial literacy, micro-business management training, and cooperative education for new members.

4.4. Establishing Justice: Distribution of SHU as a Form of Economic Justice

The second dimension is Establishing Justice, which describes the cooperative's ability to distribute economic benefits fairly to members and stakeholders. The research results show that the value of the Establishing Justice dimension is 40%, which comes from the proportion of member services to the net income after zakat.

The value indicates that members, as owners of the cooperative, derive significant economic benefits from the cooperative's business activities. This is in line with the basic principles of cooperatives, where members are not only users of services but also recipients of economic benefits from the organization's success.

From the perspective of Islamic economics, justice does not only mean equal treatment, but the distribution of benefits based on the contribution and rights of each party. Dusuki & Abdullah (2007) explain that Islamic financial institutions must be able to create a balance between the interests of the organization and the interests of stakeholders.

The distribution of surplus to members is one aspect that distinguishes cooperatives from investor-based financial institutions. In banks, profits are primarily directed to shareholders, whereas in cooperatives, economic benefits are returned to members as part of the shared ownership system.

Nevertheless, the value of Establishing Justice can be enhanced through increased member participation in cooperative activities, both in the form of increased member savings and the use of cooperative financing services.

4.5. Public Interest: Member Financing and Economic Welfare

The third dimension is Public Interest, which refers to the institution's ability to provide economic and social benefits to the community. The research results show a Public Interest score of 37.04%. This dimension is calculated based on the financing-to-assets ratio and social fund contributions. The financing-to-assets ratio reaches 71.58%, indicating that most of the cooperative's assets are used for financing activities. This condition indicates that KSPPS is performing its intermediation function well because the funds collected from members are redistributed to support the economic activities of the members.

According to Chapra (2008), one of the goals of Islamic economics is to create an economic system that can enhance the welfare of society. Therefore, productive financing becomes one of the important instruments in realising welfare. However, the score for the Public Interest dimension is still lower compared to other dimensions because the social contribution is still relatively limited. The social fund allocated at 2.5% of the net profit shows attention to social aspects, but there are still opportunities for broader social program development.

KSPPS can enhance this dimension through: micro-business financing for members, business mentoring programs, empowerment-based financing, and community-based social programs.

4.6. Overall Discussion of Modified MSI Achievement

The final Modified MSI score of 42.76% indicates that KSPPS BTM West Sumatra has performed most of the maqashid sharia functions, but the achievement level is still in the sufficient category. This result illustrates that the success of KSPPS cannot only be seen from financial indicators but also from the institution's ability to provide benefits to its members and the community.

The findings of this study reinforce previous research on MSI, which shows that maqashid-based performance metrics provide a different perspective compared to traditional financial measurements (Al Parisi et al., 2021; Antonio et al., 2012). However, unlike previous research that largely focused on Islamic banks, this study shows that maqashid indicators can be modified for the context of Islamic cooperatives by adjusting institutional characteristics.

The main contribution of this research is to show that KSPPS can be evaluated based on three main aspects: 1. the ability to improve human quality, 2. the ability to distribute economic benefits fairly, 3. the ability to create welfare through financing and social activities.

5. Conclusion

This research aims to analyse the performance of the Sharia Savings and Loan Cooperative and Financing (KSPPS) BTM West Sumatra for the 2025 financial year using the Modified Maqashid Syariah Index (MSI) approach. This approach was developed as an adaptation of the Maqashid Syariah Index, which has previously been widely used to measure the performance of Islamic banking institutions. The modification was made by considering the characteristics of KSPPS as a cooperative-based financial institution that is orientated not only towards business sustainability but also towards the welfare of its members and the economic empowerment of the community.

The research results show that the Modified MSI can be used as an alternative approach to evaluate the performance of KSPPS through the three main dimensions of maqashid syariah, namely Educating Individuals, Establishing Justice, and Public Interest. The overall value of the Modified MSI for KSPPS BTM West Sumatra is 42.76%, indicating that the achievement of maqashid syariah is in the sufficient category. The results indicate that the cooperative has fulfilled its economic and social functions, although there is still room for development to enhance its contribution to Sharia objectives more optimally.

In the dimension of Educating Individuals, KSPPS demonstrates a commitment to improving individual quality through educational programs, training, and the allocation of educational funds. These findings indicate that cooperatives do not only function as financial intermediary institutions but also play a role in enhancing the capacity of members and managers. However, strengthening member education programs is still necessary so that their contribution to economic empowerment can be more visible.

In the dimension of Establishing Justice, the distribution mechanism of the Remaining Business Results (SHU) shows that the economic benefits of the cooperative have been returned to the members as both owners and users of the services. This reflects the main characteristics of sharia cooperatives, which differ from investor-based financial institutions. The distribution of SHU to members demonstrates an effort to create economic justice through a more inclusive sharing of benefits.

In the Public Interest dimension, member financing activities show that most of the cooperative's assets are used to support members' economic activities. However, social contributions still need to be improved through the development of community empowerment programs, business mentoring, and financing with broader social impacts. Thus, KSPPS not only serves as a provider of financial services but also as an instrument for enhancing the economic welfare of the community.

Recommendations

Theoretically, this research contributes to the development of the literature on measuring the performance of Islamic financial institutions by expanding the application of the Maqashid Syariah Index in the context of Islamic cooperatives. This research shows that the maqashid syariah indicators need to be adjusted to different institutional characteristics because the indicators used in Islamic banks do not necessarily fully reflect the goals and activities of KSPPS. Practically, the results of this research can provide input for KSPPS managers in

formulating maqashid syariah-based performance improvement strategies. Strengthening the educational aspects for members, enhancing social programs, and optimising productive financing can be strategies to comprehensively improve the achievement of Sharia objectives.

Limitations

This research has limitations because it uses secondary data from RAT reports and annual financial statements, so some non-financial aspects, such as members' perceptions of the benefits of the cooperative, cannot be directly analysed. Additionally, the Modified MSI model used is still an initial approach, so further testing is needed on various KSPPS with different regional characteristics and business scales. Subsequent research can develop the Modified MSI model by incorporating member perspectives through satisfaction surveys, the social impact of financing, the level of economic empowerment, and indicators of cooperative sustainability. With this development, the performance measurement of KSPPS can become more comprehensive in depicting the achievement of economic, social, and spiritual goals in accordance with the principles of maqashid sharia.

Further limitations concern the research design and the construction of the index. First, the analysis covers one cooperative in one financial year, so the score cannot be compared with earlier years or with other KSPPS, and the findings cannot be generalised statistically; future studies should apply the Modified MSI to multi-year data and to several KSPPS of different sizes and regions in order to establish relative benchmarks. Second, the indicators were selected on conceptual grounds and data availability and were not validated through expert judgement, Establishing Justice is measured with a single indicator, and the score categories in Table 2 are a heuristic scale set by the authors. Third, equal weights were assumed for the dimensions; the sensitivity analysis shows that the result is stable under moderate changes in weights, but expert-based weights, for example derived through the

Delphi or Analytic Hierarchy Process approaches, would strengthen the model.

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