
PRODUCT INNOVATION IN ISLAMIC COOPERATIVES THROUGH THE LENS OF MAQĀSID SHARIA: EVIDENCE FROM INDONESIA

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ABSTRACT

The objectives of Islamic law are articulated in the concept of maqāsid shariah, which encompasses the preservation of religion, life, wealth, intellect, and lineage. The implementation of maqāsid shariah extends across various domains, including Islamic cooperatives. In Indonesia, Islamic cooperatives have developed not only in terms of quantity but also in the variety of products offered to the public. The core products of Islamic cooperatives—covering financing, funding, business, and services—have been further diversified to meet the needs of cooperative members and society at large. This paper discusses the implementation of maqāsid shariah in the context of product innovation within Islamic cooperatives. Employing literature study and observation methods, it explores the nature of product innovations in Islamic cooperatives and their alignment with maqāsid shariah. The findings indicate that product innovations within Islamic cooperatives are consistent with and contribute to the realization of maqāsid shariah.

Keywords: *Islamic cooperative, maqāsid sharia, innovation.*

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1. INTRODUCTION

Cooperatives are among the financial institutions that have long been established in Indonesia. Along with the development of the Islamic economy, cooperatives have also shown their participation in this sector. Over time, the number of Islamic cooperatives in Indonesia has continued to grow, with records indicating 2,147 units in 2013, increasing to 3,913 units by 2022 (Azzahra, 2024).

The principles of Sharia serve as the foundation for the management of Islamic cooperatives. These principles are derived from the Qur'an and the Sunnah as the primary sources of Islamic law. They are applied to achieve the objectives of Sharia (*maqāsid al-shariah*), which aim at securing the welfare of the community.

Studies on Islamic cooperatives and *maqāsid al-shariah* have been widely conducted. However, these previous studies have not provided a detailed explanation of the implementation of *maqāsid al-shariah* in the context of Islamic cooperative products, which are becoming increasingly diverse. Against this backdrop, the present study aims to enrich the discussion by examining product innovations in Islamic cooperatives and analyzing whether such innovations are consistent with the principles of *maqāsid al-shariah*. The scope of the study is limited to product innovations in the field of financing.

2. REVIEW OF LITERATURE

2.1 Islamic Cooperative

A cooperative is a business entity whose members may consist of individuals as well as legal entities (Zahara et al., 2023).

Cooperatives operate based on cooperative principles and are founded on the principle of kinship, as stipulated in Law No. 25 of 1995 concerning cooperatives. In addition, the Islamic cooperative also applies the Islamic law (Latifa et al., 2021).

Islamic cooperatives play a significant role in the economy, including promoting social justice, education, welfare, and national economic development (Zahara et al., 2023). Sharia guidelines embody the principle of fairness in every transaction. Their educational role involves raising community awareness about the prohibition of *riba* (usury) while offering cooperative and profit-sharing principles as viable alternatives.

2.2 Islamic Cooperative Product

The products of Islamic cooperatives are divided into two categories: funding and financing (Hidayat, 2023). Funding products refer to processes in which cooperatives collect funds from members to be managed for the operation of cooperative activities. Examples include principal savings and mandatory savings. The second category is financing products, which involve the provision of funds by cooperatives for specific purposes. Examples of these are *murābahah* and *ijārah*.

2.3 Maqāsid Al-Shariah Concept

Terminologically, *maqāsid al-shariah* is defined as the meanings, wisdoms, and objectives intended by the Lawgiver in the rulings of Allah (Busyro, 2019). The fundamental aim of *maqāsid al-shariah* is to achieve the welfare (*maṣlaḥah*) of humankind and to prevent harm (*mafsadah*). This objective encompasses the preservation of five essential human needs: protection of

religion (*hifdh al-din*), life (*hifdh al-nafs*), intellect (*hifdh al-'aql*), lineage (*hifdh al-nasl*), and wealth (*hifdh al-mal*).

3. RESEARCH METHODOLOGY

This study employs a qualitative approach. The researcher applied literature study and observation methods in collecting and processing the data. Information was gathered from credible and relevant books and journal articles. In addition, the researcher conducted observations by reviewing and recording products offered by several Islamic cooperatives through their official websites. The observational data were subsequently analyzed to draw conclusions.

4. DISCUSSION

4.1 Product Innovation in Islamic Cooperative

Observations of ten Islamic cooperatives revealed several innovative funding products, as presented in the following Table 1.

Table 1. Innovative Funding Products of Islamic Cooperatives

No.	Name of Islamic Cooperative	Product Innovation
1	ASB	Hajj/Umrah savings, education savings.
2	AB	Education savings, Eid al-Fitr savings, Eid al-Adha (Qurban) savings, Hajj savings.
3	BMIG	Hajj savings, Umrah savings, Qurban and <i>aqiqah</i> savings, retirement savings, excursion savings, water and sanitation savings. Productive waqf savings, impact fund savings (funds for social projects).
4	AU	Eid al-Fitr savings, Qurban and <i>aqiqah</i> savings.
5	ASB	Hajj/Umrah savings, education savings.

6	KKU	Product Innovation
7	MA	Education savings, wedding savings, maternity/childbirth savings, retirement savings, public transport driver savings, Eid al-Fitr savings, Qurban savings, Hajj and Umrah savings.
8	KSP	Education savings, pension savings, Hajj and Umrah savings, Eid al Fitr savings, Qurban savings.
9	KAAs	Umrah savings, pension savings, deposit savings, travel (safar) savings. Eid al-Fitr savings, Eid al-Adha savings.
10	BMTA	Qurban savings, Eid al-Fitr savings, Umrah savings, education savings.

Source: The author's own work.

Based on the data, funding product innovations are including education savings, Hajj savings, Umrah savings, Eid al-Fitr savings, Qurban savings, *aqīqah* savings, wedding savings, maternity savings, public transport driver savings, retirement savings, excursion savings, *waqf* savings, and social fund savings.

4.2 Implementation Maqāsid Al-Shariah in Product Innovation of Islamic Cooperative

Savings products innovation such as hajj, umrah, *qurbān* (sacrifice), *aqīqah*, *waqf*, and social fund savings contribute to the preservation of religion (*ḥifdh al-din*) by enabling members to fulfill religious obligations including pilgrimage, sacrifice, and charitable activities. Education savings are closely related to the preservation of intellect (*ḥifdh al-'aql*) as they facilitate access to proper education and intellectual development. Retirement savings and elderly savings contribute to the preservation of life (*ḥifdh al-nafs*) by ensuring that members can meet essential needs in old age, such as food, healthcare, and daily living.

Maternity savings play a role in the preservation of lineage (*ḥifdh al-nasl*), since they provide financial support for maternal health, pregnancy, and safe childbirth, thereby securing the well-being of future generations. Finally, general savings, deposits, and travel savings support the preservation of wealth (*ḥifdh al-mal*) by encouraging prudent financial management, preventing wastefulness, and protecting individuals from economic vulnerability.

5. CONCLUSION

Islamic cooperatives have introduced innovations in their service products for the community. The variety of these products provides members with more options to meet their needs. Funding product innovations in Islamic cooperatives include education savings, hajj savings, umrah savings, Eid al-Fitr savings, *qurbān* savings, *aqīqah* savings, wedding savings, maternity savings, savings for public transport drivers, retirement savings, excursion savings, *waqf* savings, and social fund savings. The mapping of Islamic cooperative funding products to the objectives of *maqāsid al-shariah* shows a strong correlation between innovation and Shariah principles. These product innovations support the realization of *maqāsid al-shariah* by safeguarding five essential aspects.

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