

ISLAMIC ECONOMIC FRAMEWORK FOR THE EXERCISE OF ISLAMIC FINANCIAL ACTIVITIES: ITS CONFORMITY WITH *MAQASID AL-SHARI'AH*

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ABSTRACT

With the establishment of Islamic banks throughout the latter half of the 20th century, Islamic finance became institutionalized. The emergence of new Islamic banks was accompanied by the emergence of Islamic insurance firms and other Islamic financial organizations. The *Maqasid al-Shari'ah* in financial transactions reveals the overarching goals and significance to which it aspires through decision-making. It is clear from the careful and continuous examination of several Qur'anic verses and the Prophet's (PBUH) *Sunnah* regarding financial matters that the *Shari'ah* has adhered to specific objectives in formulating its financial laws and regulations. These objectives include the fair distribution of wealth within society, continual wealth investments, the satisfaction of economic prosperity for all through the satisfaction of basic human needs, the openness of financial transactions to avoid disputes, and the legitimacy of ownership of private and public wealth. The study offers a *Maqasid*-based development paradigm, which views development from the perspective of extracting benefit and removing harm. This calls for fostering things that make life simpler, more meaningful, and prosperous while preventing all causes of harm, socioeconomic hardship, and underdevelopment. The approach's strength lies in the proper weight it accords to morality, spirituality, and faith as catalysts for prolonged moderate growth and in its emphasis on all-encompassing yet restrained material progress. The study argues for a detailed investigation of the economic growth and the science of *Maqasid al-Shari'ah*. The qualitative method is applied in this study to evaluate the fundamental concept of *Maqasid Al-Shariah* from the primary and secondary sources of knowledge in Islam, which shows the model of the economic system to identify the challenges of governing the Islamic banks and Islamic financial activities accordingly.

Keywords: Islamic banks, Islamic Insurance, Financial Institutions, *Maqasid al-Shari'ah*

INTRODUCTION

Islamic law is primarily derived from Divine sources and encompasses all elements of man's life. The primary sources of Islamic law are the Qur'an and the *Sunnah* of the Prophet Mohammad

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(PBUH). *Shari'ah* covers all aspects of faith and worship (*ibadah*) and those dealing with man's ties within society, such as family and business transactions (*muamalah*). The core of Islamic economic philosophy is man's relationship with Allah, the cosmos He created, and all of His creation, including humans and all-natural things. Human life should conform to His will, which serves as the alpha and omega of human endeavor. Allah owns all assets in the cosmos; man is just a trustee with rights to economic activity as long as he does not disregard the rights of others.¹

As a result, principles derived from this economic philosophy include *iqtisad* (moderation), *adl* (justice), *amanah* (honesty), *ihsan* (excellence in kindness), *istislah* (public interest), *infaq* (spending to satisfy social commitments), and *sabr* (patience). Likewise, there are a variety of negative values: *zulm* (tyranny), *hirs* (greed), *bukhl* (miserliness), *iktinaz* (wealth hoarding), and *israf* (extravagance). As a result, *muamalat* and economic activity must remain within the positive *halal* bounds, and distribution must be *adl* (fair). These ideas give an Islamic economic framework for doing business transactions.²

Islamic finance was institutionalized throughout the last part of the twentieth century with the founding of Islamic banks. Along with establishing new Islamic banks, Islamic insurance companies, and other Islamic finance institutions, new "financing" practices of a few ancient contracts such as *Mudaraba*, *Musharaka*, *Istisna*, and others emerged. The *Shari'ah* objectives in financial transactions indicate the general purposes and meaning it seeks to attain through its decisions. These objectives are not limited to a single form of financial transaction but encompass all aspects of financial activity and human life in general. Though these objectives appear financial, they might be deemed integral when their universal purposes are evaluated. This is because these objectives apply to almost all financial transactions and cover all trading, profit-making, spending, and consumption activities rather than dealing with particular sorts of decisions. Looking closely and continually into many Qur'anic scriptures or verses and the *Sunnah* of the Prophet (PBUH) on financial operations, it can be concluded that *Shari'ah* has observed particular aims in developing financial rules and principles.³

These objectives include the equitable distribution of wealth within society, the sustainability of wealth investments, the fulfillment of essential human needs to achieve economic prosperity for all, the transparency of financial transactions to prevent disputes, and the legality of private and public wealth ownership. In financial transactions and contracts, these are the primary goals of *Shari'ah*. Man, unwittingly fulfills his social and ethical requirements and his commercial needs by satisfying the *Maqasid al-Shariah*. Therein lies the rationality of Muslims being required to "fulfill all obligations," as doing so fulfills mankind's demands and obligations, resulting in a win-win situation for everybody. Man's commercial, social, and ethical requirements are all

¹ Hamed, Safei El-Deen. "Seeing the environment through Islamic eyes: Application of Shariah to natural resources planning and management." *Journal of Agricultural and Environmental Ethics* 6 (1993): 145-164.

² Lewis, Mervyn K. "Islam and accounting." In *Accounting forum*, vol. 25, no. 2, pp. 103-127. Taylor & Francis, 2001.

³ Al-Mubarak, Tawfique, and Noor Mohammad Osmani. "Applications of Maqasid al-Shari'ah and Maslahah in Islamic Banking practices: An analysis." In *International Seminar on Islamic Finance in India*, vol. 4, no. 6. 2010. P-3.

balanced and met by his efforts to protect religion, life, honor, intellect, and property in Islamic banking and finance transactions.⁴

The study presents a *Maqasid*-based development paradigm that views development from the standpoint of extracting benefit and removing harm, which necessitates fostering things that make life easier, meaningful, and affluent while preventing all causes of harm, socioeconomic hardship, and underdevelopment. The three-stage development strategy promotes well-being by preserving and improving five fundamental components: faith, life, intelligence, offspring, and wealth. The approach's strength comes in the appropriate place it allocates to faith, spirituality, and moral ethics as trigger mechanisms for sustained moderate development, as well as its emphasis on all-encompassing yet moderate material advancement. The paper advocates for a thorough examination of the science of *Maqasid al-Shari'ah* as it relates to economic development discourse.⁵

STATEMENT OF PROBLEM

Islamic banks regularly place their primary emphasis on reducing *riba* (interest). Several fundamentally important objectives for Islamic banking should instead be deduced from those of *Maqasid al-Shari'ah*. Islamic banking would unavoidably focus on business. It must be able to make money to stay open and preserve *Maqasid al-Shariah*. Any traditions that contravene *Shari'ah* law must be abolished. It must work to provide a fair and reasonable framework that advances the *ummah's* material, social, and economic prosperity. Islamic banking has been observed to be founded on the noble values of Islam, which make it clear that transferring products is permitted (*halal*) and charging interest is prohibited (*haram*). However, there seem to be some murky areas in its application and financial dealings. Therefore, it is crucial to investigate and do further study to see whether there is any conflict with *Shari'ah* law.

SIGNIFICANCE OF STUDY

Financial management is a rapidly expanding industry in the globe today. To meet the demands of the rapidly growing financial services business, new financial instruments must be developed through innovation. Around 250 Islamic financial institutions are already functioning worldwide, and Islamic banking is expected to manage funds worth up to \$400 billion. Over the last ten years, the annual growth of Islamic financial institutions has been estimated to be 15% worldwide, which is expected to intensify soon.⁶

Shari'ah scholars must comprehend how much the *Maqasid al-Shari'ah* influences any decisions made in the global Islamic banking system that provides Islamic financial services. It is

⁴ Olanrewaju, Aminu Sikiru, Amirul Shah Md Shahbudin, and Habeebullah Zakariyah. "A synthesis of the Islamic social finance for sustainable Islamic social enterprise: A four factor of production frame." *Journal of Critical Reviews* 7, no. 9 (2020): 6188-6199.P-5.

⁵ Lamido, A. A. (2016). *Maqasid al-Shari'ah as a Framework for Economic Development Theorization*. *International Journal of Islamic Economics and Finance Studies*, 2, (1), 27-49. Retrieved from <https://dergipark.org.tr/en/pub/ijisef/issue/29331/313839>

⁶Laldin, Mohamad Akram. "The role of Shari'ah advisors in the development of Islamic securities." *MA Laldin, Fundamentals and Practices in Islamic Finance. Kuala Lumpur: ISRA* (2008): 13-33. P-1

to be noted that 550 Islamic financial institutions operate in over 75 countries worldwide, where Islamic banking and finance are practiced. As Islamic banking products become more standardized, international organizations and regional financial hubs contribute significantly to its reputation. Almost all multinational conventional finance organizations have subsidiaries or windows specifically formed to offer Islamic financial solutions. The prosperity and peace of mind of millions of people who were previously either avoiding the conventional banking system or feeling guilty because interest was involved in their transactions, which was otherwise forbidden in all revealed religions, will increase due to this positive sign of future good and ethical business.⁷

The Islamic financial sector has reached the crucial milestone of having more widespread recognition on a worldwide scale. The incredible progress made thus far, the situation as it is now, and the difficulties that lie ahead need Islamic finance experts, policymakers, and practitioners to consider certain essential factors. The first is that the demand for committed, devoted, and properly qualified staff for Islamic banking operations has increased due to the sector's explosive expansion over the past ten years. Due to a lack of public awareness and the general perception that Islamic banks' current framework, which relies on debt-creating modes like *murabaha*, may not help achieve the goals that its pioneers had envisaged for converting the interest-based financial system to a system compliant with the tenets of the *Shari'ah*, the industry, as it has emerged, is facing a credibility challenge.⁸

RESEARCH METHODOLOGY

In this research, the methods will be applied in two approaches are, mainly deductive and inductive approach and analytical approach.

Deductive and Inductive

The deductive method will be applied extensively to observe the general phenomena related to Islamic banking and finance objectives and *Maqasid al-Shariah*. On this level, the general concepts and understanding of Islamic banking, finance, and *Maqasid al-Shariah*, as written by many authors, will provide an authoritative basis as being generally accurate. Since deductive method uses knowledge about things that are generally true to think about and understand particular situations or problems, the understanding obtained deductively here will be applied to a specific problem relating to the concept of Islamic banking, finance, and *Maqasid al-Shariah*. On the other hand, the inductive approach will also be used by referring to specific areas discussed by the writers on Islamic banking, finance, and *Maqasid al-Shariah*. All these examples will be taken selectively to form general rules and principles and inductively arrive at some conclusions.

Analytical

⁷ Errico, Luca, and Vasudevan Sundararajan. "Islamic financial institutions and products in the global financial system: Key issues in risk management and challenges ahead." (2002). P-12

⁸ Kahf, Monzer, and Tariqullah Khan. "Principles of Islamic financing." *research paper* 16 (1992). P-25.

In this context, analysis involved logical thinking about the objectives of Islamic banking, finance, and Maqasid al-Shariah to understand it, especially by looking at all the parts separately. The process involved library research through reading and collecting information and doing content analysis from primary sources such as the Qur'an and *Hadith* from secondary sources, which are interpretations of 'ulama' on the subject within the rich and vast amount of literature in the Islamic legacy.

LITERATURE REVIEW

Islamic Law and Finance⁹ by Chibli Mallat. Since banking and financial industries in countries observing Islamic law and the *Shari'ah* are growing fast, the West needs to obtain a better understanding of the interaction between Islamic law and finance. As all financial business is bound by the *Shari'ah*, Western lawyers and economists must consider how flexibility exists in the Western system whereby the two systems, Western and Islamic, can be brought closer together. This book presents a collection of papers from distinguished authors analyzing the various attempts to establish a system of Islamic law and finance, and it investigates the modes of operations of institutions adopting the Islamic approach, drawing on examples such as Malaysia, Iran, and Pakistan, and Egypt all of which are international and cover a large economically significant area of operations, laws and taxation systems.

Role of the state in the economy: An Islamic perspective¹⁰ by M. Nejatullah Siddiqi. The book addresses a significant topic in light of the demise of state-managed economies. This collection of articles discusses how Islam aims to lead businesspeople to act morally and responsibly towards society. Within a framework of fundamental liberties, the state must make up for moral or market failure to the humanly feasible amount. The necessity for social intervention has a role in the Islamic system but is still viewed as being minimised by internalisation of moral ideals and social concern. Islam is viewed as a superior alternative to the market-centric approach currently popular due to dissatisfaction with state administration.

Law and Practice of Islamic Banking and Finance¹¹ by Nik Nozrul Thani, M. Ridza, Megat Hizaini Hassan. The historical evolution and legal framework governing Islamic banking and finance are traced in this book, which serves as an introduction to the Islamic financial system in Malaysia. The book focuses on various legal topics, including relevant ideas on the Shari'ah perspective on Islamic banking, finance, and Takaful and how the law is applied in daily life.

⁹ Chibli Mallat. *Islamic law and Finance*. (Graham & Trotman, London, UK, 1988).

¹⁰ . M. Nejatullah Siddiqi, *Role of the state in the economy: an Islamic perspective*. (markfield Dawah Centre, Leicester, UK, 1996).

¹¹ Nik Nozrul Thani, M. Ridza, Megat Hizaini Hassan. *Law and Practice of Islamic Banking and Finance*. (Sweet and Maxwell Asia, 2003).

Additionally, the book includes significant laws and rules governing the use of Islamic banking, finance, and private debt securities.

*A Compendium of Legal Opinions on the Operations of Islamic Banks*¹² by Yusuf Talal DeLorenzo. The writer has undertaken the important task of collecting several resolutions adopted by different Islamic Institutions and the relevant *fatwa* that were given.

*Islamic Commercial Law an Analysis of Futures and Options*¹³ by Mohammad Hashim Kamali. This book examines the legality of options and futures from an Islamic perspective while focusing on them as trading instruments. The use of futures and options is a recent development without precedent in Islamic business law. After reviewing the existing principles of Islamic contract law and confirming their applicability to futures trading, Kamali makes new arguments regarding futures and options-related issues based on fresh readings of the Qur'an and the *Sunnah*. He also refers to the *Shari'ah*-enshrined principle of *Maslaha*.

*Islamic Law and Finance: Religion, Risk, and Return*¹⁴ by Frank E. Vogel and Samuel L. This book identified the need for an objective cross-disciplinary study of Islamic banking and finance, addressing its origins and future potential.

*Islam and the Theory of Interest with a New Chapter on Interest-Free Banking*¹⁵ by Anwar Iqbal Qureshi. The writer has discussed that an interest-free banking system is not profit-free. This aspect has been discussed at some length in this book. The writer has shown the difference between interest and profit.

*Islamic Economics*¹⁶ by Dr. Sabahuddin Azmi. The author has analyzed and presented the state of early Islamic economic study and discussed the financial insights it provided in resolving budgetary challenges. He also emphasized the unique value-based orientation of the sources of revenue mobilization and their dispersal in line with the objectives of Islamic *Shari'ah*.

*Contemporary Practices of Islamic Financing Techniques*¹⁷ by Ausaf Ahmad. The author of this book discusses how the growth in interest in Islamic finance methods results from the successful functioning of Islamic banks in many regions of the world. Do Islamic banks offer something

¹² Yusuf Talal DeLorenzo. *A Compendium of Legal Opinions on the Operations of Islamic Banks*. (Institute of Islamic Banking and Insurance, London, UK, 2001).

¹³ Mohammad Hashim Kamali. *Islamic Commercial Law an Analysis of Futures and Options*. (Ilmiah Publishers, Kuala Lumpur, 2002).

¹⁴ Frank E. Vogel and Samuel L. *Islamic Law and Finance: Religion, Risk, and Return*. (Kluwer Law International, London, n.d).

¹⁵ Anwar Iqbal Qureshi. *Islam and the Theory of Interest with a New Chapter on Interest Free Banking*. (Muhammad Ashrafi, Lahore, nd).

¹⁶ Sabahuddin Azmi. *Islamic Economics*. (Goodword Books, New Delhi, 2004).

¹⁷ Ausaf Ahmad. *Contemporary Practices of Islamic Financing Techniques*. (Islamic Research and Training Institute, Islamic Development Bank, Jeddah, 1993).

novel? Are Islamic banks' roles, pursuits, and banking methods different from traditional commercial banks?

Maqasid al-Shari'ah as Philosophy of Islamic Law a System Approach¹⁸ by Jasser Auda. This book presents multi-disciplinary research that aims to develop the fundamental juridical theory of Islamic law via a systems approach. *Maqasid* is proposed as a philosophy and fundamental methodology for assessing classic and current juridical ideas of Islamic law. Islamic law is defined as a system whose feature of purposefulness is realized through the realization of *Maqasid al-Shari'ah*.

Towards Realization of the Higher Intents of Islamic Law¹⁹ by Gamal Eldin Attia. In the book, the author offers a detailed discussion of how *Maqasid* will be activated. In this context, he deals with the current uses of *Maqasid*, *Maqasid*-based independent reasoning, or *ijtihad*, juristic theorization, and the *Maqasid*-based mindset on the individual and communal levels, the future of *Maqasid*, and lastly, the question of whether the study of *Maqasid* is likely to become a self-contained discipline in the future.

DISCUSSION AND ANALYSIS

Elements Necessary in Financial Transaction and Services to Meet Requirements of Maqasid Al-Shari'ah

The fundamental goal of *Shari'ah* is to alleviate human suffering or to provide for their needs both in this life and the next. Islam has an optimistic view of the world and regards man as God's viceroy. Virtue does not mean giving up on life's pleasures; instead, it means enjoying them while abiding by Islam's guidelines to increase its adherents' happiness. It comprises upholding moral principles, acquiring wealth only legally, and regarding property as a stewardship for which Allah Almighty must be held accountable.²⁰

Traditional economics holds that earning a livelihood and advancing the economy are the two primary objectives of human existence. Although it is necessary and significant to sustain one's livelihood, Islamic economics maintains that this is not the true or only aim of life and that the hereafter should take precedence. Islam does this to promote the well-being of people in the hereafter. It is Allah's creation and belongs to Him in its manifestations. He has the right to demand that man submit his use of this property to His commandments since He has allowed him

¹⁸ Jasser Auda. *Maqasid al-Shari'ah as Philosophy of Islamic Law: a System Approach*. (The International Institute of Islamic Thought, Washington, 2008).

¹⁹ Gamal Eldin Attia. *Towards Realization of the Higher Intents of Islamic Law*. (The International Institute of Islamic Thought, Washington, 2007).

²⁰ Saad, Muhammad Aizat, and Wan Nazjmi Mohamed Fisol. "Financial technology (FinTech) services: Analysis from the perspective of maqas. id al-Shariah." *Journal of Social Science and Humanities* 2, no. 6 (2019): 6-11.. P-9

permission to use it. "He it is who made you vicegerents in the earth" (6:165). Wealth has to be used in such a way that it ensures success in this world and the world hereafter.²¹

The pleasure and welfare of people in this world and the hereafter are the main goals of *Shari'ah*, which are the motivation for these edicts. From an Islamic perspective, happiness differs from pleasure, which is the primary goal of positive economics. Therefore, the best interests of humanity are served by *Shari'ah*, which encompasses everything that promotes happiness. Jurists like Ghazali, Shatibi, and, subsequently, Tahir ibn Ashoor identified these objectives by undertaking an inductive investigation of the Qur'an and *Sunnah*. But there are grounds to think that the need for Islamic banks to consider social goals could be a fantasy. This is because the majority of Islamic banking literature solely focuses on the commercial and economic components of Islamic banking. At the same time, social problems relevant to its practices typically take a second seat in the debate. This is especially true when some literature goes so far as to say that the only way Islamic banks vary from conventional banks is in how they adhere to *Shari'ah* legal requirements in relation to their product offerings. According to this perspective, Islamic banks are ordinary commercial entities with the only duty of conducting business by Islamic law. At the same time, other organizations, like the government, are responsible for achieving social welfare goals.²²

Services provided by Financial Institutions are in Conformity with Maqasid al-Shari'ah.

The goals of Islamic banks should not just be to maximize profits; they should also strive to advance Islamic principles and safeguard the requirements of the Islamic community. To realize the Islamic economic goals, including social justice, equitable distribution of income and wealth, and fostering economic development, this model lays additional social welfare obligations and religious commitments on Islamic banks. Consequently, it is thought to align with the spirit of *Shari'ah* and the larger Islamic perspective.

Islamic banks must support social welfare initiatives and programs and provide more aid to the needy without jeopardizing their capacity to generate a profit. According to the study, respondents strongly believe that Islamic banking should preserve societal goals and spread Islamic principles to its employees, clients, and the broader public. Other crucial elements include helping the community's social welfare, fostering sustainable devolvement initiatives, and reducing poverty.²³

In summary, because Islamic banking operates within a financial trajectory supported by the forces of *Shari'ah* injunctions, it has the potential to become one of the promising sectors to accomplish the noble goal of *Shari'ah*. These *Shari'ah* prohibitions forbid participation in criminal activities that harm social and environmental well-being while also integrating Islamic financial

²¹ Abozaid, Abdulazeem, and Asyraf Wajdi Dusuki. "The challenges of realizing maqasid al-shariah in Islamic Banking and Finance." In *IJUM International Conference on Islamic Banking and Finance, IJUM Institute of Islamic Banking and Finance*, pp. 23-25. 2007.. P-2.

²² Alam, Nafis. *Islamic Finance a Practical Perspective*. Palgrave macmillan, 2017.. p-131.

²³ Platonova, Elena. "Corporate social responsibility from an Islamic moral economy perspective: A literature survey." *Afro Eurasian Studies* 2, no. 1-2 (2013): 272-297.. P-276.

transactions with genuine concern for a just, fair, and transparent society. With such a well-balanced business approach and strategy, Islamic banks may be anticipated to reach new heights in being a viable and sustainable alternative to their conventional counterparts.

Role of Islamic Financial Institutions in Backing to the Muslim Community

The literature on Islamic economics emphasizes socio-economic objectives, including social justice, equity, poverty reduction, and human well-being, to further the discipline's social aspirations. One of the top Islamic economists, Siddiqi, provided the following brief summary of the socioeconomic goals of the Islamic economic system: "The fulfillment of fundamental human requirements; (i) the advancement of economic well-being; (ii) the accomplishment of sufficiency and peace; (iii) the eradication of hunger and terror in society; (iv) the supply of ease and comfort in life; and (v) the optimum use of natural resources; (vi) The satisfaction of one's spiritual needs; (vii) the establishment of economic and social fairness, equality of opportunity, and collaboration; and, in the framework of social welfare, (viii) the promotion of global brotherhood and justice, fair income distribution, and personal freedom."²⁴ These objectives unavoidably draw from and aim to advance the *Maqasid al-Shari'ah*, which offers a framework for capturing the idea of human well-being and pursuing its enhancement. Early Islamic economics literature assigned individuals a socially accountable duty to achieve these socioeconomic goals. Thus, it is required of Muslim people and Islamic banks to care about and act in the interests of society.

The ethical axioms of unity (tawhid), equilibrium (*Al-'adl wa'l-ihsan*), free will (*ikhtiyar*), and responsibility (*fard*) are further assumed to be the forces that restrain self-interested behavior, motivate people to make wise use of limited resources, care for the environment, and fulfill their social obligations. Other philosophical notions of human accountability before God, the role of man as a vicegerent on earth, and these assumptions include the idea.²⁵ Islam places a strong emphasis on distributive justice. The Qur'an has several verses and *Ahadith* that discuss this idea, which is the conclusion of previous, more complete, realistic, and unambiguous divine revelations. In the hierarchy of values established by *Shari'ah*, distribution is relatively high. There is an explicit Qur'anic criterion for evaluating a society, as evident in the verses (59:7, 69:34) and (89:18) of the Qur'an. Sharing with those in need is expected, and refusing to do so is wrong.

Microfinance becomes a high-priority strategy if it helps reduce poverty because it allows the person to take care of their own needs rather than relying on others. Similarly, financial *waqf* satisfies a key economic objective in Islam by reducing poverty. Whatever the stance, everything associated with Islam as a norm in any way, especially when it comes to financial business models with commercial objectives, has significant ramifications for the range of transactions and duties. When Islam is the point of comparison, the social impact of any enterprise cannot be disregarded or minimized. In any event, the initial goals of supporters of Islamic finance and contemporary issues do not conflict. It is asserted that enabling *Shari'ah-compliant* financial activity is the

²⁴ Chibli Mallat. *Islamic law and Finance*. (Graham & Trotman, London, UK, 1988). 18

²⁵Sairally, Salma. "Community development financial institutions: Lessons in social banking for the Islamic financial industry." *Kyoto Bulletin of Islamic Area Studies* 1, no. 2 (2007): 19-37. P-20.

primary goal of entities involved in Islamic finance. While the industry has made enormous advances in increasing asset size, it has also developed a reputation as a banking system that primarily targets the wealthy while ignoring the weaker segments of society. Even though Islamic finance is focused on promoting social justice, Islamic financial institutions have not yet made any notable advances in the field of microfinance.²⁶

CONCLUSION

It has been noted that Islamic banking is built on honorable principles inherent in Islam's teachings, which clearly state that exchanging goods is permissible (*halal*) and charging interest is forbidden (*haram*). Nevertheless, there appear to be some gray areas in its use and financial transactions. Therefore, it is essential to investigate and learn more to determine whether there is any form of incompatibility with *Shari'ah* law. Islamic banks frequently focus solely on minimizing *riba* (interest). Instead, there must be several fundamental and significant goals for Islamic banking that may be discerned from those of *Maqasid al-Shari'ah*. Islamic banking must inevitably be commercial in nature. To continue operating and uphold *Maqasid al-Shari'ah*, it must be able to turn a profit. Any customs that go against the dictates of *Shari'ah* must be stopped. It must seek to create a reasonable and equitable system that promotes the *Ummah's* financial, economic, and social well-being.

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