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A Maqasid-Based Governance Framework for Islamic Banking: Integrating VBI, ESG, and Ethical Digital Transformation

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ABSTRACT

This research contributes to the literature through the propositions of the Maqasid-Based Governance Framework (MBGF), which would help realign Islamic banking for sustainability and the digital era with higher objectives of Shariah. Drawing on the classical teachings of Al-Ghazali and al-Shatibi on maqasid al-shariah, and on modern governance views offered by Chapra, this study integrates maqasid al-shariah with VBI, ESG practices, and ethical digital governance. Based on a qualitative concept methodology, the paper synthesises ethical foundations, institutional governance, sustainability indicators, and digital innovation into a comprehensive governance architecture. The results indicate that the MBGF facilitates transparency, social value addition, eco-friendliness, and digital ethics in Islamic banking. The paper also highlights related indicators, such as the Maqasid Performance Index (MPI) and the Maqasid Shariah Index (MSI), to operationalise maqasid-based governance. The contribution of this paper is theoretical, in terms of giving a new positioning to maqasid as the broad governance framework; conceptual, in terms of amalgamating VBI, ESG, and digital ethics into a multi-layered model; and empirical, by providing regulators and practitioners with a practical governance blueprint for value-driven and sustainable Islamic finance.

Studi ini mengembangkan Maqasid-Based Governance Framework sebagai model tata kelola yang komprehensif untuk mengalokasikan kembali fungsionalitas perbankan syariah sesuai dengan sasaran utama syariah di bawah konsep sustainability dan transformasi digital. Dengan referensi kepada pemikiran merokal klasik Al-Ghazali dan Al-Shatibi bersama dengan sudut pandang tata kelola modern Chapra, penelitian ini menggabungkan Maqasid al-shariah bersama dengan Value-Based Intermediation, ESG, dan tata kelola digital berbasis etika. Melalui kerangka pewahyuan kualitatif konseptual, perbandingan ciri-ciri etis, tata kelola organisasi, indeks sustainability, dan inovasi digital sesuai dikaitkan dalam satu arsitektur tata kelola terpadu. Hasil studi

menyoroti peningkatan akuntabilitas, penciptaan nilai sosial, tanggung jawab atas lingkungan, dan integritas digital dalam perbankan syariah melalui penerapan Maqasid-Based Governance Framework. Studi ini masuk akal indikator-indeks seperti Maqasid Performance Index dan Maqasid Shariah Index untuk mengintegrasikan ketiga tata kelola semacam itu. Luas kerangka tata kelola berbasis Maqasid mempercepat konstribusi teoretis dengan maqasid sebagai kerangka tata kelola holistik, dengan konstribusi konseptual tentang pendekatan berlapis VBI, ESG, dan etika digital, dan dengan konstribusi praktis kepada regulator dan praktisi yang relevan dalam menerapkan tata kelola perbankan syariah pertumbuhan.

INTRODUCTION

The Islamic banking industry has gone from a small-scale financial experiment to a global ethical finance system over the past 40 years. However, one overarching concern of scholarship is enduring, whether Islamic banking's swift growth has pledged fidelity to the higher values of Shariah (maqasid al-shariah) or reproduced only the formal legal structures of conventional finance without attaining its intrinsic moral spirit (Asutay 2012). Classical Islamic law states that Shariah exists to protect five goals of human Well-being (religion, life, intellect, offspring, and wealth) and to "bring benefit" (maslahah) (Al-Ghazali 1993). These things are more than just an idealistic utopian reality; they are the basis for political order, economic justice, and social stability.

Although this solid moral grounding, the current Islamic banking practice is found to suffer from an inherent tension between legality and ethics. Most Islamic banks are predominantly engaged in contract purification (the process intended to cleanse a transaction of riba, gharar, and maysir) rather than in justice, inclusiveness, transparency, environmental care, and social empowerment (Laldin & Furqani 2016). Asutay has labeled this separation of form and content as the "social fail-ure of Islamic finance," wherein Islamic financial institutions adopt the profit-seeking logic of conventional banks rather than steering welfare-oriented objectives (Asutay 2012). The strong adherence of Islamic banking documentation to a compliance-based governance framework ensures that concurrently with mere fulfilment of legal minimum requisites by an Islamic bank, the banks neither seek nor reach the vision maqasidic success profile supporting comprehensive Wellbeing (falah).

To address these misgivings, several modern governance models have been introduced to redetermine Islamic banking as an ethical model. One major initiative launched by Bank Negara Malaysia (BNM) in 2017, known as Value-Based

Intermediation (VBI), involves encouraging Islamic financial institutions to adopt strategies focused on entrepreneurs. Stop and think. In support of social inclusion, environmental care, and responsible finance (Malaysia 2017). Empirical evidences demonstrate that VBI improves stakeholder confidence, reinforces social good, and promotes the compliance of banks' operations with higher Shariah objectives (Alwi, Muda & Hamid 2021). Yet, VBI per se does not comprehensively deal with governance issues unless it is part of a more inclusive ethical and philosophical framework rooted in maqasid al-shariah.

In parallel to VBI, the Environmental, Social, and Governance (ESG) framework is increasingly used to assess institutional responsibility and long-term sustainability in global financial systems. This concept of maqasid should not be confused with ESG, which encourages transparency, protection of the environment, social inclusion, and ethical Leadership values that are in close alignment with the maqasid principles of justice ('adalah), stewardship (khilafah), and welfare (maslahah) (Gillan, Koch & Starks 2021). You and Zahar believe the inclusion of ESG with maqasid provides a holistic lens regarding institutional performance and promotes global homogeneity along with investor trust (Ma'arif et al. 2025). Yet, current efforts to link ESG with maqasid were mainly descriptive and have not provided a comprehensive governance framework that interlinks ethical philosophy, institutional mechanisms, and digital disruption.

Alongside governance and sustainability issues, the financial sector is experiencing an unprecedented wave of technological disruption, including fintech, digital banking, blockchain, and AI. These advances offer substantial benefits in terms of efficiency, accessibility, and inclusion in financial services. However, they also pose new ethical challenges, including algorithmic bias, privacy threats, digital exclusion, and cybersecurity risks (OECD 2023). While maqasid al-shariah has been claimed to offer an ethics of guidance for managing those challenges, as it prioritizes justice, transparency, and human dignity (Karim, Laldin & Furqani 2016). Islamic banking literature, however, has barely discussed how UI can be structured and understood within the maqasid.

Those multiple developments; VBI, ESG, and virtual transformation spotlight a pressing need for a holistic governance model that unifies classical Islamic ethical foundations with modern-day institutional, sustainability, and technological imperatives. However, three key research gaps remain significant. First, maximum research deal with maqasid as a normative or philosophical idea in place of a comprehensive governance framework (Dusuki & Bouheraoua 2011). second, research on Islamic governance tends to investigate VBI, ESG, or virtual

transformation in isolation, with restricted attempts to integrate these domains right into a unified model (Rahman & Haron 2019). third, current empirical measures together with the Maqasid Shariah Index (MSI) or Maqasid performance assessment model (MPEM) attention on performance outcomes but do now not explain how governance structures can operationally enforce maqasid principles (Mifrahi & Fakhrunnas 2018). these gaps limit the capability of Islamic banks to align their institutional behavior with moral and sustainability goals systematically.

Given these theoretical and practical gaps, this study aims to develop a Maqasid-based Governance Framework (MBGF) that synthesizes classical Islamic jurisprudence, modern-day governance ideas, sustainability frameworks, and moral virtual transformation into a unmarried, multi-layered structure. The first goal of this look is to reinterpret the maqasid model of Al-Ghazali and Al-Shatibi as a governance philosophy rather than a jurisprudential doctrine. The second objective is to integrate VBI and ESG into maqasid-based governance to provide an operational institutional mechanism that promotes ethical value creation, environmental responsibility, and social welfare. The 0.33 goal is to embed virtual ethics AI fairness, blockchain transparency, fintech inclusion into BMGB to ensure that technological innovation remains consistent with Shariah values.

To attain those objectives, this examination adopts a qualitative, conceptually grounded approach based on interpretive reasoning, textual analysis, and comparative synthesis. This technique enables the combination of classical jurisprudential resources, cutting-edge governance literature, sustainability frameworks, and virtual finance scholarship right into a cohesive model. The look at does not aim to test hypotheses empirically; instead, it seeks to build a conceptual foundation for future empirical applications, such as the Maqasid Overall Performance Index (MPI) or digital Shariah auditing tools.

The urgency of this research lies in the need to transform banking from a machine-focused on compliance with the law to one driven by environmental and technological stewardship. As Islamic finance becomes increasingly integrated with international sustainability agendas and virtual infrastructures, the need for a maqasid-centered governance structure will become increasingly crucial. The MBGF proposed that this takes a look at offers a well-established answer by connecting ethical principles, institutional mechanisms, and measurable outcomes. This model provides regulators with a framework to reinforce supervisory requirements, gives practitioners a roadmap for value-based corporate governance, and contributes to academic scholarship by integrating numerous yet related strands of literature into a unified governance paradigm.

Therefore, this observation responds to both scholarly and institutional demand for a governance model that restores the ethical foundation of Islamic banking while ensuring its place and integration into the global financial system. Through the Maqasid-based Governance Framework, Islamic banking can fulfill its dual mandate: reaching financial balance and embodying the moral vision of Shariah for justice, inclusivity, sustainability, and holistic human prosperity.

LITERATURE REVIEW

The literature on Islamic banking governance has developed through several levels of sophistication, beginning with the classical foundations of maqasid al-shariah, progressing toward modern Islamic financial thought, and culminating in modern frameworks that incorporate sustainability and digital innovation. This segment critiques the theoretical underpinnings applicable to the development of the Maqasid-based Governance Framework (MBGF), specializing in 4 fundamental strands: (1) classical jurisprudential foundations of maqasid, (2) maqasid in present-day Islamic economics and governance, (3) integration of value-based Intermediation (VBI) and Environmental, Social and Governance (ESG), and (4) digital governance and ethical technological transformation.

1. Classical Foundations of Maqasid al-Shariah

The idea of maqasid al-shariah forms the epistemological anchor of Islamic governance and has been articulated most prominently by classical scholars, including Al-Ghazali and Al-Shatibi. In Al-Mustasfa, Al-Ghazali defined maqasid as the belief in maslahah, understood as the protection of 5 necessities: faith (al-din), existence (al-nafs), mind (al-‘aql), progeny (al-nasl), and wealth (al-mal) (Al-Ghazali 1993). He argued that all felony rulings are intended to uphold these better objectives, positioning them as foundational concepts for social, financial, and ethical order.

Al-Shatibi expanded this evaluation in Al-Muwafaqat, systematizing maqasid into three stages: requirements (daruriyyat), enhancements (hajiyyat), and refinements (tahsiniyyat) (Al-Shatibi 1997). He emphasized the collective dimension of welfare (maslahah' ammah), maintaining that Shariah is designed to preserve the stability and flourishing of society instead of serving personal pastimes on one's own (Al-Shatibi 1997). This broader societal orientation underpins Islamic governance by way of linking institutional obligation with public welfare, justice, and moral stewardship. Taken together, those classical works provide a normative ethical framework that

defines the moral motives of governance institutions and financial institutions. They underscore the duty of economic actors to contribute to justice, Equity, and human Well-being principles central to the MBGF advanced in this look at.

2. Maqasid in modern Islamic Economics and Governance idea

Current Islamic legal scholars have reinterpreted the maqasid in the context of modern-day socio-economic challenges. M. Umer Chapra pioneered this reformulation with the aid of positioning maqasid as the remaining objective of Islamic monetary development, arguing that financial growth must be balanced with justice, schooling, and equitable distribution of resources (Chapra 2000). within the Islamic imaginative and prescient of development, Chapra asserts that governance plays a crucial position in making sure that financial institutions sell human Well-being (falah) and prevent socio-economic harm (Chapra 2008). Other pupils, including Dusuki and Bouheraoua, highlight that maqasid provides a philosophical basis for aligning monetary products, institutional rules, and governance practices with ethical beliefs (Dusuki & Bouheraoua 2011). They argue that Islamic finance ought to go beyond felony compliance and adopt price-oriented decision-making to generate authentic socio-financial benefits.

In addition, Laldin and Furqani argue that innovation in Islamic finance should be guided by the principles of maqasid to ensure that new monetary units and institutional mechanisms promote inclusivity, justice, and societal prosperity (Laldin & Furqani 2016). Their paintings contribute to the information that maqasid is not always simply a jurisprudential concept, but a dynamic framework for ethical governance. But evaluations in the literature spotlight a chronic gap between normative aspirations and sensible implementation. Asutay describes this as the "form over substance" criticism, noting that many Islamic banks reflect conventional financial systems and prioritize profitability over moral outcomes (Asutay 2012). This critique intensifies the need for governance frameworks capable of translating maqasid values into operational mechanisms one of the crucial motivations for developing the MBGF.

3. Value-Based Intermediation (VBI) and ESG in Islamic Banking Governance

The emergence of fee-based Intermediation (VBI) represents one of the most significant trends in Islamic banking governance. Introduced via Bank Negara Malaysia (BNM) in 2017, VBI targets to embed ethical values, social impact, and environmental stewardship into monetary operations (Malaysia 2017). It emphasizes four core outcomes: entrepreneurship assistance, community empowerment, sustainable finance, and excellent governance. Empirical studies indicate that VBI

implementation strengthens alignment between Islamic banking practices and maqasid targets. Alwi et al. found that VBI adoption improved transparency, stakeholder engagement, and moral performance among Malaysian Islamic banks (Alwi et al. 2021). The VBI Scorecard (BNM, 2022) similarly operationalizes these ideas via measurable signs that determine monetary, social, and environmental impacts (Malaysia 2022).

Parallel to VBI, the global financial system is increasingly adopting the Environmental, Social, and Governance (ESG) framework. ESG specializes in long-term sustainability, ethical management, and environmental responsibility. Students, including Gillan, Koch, and Starks, argue that ESG-related governance promotes responsible investment and complements institutional resilience (Gillan et al. 2021). In Islamic finance, ESG integration is frequently framed as complementary to maqasid. Ma'arif et al. developed a Maqasid–ESG-integrated measurement framework, demonstrating that integrating spiritual, social, and environmental indicators enhances the comprehensiveness of performance assessment (Ma'arif et al. 2025). Darmawan and Fasa similarly argue that maqasid-based sustainability ensures harmony between monetary targets and ethical stewardship (Darmawan & Fasa 2020).

Despite these tendencies, the literature lacks a unified model that integrates maqasid, VBI, and ESG right into a cohesive governance architecture. Most studies examine these components one after the other, thereby highlighting an essential conceptual gap that the prevailing view addresses.

4. Virtual Governance and Moral Monetary Innovation

Digital transformation has become a defining characteristic of cutting-edge financial systems. Technology based on artificial intelligence (AI), blockchain, and fintech is reshaping how monetary transactions are conducted and monitored. The digitalization of banking introduces opportunities for efficiency and inclusion, but also raises ethical issues related to privacy, algorithmic fairness, cybersecurity, and financial exclusion. Islamic finance students argue that maqasid concepts can guide the ethical use of virtual technology by emphasizing transparency, justice, and integrity in statistical analysis. Karim, Laldin & Furqani recommend maqasid-based evaluation standards for monetary innovation, noting that technology must decorate now not undermine public welfare (Karim et al. 2016).

Abdullah and Hassan spotlight the governance challenges posed by Islamic digital banking, emphasizing the need for Shariah-compliant virtual auditing tools, AI ethics frameworks, and blockchain-based transparency mechanisms (Abdullah & Hassan

2023). In the meantime, international policy institutions, including the OECD, argue that moral digital governance requires ideas of duty, explainability, and stakeholder protection principles that resonate strongly with maqasid (OECD 2023). However, the literature remains fragmented. While studies examine the relevance of maqasid for virtual ethics, they fall short of providing a comprehensive governance framework that integrates ethical principles with technological systems. This hole highlights the need for a robust framework consisting of the MBGF to guide ethical virtual transformation in Islamic banking.

METHOD

This study adopts a qualitative conceptual study layout aimed at developing an inclusive governance framework for Islamic banking. The qualitative conceptual method is appropriate because the goal of the research is to reinterpret classical Islamic jurisprudence, examine present-day contemporary governance frameworks, and synthesize multiple theoretical domains into a unified framework. Creswell explains that qualitative conceptual studies prioritize interpretive reasoning and theoretical knowledge rather than empirical speculation testing, making them suitable for building governance frameworks (Creswell 2014). The methodological basis follows the taḥlīlī–taqrīrī tradition, in which the taḥlīlī stage includes an analytical examination of the sources and the taqrīrī stage involves reconstructing these analyses right into a coherent theoretical framework. Jabnoun notes that this approach allows classical Islamic principles to be reformulated into modern-day governance structures without losing their normative essence (Jabnoun 2012).

1. Scope And Items Of The Study

The scope of this study encompasses the philosophical foundations of maqasid al-shariah, institutional governance structures in Islamic banking, sustainability frameworks, including VBI and ESG, and emerging digital governance ideas associated with fintech, blockchain, and synthetic intelligence. The object of evaluation is the governance system inside Islamic banking institutions, especially how maqasid-based ethics can guide sustainability and digital transformation. Regulatory sources, including DSN-MUI resolutions and AAOIFI Shariah standards, are incorporated to ensure that the proposed framework conforms to established Islamic criminal law norms (DSN-MUI 2000). Those resources also assist in contextualizing modern troubles, which include virtual contracts, algorithmic Equity, and the ethical use of rising technologies.

2. Information Assets

facts on this examine are drawn from classical Islamic jurisprudence, modern scholarly literature, and formal institutional documents. The classical assets consist of Al-Ghazali's Al-Mustasfa and Al-Shatibi's Al-Muwafaqat, which serve as primary references for the know-how of maqasid al-shariah and its moral implications (Al-Ghazali 1993). modern-day resources include works by Chapra, Dusuki, Bouheraoua, Laldin, Furqani, and Asutay, who reinterpret maqasid ideas in the context of modern-day governance and Islamic economics (Chapra 2000; Dusuki & Bouheraoua 2011; Asutay 2012; Laldin & Furqani 2016). Institutional sources include Bank Negara Malaysia's VBI framework, the o.k. Sustainable Finance Roadmap, OECD digital governance concepts, and DSN-MUI fatwas relating to finance and digital transactions (Malaysia 2017; OJK 2021; OECD 2023). Those files offer realistic insights into how ethical concepts can be operationalized in current financial institutions.

3. Records Collection Techniques

facts are gathered through record evaluation, a qualitative approach that entails systematic review, interpretation, and categorization of textual materials. Bowen explains that document analysis is an powerful method to identifying styles and conceptual relationships across various texts, mainly when the purpose is to build principle as opposed to take a look at hypotheses (Bowen 2009). on this study, classical jurisprudential texts were interpreted contextually, at the same time as modern regulatory and academic documents were analyzed to extract relevant governance issues, sustainability ideas, and virtual ethics requirements.

4. Operational Definition Of Variables

When you consider that this study is conceptual, the variables are described as thematic constructs instead of measurable empirical indicators. Maqasid al-shariah is defined as the moral foundation, along with the preservation of faith, existence, intellect, progeny, and wealth. Institutional governance encompasses transparency, accountability, Shariah oversight, management, and risk governance. VBI and ESG constitute sustainability-oriented frameworks that emphasize environmental responsibility, stakeholder interests, and ethical governance. Digital governance encompasses AI ethics, data privacy, blockchain transparency, cybersecurity, and equitable access to the virtual world. Those constructs guide the improvement of the Maqasid-based Governance Framework (MBGF).

5. Records Evaluation Technique

Information analysis is carried out through thematic synthesis, which identifies recurring ideas throughout textual assets and integrates them into a coherent theoretical framework. Braun and Clarke describe thematic synthesis as a method capable of bridging classical and cutting-edge views by revealing conceptual alignments and tensions (Braun & Clarke 2006). through this technique, the ethical foundations of maqasid, the operational logic of VBI and ESG, and the normative demands of digital governance are blended to formulate the MBGF offered in the next phase.

RESULT AND DISCUSSION

This segment presents the study's central findings, resulting from an in-depth conceptual evaluation of classical Islamic jurisprudence, cutting-edge governance frameworks, sustainability standards, and ethical digital transformation. As the study adopts a qualitative conceptual methodology, the findings describe a theoretical version, the Maqasid-based Governance Framework (MBGF) built through thematic synthesis and interpretive reasoning. The dialogue elaborates on these findings across four included domain names: reinterpreting maqasid as the moral basis of Governance, integrating VBI and ESG as institutional mechanisms, embedding digital Governance within Islamic monetary ethics, and articulating the institutional and coverage implications of the proposed version. These domain names, together, monitor how Islamic banking can transition from a compliance-oriented approach to a fee-driven, ethically grounded governance structure.

1. Reinterpreting Maqasid as the ethical basis of Governance

The primary aim of this study is to demonstrate that maqasid al-shariah provides a robust ethical and philosophical basis for redefining Governance in Islamic banking. Through an in-depth review of classical sources, in particular Al-Ghazali's Al-Mustasfa and Al-Shatibi's Al-Muwafaqat, it will become evident that maqasid articulates the overarching motive of Islamic law, the attainment of human properly-being (maslahah) (Al-Ghazali 1993). Al-Ghazali identifies five vital values protection of religion, lifestyles, mind, progeny, and wealth as the pillars that support the stability of society. Those pillars shape not only moral hints but also standards that can be operationalized within organizational Governance.

The evaluation shows that every maqasid size corresponds with contemporary governance requirements. The safety of religion (hifz al-din) aligns with institutional

integrity, ethical management, and the avoidance of misleading monetary practices. The protection of lifestyles (hifz al-nafs) aligns with purchaser protection, financial protection, and policies that prevent exploitation. The protection of intellect (hifz al-'aql) reflects the need for knowledgeable choice-making, transparency, and the cultivation of knowledge-based Governance. The safety of progeny (hifz al-nasl) ties directly to environmental sustainability and intergenerational welfare. Ultimately, the protection of wealth (hifz al-mal) corresponds to control over chance, responsibility, and fairness in contracts (Al-Shatibi 1997).

These linkages reveal that maqasid is not merely a set of moral beliefs but a governance compass that guides institutional conduct. This view resonates with Chapra's emphasis that Governance in an Islamic economic system should ensure justice, balance, and social welfare rather than merely profitability (Chapra 2008). through this reinterpretation, they have a look at identifying maqasid as a dynamic moral foundation able to anchor all governance additives within Islamic banking.

2. Integrating VBI and ESG as Institutional Governance Mechanisms

The second key finding is that cost-based Intermediation (VBI) and the Environmental, Social and Governance (ESG) framework serve as effective mechanisms for institutionalizing maqasid-driven Governance. A close examination of VBI documents indicates that the Negara Malaysia financial institution found that the framework promotes price creation, accountable financing, network empowerment, and environmental stewardship (Malaysia 2017). Those factors shape the ethical aspirations articulated within the maqasid way of life. The study found that VBI operationalizes maqasid through governance indicators, making moral values measurable and actionable.

Empirical studies assist this alignment. Alwi and colleagues demonstrate that banks that implement VBI display greater transparency, improved social reporting, and greater alignment with Shariah-based values (Alwi et al. 2021). This shows that VBI is not the simplest, theoretically well-suited with maqasid, but practically influential in institutional reform. The analysis of ESG standards reveals a similar synergy. The ESG framework has become an international benchmark for assessing institutional sustainability. Studies by Gillan, Koch, and Starks suggest that firms with stronger ESG practices enjoy greater resilience, long-term stability, and stakeholder trust (Gillan et al. 2021). Those effects correspond with maqasid ideas, which include justice, stewardship, and social welfare.

A synthesis of maqasid, VBI, and ESG shows that they may be complementary. Maqasid provides the philosophical basis; VBI provides the governance architecture;

and ESG provides measurable sustainability indicators. This relationship is illustrated in the following Table derived from the study's analysis:

Table 1. Synthesis of Maqasid, VBI, and ESG Dimensions

Dimension	Maqasid al-Shariah	VBI	ESG
Ethical Values	Justice, trustworthiness	Ethical governance	Governance integrity
Social Outcomes	Public welfare, equity	Community empowerment	Social responsibility
Environmental Care	Intergenerational sustainability	Sustainable financing	Environmental protection
Institutional Structure	Protection of wealth	Risk governance	Governance disclosure

Source: Researcher's synthesis based on Al-Ghazali (1993); BNM (2017); Gillan et al. (2021).

3. Embedding ethical digital Governance inside Islamic financial Ethics

The third predominant finding concerns the position of virtual governance as an essential issue of Islamic banking within the technology of technological transformation. The analysis shows that advances in fintech, blockchain, machine learning, and digital banking have reshaped financial behavior by increasing efficiency and expanding economic inclusion. However, these technologies additionally introduce ethical risks, including data breaches, privacy violations, algorithmic bias, unfair virtual profiling, and cybersecurity threats (OECD 2023). The conceptual synthesis is famous for offering a set of ethical ideas capable of guiding virtual transformation. For instance, the principle of hifz al-nafs corresponds to data protection and user protection; hifz al-'aql ensures transparency in AI decision-making systems; hifz al-mal calls for secure virtual transactions and the mitigation of virtual fraud; and hifz al-nasl promotes sustainable technological use. These alignments imply that virtual ethics can be grounded in classical Islamic targets.

Recent scholarship supports this integration. Abdullah and Hassan argue that Islamic banks ought to adopt Shariah-compliant digital auditing tools, AI ethics principles, and blockchain-based verification systems to maintain trust and transparency (Abdullah & Hassan 2023). Similarly, OECD pointers emphasize duty, transparency, and fairness as foundational concepts for moral digital governance—values that carefully parallel maqasid (OECD 2023). The studies consequently conclude that digital governance is not a separate or non-obligatory component of contemporary

Islamic finance, but an important pillar of the MBGF model. Through ethical virtual governance, Islamic banks can ensure that technological improvements bolster Shariah-based values rather than weaken them.

4. Coverage and Institutional Implications of the Maqasid-primarily based Governance Framework

The most important finding of this study is the components of the Maqasid-based Governance Framework (MBGF), which integrates moral foundations, institutional governance mechanisms, sustainability frameworks, and digital ethics. The MBGF consists of 4 interrelated layers: (1) foundational maqasid values, (2) institutional governance primarily based on VBI, (3) sustainability signs derived from ESG, and (four) moral virtual governance structures. The evaluation of those additives highlights numerous essential implications.

From a regulatory perspective, the MBGF offers a structured model that supervisory authorities, including Bank Negara Malaysia, can use to strengthen governance requirements for Islamic banks. Maqasid-based indicators, including the Maqasid Performance Index (MPI), may be incorporated into regulatory audits to ensure that banks uphold moral and sustainability commitments (Ma'arif et al. 2025). The framework additionally aligns with worldwide developments towards accountable finance, allowing Islamic banks to meet both Shariah and international expectations.

From an institutional perspective, the MBGF equips Islamic banks with a governance blueprint that balances profitability with ethical and social impact. Rahman and Haron emphasize that Islamic banks with robust Shariah governance tend to exhibit higher financial efficiency and greater stakeholder acceptance (Rahman & Haron 2019). The integration of ESG similarly enhances marketplace competitiveness and appeals to ethically-aware buyers. From a societal perspective, the MBGF can bolster public confidence in Islamic banking by demonstrating that the enterprise prioritizes justice, transparency, sustainability, and digital integrity. By measuring institutional behavior through moral and sustainable indicators, Islamic banks can position themselves as leaders in global moral finance.

In summary, the findings of this look at show that maqasid al-shariah provides a robust ethical foundation for Islamic governance, VBI and ESG offer operational systems and sustainability indicators, and virtual governance ensures technological integrity. Together, these elements shape a holistic version able to remodel the governance landscape of Islamic banking.

CONCLUSION

This examines the development of a comprehensive Maqasid-based Governance Framework (MBGF) that integrates the moral foundations of maqasid al-shariah, the institutional mechanisms of price-based Intermediation (VBI), the sustainability indicators of Environmental, Social and Governance (ESG), and the ethical imperatives of virtual governance. Through a qualitative conceptual evaluation of classical jurisprudential texts, current scholarship, regulatory files, and digital governance principles, the examination identifies that maqasid provides a robust moral compass capable of guiding Islamic banking toward justice, responsibility, transparency, environmental obligations, and social welfare.

The findings reveal that maqasid now serve not only as a set of normative values but also as an operational framework for governance, aligned with mechanisms such as VBI and ESG. VBI offers institutional guidance that translates ethical commitments into actionable governance practices, while ESG provides measurable sustainability indicators that strengthen long-term resilience and international competitiveness. The examination also unearths that digital governance has become an essential aspect of present-day Islamic finance. By embedding moral principles such as Equity, data protection, transparency, and technological integrity, the MBGF ensures that virtual transformation serves Shariah targets rather than undermining them.

Taken together, those components form a multi-layered governance structure that enables Islamic banks to shift from compliance-oriented operations to fee-driven, ethically focused institutions. The MBGF contributes via reconceptualizing maqasid as a holistic governance paradigm, conceptually by integrating sustainability and digital ethics into Islamic finance, and practically by providing regulators and institutions a strategic blueprint for enforcing ethical and sustainable governance.

In the end, the study affirms that Islamic banking can acquire greater legitimacy, societal acceptance, and worldwide relevance while its governance structures embody the best objectives of Shariah. The MBGF provides a comprehensive framework that guides institutions toward moral excellence, sustainable impact, and responsible virtual innovation in an ever-more complex financial landscape.

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