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Operationalizing Maqāṣid al-Sharīʿah in Islamic Finance: Pathways to Poverty Alleviation and Sustainable Development

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Abstract

This article examines how maqāṣid al-sharīʿah (the higher objectives of Islamic law) can be operationalized within Islamic finance to advance poverty alleviation and sustainable development. While existing s cholarship extensively theorizes maqāṣid compliance, it remains largely normative and offers limited empirical guidance on how Islamic financial instruments translate maqāṣid principles into measurable socio-economic outcomes. Drawing on the classical frameworks of al-Ghazālī and al-Shāṭibī and engaging contemporary development policy discourse, the study analyzes how the five maqāṣid protection of religion, life, intellect, lineage, and property can inform ethical and impact-oriented financial reform. Methodologically, the study adopts a qualitative integrative approach combining doctrinal legal analysis, policy review, and comparative case studies of Islamic finance practices in Malaysia, Ethiopia, and Indonesia, with data drawn from statutes, regulatory frameworks, institutional reports, and scholarly literature, analyzed through thematic and comparative techniques. The findings indicate that (i) zakāt and waqf schemes contribute to the protection of life and intellect through access to health care and education, (ii) takaful mechanisms strengthen lineage and social security by mitigating household vulnerability, and (iii) maqāṣid-oriented microfinance enhances protection of property by promoting equitable wealth circulation. The article contributes original value by moving beyond formal Sharīʿah compliance to propose a maqāṣid-based evaluative lens that links Islamic financial governance to concrete development outcomes, positioning Islamic finance as a viable framework for justice-centered and sustainable economic transformation.

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INTRODUCTION

Global economic systems have repeatedly experienced crises, increasing inequality, and moral decay in spite of record wealth accumulation.(Chisadza & Yitbarek, 2024) Wars, political unrest, and the COVID-19 pandemic have exacerbated poverty and environmental degradation globally.(Baek & Shi, 2016) For example, in 2022, about 9% of the global population (approximately 713 million people) lived on less than US$2.15 per day, an estimate which is anticipated to decrease slightly to 692 million by 2024. Worryingly, almost half of all people who live in extreme poverty reside in Muslim countries: Muslims, who comprise approximately 20% of the global population, are responsible for one in five people living in extreme poverty.(Çetin dişad tülgen, 2019) Such disparity continues to exist despite Muslim nations possessing approximately 70% of the world's natural resources.(C. Ibrahim, 2022) Traditional development frameworks, primarily market-driven and hierarchical, have been unable to stem these issues.(Pandian, 2024)

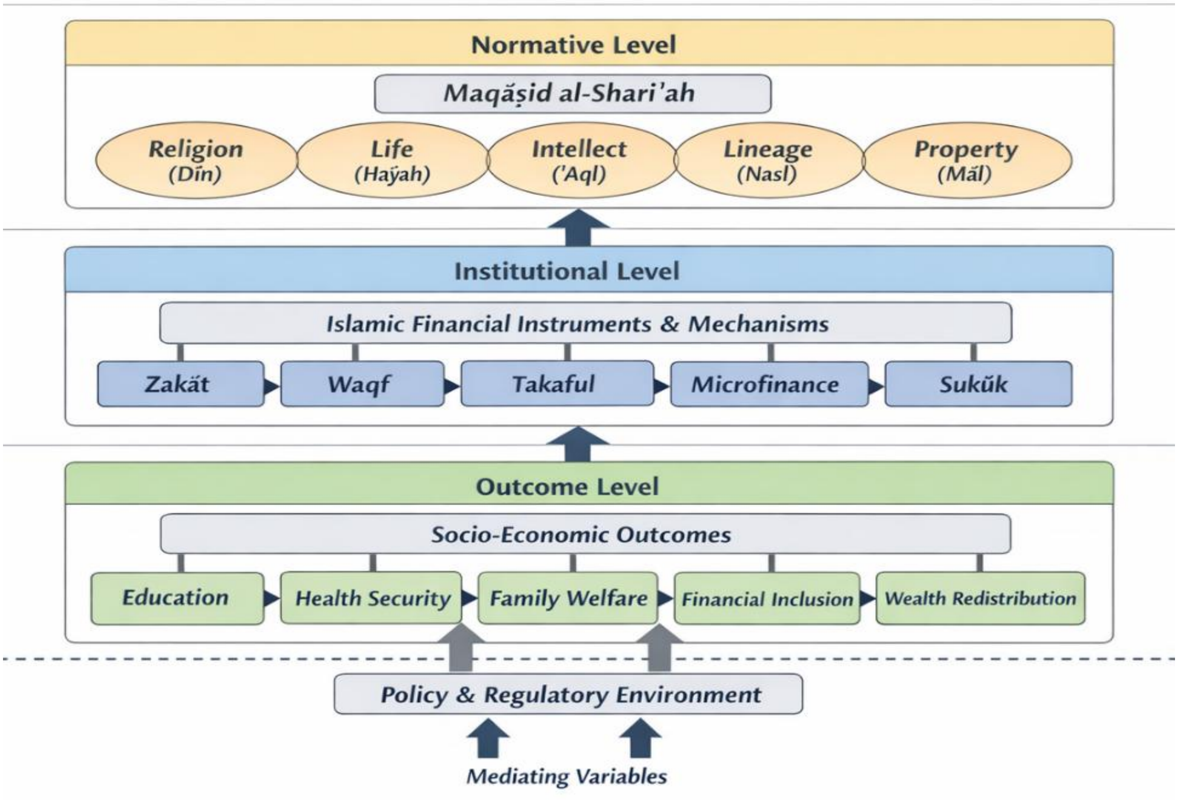
The United Nations calculates that the realization of world poverty targets will cost tens of billions of dollars in annual funding, but that is a mere fraction of developed world incomes. Islamic finance was intended to offer a moral alternative, grounded in the maqāṣid al-sharīʿah – the higher objectives of Islamic law.(Tung et al., 2020) These purposes (ḥifẓ ad-dīn, an-nafs, al-ʿaql, an-nasl, al-māl) translate Sharīʿah goals into safeguarding religion, life, intellect, lineage, and property(Pg Mohd Faezul Fikri & Mohd Nur Hidayat Hasbollah, 2023) in theory; economic institutions and agreements must serve these purposes, rather than just keep out illicit considerations.(Nguyen, 2025) But some foundational weaknesses characterize current studies and practice. First, much scholarly writing is still abstract or indexical, lacking concrete models for restructuring finance along maqāṣid lines(Suliswanto et al., 2024) Second, Islamic finance has too often been overly legalistic: obsessed with contract form and Shariʿah compliance (ḥalāl/harām) at the expense of socio-economic impact Critics argue that this "mere compliance" approach yields little actual change one writer estimates it makes "no significant changes in financial objectives" and "distracts us from values and principles", making IFIs just as vulnerable to crises as conventional banks Third, Muslim policymakers' poverty reduction initiatives have at times neglected Islam's holistic worldview. Current literature finds that many Muslim scholars adopt external, top-down poverty frameworks that neglect the faith-based material-spiritual poverty relationship, resulting in ineffective programs.(Kasri, 2017)

However, while Islamic finance has such noble ambitions, its modern practice is beset by fundamental flaws.(Wen et al., 2024) Most Islamic financial institutions are focused on legalistic compliance, sometimes boiled down to ḥalāl/ḥarām dichotomies, at the expense of socio-economic substance.(van der Hoeven, 2019) Thus, they end up reproducing conventional banking's structural failures without promoting financial justice. scholars have criticized this path as a shift from substance to form, reducing Islamic finance to the approval of contracts alone without its ethical content.(Nguyen, 2024) Poverty alleviation efforts in Muslim countries, meanwhile, have pursued secular, top-down policies that neglect Islam's holistic vision of human dignity and spiritual-material balance.

This study addresses this pressing need by examining how maqāṣid al-sharīʿah can be translated into a workable and ethical financial policy agenda. It is a response to the insistent call to re-engineer Islamic finance as not merely compliant, but transformative, and capable of advancing poverty alleviation, socio-economic justice, and sustainable development in line with Islamic values. The study asks the following question: In what ways may maqāṣid al-sharīʿah principles inform an ethical restructuring of economic systems, specifically in Islamic finance policy toward poverty alleviation? We attempt to connect normative theory and applied policy by making maqāṣid operational in finance. Our contribution is twofold: (1) we synthesize classical juristic theory and contemporary maqāṣid discourse into a coherent policy framework, and (2) we delineate pragmatic policy levers and examples where this framework can alleviate poverty. Unlike existing work that tends to balance all maqāṣid on the same footing or treats them at an abstract level, we prioritize their application and hierarchical ranking. This paper thus lays the foundations for value-driven economic reform, beyond purpose rules**.**

This study extends maqāṣid al-sharīʿah theory by shifting it from a primarily normative or index-based evaluative framework toward a policy-operational model, demonstrating how the hierarchical application of the five maqāṣid can guide concrete financial governance choices, regulatory design, and development prioritization within Islamic finance systems

Figure 1. Maqāṣid-Based Islamic Finance Policy Model for Poverty Alleviation



Source: processed by the author

The model conceptualizes maqāṣid al-sharīʿah as a multi-layered policy framework linking Islamic legal objectives to financial instruments and development outcomes. At the normative level, the five maqāṣid provide ethical and jurisprudential direction. At the institutional level, Islamic financial instruments (zakāt, waqf, takaful, microfinance, sukūk) operationalize these objectives through regulatory and governance mechanisms. At the outcome level, the framework connects financial practice to measurable socio-economic domains, including education, health security, family welfare, financial inclusion, and wealth redistribution. Policy and regulatory environments act as mediating variables that determine the depth and coherence of maqāṣid realization across jurisdictions.

RESEARCH METHOD

This study adopts a qualitative doctrinal research methodology complemented by policy and comparative analysis to examine how maqāṣid al-sharīʿah can guide Islamic finance toward poverty alleviation and sustainable development. Doctrinal analysis is employed to establish the normative foundations of maqāṣid al-sharīʿah through classical legal texts, while contemporary policy analysis is used to assess institutional implementation within modern Islamic finance systems.

Data Collection.

Primary data sources consist of classical Islamic legal works by al-Ghazālī and al-Shāṭibī, which provide the foundational articulation of the five maqāṣid. Secondary data were collected through a systematic review of peer-reviewed academic literature, statutory and regulatory instruments, policy frameworks, and official institutional reports related to Islamic finance and Islamic social finance mechanisms. Institutional data include publicly available documents issued by central banks, Islamic financial regulators, zakāt and waqf authorities, and recognized Islamic finance institutions. Only sources with clear authorship, institutional credibility, and relevance to maqāṣid-based finance were included.

Analytical Approach.

The collected materials were analyzed using qualitative thematic analysis. Textual sources were first subjected to content analysis to identify explicit references to maqāṣid al-sharīʿah, social justice, poverty alleviation, and ethical finance. These references were then coded according to the five maqāṣid religion, life, intellect, lineage, and property. Financial instruments such as zakāt, waqf, takaful, and Islamic microfinance were examined through this coding framework to assess how their stated objectives, regulatory structures, and operational practices correspond to specific maqāṣid. Comparative thematic analysis was subsequently applied across jurisdictions to identify convergences and divergences in maqāṣid implementation.

Temporal Scope (2015–2025).

The 2015–2025 timeframe was selected for three methodological reasons. First, it coincides with the adoption of the United Nations Sustainable Development Goals, which significantly shaped global development discourse and influenced Islamic finance policy narratives. Second, this period marks the institutionalization of maqāṣid-oriented frameworks in Islamic finance, including value-based and impact-oriented regulatory initiatives. Third, focusing on this decade allows the study to capture recent regulatory reforms, technological developments (such as digital zakāt and waqf platforms), and post-financial-crisis policy shifts while avoiding outdated institutional models.

Case Study Selection Criteria.

Malaysia, Ethiopia, and Indonesia were selected through purposive case selection based on four criteria: (i) formal recognition of Islamic finance within national legal or regulatory frameworks; (ii) documented policy initiatives explicitly linking Islamic finance to social welfare or development objectives; (iii) diversity in socio-economic and legal contexts to allow comparative insight across Southeast Asia and Africa; and (iv) availability of credible institutional documentation. Malaysia was included due to its structured value-based intermediation framework; Indonesia for its regulatory integration of digital zakāt and waqf within national financial systems; and Ethiopia for its emerging Islamic microfinance initiatives in a low-income development context. Jurisdictions lacking formal regulatory recognition of Islamic finance or sufficient public documentation were excluded to maintain analytical consistency and verifiability. Through this integrated methodological framework, the study evaluates both formal Sharīʿah compliance and broader development impact, enabling a structured assessment of how maqāṣid al-sharīʿah can bridge Islamic jurisprudence and socio-economic transformation.

RESULT AND DISCUSSION

Analytical Framework for Maqāṣid-Based Evaluation

Rather than re-describing each maqāṣid normatively, this section applies the five maqāṣid as analytical categories for evaluating how Islamic financial instruments are operationalized within institutional and policy contexts.(Alam et al., 2023) Each maqṣad is therefore examined not in isolation, but in terms of (i) the specific financial mechanisms it prioritizes, (ii) the regulatory and institutional conditions enabling its realization, and (iii) comparative policy outcomes across jurisdictions.

Table 1. Maqāṣid objectives and corresponding ethical finance policies

Maqāṣid Objective	Ethical Imperative	Policy/Application Examples
Ḥifẓ ad-Dīn (Preserve Religion/Values)	*Uphold Islamic ethical values in finance; promote social solidarity and trust.*	Mosque/educational financing (via waqf), screening on ethical grounds (excluding legality), community-based loans (qard al-ḥasan), corporate zakāt programs.
Ḥifẓ an-Nafs (Preserve Life)	*Ensure basic living standards; provide social safety and health security.*	Agricultural/medical Takaful/micro-takaful, emergency microcredits (laman kārāmat al-nafs), poverty-targeted health funds, climate resilience finance.
Ḥifẓ al-'Aql (Preserve Intellect)	*Promote education, innovation, and informed financial decision-making.*	Waqf of schools/madrasas and student loans to finance education, education for entrepreneurship, computer education programs, and prohibition of financing detrimental businesses (e.g., intoxicants).
Ḥifẓ an-Nasl (Preserve Lineage)	*Support family stability, reproduction, and social welfare.*	Marital home mortgage programs, wedding loans/waqf, children and orphan welfare trusts (waqf), mother and child healthcare financing
Ḥifẓ al-Māl (Preserve Wealth)	*Protect property rights, distribute wealth equitably, and prevent poverty.*	Zakat mobilization and productive schemes of distribution, microfinance and risk-sharing (mushārkah/mudārabah), prohibition of riba (interest), inclusive banking, and anti-hoarding tax

Source processed by Author 8/05/2025

1. **Preservation of Wealth (Ḥifẓ al-Māl)**

Within the maqāṣid framework, ḥifẓ al-māl operates as the principal economic conduit for poverty alleviation, as it governs both wealth circulation and access to productive capital. In contrast to compliance-oriented finance, a maqāṣid-based approach evaluates zakāt, waqf, and Islamic microfinance according to their capacity to redistribute resources, expand ownership opportunities, and prevent wealth concentration. Comparative analysis shows that Malaysia's centralized value-based intermediation embeds these objectives institutionally, while Indonesia’s decentralized zakāt and waqf systems yield uneven outcomes, and Ethiopia’s Islamic microfinance initiatives advance property protection primarily at the micro level under constrained regulatory support.

The authors merely invite policymakers to facilitate such IFIs with regulation and special programs: "The government's role in serving the community's interest through financial inclusion… enhances the effectiveness of Islamic microfinance operations in the poverty eradication process."(Syahrul Hidayat et al., 2023) By merely designing financial products with partnership and social returns in view, IFIs can keep money in by elevating communities out of poverty. According to the maqāṣid priority, taxation and investment must be more pro-poor. The OECD underlines that the Islamic finance sector, with assets worth about US$2.5 trillion, is comparatively underdeveloped.(OECD, 2020) Part of these funds is channeled into SDGs as envisaged through coordination between donors and Islamic banks. Sovereign sukūk, for instance, can be employed to invest in the social infrastructure and housing of poor regions. These products would reflect private banks' "triple bottom line" inclination. Malaysia's Value-Based Intermediation (VBI) model, launched in 2017, is an example: it urges Islamic banks to go beyond profit to deliver also "People, Profit, and Planet."(Ahmad Yani et al., 2020) VBI attempts to bring banking into harmony with ḥifẓ al-mal (fair wealth) and other maqāṣid by championing products creating value for society. For, as has been quoted by one central banker, "Business has to be operated at a profit… but if one tries to conduct a business only for profit and not at all of service to the community, then… it doesn't have any reason for being." This ethos puts Islamic finance squarely in accordance with ethical resource allocation and poverty alleviation.

2. Preservation of Life (Ḥifẓ an-Nafs)

From a maqāṣid perspective, ḥifẓ an-nafs directs Islamic finance toward risk mitigation and social protection rather than profit maximization. Instruments such as takaful and qard al-ḥasan are analytically relevant not because they are ethically permissible, but because they function as mechanisms for absorbing health, livelihood, and environmental shocks that would otherwise deepen poverty. Cross-country comparison indicates that takaful schemes are most effective where regulatory support and subsidies exist (as in Malaysia and parts of Indonesia), whereas in low-income contexts such as Ethiopia, informal and micro-level protections dominate due to limited institutional capacity.

Takaful (Islamic insurance) schemes, for example, would provide cover based on the society for medical bills, agriculture (crop insurance), and catastrophes that would otherwise leave families in poverty.(N. Ibrahim & Markom, 2024) Even though takaful is still in its nascent stages in most markets, there are schemes (micro-takaful in Bangladesh, e.g., or in Indonesia) that have succeeded in covering medical or agriculture-related emergencies for the poor. Governments and banks will subsidize the adoption of takaful or force cover in strategic industries. Another application is an interest-free loan for emergency (qard al-ḥasan) with health and life milestones (for illness, death, etc.). The presence of qard al-Ḥasan funds specifically reserved (perhaps under waqf or zakat returns) ensures that individuals who are trapped by medical bills will not be pushed into debt. Islamic finance institutions like the Islamic Development Bank foster health and farming lending in that direction. Macroeconomically, investment eschews fatal industries and likewise supports ḥifẓ an-nafs: banks will refuse lending to the arms or tobacco industry.(Sadiq, 2015) Emerging world problems place into relief ḥifẓ an-nafs: half a million persons may perish in the developing world alone as a result of climate change between now and 2030. In response to that, some champions of Islamic finance link maqāṣid with sustainability aims. The OECD report specifically mentions that Islamic finance for SDGs will be capable of creating a "more equitable and stable development finance order" saving lives and eradicating poverty in reality, it might mean green sukūk for clean water or adaptation to climate change in poor communities, bridging ends of saving lives with Islamic social finance.(Mohd Zain et al., 2024)

3. Preservation of Intellect (Ḥifẓ al-'Aql)

In operational terms, ḥifẓ al-'aql reframes Islamic finance as an investment in human capital rather than a neutral intermediary of funds. Financial instruments linked to education such as waqf-funded schooling, Sharīʿah-compliant student financing, and financial literacy requirements embedded within Islamic microfinance translate this maqṣad into long-term poverty reduction strategies.(Khan & Khan, 2018) Comparative experience illustrates divergent implementation pathways: Malaysia institutionalizes educational waqf through formal governance arrangements, including university-linked waqf structures.(Razak & Dawami, 2020a) Indonesia increasingly relies on digital platforms to expand access with uneven regional outcomes, while Ethiopia's application remains largely confined to basic literacy and enterprise skills within microfinance programs. From a regulatory perspective, policies requiring Islamic financial institutions to allocate resources toward education and skills development further operationalize ḥifẓ al-'aql and align Islamic finance with broader development objectives, including SDG-4.(Lahuri & Lutfiah, 2024)

4. Preservation of Lineage (Ḥifẓ an-Nasl)

Ḥifẓ an-nasl, when applied to financial policy, emphasizes household stability and intergenerational security as development priorities. Rather than listing welfare instruments, this study evaluates how Islamic finance supports family resilience through housing finance, social waqf, and zakāt allocations targeted at dependents. Comparative insights reveal that jurisdictions with integrated social finance systems (notably Malaysia) are better positioned to institutionalize family-centered support, whereas decentralized or emerging systems (Indonesia and Ethiopia) rely more heavily on fragmented or community-based mechanisms. Islamic microcredit, under the proper regulatory framework, prevents families from falling into debt. The Ethiopia paper also identified that smaller household size and managed income favorably influence poverty outcomes and hinted that family planning support (for example, by way of microinsurance for health, child stipends) aligns with lineage welfare. Practically speaking, ḥifẓ an-nasl requires an economy that can help families succeed rather than succumb to budget strain.

5. **Preservation of Religion and Values (Ḥifẓ ad-Dīn)**

Applied institutionally, ḥifẓ ad-dīn functions less as a theological abstraction and more as a governance principle that anchors financial activity in accountability, transparency, and social responsibility. Policies such as corporate zakāt enforcement, impact reporting, and value-based intermediation translate religious values into regulatory expectations. The Malaysian Value-Based Intermediation (VBI) framework exemplifies this approach by embedding ethical purpose into banking supervision, whereas other jurisdictions exhibit weaker enforcement capacity, limiting the maqāṣid impact of formally Sharīʿah-compliant institutions.(Abubakar 2025), .

The Value-Based Intermediation framework for Malaysia officially requires "values and consciousness"(Razak & Dawami, 2020b) as well as contractual validity, an expression of maqāṣid. As Asutay (2025) describes it, the objective is a "moral political economy" in which "mutuality and solidarity are considered to be indispensable pillars." In this conceptualization, the raison d'être of an Islamic bank is "rescuing humans, the environment, and land/water," an" all-encompassing mandate taken from Shariah ethics. In practice, this broader objective supports poverty alleviation by affecting institutional mandates.(Abubakar MJ & Bello, 2025) For instance, charity Shariah boards (like Pakistan's state zakat councils) are responsible for controlling the distribution of zakāt to the needy in a manner that aligns with religion and welfare goals. Microfinance and micro-takaful have been included in the rural development packages of some Islamic countries and offered as religious duties of social conscience.(Khaleequzzaman, 2020) At the international level, organizations like the Islamic Financial Services Board (IFSB) and Islamic Development Bank have begun invoking maqāṣid and SDGs simultaneously, urging member states to coordinate goals. These policy signals confirm that ḥifẓ ad-dīn, instead of being nonmaterial, can guide material poverty policies when absorbed by regulators and communities.

Table 2. Comparative Implementation of Maqāṣid-Based Islamic Finance Across Selected Countries

Country	Key Instruments Used	Policy Integration Level	Maqāṣid Focused	Challenges Observed
Malaysia	Zakāt-linked VBI, green sukūk, waqf	High (central bank-led)	All five	Risk of profit-driven motives in VBI
Indonesia	Digital zakāt, waqf	Moderate (decentralized)	Life, Property	Fragmented regulation; local variation

	certification, micro-takaful			
Ethiopia	Islamic microfinance (qard al-ḥasan, mushārakah)	Low (pilot-level programs)	Property, Lineage	Limited funding; lack of formal inclusion
Bangladesh	Micro-takaful, fael khair zakāt waqf	Moderate (NGO-driven)	Life, Religion	Lack of sustainability, scale issues

Source: compiled by the Author based on Analysis

Table 2 indicates that Malaysia is at the forefront of implementing maqāṣid through centralized policies such as VBI and green sukūk, although social impact issues linger. Indonesia's digital zakāt and waqf initiatives are promising yet heterogeneous due to decentralized governance. Ethiopia implements Islamic microfinance at the grassroots level with an emphasis on property and lineage yet encounters funding and formal inclusion issues. Bangladesh depends on NGO-driven micro-takaful and zakāt-waqf initiatives, while sustainability and scale continue to be major hurdles.

Comparative Policy Insights Across Jurisdictions

The comparative analysis reveals that the effectiveness of maqāṣid-oriented Islamic finance is shaped less by the instruments themselves than by institutional integration and regulatory maturity. Malaysia demonstrates the strongest alignment across all five maqāṣid due to centralized regulatory coordination, particularly through Bank Negara Malaysia’s Value-Based Intermediation framework, which embeds social impact expectations within banking governance.(Abubakar Muhammad Jibril, 2025) Indonesia presents a hybrid model: while its digital zakāt and waqf initiatives show strong potential for advancing ḥifẓ an-nafs and ḥifẓ al-māl, decentralized governance produces uneven implementation across regions. Ethiopia, by contrast, illustrates how Islamic microfinance can advance ḥifẓ al-māl and ḥifẓ an-nasl at the grassroots level even in the absence of comprehensive national Islamic finance regulation, though scale and sustainability remain constrained. This comparison suggests that maqāṣid realization is contingent not only on Sharīʿah-compliant instruments, but on institutional embedding, regulatory support, and policy coherence.

Synthesis and Empirical Illustration

The integration of five maqāṣid dimensions provides a comprehensive framework of Islamic social finance that is development-driven and ethically guided. The scholars and practitioners increasingly acknowledge that Islamic financial tools like zakāt, waqf, sukūk, and microfinance are strongly suited to underpin Sustainable Development Goals (SDGs) like poverty alleviation, education, health, and economic inclusion.

Malaysia provides a good example: its inclusion of zakāt and waqf in formal social welfare institutions proves how institutional innovation can serve marginalized communities. Tunisia's Zitouna Tamkeen, an Islamic microfinance initiative, has also improved the living conditions of its clientele by expanding access to financial services to economically marginalized segments. In Ethiopia, the empirical results of Shikur and Akkas (2024) demonstrate that Islamic microfinance beneficiaries registered quantifiable advancement in income and education, definite markers of poverty reduction.(Ascarya & Suharto, 2021) At a policy level, the OECD (2020) summons using Islamic finance to achieve development objectives, referring to its potential for "a more equitable and stable development finance order." This is in line with the maqāṣid aspiration for justice, dignity, and welfare. Practice is uneven, however. Islamic banks continue to favor profitability over social outcomes in most instances, and zakāt agencies remain disconnected from formal financial networks, which reduces scale and efficiency. To summarize these challenges, institutional reform is necessary. Governments can institutionalize social impact disclosures for Islamic financial institutions, integrate zakāt systems in digital banking, and offer incentives to maqāṣid-based innovations. These interventions could potentially redirect Islamic finance from compliance-based practice to value-based and purpose-driven growth.(Dirie et al., 2023)

CONCLUSION

This study demonstrates that when operationalized systematically, maqāṣid al-sharīʿah can function as an integrated policy framework capable of reorienting Islamic finance toward poverty alleviation and sustainable development. The comparative analysis across Malaysia, Indonesia, Ethiopia, and Bangladesh shows that Islamic financial instruments generate meaningful social outcomes only when embedded within supportive regulatory and institutional environments. Zakāt and waqf are most effective as redistributive mechanisms under centralized governance, while takaful and Islamic microfinance contribute to livelihood security where risk-sharing and consumer protection frameworks are in place. Education-, health-, and family-oriented finance further emerge as critical channels through which human capital and intergenerational welfare are strengthened.

Contributions to the Study

Theoretical Contribution.

This study advances maqāṣid al-sharīʿah scholarship by reframing the five maqāṣid from abstract normative objectives into an operational policy architecture. Moving beyond index-based or purely jurisprudential approaches, it demonstrates how maqāṣid can be hierarchically applied to guide financial governance, regulatory design, and development prioritization. In doing so, the study bridges classical Islamic legal theory with contemporary political economy, offering a coherent framework that links ethical purpose to institutional practice.

Policy Contribution.

At the policy level, the findings show that maqāṣid realization depends more on institutional integration and regulatory capacity than on the mere availability of Sharīʿah-compliant instruments. Centralized frameworks such as Malaysia’s Value-Based Intermediation model exhibit stronger alignment between finance and social objectives than decentralized or pilot-level approaches observed elsewhere. The study thus provides policymakers with a clear rationale for integrating maqāṣid-based indicators into financial supervision, zakāt and waqf governance, and national development strategies, including coordination with international development agencies.

Practical Contribution.

Practically, the study identifies actionable pathways through which Islamic finance institutions can move beyond symbolic compliance toward measurable social impact. These include aligning zakāt and waqf deployment with poverty targeting, embedding social impact and transparency requirements within banking regulation, scaling micro-takaful and Islamic microfinance for vulnerable households, and designing family-supportive financial products that advance lineage protection and social stability. The proposed conceptual model offers practitioners a structured tool for aligning institutional mandates with ethical and developmental outcomes.

Research Gap and How Study Fills It

Existing literature on Islamic finance and poverty alleviation has largely remained either doctrinal, emphasizing Sharīʿah permissibility, or empirical, assessing isolated instruments without an integrative theoretical lens. This study fills that gap by providing a maqāṣid-based framework that systematically connects Islamic legal theory, institutional mechanisms, and development outcomes within a comparative policy context. By shifting the focus from formal compliance to purpose-driven governance, the study responds directly to calls for re-embedding Islamic finance within its ethical and social objectives.

Future Research Directions

Future research should empirically test the proposed framework through the development of quantitative maqāṣid-based indices capable of capturing both material and moral dimensions of development. Comparative and longitudinal studies across jurisdictions could assess how variations in regulatory maturity, governance models, and political economy influence maqāṣid realization over time. Further empirical work on emerging instruments such as climate-resilient Islamic finance, hybrid zakāt–sukūk structures, and digitally integrated waqf platforms would strengthen the evidence base for maqāṣid-oriented finance as a scalable development strategy.

Final Reflection

Maqāṣid al-sharīʿah should therefore be understood not merely as a moral compass but as a policy manual in action. By redirecting Islamic finance away from narrow legal formalism toward the higher objectives of justice, human dignity, and collective welfare, a maqāṣid-oriented approach positions Islamic finance as a credible driver of inclusive growth and poverty reduction one that speaks simultaneously to Islamic ethical commitments and universal development aspirations.

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