JFatwa ISSN: 2232-1047 eISSN: 0127-8886
Journal of Fatwa Management and Research
مجلة إدارة وبحوث الفتاوى | Jurnal Pengurusan dan Penyelidikan Fatwa

MAY 2026 | VOL. 31 | NO. 2
ISSN: 2232-1047 eISSN: 0127-8886
www.jfatwa.usim.edu.my

ARTIFICIAL INTELLIGENCE IN ISLAMIC FINANCE: AN OUTLOOK BASED ON MAQASID AL-SHARIAH

Muhammad Izzul Syahmi Zulkepli[1a*], Muhammad Safwan Harun,[2b] Muhammad Ikhlas Rosele,[3c] Suffian Haqiem Norazelan[4d] and Muhammad Hazim Mohd Azhar[5e*]

[a]Department of Shariah, Economics, and Governance, Academy of Islamic Studies, Universiti Malaya, 50603, Kuala Lumpur, MALAYSIA
E-mail: izzulsyahmi95@um.edu.my[1]
[b]Department of Fiqh – Usul and Applied Sciences, Academy of Islamic Studies, Universiti Malaya, 50603, Kuala Lumpur, MALAYSIA
E-mail: safone_15@um.edu.my[2]
[c]Department of Fiqh – Usul and Applied Sciences, Academy of Islamic Studies, Universiti Malaya, 50603, Kuala Lumpur, MALAYSIA
E-mail: ikhlas@um.edu.my[3]
[d]Department of Shariah, Economics, and Governance, Academy of Islamic Studies, Universiti Malaya, 50603, Kuala Lumpur, MALAYSIA
E-mail: suffianhaqiem@um.edu.my[4]
[e]Department of Usuluddin and Dakwah, Academy of Islamic Studies, Universiti Malaya, 50603, Kuala Lumpur, MALAYSIA
E-mail: hazim@um.edu.my[5]

*Corresponding Author: izzulsyahmi95@um.edu.my, hazim@um.edu.my
Received: 8 November 2025 *Accepted: 8 April 2026* *Published: 26 May 2026*
DOI: https://doi.org.10.33102/jfatwa.vol.31no2.780

ABSTRACT

The advancement of Artificial Intelligence (AI) has significantly influenced global financial systems, including the Islamic finance sector. AI technologies such as robo-advisors, RegTech, and automated Shariah screening systems have enhanced efficiency and decision-making. However, their application requires critical evaluation to ensure alignment with Islamic ethical and legal principles. Despite the growing adoption of AI in Islamic finance, limited studies have explored its implementation from the perspective of maqāṣid al-Sharī'ah (objectives of Islamic law). The absence of a clear ethical and jurisprudential framework raises concerns such as transparency, algorithmic bias, and Shariah compliance. This study aims to analyse the application of AI in Islamic finance from the perspective of maqāṣid al-Sharī'ah, and propose a maqāṣid-based strategy for AI operations in Islamic finance. This study employs a qualitative research design based on library and interpretive analysis of classical and contemporary Shariah texts, peer-reviewed academic literature, regulatory guidelines, and institutional governance frameworks related to Islamic finance and artificial intelligence. This study found that AI can support the realization of maqāṣid al-Sharī'ah by promoting transparency, justice, and public welfare in Islamic finance operations. Applications such as AI-driven credit scoring, robo-advisory services, and compliance automation contribute to financial inclusion, equitable wealth distribution, and risk mitigation. Nonetheless, ethical challenges such as privacy

violations, data misuse, and opacity in algorithmic decision-making must be carefully addressed to prevent contradictions with Shariah principles. This study contributes to the emerging discourse on ethical AI integration within Islamic finance by proposing a maqāṣid al-Sharī'ah-based evaluative framework. It highlights the importance of developing Shariah-oriented AI governance and ethical policies to guide Islamic financial institutions and regulators. The findings provide a foundation for future empirical research and policy formulation aimed at harmonizing technological innovation with Islamic ethical objectives.

***Keywords**: Artificial intelligence, Islamic finance, Maqāṣid al-Sharī'ah, Shariah compliance.*

1. INTRODUCTION

The advent of Artificial Intelligence (AI) as a central component of the Fourth Industrial Revolution has brought transformative changes to numerous sectors, including Islamic finance. AI has been applied in various domains such as robo-advisory services, risk analysis, and Shariah compliance automation, thereby enhancing the operational efficiency and transparency of Islamic financial institutions (Gazali et al., 2020). At the global level, AI adoption in the financial sectors has accelerated significantly, with McKinsey reporting that 92% of financial companies plan to increase their AI investments over the next three years, highlighting both rapid uptake and persistent governance and ethical challenges (McKinsey Global Institute, 2025).

In practice, Islamic financial institutions have begun deploying AI through applications such as Shariah-compliant robo-advisory platforms (e.g., Wahed Invest) (Shalhoob & Babiker, 2025), AI-powered chatbots for customer engagement and Shariah queries (e.g., Bank Islam Malaysia Berhad) (Kismawadi et al., 2025), and AI-enabled e-KYC, AML, and RegTech solutions supported by regulatory initiatives such as Bank Negara Malaysia's e-KYC framework (Chan, 2023), reflecting the growing adoption of AI technologies across the Islamic finance sector. However, the deployment of AI raises ethical and Shariah-related concerns, particularly regarding algorithmic transparency, data privacy, and potential bias in automated decision-making (Shalhoob, 2025; Khan & Umer, 2025; Wazin et al., 2024; Mohadi & Tarshany, 2022).

Within this context, the *maqāṣid al-Sharī'ah* (the objective of Shariah) approach, which emphasises *al-ḍarūriyyāt al-khamsah* (the five essential objectives of Islamic law), namely the preservation of religion (*dīn*), life (*nafs*), intellect (*'aql*), lineage (*nasl*), and wealth (*māl*) serves as a crucial framework for evaluating the appropriateness of AI applications in Islamic finance (Abozaid, 2024). This aligns with the view of Nurhidayatullah and Fathurohman (2024), who argue

that *maqāṣid al-Sharī'ah* provides a flexible and adaptive framework for assessing legal rulings and technological innovations. The principles of *maqāṣid al-Sharī'ah* empower scholars and policymakers to evaluate and align Islamic rulings with contemporary developments, including advancements in technologies such as AI. This approach ensures that technological innovations remain in harmony with Islamic values and continue to uphold public welfare.

Therefore, in the current digital era, a *maqāṣidī* approach (an approach based on Islamic legal objectives) to contemporary issues is increasingly critical. With the emergence of new technologies and rapid societal changes, *Maqāṣid al-Sharī'ah* offers a relevant framework for addressing modern challenges. For instance, in governing the use of AI in Islamic finance, the *maqāṣidī* approach ensures that technology serves to uphold fundamental Islamic values and avoid harm (Pahutar et al., 2024). This study aims to analyese the application of AI in Islamic finance from the perspective of *maqāṣid al-Sharī'ah*, and seeks to provide ethical and Shariah-compliant guidance for integrating AI into the Islamic financial system, with *maqāṣid al-Sharī'ah* as its core framework.

Existing literature on technology in Islamic finance has largely examined the adoption of digital tools such as fintech platforms, robo-advisory services, RegTech, and automation systems from perspectives of operational efficiency, financial inclusion, and Shariah compliance monitoring (Gazali et al., 2020; Kunhibava et al., 2024; Shalhoob, 2025). More recent studies have extended this discussion to artificial intelligence, highlighting its potential in risk assessment, compliance automation, and customer engagement within Islamic financial institutions (Arsyad et al., 2025; Abozaid, 2024). However, prior research remains fragmented and predominantly application-oriented, with limited integration of AI deployment into a coherent Shariah evaluative framework grounded in *maqāṣid al-Sharī'ah*. In particular, insufficient attention has been given to the ethical, epistemic, and governance implications of AI as a *wasīlah* (tool) in Islamic finance decision-making. This study addresses this gap by systematically analysing AI applications through a *maqāṣid al-Sharī'ah* lens, thereby offering an ethical and jurisprudential framework to guide AI integration in Islamic finance.

2. LITERATURE REVIEW

2.1 *Maqāṣid Al-Sharī'Ah as A Foundation in AI-Based Islamic Finance*

Maqāṣid al-Sharī'ah consists of *maqāṣid* (objectives) and Shariah (divine

law). The term *maqṣad* denotes uprightness (*istiqām*), moderation (*tawassuṭ*), fairness (*al-ʿadl*), and purposeful direction (*al-tawajjuh*) (Bayyah, 2012). Shariah, from *sharaʿa*, refers to obedience and a clear path leading to success (al-Qurṭubī, 2006). In usage, Shariah can denote the entire religion, including creed, ethics, and law, or specifically legal rulings on worship and transactions (al-Raysūnī, 2014). Combined, *maqāṣid al-Sharīʿah* signifies the realization of human welfare (*maṣlaḥah*) in this world and the Hereafter through divine legislation.

As mentioned by Ibn Zaghībah (1996), Imam al-Shāṭibī defines *maqāṣid al-Sharīʿah* as "the goals of the Shariah to establish the interests of the *mukallaf* in this world and the Hereafter." Ibn Bayyah (2012) and al-Būṭī (1973) similarly emphasize that Shariah rulings aim to realize welfare and prevent harm. Ibn Qayyim (2002) affirms that "Shariah is built upon wisdoms and benefits for the servants in both this world and the Hereafter, and it is just, merciful, good, and wise in all its legislation." These views converge on the principle that Shariah ensures benefit and avoids harm in all human affairs.

Benefits are divided into *maṣlaḥah muʿtabarah* (recognized by Shariah), *maṣlaḥah mulghah* (rejected), and *maṣlaḥah mursalah* (undetermined) (al- Ghazālī, n.d.; Ibrahim & Harun, 2024). The last category requires alignment with *al-ḍarūriyyāt al-khamsah* as stated by al-Juwaynī (1041 H). Al-Raysūnī (2014) notes that benefit and harm are inseparable, hence *maṣlaḥah mursalah* demands cautious balance guided by revelation. Al-Būṭī (1973) provides criteria for evaluating *maṣlaḥah*, namely determining levels of necessity (*ḍarūriyyāt, ḥājiyyāt, taḥsīniyyāt*), scope (general or specific), and certainty (definite or speculative).

In Islamic finance, *maqāṣid al-Sharīʿah* seek to realise benefits and prevent harm (*jalb al-maṣāliḥ wa dafʿ al-mafāsid*), ensuring that financial products and services generate positive outcomes for society, in line with the broader objectives of Shariah applicable across all domains (Laldin & Furqani, 2013). These overarching and universal objectives, known as *al-maqāṣid al-ʿāmmah* (universal objectives of Shariah), emphasise the promotion of public welfare and the avoidance of harmful consequences in all human activities, including financial transactions. This general orientation of *al-maqāṣid al-ʿāmmah* in Islamic finance is illustrated in Figure 1.

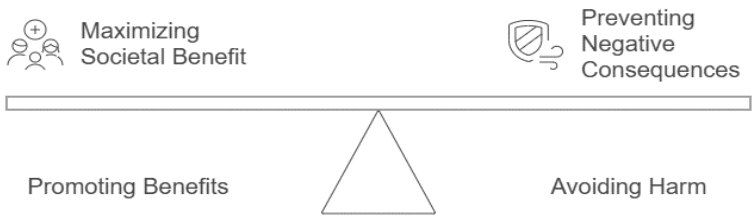

Figure 1. *Al-Maqāṣid al-ʿĀmmah* in Islamic Finance (Authors' own)

Al-ḍarūriyyāt al-khamsah link directly to Islamic finance (M. Ahmed, 2023). Beyond the general objectives, *maqāṣid al-Sharīʻah* in Islamic finance includes specific objectives (*al-maqāṣid al-khāṣṣah*), derived from the comprehensive nature of Shariah (*shumūliyyah al-Sharīʻah*) (Ibn ʻĀshūr, 2001; Harun et al., 2024). These objectives promote wealth circulation across society, transparency in financial management, and justice at both micro and macro levels (Laldin & Furqani, 2013). Figure 2 illustrates these dimensions of *al-maqāṣid al-khāṣṣah* in Islamic finance.

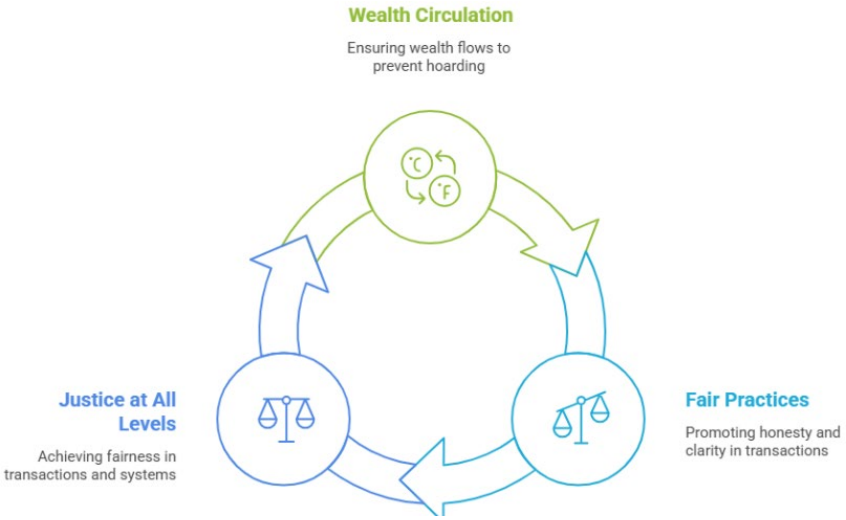

Figure 2. *Al-Maqāṣid al-Khāṣṣah* in Islamic Finance
(Authors' own)

From this discussion, *maqāṣid al-Sharīʻah* in Islamic finance must be understood from both general and specific perspectives. The framework serves as a guidance for Islamic finance operations to balance the preservation of Shariah texts with contemporary realities (Ishak & Nasir, 2021).

From a *maqāṣid* perspective, it is important to distinguish between *al-maqāṣid al-ʿāmmah* and *al-maqāṣid al-khāṣṣah*, as both operate at different analytical levels. *Al-maqāṣid al-ʿāmmah* refer to the overarching objectives of Shariah applicable across all domains of human activity, such as justice, welfare, and the preservation of the *kulliyyāt al-khams*, which provide the universal normative foundation of Islamic law (Ibn ʻĀshūr, 2001). In contrast, *al-maqāṣid al-khāṣṣah* relate to the specific objectives governing particular fields, including *muʿāmalāt* and Islamic finance, where these general principles are operationalised through concrete rules, instruments, and governance mechanisms to address sector-specific needs and risks (Dusuki & Abozaid, 2007; Dusuki & Bouheraoua, 2011; Laldin & Furqani, 2013). Accordingly, while Islamic finance derives its legitimacy from *al-maqāṣid al-ʿāmmah*, its practical design and regulation are more accurately assessed through *al-maqāṣid al-khāṣṣah*, ensuring that financial innovation remains aligned with both universal Shariah objectives and contextual realities.

2.2 *The Application of AI in Islamic Finance*

The integration of AI into Islamic finance represents a transformative shift from manual to automated operations. AI technologies such as machine learning, natural language processing (NLP), and robotic process automation are increasingly used across the global financial industry (Arsyad et al., 2025). Islamic finance institutions worldwide have begun adopting AI to stay competitive in a rapidly digitizing environment.

Arsyad et al. (2025), citing Joyce (2018), categorize AI applications in financial institutions into three functional layers: front office, middle office, and back office. Some applications, such as AI-powered chatbots and Know Your Customer/Anti-Money Laundering (KYC/AML) tools, are already mature and widely implemented, while others, particularly in wealth management, capital optimization, and RegTech are still in developmental stages. This uneven maturity reflects differing levels of technological readiness and ongoing regulatory uncertainty surrounding AI in Islamic finance.

In the area of credit scoring, AI has revolutionized Islamic finance by enabling more inclusive and accurate risk assessments. Traditional models often exclude unbanked Muslim communities due to limited credit history, whereas AI-driven systems can utilize alternative data sources such as utility payments, mobile usage, and even social media behavior. This approach allows Islamic financial institutions to extend Shariah-compliant financing to previously underserved groups, thereby promoting inclusivity and financial justice. Kok and Siripipatthanakul (2023) highlight that AI not only improves productivity and accuracy in risk assessment but also enhances fraud detection, compliance, and data protection. AI systems identify suspicious transactions and generate human-interpretable explanations, reducing human error and automating risk monitoring processes.

AI-powered chatbots have transformed customer engagement in Islamic finance by providing 24/7 interaction, addressing compliance-related queries, and guiding customers through various transactions (Dewasiri et al., 2023). Using NLP, chatbots interpret customer requests and offer relevant information (Miharja et al., 2021). In Islamic financial institutions, chatbots facilitate account setup, balance inquiries, financial planning, and credit assessments. For instance, Bank Islam Malaysia Berhad (BIMB) has introduced a Shariah-compliant chatbot to assist users in navigating Islamic financial products and financing applications, enhancing both accessibility and service quality (Kismawadi et al., 2025).

AI strengthens compliance with AML and counter-terrorism financing (CTF) regulations by using pattern recognition and anomaly detection to identify suspicious activities. It also streamlines KYC processes through biometric verification and document authentication (Arsyad et al., 2025). Regulators in Malaysia and Indonesia have taken proactive steps to support AI in KYC, with Bank Negara Malaysia issuing e-KYC guidelines and Indonesia's OJK implementing Regulation No. 8 of 2023 to enhance AI-driven customer due diligence (Chan, 2023).

In operations, AI-powered sentiment analysis is increasingly used to interpret public perception and market trends. By analyzing real-time data from news and social media, Islamic financial institutions can adjust Shariah-compliant investment strategies, especially in instruments such as Sukuk and halal equities (Arsyad et al., 2025). Sentiment analysis also detects reputational risks and socio-political developments that may affect ethical investment portfolios (Taherdoost & Madanchian, 2023).

Robo-advisory systems, powered by AI, are widely used in Islamic wealth management to ensure halal portfolio diversification and optimization. Platforms such as Wahed Invest employ halal and ESG filters to align with Muslim investors' values (Shalhoob & Babiker, 2025). These systems use predictive analytics to forecast market conditions and rebalance portfolios accordingly, while also improving zakat and waqf distribution through predictive targeting and impact analysis (Syed Musa, 2025; Sahoo et al., 2025; Wu et al., 2025).

AI plays a vital role in enhancing model risk management within Islamic finance by addressing concerns related to the accuracy and reliability of increasingly adopted quantitative models used for pricing and stress testing (Rizky & Mongid, 2025). As institutions continue to make substantial investments in model development and implementation (Arsyad et al., 2025), AI assists in mitigating associated risks by validating assumptions, ensuring Shariah compliance (Ali et al., 2025), detecting anomalies and potential fraud (Alsagri, 2025), and improving overall model performance through real-time data processing and feedback mechanisms (Kismawadi et al., 2025).

AI also supports RegTech applications in Islamic finance by enabling real-time compliance monitoring, automatic report generation, and risk flagging (Kunhibava et al., 2024). NLP technologies can scan documents and communications to detect potential violations of Shariah principles such as *ribā* (usury), *gharar* (uncertainty), and unethical investment (Gochhait et al., 2024). Supervisory authorities leverage SupTech tools to improve institutional oversight through automated data collection and AI-based risk assessment

(Zeranski & Sancak, 2020; Dziawgo, 2021).

AI in the Takaful sector which also often referred to as InsurTech**,** enhances efficiency by improving underwriting accuracy, personalizing contribution rates, and expediting claims. Machine learning enables better risk prediction and fund allocation based on the principle of mutual assistance. It also helps detect fraudulent claims, thereby reducing moral hazard and strengthening participant trust (Hemed et al., 2021).

Finally, in Shariah rulings related to Islamic finance, AI could help in deriving regulation by supporting juristic analysis through advanced data processing, legal text retrieval, and consistency checking across fatwas and Shariah standards. As mentioned by Ab Rahim et al. (2025) and Priantina et al. (2025), AI enhances the efficiency and accuracy of Shariah research, enabling scholars to evaluate complex financial structures more systematically while maintaining human scholarly oversight.

In summary, the adoption of AI in Islamic finance spans diverse functions, collectively enhancing efficiency, transparency, and Shariah alignment across the industry. Hence, the application of AI across various functions within the Islamic finance industry is summarized in Figure 3.

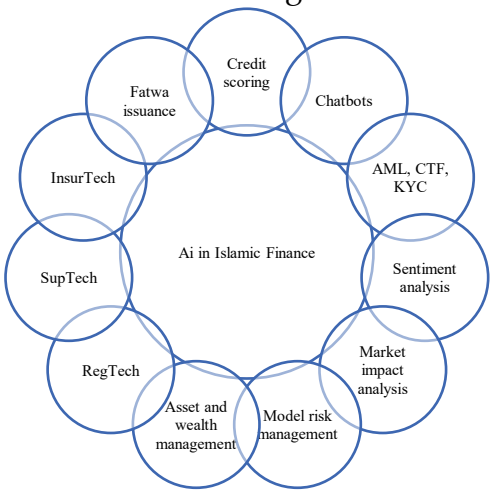

Figure 3. AI in Islamic finance (Authors' own)

2.3 *Shariah Challenges in The Utilization of AI in Islamic Finance*

The integration of AI into Islamic finance holds significant promise in terms of improving operational efficiency, enhancing customer service, and facilitating more precise Shariah compliance monitoring. AI applications such as robo-advisory platforms, algorithmic trading, and automated Shariah screening systems have shown the capacity to streamline operations and reduce human error. However, the use of AI in Islamic finance operations still

faces ethical and religious challenges, where ethical concerns relate to normative values such as fairness, transparency, and accountability, while religious concerns arise when operations affect the validity and permissibility of financial transactions (Haron et al., 2013; Zafar & Ali, 2025). These challenges impact the achievement of *maqāṣid al-Sharī'ah* in the context of Islamic finance, as previously stated. This raises questions about the legitimacy of the benefits derived from the current operations of Islamic finance and whether they align with *maqāṣid al-Sharī'ah.* Some of the issues include:

i. Transparency and trust: Studies show concerns about the transparency of AI algorithms and the potential impact on customer trust, and the risk of data misuse (Arsyad et al., 2025; Shalhoob, 2025; Khan & Umer, 2025)
ii. Algorithmic bias: Research suggests that AI-generated financial advice may show religious biases, affecting fairness (Khan & Umer, 2025).
iii. *Gharar* in AI decisions: The unpredictability of AI decisions may lead to uncertainty prohibited in Islamic finance contracts like *murābaḥah* and *ijārah* (Wazin et al., 2024).

One of the foremost challenges is the issue of transparency and fairness in AI algorithms. A large proportion of AI systems, particularly those involving machine learning and deep learning, function as "black boxes," where the internal logic and rationale behind decisions are not readily explainable or accessible to users or regulators (Burrell, 2016; Gorian & Osman, 2024). This opacity can lead to algorithmic bias, where AI systems inadvertently reinforce existing inequalities or produce unjust outcomes in areas such as credit scoring, investment profiling, or fraud detection. In the Islamic finance context, this is particularly problematic, as the principles of *'adl* (justice) and *shafāfiyyah* (transparency) are non-negotiable ethical imperatives rooted in both the al-Quran and Sunnah (Dusuki & Bouheraoua, 2011). Any AI system that compromises these principles may be deemed non-compliant with Shariah objectives, regardless of its technical efficiency.

Furthermore, the lack of a clear regulatory and ethical framework specific to the deployment of AI in Islamic finance exacerbates these concerns. Most Muslim-majority countries currently operate under conventional regulatory systems that do not sufficiently address the unique requirements of Shariah compliance in the context of emerging technologies (Gorian & Osman, 2024). As a result, there is ambiguity about how to evaluate the Shariah permissibility of AI applications, particularly those that involve data collection, prediction modelling, or autonomous decision-making. For instance, concerns about data privacy, informed consent, and accountability for AI-driven errors raise fundamental questions about human dignity (*karāmah insāniyyah*) and the sanctity of wealth (*ḥifẓ al-māl*), two core elements of *maqāṣid al-Sharī'ah* (Auda,

2008).

Table 2 summarises some of the key challenges arising from AI utilisation in Islamic finance as discussed by the researchers.

Table 2. Shariah Challenges in the Utilization of AI in Islamic Finance

Challenges	Issues
Transparency and Explainability	AI systems used in Islamic finance often operate as opaque "black boxes," limiting explainability and auditability of automated decisions, thereby weakening Shariah governance and stakeholder trust (Burrell, 2016; Shalhoob, 2025). For example, AI-driven credit scoring and robo-advisory tools employed by Islamic banks may not provide sufficient interpretability for Shariah boards to assess compliance ex ante (Wazin et al., 2024).
Algorithmic Bias and Injustice	Bias embedded in training data or model design may result in discriminatory outcomes that contradict the Shariah principle of justice (*'adl*) (Khan & Umer, 2025). In practice, AI-based financing eligibility and credit assessment systems risk disadvantaging certain socio-economic groups, thereby restricting equitable access to Shariah-compliant financial products (Kok & Siripipatthanakul, 2023).
AI-Driven Decision-Making	The probabilistic and non-transparent nature of AI outputs may introduce excessive uncertainty in contractual terms and financial outcomes (Wazin et al., 2024). This is evident in automated pricing, risk profiling, and portfolio rebalancing processes within *murābaḥah* financing and Islamic robo-advisory services, where underlying assumptions may not be fully disclosed (Mohadi & Tarshany, 2023).
Data Privacy and Human Dignity	Extensive data collection, profiling, and automated processing raise concerns over consent, misuse of personal data, and accountability, potentially undermining human dignity (Auda, 2008; Chan, 2023). For instance, AI-enabled e-KYC, AML systems, and customer chatbots in Islamic banks process sensitive personal and financial data, heightening privacy and governance risks (Salami et al., 2025).

This situation highlights an urgent need for the development of a robust, context-sensitive Shariah governance framework that explicitly addresses AI ethics. Such a framework should not only reflect traditional Islamic

jurisprudential principles but also engage with global standards such as those outlined by UNESCO (2021) or the OECD's AI principles.

In Islamic finance, various ethical codes have been developed at both global and national levels, including the Islamic Financial Services Board (IFSB) Ethics Code, which emphasizes fairness, prudence, customer protection, privacy, conflict of interest management, and Shariah compliance, as well as the framework issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which highlights the spiritual and moral dimensions of work such as integrity, the principle of stewardship, sincerity, moral consciousness, faith, and accountability to Allah SWT (Haron et al., 2013).

In Malaysia, the Financial Services Professional Board (FSPB), in collaboration with Bank Negara Malaysia and the Securities Commission Malaysia, has introduced a general Code of Ethics applicable to both Islamic and conventional financial institutions (Haron et al., 2013). Islamic financial institutions worldwide also refer to regional and national ethical and Shariah governance frameworks, including those implemented in the UAE, Bahrain, Saudi Arabia, Pakistan, Indonesia, and Nigeria, which collectively emphasize data integrity, the independence of Shariah boards, conflict of interest management, Shariah auditing, transparency, accountability, consumer education, and social responsibility (Abu Alhaija et al., 2024; Wasim & Zafar, 2023; Jahir et al., 2025; Odiase, 2025). Overall, these ethical codes consistently underscore the importance of sound governance, transparency, social responsibility, and effective risk management, however, they still require further refinement to address emerging specific ethical challenges arising from the application of AI in Islamic finance (Shalhoob & Bikber, 2025; Khan & Umer, 2025).

In sum, while AI offers transformative potential for Islamic finance, its Shariah and ethical challenges must be addressed proactively to ensure that technological innovation remains aligned with the public interest and does not undermine Shariah principles

3. METHODOLOGY

This research adopts a qualitative approach, which enables a comprehensive exploration of the subject matter and provides deeper insights into the interconnected aspects of AI and *maqāṣid al-Sharī'ah* in Islamic finance. As highlighted by Aspers and Corte (2019), qualitative research is particularly advantageous for conducting in-depth, interpretive studies. Given the normative and philosophical nature of *maqāṣid al-Sharī'ah*, which involves

ethical reasoning and scholarly interpretation, a qualitative approach is the most suitable for this study.

One of the primary strategies employed in qualitative research is library-based data collection, as outlined by Merriam and Grenier (2019). In this study, data were gathered from a wide range of sources, including academic books, peer-reviewed journals, conference proceedings, reports, and reputable websites that address both the application of AI in Islamic finance and the theoretical underpinnings of *maqāṣid al-Sharī'ah*. The data collection process involved several steps. First, only research articles indexed in Scopus and reputable databases such as the Malaysian Citation Index (MyCite) were included to ensure academic rigour. Articles from unindexed or non-reputable sources were excluded. Second, both classical and contemporary works of Shariah scholarship were reviewed, alongside recent publications on AI applications in Islamic finance. Third, supplementary data were obtained from official conference proceedings, institutional reports, and websites relevant to AI developments in the Islamic finance landscape. The collected data were subjected to a rigorous screening process to ensure that only authentic and thematically relevant information was included in the analysis.

Relevant literature was identified through database searches using combinations of keywords such as 'artificial intelligence' OR 'machine learning' OR 'robo-advisor' OR 'RegTech' OR 'SupTech' AND 'Islamic finance' OR 'Islamic banking' OR 'takaful' OR 'Shariah compliance' AND '*maqāṣid al-Sharī'ah*' OR 'Islamic ethics' OR 'Shariah governance'. The inclusion criteria for the literature search comprised (i) directly discussing AI applications in Islamic finance or Shariah and *maqāṣid* evaluation of financial technology, (ii) peer-reviewed or academically curated outputs, and (iii) clear relevance to ethical or Shariah implications. The exclusion criteria comprised (i) non-scholarly opinion pieces without evidence, (ii) items not focused on Islamic finance context, and (iii) duplicate or inaccessible full texts.

This study adopts an interpretive analysis approach for the data analysis. As noted by Thorne (2016), Elliot and Timulak (2005), interpretive analysis enables researchers to engage critically with texts and concepts by exploring the underlying principles, intentions, and ethical foundations behind them. Through this lens, the study explores how various application of AI technologies in Islamic finance align with the normative framework of *maqāṣid al-Sharī'ah*. The analysis focuses on how these technologies support *al-ḍarūriyyāt al-khamsah*. It also examines the extent to which AI can serve as a valid *wasīlah* to fulfil both general (*al-maqāṣid al-'āmmah*) and specific (*al-maqāṣid al-khāṣṣah*) objectives of Shariah in the financial sector. This interpretive approach allows for a contextualised understanding of AI's ethical viability

within Islamic finance, grounded in both classical jurisprudential principles and contemporary realities.

In practice, the analysis was conducted through four stages. The first stage involved an initial reading to extract key statements on AI functions, Shariah risks, and governance implications. This was followed by grouping the extracted data into AI application areas, such as credit scoring and robo-advisory, as well as identifying related concerns. The third stage consisted of mapping these applications against the relevant *maqāṣid* dimensions. The final stage involved an interpretive synthesis of the findings. Table 1 summarizes the methodology of this research.

Table 1. Summary of Research Methodology

Component	Description
Research Approach	Qualitative, library-based research grounded in interpretive analysis
Data Sources	Academic books, peer-reviewed journal articles (such as in Web of Science, Scopus, and MyCite databases), conference proceedings, institutional reports, and reputable websites related to AI and Islamic finance.
Inclusion Criteria	Studies discussing AI applications in Islamic finance or Shariah- and *maqāṣid*-based evaluations of financial technology, peer-reviewed or academically curated outputs, clear relevance to ethical or Shariah implications.
Exclusion Criteria	Non-scholarly opinion pieces without evidence, studies unrelated to Islamic finance, duplicate records or inaccessible full texts.
Analysis Approach	Interpretive qualitative analysis focusing on alignment between AI applications and *maqāṣid al-Sharīʿah*

4. RESULTS & DISCUSSION

4.1 *Analysis from The Perspective of Maqāṣid Al-Sharī'ah*

AI holds significant potential to transform Islamic finance by integrating this technology with the principles of Shariah compliance. As AI continues to evolve, its strategic application across various dimensions of Islamic finance will be essential in fostering innovation, inclusivity, and sustainability within the industry (Arsyad et al., 2025).

Islamic finance, as previously deliberated, is fundamentally aligned with the principles of *maqāṣid al-Sharī'ah*, both in its general objectives and specific applications. Therefore, the question of whether the integration of AI into

Islamic finance aligns with the principles of *maqāṣid al-Sharī'ah* requires in-depth exploration. This question will be discussed from two primary approaches. First, the direct positioning of *maqāṣid al-Sharī'ah* in relation to the use of AI in Islamic finance Second, the conceptualization of AI as a tools to achieve the higher objectives of Shariah within the Islamic financial framework.

Before proceeding further with the discussion, it is necessary to briefly address the general application of AI. AI is generally compatible with the ethical framework of *Maqāṣid al-Sharī'ah*, which emphasizes the promotion of public interest and the prevention of harm (Mohd. Zabidi & Awang Pawi, 2025). While integrating traditional Islamic values with modern technology poses challenges, it also opens opportunities to develop ethical, inclusive, and human-centered innovations. *Maqāṣid al-Sharī'ah* thus provides a holistic and balanced framework to guide responsible AI development. 'Uqail (2023) mentioned;

"There is a connection and harmony between the need to use artificial intelligence and the maqāṣid al-Sharī'ah, from two perspectives: first, its alignment with the objectives of facilitation and bringing benefits; and second, the prevention of harms that may arise from both its use and its non-use."

4.2 *The Maqāṣid al-Sharī'ah Positioning of AI in Islamic Finance*

As mentioned earlier, there is two approaches that can be considered to discuss the relation of *maqāṣid al-Sharī'ah* and the use of AI in Islamic Finance. The first approach involves assessing the position of AI in the context of its application within Islamic finance in the perspectives of *maqāṣid al-Sharī'ah*. In general, anything that yields benefit is considered permissible for use (al-Sadlan, 1417H). Similarly, every human action must align with the objectives of *maqāṣid al-Sharī'ah*, whose primary aim is to realize the welfare of humankind (Habib, 1427H).

Accordingly, the use of AI is aligned with *maqāṣid al-Sharī'ah* by fostering financial inclusivity, ensuring ethical practices, and improving social welfare across key areas, including financing, investment, and Takaful. In the financing domain, AI enhances credit scoring systems using alternative data sources, enabling fairer access to Shariah-compliant financing options. This supports social welfare and economic inclusion, particularly among underbanked Muslim populations (Shukla & Gupta, 2024).

In the investment domain, AI-driven technologies such as robo-advisors and sentiment analysis tools can contribute to ethical portfolio management by

filtering investments according to Shariah and Environmental, Social, and Governance (ESG) principles (Ghosn, 2025). Meanwhile, in the Takaful sector, AI facilitates risk forecasting, efficient claims processing, and fraud detection, thereby strengthening mutual cooperation and equitable risk-sharing (Tariq, 2025), which are foundational principles of Islamic insurance.

The fundamental characteristic of *maqāṣid al-Sharī'ah* to promote benefit and prevent harm should serve as the foundational guideline for the implementation of AI in Islamic financial practices. Although AI offers significant benefits to Islamic finance operations, its application must remain aligned with the preservation of *maqāṣid al-Sharī'ah* and adherence to Shariah ethical principles. In this context, the five foundational principles, protection of religion, life, intellect, lineage, and wealth, offer a holistic evaluative framework for the responsible deployment of AI technologies in Shariah-compliant financial environments.

From the perspective of protection of religion, AI systems must be developed to uphold Shariah prohibitions such as *ribā*, *gharar*, and *maysīr* (gambling), ensuring that automated decision-making does not inadvertently facilitate non-compliant financial activities (Kismawadi, 2025). For protection of life, ethical AI design must prioritize the protection of users' personal data and prevent financial harm or exploitation, especially in matters related to inheritance and consumer safety (Alshaer, 2024). For protection of intellect, AI necessitates transparency, intelligibility, and fairness in algorithmic communication, thereby enabling financial literacy and informed decision-making among users (Wazin et al., 2025).

In relation to protection of lineage, AI systems must ensure strict data confidentiality and ethical data governance to safeguard familial and hereditary information, supporting social trust in digital financial services. Most critically, protection of wealth underscores the importance of protecting wealth through AI-enhanced tools such as fraud detection, Shariah-compliant credit scoring, and robo-advisory platforms that support equitable wealth distribution, reduce investment risk, and promote financial justice (Kismawadi, 2025; Alshaer, 2024).

In sum, the adoption of AI in Islamic finance must not be viewed solely through the lens of efficiency or automation, but rather through an integrative framework rooted in *maqāṣid al-Sharī'ah*. This ensures that technological development remains consistent with the spiritual, ethical, and socio-economic values that define Islamic financial practice. A value-centric, Shariah-aligned approach to AI offers a model for ethical fintech that is not only innovative, but also inclusive and morally grounded an emerging paradigm particularly

relevant to Islamic finance scholarship and global ethical finance discourse. This relationship between AI and the five essential objectives of *maqāṣid al-Sharī'ah* in Islamic finance, as discussed by scholars, is summarised in Figure 4.

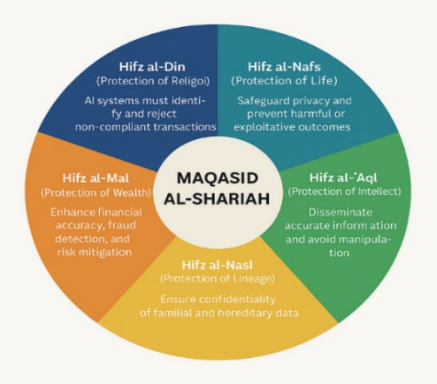

Figure 4. The integration of AI and *maqāṣid al-Sharī'ah* in Islamic finance (Authors' own)

Fundamentally, the discussion on *maqāṣid al-Sharī'ah* in relation to the use of AI in Islamic finance can also be summarized as illustrated in the Figure 5.

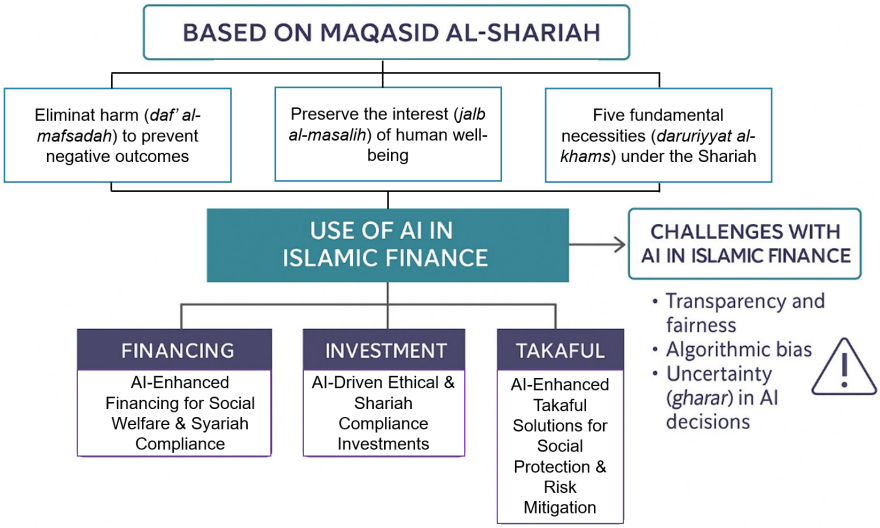

Figure 5. A conceptual framework aligning AI applications with *maqāṣid al-Sharī'ah* in Islamic finance (Modified from Kasri & Harun (2022))

Figure 5 outlines a conceptual framework that demonstrates how AI can be ethically and effectively utilized in Islamic financial operations, aligned with the higher aims of Shariah by realise benefits and prevent harm (Laldin & Furqani, 2013). Therefore, while AI can siginifcantly benefits Islamic finance operations, its implementation must be positioned within the lens of *maqāṣid al-Sharī'ah* rather than merely pursuing instituional eficiency or commercial gains.

4.3 *Artificial Intelligence as a Means to Realize Maqāṣid al-Sharī'ah in Islamic Finance*

In the second approach, the emphasis on AI in Islamic finance is positioned as a *wasīlah* to achieving the *maqāṣid al-Sharī'ah*. This aligns with the perspective of Laldin and Furqani (2013), who argue that any element that supports the functioning of Islamic finance serves as a means towards the realization of *maqāṣid al-Sharī'ah*. A *wasīlah* is defined as a pathway or method through which a specific objective is attained. Scholars have emphasized that the concept of *wasīlah* is intrinsically linked to the intended objective, based on the legal maxim "the ruling of the means follows the ruling of the objectives" (Al-Burnu, 2003). This is because no objective can be achieved without traversing the path that leads to it.

Ibn 'Āshūr (2001) affirms that *maqāṣid* and *wasā'il* (means) are inseparable components of *maqāṣid al-Sharīʿah*, as objectives can only be realised through appropriate means. Al-Qarāfī (1973) further clarifies that the legal status of a means is contingent upon the validity of its objective, such that when an objective loses its Shariah recognition, the means leading to it likewise lose their legitimacy. Consistent with this principle, Ibn Qayyim (2002) explains that means inherit their ethical and legal rulings from the ends they serve, whereby means leading to prohibited outcomes are deemed impermissible, while those facilitating permissible and virtuous ends are considered legitimate. This classical reasoning establishes that *wasā'il* must always be assessed in relation to their capacity to realise or undermine the objectives of Shariah.

Following the discussion on the *al-maqāṣid al-khāṣṣah* in Islamic finance, Laldin and Furqani (2013) elaborated on the *wasā'il* to achieve these objectives, which include facilitating financial contracts by developing and implementing contractual structures that are compliant with Shariah principles, establishing values and standards by setting ethical guidelines and benchmarks for financial practices, and instituting social responsibility by encouraging financial institutions to consider the social impact of their operations. Therefore, linking this to the earlier discussion, the specific objectives (*al-maqāṣid al-khāṣṣah*) in Islamic finance and their respective *wasā'il* can be illustrated in the Figure 6.

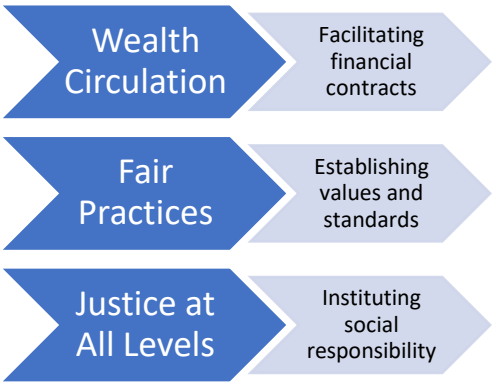

Figure 6. *Al-Maqāṣid al-khāṣṣah* (specific objectives) of Islamic finance and its *wasīlah* (Laldin & Furqani, 2013)

In this regard, the discussion of AI as a *wasīlah* must be linked to the three specific *al-maqāṣid al-khāṣṣah* outlined earlier. This aligns with the Islamic legal maxim *li al-wasā'il aḥkām al-maqāṣid* (the means take the ruling of the ends).

4.3.1 *Wealth circulation*

Wealth circulation is a vital objective in Islamic economics that seeks to prevent wealth hoarding and encourage dynamic economic activity, in line with the Quranic call for equitable distribution. AI contributes to this goal by facilitating financial inclusion through effective credit scoring, the operation of AML, KYC, and CTF processess, enabling dynamic and Shariah-compliant investment through robo-advisory services, as well as enhancing zakat and waqf distribution via predictive analytics (Syed Musa, 2025). These functions collectively ensure broader economic benefit and uphold the principle of *maṣlaḥah*.

4.3.2 *Fair and transparent practices*

In promoting fair and transparent financial practices, AI supports Islamic financial ethics by ensuring Shariah compliance, automating and securing financial contracts through smart technologies, and utilizing NLP to increase clarity and prevent unethical elements in documentation (Gochhait et al., 2024). These tools advance the *maqāṣid* of eliminating fraud (Azis et al., 2020), strengthening consumer protection, and cultivating institutional trust.

AI-powered chatbots in Islamic banking institutions enhance transparent and equitable decision-making by offering user-friendly access to information, allowing customers to clearly understand product features and their Shariah compliance (Miharja et al., 2021). Apart from that, AI-driven zakat and waqf analytics contribute to fairer distribution by leveraging data to accurately identify beneficiaries, reduce bias, and monitor impact (Syed Musa, 2025).

4.3.3 *Justice at micro and macro levels*

Justice, as a central value in Islamic jurisprudence, must be reflected both at individual and systemic levels. At the micro level, AI-powered credit scoring improves access to financing for underserved populations through the use of alternative data, reducing exclusion and discrimination (Kok & Siripipatthanakul, 2023). In Takaful, AI supports fair underwriting and efficient claims processing, while fraud detection protects the integrity of mutual risk-sharing (Hemed et al., 2021).

At the macro level, RegTech and SupTech empower regulators with real-time monitoring tools, enhancing institutional accountability, detecting anomalies and potential fraud in operations, and ensuring Shariah compliance, and supporting macroeconomic planning through large-scale data analysis. These applications help ensure fairness, stability, and the realization of communal welfare in accordance with *maqāṣid al-Sharī'ah* (Guney, 2024).

The discussion can be simplified in the Table 3.

Table 3. Alignment of AI applications as *wasīlah* to achieve *maqāṣid al-khāṣṣsah* in Islamic finance

Al-Maqāṣid al-khāṣṣah	**AI as *wasīlah***
Wealth Circulation	AI-driven financial inclusion, zakat and waqf optimization, investment portfolio management
Fair and Transparent Practices	Shariah-compliant smart contracts, compliance automation, NLP for document clarity
Justice at Micro and Macro Levels	AI risk assessment, fair credit scoring, Regtech and SupTech for regulation, market sentiment detection

In conclusion, *maqāṣid al-Sharī'ah* can serve as a foundational framework for evaluating the use of AI in Islamic finance. AI functions as *wasīlah* to realize both the general and specific objectives of Shariah. Moreover, integrating *maqāṣid al-Sharī'ah* considerations in AI applications can help address ethical and religious concerns, including issues of transparency and trust, algorithmic bias, and *gharar* in AI-driven decisions. Figure 7 illustrates this relationship by positioning *maqāṣid al-Sharī'ah* as the normative foundation guiding AI utilisation, its objectives, and the management of ethical and religious risks.

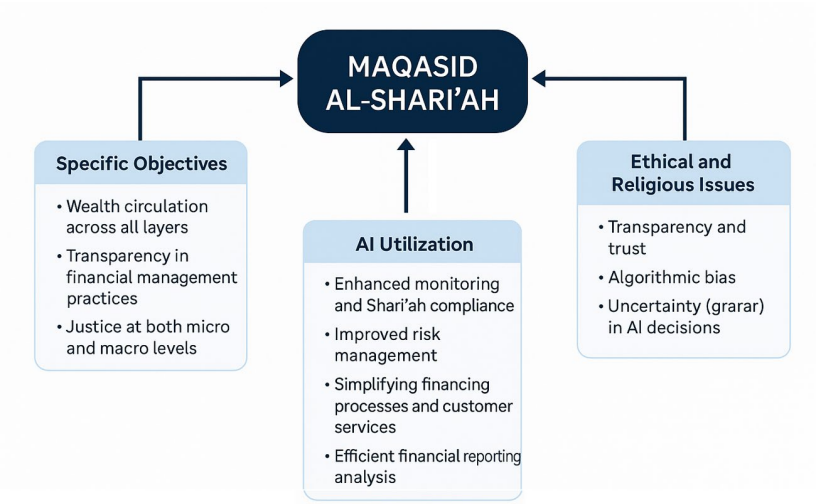

Figure 7. *Maqāṣid al-Sharī'ah* as a foundation in AI-based Islamic finance (Authors' own)

4.4 *Implications and Strategic Insights*

This section synthesises the key findings from the preceding analysis by translating the identified Shariah, ethical, and governance challenges into strategic implications for Islamic financial institutions, regulators, and policymakers.

The preceding analysis demonstrates that AI can serve as an effective *wasīlah* to realise both the general and specific objectives of Shariah within the context of Islamic finance. This supports the position of scholars such as Laldin and Furqani (2019), who argue that the adoption of modern tools and financial innovations is permissible, provided they do not contradict the foundational principles of Shariah. The findings reaffirm that Islam, through its legal framework, accommodates technological advancement and encourages innovation that realise benefits and prevent harm across time and space.

4.5 *Shariah Governance Implications*

This study critically engages with contemporary scholarly concerns regarding the ethical risks associated with AI integration. As highlighted by Nzenwata et al. (2023), the proliferation of AI poses potential threats such as privacy violations, erosion of ethical responsibility, and the displacement of human labour. Moser et al. (2022) further caution that algorithmic decision-making may supplant human moral judgment with narrow, utilitarian reasoning, ultimately weakening individuals' capacity for critical thinking and ethical discernment. These concerns are particularly relevant in the Islamic financial context, where trust, transparency (Shalhoob, 2025), uncertainty in AI-driven decision processes (Wazin et al., 2024), and algorithmic bias (Khan &

Umer, 2025) could undermine public confidence and compromise the ethical standing of Islamic finance institutions.

While acknowledging these legitimate threats, this study does not adopt a technophobic stance. Instead, it posits that the adoption of AI in Islamic finance must be guided and regulated through a *maqāṣid*-centric framework. Innovation is not inherently rejected within Islamic legal tradition, rather, it must be aligned with the higher objectives of Shariah, which include promoting benefits, preventing harms, and preserving the *kulliyyāt al-khams.* Therefore, any AI application within Islamic finance must not only undergo technological and functional evaluation but must also be continuously assessed through the ethical lens of *maqāṣid al-Sharī'ah*.

The objective can be achieved through the implementation of robust Shariah governance mechanisms, as Shariah governance represents a contemporary extension of the concept of *ḥisbah* (oversight) in Islam (Umam 2026), and is now regarded as the backbone of Islamic financial institutions' operations. Traditional governance structures rely primarily on ex-post, periodic audits and static, ex-ante product approvals (Shalhoob & Babiker, 2025). However, because machine learning algorithms continuously adapt to new data, their decision-making processes may gradually change over time, potentially deviating from approved Shariah parameters after deployment (Arsyad et al., 2025; Zafar & Ali, 2025). Consequently, Shariah governance must evolve toward a model of continuous, lifecycle-based oversight that integrates ethical and juristic parameters directly into algorithm design, testing, deployment, and monitoring (Shalhoob, 2025; Zafar & Ali, 2025). For instance, operational governance should incorporate real-time compliance surveillance by embedding Shariah compliance parameters within AI mechanisms to generate early warnings against potential non-compliance activities (Kismawadi, 2025; Alshaer, 2024). This mechanism may also be integrated with technologies such as blockchain and smart contracts to strengthen automated compliance monitoring as mentioned by Umam (2026). Therefore, governance oversight in the AI era must be re-evaluated to ensure that technological innovation remains a means of realizing Shariah values rather than becoming a disruptive force that contradicts them.

4.6 *Operational and Regulatory Implications*

This subsection discusses the operational implications of AI adoption in Islamic finance, particularly how ethical and *maqāṣid*-based concerns are

translated into institutional practices. In operational terms, several key steps need to be taken to overcome the Shariah challenges in the application of AI in Islamic finance. First, embed real-time risk management and compliance mechanisms within AI systems allows Islamic financial institutions to detect Shariah-related risks and take immediate corrective actions, as mentioned earlier. The AI-based risk management mechanism improves audit efficiency by automating data screening and accelerating oversight processes (Alshaer, 2024).

Equally important is the development of ethical frameworks grounded in fairness, accountability, and social responsibility, which are core elements of Islamic ethics (Nawi et al., 2021). Addressing algorithmic bias is critical, as biased outcomes may lead to injustice and contradict the Shariah objective of equity (Khan & Umer, 2025). Institutions must continuously assess potential algorithmic bias to mitigate injustice in financial operations (De Castro Vieira et al., 2025). One key step is adopting transparent and explainable AI systems, such as SHAP/LME model (Alsaghir, 2023), which help reduce *gharar* and overcome the black box issue, thereby fostering institutional trust. Currently, numerous ethical guidelines for AI have been developed by governments globally (Ab Rahim et al., 2025), including the "AI Ethics Principles" (SDAIA, 2023) in Saudi Arabia, the "AI Ethics Principles and Guidelines" (Smart Dubai, 2022) in Dubai, the "Model Artificial Intelligence Governance Framework" (SPDPC, 2019) in Singapore, and the "National Guidelines on AI Governance and Ethics" (MOSTI, 2024) in Malaysia. However, they often lack practical applicability to address the specific needs of various industries, including Islamic finance (Wazin et al., 2025). As emphasized by Wazin et al. (2025) and Aziz and Zulkepli (2025), establishing clear ethical standards ensures that AI-driven solutions operate within Islamic norms while maintaining public confidence and integrity in financial operations.

Furthermore, a robust regulatory framework is needed to govern AI use in Islamic finance, ensuring transparency, accountability, and continuous oversight (Arsyad et al., 2025). Although AI enhances the efficiency of institutional data analysis and decision-making processes, the misuse of customer data remains a major ethical concern (Menard & Bott, 2024). Beyond adopting explainable AI models to promote ethical and transparent data processing, clear regulations governing the collection, storage, and utilization of customer data must also be established. This can be achieved by regulators mandating Islamic financial institutions to clearly inform customers about how their data are collected, processed, and utilized within AI systems, in line with the Shariah principles of transparency and the protection of human dignity (Salami et al., 2025).

Effective regulation strengthens both compliance and public confidence in AI-driven Islamic financial services. Achieving this requires multi-stakeholder collaboration among governments, AI experts, financial institutions, and Shariah scholars to harmonize understanding, promote shared accountability, and safeguard *maqāṣid al-Sharī'ah* (Hailu & Tekdogan, 2023). Such cooperation ensures that technological innovation remains anchored in Islamic moral and legal principles.

To synthesise these findings, Table 4 summarises the several key Shariah-oriented AI ethical guidelines proposed in this study, translating *maqāṣid*-based principles into actionable governance standards for Islamic finance.

Table 4. *Maqāṣid*-Oriented AI Guidelines for Islamic Finance

Ethical Challenge in AI	**Key Description**	***Maqāṣid* Alignment**
Weak oversight of AI systems	Continuous Shariah audit, real-time compliance monitoring, and multi-stakeholder oversight involving regulators, Shariah scholars, and AI experts are required (Kismawadi 2025; Alshaer, 2024; Umam 2026; Zafar & Ali, 2025).	*kulliyyāt al-khams*
Uncertainty, opacity in AI decisions, Algorithmic bias and discriminatory outcomes	Use AI models such as SHAP/LIME to minimize opacity. AI systems used for Shariah screening, advisory, and compliance monitoring must be explainable and auditable by Shariah boards and regulators to ensure traceability and accountability (Alsaghir, 2023). Institutions must proactively identify, test, and mitigate algorithmic bias to prevent injustice (De Castro Vieira et al., 2025).	*ḥifẓ al-māl, ḥifẓ al-'aql*
Data misuse and privacy violations	Ethical data sourcing, informed consent, privacy protection, and accountability must be ensured throughout the AI lifecycle to safeguard human dignity and public trust (Salami et al., 2025).	*ḥifẓ al-nafs, ḥifẓ al-nasl*

These guidelines collectively demonstrate how AI can be operationalised as a *wasīlah* that advances *maqāṣid al-Sharī'ah* while proactively addressing ethical risks associated with algorithmic decision-making in Islamic finance.

5. CONCLUSION

This study highlights that AI, when examined through the lens of *maqāṣid al-Sharīʿah*, can serve as a legitimate *wasīlah* in Islamic finance, provided that its application remains aligned with Shariah principles. The key finding of this research lies in demonstrating that the permissibility and value of AI do not rest on the technology itself, but on how it is governed and operationalised to realise benefits and prevent harm. By situating AI within both *al-maqāṣid al-ʿāmmah* and *al-maqāṣid al-khāṣṣah*, the study underscores the underlying wisdom of the *maqāṣid* framework in guiding technological innovation, ensuring that efficiency and automation do not compromise justice, transparency, and societal welfare.

The strength of this study lies in its integrative analysis that connects ethical concerns, Shariah principles, and practical AI applications within Islamic finance. Rather than treating AI ethics and Shariah compliance as separate domains, the article systematically brings them together through a *maqāṣid*-oriented perspective. By identifying ethical and religious issues arising from AI adoption and synthesising them into Shariah-oriented AI ethical guidelines, this study contributes to the literature by offering a structured and practical framework that may assist Islamic financial institutions, Shariah boards, and regulators in navigating AI-related challenges in a principled manner.

Nevertheless, this study is subject to certain limitations. The analysis is primarily conceptual and qualitative in nature, relying on library research and interpretive analysis of existing literature, regulatory documents, and scholarly discussions. As such, it does not empirically evaluate AI systems currently deployed by Islamic financial institutions. Future research could build upon this study by incorporating empirical case studies, practitioner perspectives, or quantitative assessments to further validate and refine the proposed *maqāṣid*-based frameworks. Despite these limitations, the study provides a meaningful foundation for understanding AI in Islamic finance from a Shariah and ethical standpoint.

6. ACKNOWLEDGEMENT

This paper was produced as part of a research grant provided by the Ministry of Higher Education Malaysia under the Fundamental Research Grant Scheme (FRGS), titled “Parameter Kecerdasan Buatan dalam Penawaran Produk oleh Institusi Kewangan Islam di Malaysia” (Grant No. FRGS/1/2025/SS01/UM/03/2).

6. REFERENCES

Ab Rahim, S. F., Ab Rahman, M. F., Thaidi, H. A. A., Mohd, N. N. M. A. N., & Jailani, M. R. (2025). Artificial intelligence for fatwa issuance: Guidelines and ethical considerations. *Journal of Fatwa Management and Research*, *30*(1), 76–100. https://doi.org/10.33102/jfatwa.vol30no1.654

Abozaid, A. (2024). Financial applications of artificial intelligence: Shariah issues and *maqāṣid* considerations. In *Islamic Finance in the Digital Age* (pp. 165–189). Edward Elgar Publishing.

Abu Alhaija, E., Lataifeh, A., Al-Haraizah, A., Meqdade, M., & Yousef, N. (2024). Ethical banking practices: a comparative analysis of Islamic and conventional banks in GCC countries, *International Journal of Ethics and Systems*, *40*(4), 1-21. https://doi.org/10.1108/ijoes-08-2024-0254

Al-Burnu, M. S. (2003). *Mawsū'ah al-Qawā'id al-Fiqhiyyah*. Mu'assasah al-Risālah.

Al-Būṭī, M. S. R. (1973). *Ḍawābiṭ al-Maṣlaḥah fī al-Sharī'ah al-Islāmiyyah*. Mua'ssasah al-Risālah.

Al-Ghazālī, A. (n.d). *Al-Mustaṣfā min 'Ilm al-Uṣūl*. Shirkah al-Madīnah al-Munawwarah.

Ali, H., Zafar, M. B., & Aysan, A. F. (2025). *Can AI Think Like a Mufti? Evaluating the Semantic and Jurisprudential Fidelity of Large Language Models in Islamic Finance. Evaluating the Semantic and Jurisprudential Fidelity of Large Language Models in Islamic Finance*, SSRN, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5232339.

Al-Juwaynī. (1041 H). *Ghiyats al-Umam fi al-Tayyats al-Zhulam*. maktabah Imam al-Haramayn.

Al-Qarāfī. (1973). *Sharḥ Tanqīḥ al-Fuṣūl*. Sharikat al-Ṭibāʿah al-Fanniyyah al-Muttaḥidah.

Al-Qurṭubī, A. A. (2006). *Al-Jāmi' lī Aḥkām al-Qur'ān*. Muassasah al-Risālah.

Al-Raysūnī, A. (2014). *Al-Kulliyāt al-Asāsiyyah lī al-Sharī'ah al-Islāmiyyah*. Dār al-Kalimah.

Al-Sadlan, S. b. G. (1417H). *Al-Qawā'id al-Fiqhiyyah al-Kubrā wa Tafarra' 'Anha*: Dār Balansiyyah.

Alsaghir, M. (2023). Digital risks and Islamic FinTech: a road map to social justice and financial inclusion. *Journal of Islamic Accounting and Business Research*, *16*(7), 1–18. https://doi.org/10.1108/JIABR-10-2022-0262

Alsagri, H. S. (2025). Hybrid Machine Learning based Multi-Stage Framework for Detection of Credit Card Anomalies and Fraud. *IEEE Access*, *13*. 77039-77048. https://doi.org/10.1109/ACCESS.2025.3565612

Alshaer, B. (2024). Artificial Intelligence Applications in Financial Markets from a Shari'ah Perspective. *Manchester Journal of Transnational Islamic Law and Practice*, *20*(4), 1–12.

Arsyad, I., Kharisma, D. B., & Wiwoho, J. (2025). Artificial intelligence and Islamic finance industry: problems and oversight. *International Journal of Law and Management*, *68*(4), 653-675. https://doi.org/10.1108/IJLMA-07-2024-0236

Aspers, P., & Corte, U. (2019). What is qualitative in qualitative research. *Qualitative sociology*, *42*, 139–160.

Auda, J. (2008). *Maqāṣid al-Sharī'ah as Philosophy of Islamic Law: A Systems Approach*. International Institute of Islamic Thought (IIIT).

Azis, N. K., Marzuki, M. M., & Majid, W. Z. N. A. (2020). Fraud prevention in Malaysia: *Maqāṣid al-Sharī'ah* perspective. *Global Business and Management Research*, *12*(2), 104–116.

Aziz, M. S. A., & Zulkepli, M. I. S. (2025). Algorithmic bias in AI-based credit assessment in Islamic financial institutions: A Quranic ethical approach. *Quranica*, *17*(2), 125–156. https://doi.org/10.22452/quranica.vol17no2.6

Burrell, J. (2016). How the machine 'thinks': Understanding opacity in machine learning algorithms. *Big data & society*, *3*(1), 1–12. https://doi.org/10.1177/2053951715622512

Chan, M. (2023). Malaysia: Digital payments, data regulations, and ai as most promising areas for digital economy collaboration. In *The ASEAN Digital Economy* (pp. 76–96). Routledge.

De Castro Vieira, J. R., Barboza, F., Cajueiro, D., & Kimura, H. (2025). Towards Fair AI: Mitigating Bias in Credit Decisions-A Systematic Literature Review. *Journal of Risk and Financial Management*, *18*(228), 1–30. https://doi.org/10.3390/jrfm18050228

Dewasiri, N. J., Karunarathne, K. S. S. N., Menon, S., Jayarathne, P. G. S. A., & Rathnasiri, M. S. H. (2023). Fusion of artificial intelligence and blockchain in the banking industry: Current application, adoption, and future challenges. In *Transformation for sustainable business and management practices: Exploring the spectrum of industry 5.0* (pp. 293–307). Emerald Publishing Limited.

Dusuki, A. W., & Abozaid, A. (2007). A critical appraisal on the challenges of realizing *maqāṣid* Al-Shariaah in Islamic banking and finance. *International Journal of Economics, Management and Accounting*, *15*(2), 143-164. https://doi.org/10.31436/ijema.v15i2.133

Dusuki, A. W., & Bouheraoua, S. (2011). The framework of *Maqāṣid* al-Shari'ah and its implication for Islamic finance. *ICR Journal*, *2*(2), 316–336. https://doi.org/10.52282/icr.v2i2.651

Dziawgo, T. (2021). Supervisory technology as a new tool for banking sector supervision. *Journal of Banking and Financial Economics*, *15*(1), 5–13. https://doi.org/10.7172/2353-6845.jbfe.2021.1.1

Elliott, R., & Timulak, L. (2005). Descriptive and interpretive approaches to qualitative research. In J. Miles & P. Gilbert (Eds.), *A handbook of research methods for clinical and health psychology* (pp. 147–159). Oxford University Press.

Gazali, H. M., Jumadi, J., Ramlan, N. R., Abd Rahmat, N., Uzair, S. N. H. M., & Mohid, A. N. (2020). Application of artificial intelligence (ai) in islamic investments. *Journal of Islamic Finance*, *9*(2), 70–78. https://doi.org/10.31436/jif.v9i2.485

Ghosn, F. (2025). Artificial intelligence in investment and wealth management. In *AI's Transformative Impact on Finance, Auditing, and Investment* (pp. 1–42). https://doi.org/10.4018/979-8-3373-0129-7.ch001

Gochhait, S., Gunasekar, T., Raghavendran, P., & Allam, Z. (2024, 27-28 November*). Enhancing Compliance and Efficiency in Islamic Banking through RegTech Solutions*. 2024 International Conference on Sustainable Islamic Business and Finance (SIBF), Bahrain. https://ieeexplore.ieee.org/abstract/document/10883864/citations?tabFilter=papers#citations

Gorian, E., & Osman, N. D. (2024). Digital Ethics of Artificial Intelligence (AI) In Saudi Arabia and United Arab Emirates. *Malaysian Journal of Syariah and Law*, *12*(3), 583–597. https://doi.org/10.33102/mjsl.vol12no3.798

Guney, N. (2024). Maqāsid al-Sharī 'a in Islamic Finance: A Critical Analysis of Modern Discourses. *Religions*, *15*(1), 1-15. https://doi.org/10.3390/rel15010114

Habib, M. B. I. (1427H). *Maqāṣid al-Sharī'ah: Ta'sīlan dan Taf'īlan*. Rābiṭah al-'Alam al-Islāmī.

Hailu, S. M., & Tekdogan, O. F. (2023). Ensuring The Compliance of Islamic Finance Applications with Shariah Principles in Ethiopia: The Way Forward. *Hitit Theology Journal*, *22*(1), 139–168. https://doi.org/10.14395/hid.1247875

Haron, A., Musa, M. A. M., & Shaarani, A. Z. (2013). *Ethics in Islamic Finance*. Islamic Banking & Finance Institute Malaysia (IBFIM).

Harun, M. S., Ali, A. K., & Syahir, A. N. A. (2024). The Influence of the Shafie School on Fatwa Methodologies in Malaysia: Toward the Unity of Ummah's Objective. *Mazahib*, *23*(1), 351–390. https://doi.org/10.21093/mj.v23i1.7620

Hemed, H. A., Alamoudi, A. A. A., Al Qassim, A. A. A., & Qasem, B. M. S. (2021). The Potential Use of FinTech Developments in Takaful. *International Journal of Management and Applied Research*, *8*(2), 109–121.

Ibrahim, A. H., & Harun, M. S. (2024). Applying the concepts of benefit and harm in Malaysian bioethical discourse: Analysis of Malaysian Fatwa. *Journal of Bioethical Inquiry*, *21*, 401-414. https://doi.org/10.1007/s11673-024-10345-z

Ibn ʻĀshūr, M. T. (2001). *Maqāṣid al-Sharīʻah al-Islāmiyyah* (al-Mīsāwī, Ed. 2nd ed.). Dār al-Nufāis.

Ibn Bayyah, A. M. (2012). *Mashāhid min Maqāṣid* (3rd ed.). Dār al-Tajdīd.

Ishak, M. S. I., & Nasir, N. S. M. (2021). *Maqāṣid* al-shari'ah in Islamic finance: Harmonizing theory and reality. *The Journal of Muamalat and Islamic Finance Research*, *18*(1), 108–119. https://doi.org/10.33102/jmifr.v18i1.334

Jahir, S., Surahmi, M., & Nasution, E. (2025). Legal Review of the Effect of OJK Regulation Number 11/POJK. 03/2016 on the Implementation of Sharia Banking Business Activities on the Sustainability of the Sharia Financial Industry in Indonesia. *West Science Law and Human Rights*, *3*(01), 56–62. https://doi.org/10.58812/wslhr.v3i01.1602

Kasri, N. S., & Harun, H. (2022). *Maqāṣid al-Sharīʻah* vis a vis Islamic and Green Finance. In *Maqāṣid and Islamic Finance. What's Next?* International Shariah Research Academy for Islamic Finance (ISRA).

Khan, M. S., & Umer, H. (2025). Sacred or Secular? Religious Bias in AI-Generated Financial Advice. *arXiv preprint arXiv:2504.07118*, 1–36. https://doi.org/10.48550/arXiv.2504.07118

Kismawadi, E. R., Irfan, M., & Harahap, I. (2025). Integrating Artificial Intelligence in Islamic Financial Management: Opportunities and Challenges in Maintaining Shariah Compliance. In I. Ghosal, Gupta, S., Rana, S. and Saha, D. (Ed.), *Indigenous Empowerment through Human-Machine Interactions* (pp. 273–288). Emerald Publishing Limited. https://doi.org/10.1108/978-1-83608-068-820251016

Kok, S. L., & Siripipatthanakul, S. (2023). Artificial Intelligence (AI) Adoption: The Case of the Malaysian Financial Industry. *Advance Knowledge for Executives*, *2*(4), 1–15.

Kunhibava, S., Muneeza, A., Mustapha, Z., Karim, M. E., & Sa'ad, A. A. (2024). Selected issues in the use of RegTech in the Islamic and conventional financial markets. *Journal of Islamic Accounting and Business Research*, *15*(5), 746–761. https://doi.org/10.1108/JIABR-03-2022-0069

Laldin, M. A., & Furqani, H. (2013). Developing Islamic finance in the framework of *maqāṣid* al-Shari'ah: Understanding the ends (*maqāṣid*) and the means (wasa'il). *International Journal of Islamic and Middle Eastern Finance and Management*, *6*(4), 278–289. https://doi.org/10.1108/IMEFM-05-2013-0057

Laldin, M. A., & Furqani, H. (2019). Fintech and Islamic finance: Setting the Sharī ʻah parameters. In U. A. Oseni & S. Nazim Ali (Eds.), *Fintech in Islamic finance* (pp. 113–119). Routledge. https://doi.org/10.4324/9781351025584

Joyce, L. (2018). *AI and the banking industry's $1 trillion opportunity*. The Financial Brand. Retrieved May 23, 2025, from https://thefinancialbrand.com/news/artificial-intelligence-banking/artificial-intelligence-trends-banking-industry-72653

M. Ahmed, H. (2023). *Maqāṣid Shariah and Sustainability: Forging a Just and Sustainable Future*. Retrieved May 20, 2025, from https://www.halaltimes.com/*maqāṣid*-shariah-and-sustainability-forging-a-just-and-sustainable-future/

McKinsey Global Institute (2025). *Superagency in the workplace: Empowering people to unlock AI's full potential*. Retrieved May 5, 2026, from https://www.mckinsey.com/capabilities/tech-and-ai/our-insights/superagency-in-the-workplace-empowering-people-to-unlock-ais-full-potential-at-work#/

Menard, P., & Bott, G. J. (2025). Artificial intelligence misuse and concern for information privacy: New construct validation and future directions. *Information Systems Journal*, *35*(1), 322–367. https://doi.org/10.1111/isj.12544

Merriam, S. B., & Grenier, R. S. (2019). *Qualitative research in practice: Examples for discussion and analysis*. John Wiley & Sons.

Miharja, M. N. D., Fahamsyah, M. H., & Nugroho, A. T. (2021, 15 December). *Chatbot development on an interactive services on Sharia contracts using natural language processing (NLP)*. 3rd Borobudur International Symposium on Science and Technology, Magelang, Indonesia. https://pubs.aip.org/aip/acp/article-abstract/2706/1/020132/2889383/Chatbot-development-on-an-interactive-services-on?redirectedFrom=PDF

Mohadi, M., & Tarshany, Y. (2023). *Maqāṣid* Al-Shari'ah and the Ethics of Artificial Intelligence: Contemporary Challenges. *Journal of Contemporary Maqāṣid Studies*, *2*(2), 79–102. https://doi.org/10.52100/jcms.v2i2.107

Mohd. Zabidi, A. Z., & Awang Pawi, A. A. (2025). Prinsip *Maqāṣid* Syariah Dalam Mendepani Era Kecerdasan Buatan: Perspektif Budaya Melayu. *Jurnal Melayu*, *24*(1), 61–71.

Moser, C., Den Hond, F., & Lindebaum, D. (2022). Morality in the age of artificially intelligent algorithms. *Academy of Management Learning & Education*, *21*(1), 139–155. https://doi.org/10.5465/amle.2020.0287

MOSTI. (2024). *The National Guidelines on AI Governance and Ethics*. Ministry of Science, Technology and Innovation. Retrieved June 21, 2025, from https://mastic.mosti.gov.my/publication/the-national-guidelines-on-ai-governance-ethics/

Nawi, A., Yaakob, M. F. M., Hussin, Z., Muhaiyuddin, N. D. M., Samuri, M. A. A., & Tamuri, A. H. (2021). Keperluan garis panduan dan etika Islam dalam penyelidikan kecerdasan buatan. *Journal of Fatwa Management and Research*, *26*(2), 280–297. https://doi.org/10.33102/jfatwa.vol26no2.414

Nurhidayatullah, A. S., & Fathurohman SW, O. (2024). Maqashid Syariah sebagai kerangka kerja untuk inovasi produk keuangan non bank dalam era digital. *Jurnal Masharif al-Syariah: Jurnal Ekonomi dan Perbankan Syariah*, *9*(5), 3635–3653. https://doi.org/10.30651/jms.v9i5.24835

Nzenwata, U., Bakare, O., & Ukandu, O. K. (2023). Artificial intelligence: Positive or negative innovation. *International Journal of Emerging Trends in Engineering Research*, *11*(7), 245–252. https://doi.org/10.30534/ijeter/2023/031172023

Odiase, P. O. (2025). Corporate Governance: A Reflection on 2023 Nigeria Financial Services Sector Governance Reform. *US-China L. Rev.*, *22*(1), 44–55. https://doi.org/doi:10.17265/1548-6605/2025.01.004

Pahutar, A. A., Ritonga, M., & Hanafi, A. H. (2024). Konsep *Maqāṣid* Syariah dalam Mengatasi Tantangan Sosial dan Budaya di Era Globalisasi. *Dakwatul Islam*, *9*(1), 59–86. https://doi.org/10.46781/dakwatulislam.v9i1.1316

Patimah, S., & Ansori, A. (2025). Optimizing AI Technology in Assessing Islamic Financing Risks: A SWOT Analysis of Challenges and Opportunities from an Islamic Legal Perspective (Fiqh). *Al-Istinbath: Jurnal Hukum Islam*, *10*(1), 172–193. https://doi.org/10.29240/jhi.v10i1.11941

Priantina, A., Uula, M. M., & Herindar, E. (2025). Ai In Fatwa Formulation: Transforming Sharia-Compliant Finance. *Journal of Central Banking Law and Institutions*, *4*(3), 595–634. https://doi.org/10.21098/jcli.v4i3.446

Qayyim, I. (2002). *'Ilām al-Muwāqi'īn 'an Rabb al-'Ālamīn*. Dār Ibn al-Jazwī.

Rizky, U. D., & Mongid, A. (2025). Stress Test of Credit Risk using Montecarlo Simulation: Indonesian Sharia Rural Banks. *Journal of Emerging Economies and Islamic Research*, *13*(1), 2135–2135. https://doi.org/10.24191/jeeir.v13i1.2135

Sahoo, D. K., Kumar, A., Kanwal, P., & Sabnis, R. (2025). AI-Driven Market Intelligence: Enhancing Competitive Analysis and Market Positioning. In *AI, Corporate Social Responsibility, and Marketing in Modern Organizations* (pp. 89–108). IGI Global Scientific Publishing.

Salami, I. A., Adesokan-Imran, T. O., Tiwo, O. J., Metibemu, O. C., Olutimehin, A. T., & Olaniyi, O. O. (2025). Addressing bias and data privacy concerns in AI-driven credit scoring systems through cybersecurity risk assessment. *Asian Journal of Research in Computer Science*, *18*(4), 59–82. https://doi.org/10.9734/ajrcos/2025/v18i4608

SDAIA. (2023). *AI Ethics Principles*. Saudi Data and AI Authority. Retrieved October 1, 2025, from https://sdaia.gov.sa/en/SDAIA/about/Documents/ai-principles.pdf

Shalhoob, H. (2025). The role of AI in enhancing shariah compliance: Efficiency and transparency in Islamic finance. *Journal of Infrastructure Policy and Development*, *9*(1), 11239–11239. https://doi.org/10.24294/jipd11239

Shalhoob, H., & Babiker, I. (2025). Exploration of AI in Ensuring Sharia Compliance in IF Institutions: Focus on Accounting Practices. *Open Journal of Business and Management*, *13*(2), 1435–1448. https://doi.org/10.4236/ojbm.2025.132075

Shukla, D., & Gupta, S. (2024, 17–19 Dec. 2024). *Comprehensive Literature Survey on Machine Learning for Credit Scoring of Thin File Consumers*. 2024 International Conference on Computer and Applications (ICCA), Manama, Bahrain. https://ieeexplore.ieee.org/abstract/document/10928020/citations?tabFilter=papers#citations

Smart Dubai (2022). *AI Ethics Principles and Guidelines*. Smart Dubai. Retrieved October 1, 2025, from https://www.digitaldubai.ae/docs/default-source/ai-principles-resources/ai-ethics.pdf

SPDPC. (2019). *Model Artificial Intelligence Governance Framework*. Singapore Personal Data Protection Commission. Retrieved October 1, 2025, from https://www.pdpc.gov.sg/-/media/files/pdpc/pdf-files/resource-for-organisation/ai/sgmodelaigovframework2.pdf

Syed Musa, S. Z. (2025). Harnessing Artificial Intelligence for Optimized Zakat and Waqf Management: Strategic Insights from Indonesia and Malaysia. *International Journal if Contemporary Issues (IJCI)*, *3*, 237–299.

Taherdoost, H., & Madanchian, M. (2023). Artificial intelligence and sentiment analysis: A review in competitive research. *Computers*, *12*(2), 1-15. https://doi.org/10.3390/computers12020037

Tariq, M. U. (2025). Fraud Detection and Mitigation in Cybersecurity Insurance: AI-Driven Approaches and Best Practices. In M. Alawida, A. Almomani, & M. Alauthman (Eds.), *AI-Driven Cybersecurity Insurance: Innovations in Risk, Governance, and Digital Resilience* (pp. 169–194). IGI Global. https://doi.org/10.4018/979-8-3373-5545-0.ch007

Thorne, S. (2016). *Interpretive description: Qualitative research for applied practice*. Routledge.

Umam, A. K. (2026). The The Concept of Al-Hisbah in Indonesia's Modern Islamic Economy: Sharia Supervision in the Era of Blockchain and AI. *Jurnal Ekonomi dan Ekonomi Syariah (JESYA), 9*(1), 262–273. https://doi.org/10.36778/jesya.v9i1.2552

UNESCO. (2021). *Recommendation on the Ethics of Artificial Intelligence*. Retrieved May 20, 2025, from https://unesdoc.unesco.org/ark:/48223/pf0000380455

'Uqail, A. M. (2023). Istikhdām al-Dhakā' al-Iṣtinā'ī fi Ḍaw' Ba'da al-Qawā'id al-Kulliyyah al-Uṣūliyyah: Dirāsah Ta'sīliyyah. *Majallah Jamī'ah al-Qur'ān al-Karīm wa al-'Ulūm al-Islāmiyyah*, *18*(2), 270–307. https://doi.org/10.61821/v18i2.0152

Wasim, M. H., & Zafar, M. B. (2025). Shariah governance framework for Islamic banking in Pakistan: a critical review and comparison with AAOIFI. *Journal of Islamic Accounting and Business Research*, *16*(7), 1283–1300. https://doi.org/10.1108/JIABR-03-2023-0101

Wazin, W., Patimah, S., & Ansori, A. (2025). Optimizing AI Technology in Assessing Islamic Financing Risks: A SWOT Analysis of Challenges and Opportunities from an Islamic Legal Perspective (Fiqh). *Al-Istinbath: Jurnal Hukum Islam*, *10*(1), 172–193. https://doi.org/10.29240/jhi.v10i1.11941

Wu, M., Subramaniam, G., Li, Z., & Gao, X. (2025). Using AI Technology to Enhance Data-Driven Decision-Making in the Financial Sector. In S. Dixit, M. Maurya, V. Jain, & G. Subramaniam (Eds.), *Artificial Intelligence-Enabled Businesses: How to Develop Strategies for Innovation* (pp. 187–207). Wiley. https://doi.org/10.1002/9781394234028.ch11

Zafar, M. B., & Ali, H. (2025). *Shariah Governance Standard on Generative AI for Islamic Financial Institutions*. SSRN, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5143165

Zaghībah, I. (1996). *Al-Maqāṣid al-'Ammah lī Sharī'ah al-Islāmiyyah*. Dār al-Safwah.

Zeranski, S., & Sancak, I. E. (2021). Digitalisation of financial supervision with supervisory technology (SupTech). *Journal of International Banking Law & Regulation* (8), 308–329. https://dx.doi.org/10.2139/ssrn.3632053