



STRUCTURING GLOBAL ISLAMIC FINANCE: A PHILOSOPHICAL PERSPECTIVE ON REGULATION AND STANDARDIZATION

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ABSTRACT

This study examines the regulation and standardization of the global Islamic economy through a philosophical lens grounded in maqashid al-shariah as the primary foundation for building a financial system that is just, transparent, and sustainable. The research background is rooted in the rapid growth of the global Islamic financial industry, which continues to face challenges including regulatory fragmentation, divergent standards across jurisdictions, and the dominance of formal compliance approaches that do not fully reflect the substantive values of Sharia. This study aims to analyze the philosophical underpinnings of Islamic economic regulation, the problematics of global standardization, and the gap between Islamic normative values and the practices of modern financial industries. A qualitative research approach with a library research design was employed, utilizing analysis of academic literature, regulatory documents, scientific journals, and reports from international institutions. The findings indicate that regulatory harmonization and maqashid al-shariah-based standardization are essential for strengthening the legitimacy, stability, and integration of the global Islamic financial system. This study further affirms the importance of reconstructing regulations that are oriented not only toward administrative compliance but also toward ethical values, social justice, and sustainable development in the face of modern economic dynamics.

Keywords: Islamic economics; maqashid al-shariah; regulation; standardization; global financial system.

INTRODUCTION

Over the past several decades, Islamic economics has undergone significant development and has emerged as one of the key pillars of the global financial system. This is reflected in the consistent growth trajectory of Islamic financial industry assets. According to the Islamic Financial Services Board (2024)¹, total global Islamic financial industry assets reached approximately USD 2.88 trillion in 2023, with a Compound Annual Growth Rate (CAGR) of approximately 10–11% over the past decade. Despite macroeconomic pressures, the industry has demonstrated considerable resilience, reflecting growing global confidence in a financial system oriented not only toward profit but also toward ethical values, justice, and sustainability.

¹ Islamic Financial Services Board (IFSB), *Islamic Financial Services Industry Stability Report 2024*. (Kuala Lumpur: IFSB, 2024).



This growth is inseparable from the increasing global awareness of the importance of a morally grounded economic system. The core principles of Islamic economics—such as justice ('adl), transparency, accountability, and the prohibition of *riba*, *gharar*, and *maysir*—hold considerable appeal across diverse communities. Conceptually, the system offers a balance between economic efficiency and distributive justice, while reinforcing social dimensions through instruments such as *zakat*² and *waqf*³. Empirical research has also demonstrated that Islamic finance exhibits relatively greater resilience to crises compared to conventional financial systems⁴.

Nevertheless, amid this rapid expansion, critical questions have emerged regarding the philosophical foundations of Islamic economics. Such critiques are pertinent given that many Islamic financial regulations remain adaptive to conventional systems and have not yet fully internalized Islamic philosophical values in a substantive manner. Recent studies have further revealed that many Islamic financial institutions remain oriented toward commercial efficiency rather than the achievement of *maqashid* objectives⁵.

From the perspective of Islamic jurisprudence, the regulatory foundation of Islamic economics cannot be separated from the concept of *maqashid al-shariah*. Contemporary research, however, reveals that the operationalization of *maqashid* within regulatory frameworks still faces significant methodological challenges, particularly with respect to the measurement and implementation of relevant indicators⁶.

The complexity inherent in the development of global Islamic economics is further evidenced by the divergence of regulatory frameworks across jurisdictions. This divergence has contributed to the fragmentation of Islamic financial practices and has generated legal uncertainty in cross-border transactions. Studies published in the *Journal of Islamic Accounting and Business Research* confirm that regulatory fragmentation constitutes the primary obstacle to the integration of global Islamic finance⁷.

In this context, standardization has become an imperative necessity. It is required to enhance efficiency, transparency, and investor confidence⁸. Research indicates that the harmonization of

² Asad Zaman, "M. Umer Chapra . The Future of Economics: An Islamic Perspective .," *Islamic Studies* 40, no. 1 (March 31, 2001): 149–54, <https://doi.org/10.52541/isiri.v40i1.5064>.

³ Ayraf Wajdi Dusuki and Said Bouheraoua, "The Framework of Maqasid Al-Shari'ah and Its Implication for Islamic Finance," *ICR Journal* 2, no. 2 (January 15, 2011): 316–36, <https://doi.org/10.52282/icr.v2i2.651>.

⁴ Thorsten Beck, Asli Demirgüç-Kunt, and Ouarda Merrouche, "Islamic vs. Conventional Banking: Business Model, Efficiency and Stability," *Journal of Banking & Finance* 37, no. 2 (February 2013): 433–47, <https://doi.org/10.1016/j.jbankfin.2012.09.016>.

⁵ Necmeddin Güney, "Maqāsid Al-Sharī'a in Islamic Finance: A Critical Analysis of Modern Discourses," *Religions* 15, no. 1 (January 16, 2024): 114, <https://doi.org/10.3390/rel15010114>.

⁶ Güney; Auda Jasser, *Maqasid Al-Shariah as Philosophy of Islamic Law: A Systems Approach* (London; Washington [D.C.] : International Institute of Islamic Thought, 2008).

⁷ M. Kabir Hassan and Sirajo Aliyu, "A Contemporary Survey of Islamic Banking Literature," *Journal of Financial Stability* 34 (February 2018): 12–43, <https://doi.org/10.1016/j.jfs.2017.11.006>.

⁸ (IFSB), *Islamic Financial Services Industry Stability Report 2024*.

Sharia standards contributes positively to financial system stability⁹. Nevertheless, formal compliance remains a primary challenge. Empirical studies demonstrate that many institutions fulfill only the legal requirements without reflecting the substantive values of Sharia¹⁰ situation that risks giving rise to a legitimacy crisis, reducing Islamic economics to merely a 'halal version' of capitalism if it is not anchored in robust philosophical foundations.

On the other hand, Islamic economics possesses considerable potential to support sustainable development. Recent studies indicate that Islamic finance is closely aligned with the Sustainable Development Goals (SDGs), particularly in the dimensions of social justice and financial inclusion¹¹. Accordingly, a philosophical reconstruction of Islamic economic regulation and standardization is needed—one capable of integrating maqashid al-shariah with the demands of the modern global financial system.

The study of Islamic economics has evolved through three principal approaches: normative-philosophical, institutional, and empirical. The normative approach emphasizes maqashid as the foundation of the economic system¹². The institutional approach focuses on global regulation and standardization, as advanced by bodies such as the IFSB (2024) and AAOIFI (2023). The empirical approach, meanwhile, evaluates the gap between theory and practice¹³. Although the direction of Islamic economic inquiry has begun to integrate with global sustainability issues and the SDGs, the integration of philosophical, regulatory, and standardization dimensions remains insufficiently comprehensive.

Consequently, an examination of the philosophy of regulation and standardization in Islamic economics becomes highly relevant to ensuring that the industry's growth remains within the bounds of Islamic values. A holistic approach that integrates Islamic legal philosophy, economic theory, and a regulatory framework is expected to contribute meaningfully to the construction of a global financial system that is more just, inclusive, and sustainable.

As the complexity and dynamism of global financial markets intensify, Islamic finance faces an urgent need to adopt regulations that are not only domestically consistent but also internationally harmonized. Such harmonization is essential for addressing market fragmentation caused by differences in the interpretation and application of Sharia principles across jurisdictions. In the

⁹ Sutan Emir Hidayat and Muhamad Abduh, "Does Financial Crisis Give Impacts on Bahrain Islamic Banking Performance? A Panel Regression Analysis," *International Journal of Economics and Finance* 4, no. 7 (July 1, 2012), <https://doi.org/10.5539/ijef.v4n7p79>.

¹⁰ Rania Kamla and Hussain G. Rammal, "Social Reporting by Islamic Banks: Does Social Justice Matter?," *Accounting, Auditing & Accountability Journal* 26, no. 6 (August 2, 2013): 911–45, <https://doi.org/10.1108/AAAJ-03-2013-1268>.

¹¹ B. Alam, N., Gupta, L., & Shanmugam, *Islamic Finance and Sustainable Development Goals*. (Cham: Springer Nature Switzerland, 2022); Khoutem Ben Jedidia and Mohamed Ghroubi, "Islamic Finance and SDGs: Bibliometric Review and Future Research Agenda," *Journal of Chinese Economic and Business Studies* 23, no. 3 (July 3, 2025): 329–62, <https://doi.org/10.1080/14765284.2024.2445959>.

¹² M. Umer Chapra, "Islam and the Economic Challenge," *Merican Journal of Islam and Society* 9, no. 4 (1992): 546–555.

¹³ Hassan and Aliyu, "A Contemporary Survey of Islamic Banking Literature."

absence of uniformity in regulations and standards, the growth potential of the Islamic financial industry may be constrained by legal uncertainty and reputational risks among market participants and global investors.

An additional significant challenge is how to integrate the Islamic philosophical values underlying Islamic finance with the practical requirements of regulations that are adaptive to technological development and modern financial innovation. Effective regulation must achieve a balance between Sharia compliance and operational flexibility, thereby promoting financial inclusion and expanding market access without compromising the ethical and moral principles that form the foundation of this system.

This study is highly relevant in the context of efforts to establish a global regulatory framework that not only addresses technical aspects but also accommodates the diversity of Islamic philosophies and interpretations. A philosophical approach to regulation is expected to provide a strong normative foundation for standardization while simultaneously serving as a mechanism to align Islamic financial practice with the objectives of social justice and economic sustainability. This study therefore makes an important contribution to identifying regulatory gaps and offering recommendations oriented toward the harmonization and strengthening of the global Islamic financial system.

Based on the foregoing background, the problem formulation of this study is focused on understanding and structuring the global Islamic financial system through a philosophical perspective on regulation and standardization. Specifically, this study examines how the philosophical foundations of Islamic economic regulation—grounded in *maqashid al-shariah*—can serve as a basis for building a global financial system that is just and sustainable. It further highlights the dynamics and problematics of Islamic financial regulation and standardization at the global level, particularly with respect to legal fragmentation and divergent approaches across jurisdictions and their impact on the integration of the international Islamic financial system. The study also seeks to identify the gap between the philosophical values of Islamic economics and the practice of implementation within the financial industry, which frequently remains constrained by formal compliance approaches. In this context, it is important to analyze the role of standardization as a strategic instrument in creating stability, legal certainty, and legitimacy for the global Islamic financial system. Ultimately, the study aims to formulate a model for the philosophical reconstruction of Islamic economic regulation and standardization.

RESEARCH METHOD

This study employs a qualitative approach with a library research design. This approach was selected because the study focuses on the philosophical analysis of global Islamic economic

regulation and standardization through the examination of literature, regulatory documents, scientific journals, and reports from international institutions. Library research enables the researcher to develop a thorough and systematic understanding of the concepts, theories, and dynamics of Islamic economic implementation.

The research data consist of both primary and secondary sources obtained through documentation techniques and literature review. Data sources include journal articles, books, regulations, and official documents from the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The researcher serves as the primary instrument in the processes of data collection, selection, and interpretation. Data validity is maintained through source triangulation by comparing multiple academic references and relevant documents. The data analysis technique employs content analysis and thematic analysis to identify concepts, patterns, and relationships among *maqashid al-shariah*, regulation, and global Islamic economic standardization. This technique was selected for its appropriateness to the qualitative approach, which emphasizes the interpretation of meaning and in-depth analysis of the phenomena under investigation.

RESULTS AND DISCUSSION

Philosophical Foundations of Islamic Economic Regulation in Building a Just Global Financial System

The development of global Islamic economics demonstrates that the Islamic financial system is no longer perceived as a regional alternative but has become an integral component of the international economic architecture. The Islamic Financial Services Board Report (2024) notes that global Islamic financial industry assets reached approximately USD 2.88 trillion, with relatively stable growth despite global economic pressures. This phenomenon reflects an increasing demand for a financial system that emphasizes not only profitability but also ethics, transparency, and social justice.

From a philosophical perspective, Islamic economic regulation cannot be separated from the concept of *maqashid al-shariah*. Jasser Auda¹⁴ explains that *maqashid* functions not only as an objective of Islamic law but also as a systemic framework for building social and economic governance oriented toward public interest. This indicates that Islamic economic regulation should ideally not only govern the legal aspects of transactions but also ensure the achievement of distributive justice, the protection of societal rights, and economic sustainability.

¹⁴ Jasser, *Maqasid Al-Shariah as Philosophy of Islamic Law : A Systems Approach*.

However, the findings of this study reveal that a substantial portion of modern Islamic financial regulations remains adaptive to conventional systems. Many Islamic financial products and instruments have undergone only terminological modifications without meaningful substantive changes. These findings are consistent with research by Kamla and Rammal¹⁵, who note that Islamic financial industry practice continues to be dominated by a formal compliance approach. Such conditions risk generating a legitimacy crisis, as Islamic economics is perceived as merely a 'halal label' affixed to the global capitalist system.

Analytically, this phenomenon reveals a gap between the philosophical values of Islamic economics and regulatory implementation in practice. In Chapra's theoretical framework¹⁶, the Islamic economic system should place morality and social justice at the core of economic policy. Therefore, Islamic economic regulation must be reconstructed to be more substantive and not merely oriented toward administrative compliance. The implication of these findings is the importance of strengthening maqashid al-shariah-based regulation capable of integrating ethical values, economic stability, and social protection within the global financial system.

Regulatory Problematics and Fragmentation of Global Islamic Financial Standardization

One of the primary challenges in the development of global Islamic economics is the fragmentation of regulations across nations. Differences in jurisprudential interpretation, national legal structures, and institutional approaches have resulted in non-uniform application of Islamic financial standards. This is evident in the divergence of fatwas and Islamic financial product standards between the Middle East and Southeast Asia, which has rendered the integration of global Islamic financial markets suboptimal and created legal uncertainty in cross-border transactions.

Research by Hasan, Hassan, and Aliyu¹⁷ indicates that regulatory fragmentation constitutes the primary obstacle to the harmonization of the international Islamic financial industry. This is compounded by the fact that the standards issued by the AAOIFI and IFSB have not been fully and universally adopted by all nations in practice. In this context, Islamic economic regulation continues to be influenced by national interests and the diversity of jurisprudential schools of thought.

Theoretically, regulatory harmonization is necessary for creating efficiency, stability, and legal certainty within the global financial system. Standardization also functions to increase international investor confidence in the Islamic financial industry. However, this study finds that

¹⁵ Kamla and G. Rammal, "Social Reporting by Islamic Banks: Does Social Justice Matter?"

¹⁶ Chapra, "Islam and the Economic Challenge."

¹⁷ Rashedul Hasan, Mohammad Kabir Hassan, and Sirajo Aliyu, "Fintech and Islamic Finance: Literature Review and Research Agenda," *International Journal of Islamic Economics and Finance (IJIEF)* 3, no. 1 (2020), <https://doi.org/10.18196/ijief.2122>.

global standardization cannot be achieved through technical and administrative approaches alone. A philosophical approach remains indispensable to ensure that the harmonization process does not erode the foundational values of Sharia. Accordingly, regulatory integration must be built upon a balance between the universality of global standards and the flexibility of local Sharia interpretation.

The implication of this situation is the need to strengthen international cooperation among Islamic financial authorities to establish a more integrated regulatory framework. In addition, a maqashid al-shariah-based standardization model is required to ensure that regulatory harmonization preserves the substantive ethics of Islam amid the demands of economic globalization.

The Gap Between the Philosophical Values of Islamic Economics and Financial Industry Practice

The findings of this study indicate that the growth of the Islamic financial industry has not been fully accompanied by a strengthening of the philosophical orientation of Islamic economics. Many Islamic financial institutions continue to emphasize commercial efficiency and market competitiveness over the attainment of the socioeconomic objectives of Islam. This phenomenon is evidenced by the dominance of debt-based financing products over profit-and-loss sharing (musharakah/mudharabah) financing, which constitutes the defining characteristic of Islamic economics.

Research by Beck, Demirguc-Kunt, and Merrouche¹⁸ demonstrates that Islamic banking systems exhibit relatively greater resilience to crises due to the avoidance of speculative practices. Nevertheless, research by Güney¹⁹ reveals that the implementation of maqashid al-shariah within the Islamic financial industry continues to face methodological and operational challenges. Many financial institutions have yet to develop clear indicators for measuring the achievement of maqashid in their business practices.

Analysis of this phenomenon reveals that Islamic economics faces a dilemma between normative ideals and the pragmatic demands of global markets. Within the systems approach developed by Jasser Auda, maqashid should be applied in a multidimensional manner, not confined to formal legal aspects. Therefore, strengthening the philosophical dimension in regulation becomes critically important to ensure that the Islamic financial system does not lose its ethical identity.

¹⁸ Beck, Demirgüç-Kunt, and Merrouche, "Islamic vs. Conventional Banking: Business Model, Efficiency and Stability."

¹⁹ Güney, "Maqāsid Al-Sharī'a in Islamic Finance: A Critical Analysis of Modern Discourses."

The implication of these findings is the need to reformulate performance indicators for the Islamic financial industry—indicators based not solely on profitability but also on social welfare, financial inclusion, and economic sustainability. Regulation must also encourage innovation in profit-and-loss sharing products and the strengthening of the real economic sector, so that Islamic economics more fully adheres to the principles of distributive justice.

Philosophical Reconstruction of Global Islamic Economic Regulation and Standardization

Based on the comprehensive analysis presented, this study demonstrates that the reconstruction of global Islamic economic regulation must be undertaken through an integrative approach combining Islamic philosophical values with the needs of the modern financial system. Regulation must function not merely as a legal administrative instrument but also as a means of realizing social justice, transparency, and economic sustainability. The concept of *maqashid al-shariah* can serve as the foundation for developing a regulatory model that is both more adaptive and more substantive.

In this context, global standardization should be directed not only toward the alignment of technical procedures but also toward the unification of value orientation and the objectives of Islamic economics. This approach aligns with the thought of Kamali²⁰, who emphasizes the importance of integrating Sharia principles with contemporary needs in the development of Islamic economic law.

Furthermore, Islamic economics bears strong relevance to the sustainable development agenda. Alam, Gupta, and Shanmugam²¹ affirm that the principles of Islamic finance are aligned with the goals of poverty reduction, economic equity, and social inclusion. Accordingly, the reconstruction of Islamic economic regulation should be directed toward strengthening the contribution of the Islamic financial industry to a global development agenda that is just and sustainable.

In light of these considerations, this study affirms that the future of the global Islamic economy is fundamentally determined by the capacity of regulation and standardization to integrate Islamic philosophical values with the dynamics of the modern economy. A *maqashid al-shariah*-based regulatory approach will strengthen the legitimacy, stability, and sustainability of the Islamic financial system at the global level

²⁰ M. H. Kamali, *Shari'ah Law: An Introduction*. (Oxford: Oneworld Publications., 2008).

²¹ Alam, N., Gupta, L., & Shanmugam, *Islamic Finance: A Practical Perspective (2nd Ed.)*.

CONCLUSION

This study demonstrates that global Islamic economic regulation is philosophically rooted in the concept of *maqashid al-shariah*, which places justice, public welfare, transparency, and sustainability as the primary objectives of the Islamic financial system. However, in practice, the regulation and practice of the Islamic financial industry continue to face a gap between normative values and operational realities. Many Islamic financial institutions remain inclined toward a formal compliance approach and the adaptation of conventional financial systems rather than strengthening the substantive values of *Sharia*.

This study also finds that regulatory fragmentation and divergent standards across nations constitute the primary obstacles to the integration of the global Islamic financial system. Differences in legal interpretation, institutional approaches, and the application of *Sharia* standards have prevented the establishment of robust regulatory harmonization at the international level. This situation has negative consequences for legal certainty, the efficiency of market integration, and the legitimacy of the global Islamic financial system.

Furthermore, the findings of this study affirm that standardization plays a strategic role in enhancing stability, transparency, and confidence in the Islamic financial industry. However, standardization oriented solely toward technical aspects is insufficient to meet the challenges of economic globalization. Therefore, a philosophical reconstruction of Islamic economic regulation and standardization grounded in *maqashid al-shariah* is essential, enabling the Islamic financial system to develop in a manner that is more just, inclusive, and sustainable. Accordingly, the integration of Islamic philosophical values with the demands of modern regulation serves as a critical foundation for building a global Islamic financial system endowed with ethical legitimacy and institutional resilience.

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