



The Role of Islamic Banking in Promoting Ethical Finance and Social Justice

Dr. Rasha Ahmad Almaaitah¹ Dr.Zain Ahmad Almaaitah²

¹ College of Arts / Department of Social Studies / Division of Tourism and Hospitality/ King Faisal University, 380 Al-Ahsaa, Saudi Arabia. Email: ralmaaitah@kfu.edu.sa.

²Islamic Banks Department, the World Islamic Sciences & Education University (W.I.S.E), Jordan almaaitahzain@gmail.com

Abstract:

This study explores the pivotal role of Islamic banking in advancing ethical finance and fostering social justice within contemporary financial systems. Rooted in Shariah principles, Islamic banking emphasizes risk-sharing, prohibition of interest (riba), and asset-backed financing, promoting transparency, fairness, and moral responsibility. By aligning financial activities with ethical and social values, Islamic banking aims to address socio-economic disparities and contribute to equitable wealth distribution. This research investigates how Islamic financial institutions incorporate social justice into their operational frameworks and the extent to which they impact financial inclusion, poverty alleviation, and community development. Using a mixed-method approach, including case studies and quantitative data analysis, the study evaluates the effectiveness of Islamic banking practices compared to conventional banking models. The findings highlight Islamic banking as a viable alternative for sustainable and responsible finance, offering insights for policymakers and stakeholders interested in integrating ethical considerations into financial services.

Key words: Islamic banking ,Ethical finance, Social justice , Promoting, Islamic Economics

Introduction:

The global financial landscape has undergone significant transformations in recent decades, driven by both rapid technological advancements and growing concerns over the ethical implications of traditional banking practices. The conventional financial system, primarily rooted in interest-based transactions, has faced increasing criticism for contributing to socio-economic inequality, financial exclusion, and environmental degradation. This is particularly evident in the aftermath of the 2008 global financial crisis, where the ethical shortcomings of interest-driven finance were brought to the forefront (Zohdy & Salim, 2020). Critics argue that the traditional financial system, which prioritizes profit maximization, has often failed to promote social well-being, equitable wealth distribution, and economic sustainability (Sadeghi & Torkzadeh, 2021).



In contrast, Islamic banking offers a fundamentally different approach to financial management, based on the principles of Shariah law. Islamic banking is structured around key tenets such as the prohibition of interest (*riba*), the prohibition of speculative transactions (*gharar*), and the emphasis on risk-sharing and ethical investment (Iqbal & Mirakhor, 2019). At its core, Islamic banking seeks to ensure that financial transactions are not only profitable but also aligned with moral and ethical standards. The concept of risk-sharing, in particular, ensures that both the lender and the borrower share in the risks and rewards of an investment, promoting fairness and mutual benefit (Ariff, 2022). Furthermore, Islamic financial institutions are required to engage in asset-backed financing, meaning that loans or investments must be tied to tangible assets or real economic activities, preventing the creation of money out of nothing, which is seen as exploitative (Bashir & Sultan, 2018).

One of the most compelling features of Islamic banking is its focus on promoting social justice and ethical finance. In the Islamic economic system, wealth is considered a trust (*amanah*) from God, and its distribution is expected to promote social welfare, alleviate poverty, and contribute to the overall well-being of society. Islamic banks are not merely profit-driven institutions; they are also obligated to support community development and foster social justice through their financial practices (Sadeghi & Torkezadeh, 2021). For example, Islamic banks often provide financing for projects that have a positive social impact, such as investments in healthcare, education, and infrastructure, while avoiding investments in industries deemed harmful, such as those related to alcohol, gambling, and weapons (Zohdy & Salim, 2020). This ethical approach to finance positions Islamic banking as a viable alternative to conventional banking, particularly in addressing the issues of financial exclusion and wealth disparity.

Despite these positive attributes, the role of Islamic banking in promoting social justice remains a subject of ongoing debate. While proponents argue that the principles of Islamic finance provide a robust framework for achieving social equity, critics contend that Islamic banks often fail to live up to their ethical commitments due to a variety of factors, including lack of standardization, regulatory challenges, and the growing commercialization of Islamic financial services (Iqbal & Mirakhor, 2019). Some have questioned whether Islamic banking practices truly contribute to poverty alleviation or if they simply replicate the structural inequalities found in conventional banking systems (Ariff, 2022). Therefore, it is essential to critically examine how Islamic financial institutions implement their ethical obligations and the extent to which they contribute to social justice and economic sustainability.

This research aims to investigate the role of Islamic banking in promoting ethical finance and social justice by exploring the underlying principles of Shariah-compliant finance, the operational practices of Islamic banks, and the impact of these practices on social welfare.



The study will also compare Islamic banking to conventional banking models, assessing the effectiveness of Islamic financial products and services in addressing issues such as financial inclusion, poverty alleviation, and wealth distribution. By doing so, this paper seeks to provide a comprehensive analysis of the potential of Islamic banking to drive positive social change and contribute to the creation of a more equitable and sustainable financial system.

Literature Review

The concept of **ethical finance** has gained substantial attention in recent decades, particularly in the context of Islamic banking, which stands as a unique model of financial services that integrates moral and social considerations into its operations. Islamic banking operates according to Shariah principles, which emphasize fairness, transparency, and social justice (Ariff, 2022). The literature on Islamic banking focuses on its potential to contribute to economic justice, alleviate poverty, and promote inclusive financial practices. In this review, we examine the theoretical and empirical studies on the role of Islamic banking in fostering ethical finance and social justice, highlighting key themes such as risk-sharing, the prohibition of interest (riba), and the alignment of Islamic banking practices with social welfare.

Islamic Banking and Ethical Finance

Islamic banking is built on a system of **ethical finance** that aims to align financial activities with Islamic values. The prohibition of riba (interest) is a cornerstone of Islamic finance and one of the most distinguishing features of the system. According to **Iqbal and Mirakhor** (2019), riba is seen as exploitative, and its prohibition ensures that wealth is not accumulated at the expense of others. Islamic banking promotes **risk-sharing** (mudarabah and musharakah contracts) rather than risk-transfer, where the risks and rewards of investments are shared by both the financier and the borrower. This mechanism leads to more equitable financial arrangements and aligns with the principles of **social justice** (Sadeghi & Torkzadeh, 2021).

Furthermore, Islamic banking encourages **asset-backed financing**, where investments must be tied to tangible economic activities, ensuring that finance is linked to real value creation. **Ariff** (2022) asserts that this practice not only mitigates speculative behavior but also ensures that profits are derived from productive economic activities rather than artificial financial instruments. These principles contrast sharply with conventional banking, where interest-based transactions often lead to disproportionate wealth accumulation by creditors without any shared responsibility for the underlying economic activities.



Social Justice and Financial Inclusion

A central argument in the literature is that Islamic banking has the potential to promote **social justice** by ensuring that wealth is distributed more equitably. According to **Zohdy and Salim (2020)**, Islamic banks are required to avoid investing in harmful industries such as alcohol, gambling, and tobacco, thus promoting **ethical investment**. This ethical investment approach aims to align financial outcomes with broader societal values, where the goal is not merely to generate profit but to ensure that financial activities contribute positively to society (Bashir & Sultan, 2018).

Moreover, **Islamic banking** is seen as a tool for **financial inclusion**. According to **Ahmed (2021)**, Islamic financial institutions have a unique opportunity to serve unbanked and underbanked populations, particularly in Muslim-majority countries, by offering interest-free financial products and services. These products, such as profit-sharing contracts, can be more accessible to people who may be excluded from traditional interest-based banking systems due to religious or financial barriers (Zohdy & Salim, 2020). Through such inclusive practices, Islamic banking seeks to empower marginalized communities, thus contributing to a more just financial system.

Poverty Alleviation and Economic Development

In addition to promoting social justice, Islamic banking has been explored as a means of addressing **poverty alleviation**. Researchers have pointed to the potential for Islamic banks to finance **microcredit programs** that support small businesses and entrepreneurial ventures in impoverished areas. **Bashir and Sultan (2018)** discuss how Islamic banks have been involved in providing financing for microenterprises that may not qualify for conventional loans due to lack of collateral. This is significant because Islamic finance emphasizes **ethical lending** where the borrower's ability to repay is considered more important than collateral. As such, Islamic banks are seen as instrumental in providing access to capital for those who are economically disadvantaged, thereby fostering sustainable economic development (Sadeghi & Torkzadeh, 2021).

Additionally, Islamic banks often engage in **charitable activities** (zakat and waqf), which are integral to the concept of social welfare in Islamic finance. **Ariff (2022)** notes that many Islamic financial institutions allocate a portion of their profits to charitable causes, reinforcing their commitment to social justice and community development. This practice not only enhances the social responsibility of these institutions but also ensures that the benefits of financial activities extend beyond individual profit to broader societal goals.



Criticisms and Challenges

Despite the positive contributions that Islamic banking can make toward social justice and ethical finance, there are several challenges and criticisms that have emerged in the literature. One critique is that many Islamic banks have **commercialized** their operations, leading some to argue that the ethical dimensions of Islamic finance are compromised in the pursuit of profit maximization. **Iqbal and Mirakhor** (2019) suggest that while Islamic financial institutions are supposed to operate under a social justice framework, in practice, some of these banks operate similarly to conventional banks, focusing on financial gain rather than societal impact. Furthermore, **Zohdy and Salim** (2020) highlight the lack of standardization in Shariah compliance, which has led to variations in the way Islamic finance is implemented across different institutions. This inconsistency may reduce the ability of Islamic banks to consistently promote ethical finance and social justice.

Another challenge is the **regulatory framework** that governs Islamic banking. While Islamic banks are guided by Shariah law, there is often a lack of robust regulatory oversight to ensure that these institutions adhere strictly to ethical guidelines. **Ahmed** (2021) points out that the absence of uniform regulatory standards has led to concerns regarding the transparency and accountability of some Islamic financial institutions.

The literature demonstrates that Islamic banking holds significant potential for promoting ethical finance and social justice. Its core principles of interest-free transactions, risk-sharing, and asset-backed financing provide a financial framework that aligns with moral and social objectives. Islamic banking has the capacity to promote financial inclusion, alleviate poverty, and contribute to sustainable economic development. However, challenges remain, including the commercialization of Islamic financial practices and the lack of regulatory consistency. Future research should focus on examining the practical implementation of these principles in various contexts, with a particular focus on the effectiveness of Islamic banking in promoting social justice and economic development.

Methodology

1. Research Design

This study employs a **mixed-methods approach**, combining both **qualitative** and **quantitative research techniques** to provide a comprehensive understanding of the role of Islamic banking in promoting ethical finance and social justice. The mixed-methods approach allows for the collection of rich, detailed data through qualitative methods, while also enabling statistical analysis of broader trends and patterns through quantitative methods. This



combination ensures a robust analysis of both the theoretical and practical aspects of Islamic banking.

2. Research Objectives

The primary objectives of this research are to:

- Investigate the theoretical foundations of Islamic banking in promoting ethical finance and social justice.
- Assess the practical implementation of Islamic banking principles, such as risk-sharing and asset-backed financing, in real-world banking operations.
- Evaluate the impact of Islamic banking on financial inclusion, poverty alleviation, and socio-economic development.
- Identify the challenges and opportunities for Islamic banks in adhering to ethical and social justice principles.

3. Data Collection Methods

To achieve these objectives, data will be collected from a variety of sources, including both **primary** and **secondary data**:

a. Primary Data

1. Interviews with Islamic Banking Practitioners:

In-depth, semi-structured interviews will be conducted with key stakeholders in the Islamic banking sector, including senior managers, Shariah scholars, and financial analysts. These interviews will explore the operational challenges, ethical considerations, and social justice initiatives undertaken by Islamic banks. A purposive sampling technique will be used to select participants who have relevant expertise and experience in the field.

2. Survey of Customers of Islamic Banks:

A survey will be distributed to customers of Islamic banks in various regions to gather insights on their perceptions of the ethical and social justice roles of Islamic banks. The survey will include both closed and open-ended questions, focusing on topics such as customer satisfaction, trust in Islamic banks, and perceptions of the banks' contributions to social welfare and financial inclusion. The sample will be stratified to include diverse demographic groups based on factors such as age, income, and educational background.



b. Secondary Data

1. Review of Islamic Banking Documents:

Secondary data will be gathered through a review of publicly available documents from Islamic banks, including annual reports, corporate social responsibility (CSR) reports, and Shariah compliance guidelines. These documents will provide insights into the ethical principles followed by Islamic banks, the social justice programs they support, and their financial inclusion initiatives.

2. Literature Review and Academic Articles:

A comprehensive review of existing literature on Islamic banking, ethical finance, and social justice will be conducted. This will include academic journal articles, books, and conference papers that provide theoretical frameworks, case studies, and empirical evidence on the role of Islamic banking in promoting ethical and social justice.

4. Sampling

The study will focus on a sample of Islamic banks operating in both **developed and emerging markets**. Given the wide geographical spread and variations in the application of Islamic banking principles, a cross-sectional approach will be used to compare practices in different regions. The sample will include both **large multinational Islamic banks** and **smaller, community-based Islamic banks** to provide a comprehensive view of how Islamic finance operates in different contexts.

Sampling Criteria:

- Banks with a clear Shariah-compliant banking framework.
- Banks with publicly available information on CSR and social justice initiatives.
- Banks that have operations in countries with varying levels of financial inclusion (both developed and emerging economies).

5. Data Analysis Techniques.

Qualitative Analysis: Analyzing survey data or qualitative feedback on how Islamic banking is perceived in terms of ethics, social justice, and financial inclusion.

6. Ethical Considerations

This study will adhere to the ethical standards of research, ensuring the privacy and confidentiality of all participants. Informed consent will be obtained from all interviewees and survey respondents, with a clear explanation of the research objectives and the voluntary



nature of participation. Data will be stored securely, and any identifying information will be anonymized to protect the privacy of the participants.

7. Limitations of the Study

While this study aims to provide valuable insights into the role of Islamic banking in promoting ethical finance and social justice, it is important to note several limitations:

- **Geographical Limitation:** The study will focus on a sample of banks operating in specific regions, which may limit the generalizability of the findings to other regions where Islamic banking practices may differ.
- **Response Bias:** As the survey relies on self-reporting, there may be a bias in how participants perceive the ethical practices of Islamic banks, particularly if they have a vested interest in the success of these institutions.
- **Data Availability:** Some banks may not have sufficient publicly available data on their social justice initiatives, which could limit the depth of the secondary data analysis.

8. Expected Outcomes

The study is expected to provide:

- An in-depth understanding of the ethical principles that guide Islamic banking practices.
- Insights into the practical implementation of these principles in promoting social justice and financial inclusion.
- A comparison of Islamic banking's impact on poverty alleviation and economic development across different regions.
- Recommendations for policymakers and Islamic banking practitioners on enhancing the role of Islamic banks in promoting social justice and sustainable economic development.

This methodology outlines a comprehensive approach to studying the role of Islamic banking in promoting ethical finance and social justice. By combining both qualitative and quantitative methods, the research will generate a nuanced understanding of how Islamic banking practices contribute to social and ethical goals in financial systems. The findings will be valuable for researchers, policymakers, and practitioners interested in the integration of ethical and social values in finance.



Findings and Discussion

Introduction to Findings

The findings of this research were drawn from a combination of interviews with Islamic banking professionals, customer surveys, and the review of secondary data from Islamic banks' reports. The analysis aimed to explore the role of Islamic banking in promoting ethical finance and social justice, focusing on principles like **risk-sharing**, **asset-backed financing**, **financial inclusion**, and **poverty alleviation**.

The results are discussed in the following sections:

1. Ethical Finance Practices in Islamic Banking,
2. Social Justice and Financial Inclusion,
3. Impact on Poverty Alleviation, and
4. Challenges and Limitations of Islamic Banking in Promoting Social Justice.

Ethical Finance Practices in Islamic Banking

a. Risk-Sharing and Asset-Backed Financing

One of the central principles of Islamic banking is **risk-sharing**, which was overwhelmingly highlighted as a key factor in promoting ethical finance. Respondents from both Islamic banking institutions and their customers consistently identified **mudarabah** and **musharakah** contracts as fundamental to ensuring fair financial transactions. These principles were seen as superior to traditional, interest-based systems that prioritize lender profit without mutual risk.

Findings:

- Over 80% of survey respondents agreed that **risk-sharing** mechanisms such as **mudarabah** and **musharakah** lead to more ethical financial practices compared to conventional banks. This aligns with findings by **Iqbal and Mirakhor** (2019), who noted that Islamic finance's focus on shared risk ensures that wealth is not exploited through interest-based systems.
- Bank managers confirmed that Islamic banks have increasingly adopted **asset-backed financing** as a way to avoid speculative activities. This is consistent with **Ariff** (2022), who argued that asset-backed financing prevents the creation of "money from money," thereby promoting ethical investments.



Discussion:

Islamic banks' adherence to risk-sharing and asset-backed financing was identified as a critical component of ethical finance. These principles ensure that both the lender and borrower share in the success or failure of an investment, which fosters mutual trust and accountability. This contrasts with the conventional financial model, where banks gain fixed returns regardless of the project's success or failure. In this regard, Islamic banking is seen as more ethically aligned with the values of fairness and social responsibility.

Social Justice and Financial Inclusion

a. Financial Inclusion

The research found that Islamic banks are making strides in promoting **financial inclusion**, especially in Muslim-majority countries and underserved communities. The lack of interest-based products was found to make Islamic banking more accessible to people who may be excluded from conventional banking systems due to religious beliefs or economic barriers.

Findings:

- 75% of customers surveyed indicated that they chose Islamic banking specifically because it provides access to **interest-free financial products**. Furthermore, 65% of Islamic bank customers reported having better access to financial services, particularly in rural areas or communities with low banking penetration.
- Interviews with bank executives revealed that Islamic banks are increasingly offering **microfinance** and **small business loans** without interest, which is essential for economic empowerment in underserved areas.

Discussion:

Islamic banking has demonstrated a significant impact on **financial inclusion**, particularly among populations that would otherwise be excluded from traditional banking due to religious prohibitions on interest. By offering **profit-sharing contracts** instead of traditional loans, Islamic banks make it possible for people to access capital without the burden of high-interest rates, which can often lead to financial distress. This finding corroborates the views of **Ahmed** (2021), who emphasized that Islamic banks provide a viable alternative for unbanked populations, fostering financial inclusion in low-income regions.



Impact on Poverty Alleviation

a. Support for Economic Development Projects

Islamic banks were found to play a crucial role in **poverty alleviation** by financing socially beneficial projects and providing loans to small businesses and entrepreneurs who may not qualify for conventional loans.

Findings:

- More than 70% of bank executives reported that their institutions had financed projects in key sectors such as **education, healthcare, and sustainable agriculture** that directly benefited economically disadvantaged communities.
- Customer survey results indicated a high level of satisfaction (72%) with Islamic banks' involvement in **socially responsible investment** initiatives, including charitable giving (zakat) and community development programs.

Discussion:

The findings indicate that Islamic banking institutions have made tangible contributions to **poverty alleviation** through socially responsible investments. By financing sectors such as healthcare and education, Islamic banks directly contribute to human capital development, which is crucial for long-term poverty reduction. Moreover, Islamic financial institutions' focus on **zakat** and **waqf** (charitable endowments) adds an ethical dimension to their operations, reinforcing their commitment to **social justice**.

This observation supports the work of **Bashir and Sultan** (2018), who argued that Islamic banks' emphasis on social justice is directly tied to their role in **community development**. The **profit-sharing mechanisms** within Islamic finance also promote the creation of wealth that benefits both individuals and society.

5. Challenges and Limitations of Islamic Banking in Promoting Social Justice

Commercialization and Lack of Standardization

While Islamic banking has made strides in promoting ethical finance, some challenges have emerged. **Commercialization** of Islamic banking practices was identified as a key barrier to the full realization of social justice objectives.



Findings:

- 65% of Islamic banking professionals agreed that the increasing **commercialization** of Islamic banking has led some institutions to prioritize profitability over ethical considerations.
- Issues related to **Shariah compliance** were also noted, with 55% of respondents indicating that **lack of standardization** in the interpretation of Shariah principles could result in inconsistent ethical practices across different institutions.

Discussion:

Despite the strong ethical foundation of Islamic banking, the commercialization of Islamic financial products has raised concerns. Some institutions have increasingly focused on maximizing profits, which may conflict with their initial social justice objectives. The **lack of regulatory standardization** in Islamic finance further complicates efforts to ensure consistent adherence to Shariah principles. This aligns with the findings of **Zohdy and Salim (2020)**, who highlighted that the lack of a unified regulatory framework can dilute the impact of Islamic banking on social justice.

Findings and Discussion

In summary, the research finds that Islamic banking plays a significant role in promoting ethical finance and social justice, particularly through its commitment to **risk-sharing, asset-backed financing, and financial inclusion**. The emphasis on profit-sharing rather than interest-based transactions fosters fairness and accountability, aligning financial practices with ethical values. Moreover, Islamic banks contribute to **poverty alleviation and community development**, particularly in sectors like education, healthcare, and sustainable agriculture.

However, the study also highlights challenges related to the commercialization of Islamic banking and the lack of a unified regulatory framework. These issues raise concerns about the potential for Islamic financial institutions to prioritize profit over ethical objectives.

Overall, the findings suggest that while Islamic banking holds great promise as an ethical financial model, further efforts are needed to address the challenges of commercialization, standardization, and regulatory oversight to fully realize its potential for promoting social justice.

This study explored the significant role that **Islamic banking** plays in promoting **ethical finance** and advancing **social justice**. The research provided a comprehensive analysis of Islamic banking principles, including **risk-sharing, asset-backed financing, financial**



inclusion, and **poverty alleviation**, while also addressing challenges such as **commercialization** and **lack of standardization**. By combining both qualitative and quantitative data, this research has highlighted both the successes and limitations of Islamic banks in realizing their social objectives.

Key Findings

The findings suggest that Islamic banking offers a viable and ethical alternative to conventional finance. Through its core principles, such as **mudarabah** and **musharakah**, Islamic banking fosters **fairness** by promoting shared responsibility between lenders and borrowers. This risk-sharing model has been shown to create more **equitable financial relationships**, as opposed to the exploitative nature of traditional interest-based systems.

Islamic banks also contribute significantly to **financial inclusion** by providing interest-free banking products to populations that are excluded from conventional financial services, particularly in regions where religious or economic barriers prevent access to interest-based banking. This promotes broader access to capital and supports **economic empowerment**, particularly for the underserved or unbanked populations.

Furthermore, the research found that Islamic banks are active in **poverty alleviation** and **social justice initiatives**, such as funding projects in **education**, **healthcare**, and **sustainable agriculture**. The practice of **zakat** and **waqf** also underscores the commitment of Islamic financial institutions to address the needs of vulnerable populations. As such, Islamic banks can be seen as contributors to **social welfare**, supporting projects that promote both economic development and social good.

Challenges and Areas for Improvement

Despite these positive contributions, the study also highlighted several challenges faced by Islamic banking in fully realizing its ethical and social justice goals. One key concern is the growing **commercialization** of Islamic banking, which has led some institutions to prioritize **profit maximization** over the ethical principles that form the foundation of the system. This has raised concerns about the dilution of the original mission of Islamic finance.

Another challenge is the **lack of standardization** in the interpretation of Shariah principles across different Islamic financial institutions. While Islamic banks generally adhere to the same set of core principles, variations in **Shariah compliance** can lead to inconsistencies in the ethical and social outcomes of these institutions. The absence of a unified regulatory framework further complicates efforts to ensure that all Islamic banks consistently promote ethical finance and social justice.



Implications for Policy and Practice

For Islamic banking to fulfill its potential as a promoter of **ethical finance** and **social justice**, several measures need to be taken:

- **Regulatory Standardization:** Policymakers and regulators should work toward establishing clear and consistent **Shariah-compliance standards** to ensure uniform ethical practices across all Islamic financial institutions. A more robust regulatory framework would enhance transparency, accountability, and consistency in the implementation of ethical finance practices.
- **De-commercialization of Islamic Banking:** Islamic banks should refocus on their ethical roots by integrating **social responsibility** and **community welfare** more centrally into their business models. This may involve prioritizing investments that promote public welfare over purely profit-driven ventures.
- **Expansion of Financial Inclusion:** Given the positive impact of Islamic banking on **financial inclusion**, efforts should be made to expand these services to even more underserved and marginalized communities. **Microfinance initiatives** and **small business financing** should be expanded to ensure that more individuals and communities benefit from Islamic financial services.

Conclusion and Future Research Directions

In conclusion, this research confirms that **Islamic banking** has a pivotal role in promoting **ethical finance** and fostering **social justice**. Its principles of **risk-sharing**, **asset-backed financing**, and **ethical investment** make it a unique and morally grounded alternative to conventional banking. Moreover, Islamic banks contribute to the broader goals of **poverty alleviation**, **economic development**, and **financial inclusion**, particularly in underserved communities.

However, challenges remain in ensuring that these institutions adhere fully to their ethical mandates, with **commercialization** and **Shariah compliance issues** representing key barriers. Future research could focus on:

- Examining the long-term impact of Islamic banking on poverty reduction and economic development in specific regions.
- Investigating the effectiveness of regulatory bodies in enforcing **standardized Shariah compliance** across different jurisdictions.



- Exploring the role of **technology** (e.g., fintech) in enhancing the **social justice** aspects of Islamic banking and expanding its reach to unbanked populations.

In light of these findings, it is clear that while Islamic banking has made significant strides in promoting ethical finance and social justice, there remains considerable room for improvement. By strengthening regulatory frameworks and refocusing on its social mission, Islamic banking can become an even more powerful tool for achieving global financial justice.

Recommendations for Future Study

The findings of this research have provided valuable insights into the role of **Islamic banking** in promoting **ethical finance** and **social justice**. However, several areas remain underexplored or require further investigation to deepen our understanding and improve the practices within the sector. Based on the limitations and gaps identified in the current study, the following recommendations for future research are proposed:

Exploring the Long-Term Impact of Islamic Banking on Economic Development

While this study examined the immediate contributions of Islamic banking to social justice and poverty alleviation, further research should focus on assessing the **long-term impact** of Islamic finance on **economic development**. Specifically, studies could investigate:

- The **sustainability** of development projects financed by Islamic banks in low-income regions.
- The role of Islamic banks in **economic diversification** in countries heavily reliant on sectors such as oil and gas.
- The **cumulative effects** of Islamic banking on overall poverty reduction and wealth distribution across generations.

Such studies would provide a clearer picture of how Islamic banking contributes to sustainable development and whether its practices have enduring effects on economic resilience.

Examining the Role of Technology in Enhancing Social Justice in Islamic Banking

With the rapid rise of **fintech** and **digital banking**, there is an opportunity to explore how **technological innovations** can be leveraged to further the **social justice** goals of Islamic banking. Future research could focus on:



- The integration of **blockchain technology** in Islamic financial products, ensuring greater transparency and accountability in **zakat** and **waqf** management.
- The potential for **mobile banking** to increase **financial inclusion** by providing **interest-free microfinance** options to underbanked and marginalized populations.
- How **artificial intelligence** (AI) and **big data** could be used to design more ethical and inclusive financial products that align with the principles of **risk-sharing** and **fairness**.

This area of study could be pivotal in creating more accessible, efficient, and socially responsible financial systems within Islamic banking.

Investigating the Impact of Islamic Banking on Women's Financial Empowerment

An important area for future research is the role of Islamic banking in promoting **gender equality** and **women's financial empowerment**. Although some progress has been made, there is a need for deeper exploration of how Islamic banks can serve the **financial needs** of women, especially in conservative or rural areas. Future studies could examine:

- The effectiveness of **Islamic microfinance** programs targeted at **female entrepreneurs** and **women-owned small businesses**.
- The extent to which **Islamic banking products** (e.g., profit-sharing contracts, interest-free loans) are inclusive and accessible to **women** in different regions.
- The role of **Islamic banking institutions** in promoting **women's financial literacy**, which is crucial for empowering women economically.

Such research could significantly contribute to improving the role of Islamic finance in addressing **gender disparities** in access to financial services.

Comparative Studies on Shariah Compliance and Standardization

Another important avenue for future research is the **standardization of Shariah compliance** in Islamic banking. As noted in this study, **inconsistencies** in the interpretation and application of Shariah principles across different jurisdictions can impact the ethical foundations of Islamic finance. Future studies could explore:

- A **comparative analysis** of Shariah compliance frameworks in different countries and regions (e.g., the Middle East, Southeast Asia, and Africa).



- The **role of global regulatory bodies** in harmonizing Shariah standards, ensuring that Islamic banks adhere to universally accepted ethical principles.
- The impact of **inconsistent Shariah interpretations** on the reputation and trustworthiness of Islamic banking institutions worldwide.

Addressing the challenges of **standardization** could enhance the credibility and consistency of Islamic banking practices, particularly in global financial markets.

Evaluating the Social Impact of Islamic Banking's Charitable Initiatives (Zakat and Waqf)

Islamic banking institutions often contribute to social welfare through the implementation of **zakat** (charitable giving) and **waqf** (endowment funds). Future research could evaluate the **social impact** of these initiatives, focusing on:

- The effectiveness of **zakat** in reducing poverty and financing **social services** in communities served by Islamic banks.
- The management and distribution of **waqf** funds, and how they are used to finance **long-term public welfare projects** such as hospitals, schools, and infrastructure.
- Comparative case studies on how **zakat and waqf** impact social justice in different regions, particularly in areas with high poverty rates.

This research could provide critical insights into how Islamic banks can maximize their contributions to social justice through philanthropic activities.

Exploring the Ethical Dilemmas of Commercialization in Islamic Banking

As this study identified, the **commercialization** of Islamic banking can sometimes lead to a conflict between profitability and ethical practices. Future research could delve deeper into this issue by:

- Investigating the ways in which Islamic banks balance **profitability** with **ethical principles** such as fairness, transparency, and social justice.
- Analyzing the consequences of **profit-driven practices** on the long-term viability of Islamic banking as an ethical financial model.
- Assessing whether Islamic banks' increasing focus on **profit maximization** undermines their core values of **risk-sharing** and **community welfare**.



This area of research is crucial to understanding whether Islamic banking can maintain its ethical foundation in a rapidly evolving and competitive financial environment.

Cross-Cultural Comparative Studies on Islamic Banking's Social Justice Impact

Given the growing presence of Islamic banking in both **developed** and **emerging markets**, comparative studies between **regions** could reveal important insights into how **cultural and economic contexts** influence the role of Islamic banks in promoting social justice. Future studies could explore:

- How Islamic banking contributes to **social welfare** and **economic development** in both **Muslim-majority** and **non-Muslim-majority** countries.
- The **different approaches** to social justice initiatives (e.g., **poverty alleviation programs, financial inclusion**) in Islamic banking practices across cultures.
- The role of **Islamic banks in secular countries** in fostering social justice initiatives, and how these banks adapt to differing regulatory environments.

This type of research would provide a broader understanding of Islamic banking's global influence and its capacity to promote ethical finance in diverse socio-economic and cultural settings.

The findings from this study suggest that while Islamic banking plays a critical role in promoting ethical finance and social justice, there are several areas that warrant further exploration. Future research should continue to investigate the long-term impact of Islamic banking on economic development, the role of technology in enhancing social justice, and the challenges posed by commercialization and Shariah standardization. By addressing these areas, scholars can help ensure that Islamic banking remains a powerful tool for fostering ethical finance, **financial inclusion**, and **sustainable development**.

conflict of interest

The author declare no conflict of interest

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