

Maqasid al-Shariah-Based Corporate Governance: A Paradigm for Ethical Sustainability in Islamic Banking

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ABSTRACT

This study aims to develop a Maqasid al-Shariah-based corporate governance paradigm that enhances ethical sustainability in Islamic banking. Employing a qualitative approach with a case study and conceptual-exploratory design, the research is intended to capture the depth of governance practices and their alignment with Islamic ethical principles. This design is selected due to its suitability in exploring complex, value-oriented phenomena that cannot be adequately measured through quantitative methods. The study is conducted in Indonesia, chosen for its dynamic Islamic banking sector and regulatory commitment to Shariah compliance. Data are collected from twelve informants, including Shariah scholars, banking practitioners, regulators, and academics, selected purposively based on their expertise and direct involvement in governance processes. The findings reveal that corporate governance in Islamic banking remains largely compliance-driven, with limited integration of Maqasid al-Shariah into strategic and operational frameworks. Although elements of accountability and stakeholder engagement are present, ethical sustainability is not yet fully institutionalized. The study recommends the development of integrated governance models that embed Maqasid principles into performance indicators, regulatory policies, and organizational culture to ensure a more holistic and sustainable Islamic financial system.



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INTRODUCTION

The evolution of corporate governance within Islamic banking has increasingly attracted scholarly attention as the industry expands across diverse regulatory and socio-economic environments (Hidayatullah, 2023). Unlike conventional governance models that predominantly emphasize shareholder value maximization, Islamic banking is inherently grounded in Shariah principles, which integrate ethical, social, and spiritual dimensions into financial decision-making (Nagi, 2020). In this regard, Maqasid al-Shariah, referring to the higher objectives of Islamic law, offers a comprehensive ethical framework aimed at preserving faith, life, intellect, progeny, and wealth (Sevinç & Bulut, 2023). Contemporary studies have begun to explore the integration of Maqasid al-Shariah into governance structures; however, the application remains fragmented and often limited to compliance-oriented mechanisms rather than transformative ethical paradigms (Aydin, 2025). This condition highlights a critical need to reposition corporate governance in Islamic banking beyond procedural adherence toward a value-driven model that fosters sustainable and ethical outcomes.

The current state of the art indicates that while Islamic banks have established Shariah supervisory boards and compliance units, these mechanisms frequently operate within a narrow legalistic scope (Rahim et al., 2022). Empirical evidence suggests that governance practices in many Islamic financial institutions still mirror conventional frameworks, with limited incorporation of broader socio-economic justice and ethical sustainability objectives (Pratama et al., 2025). Moreover, global financial disruptions and increasing scrutiny over ethical accountability have intensified calls for governance models that are not only robust but also morally grounded (Karimullah, 2023). Consequently, Maqasid al-Shariah-based corporate governance emerges as a promising paradigm

capable of addressing these challenges by embedding ethical intentionality into institutional structures and decision-making processes.

Despite these advancements, a significant research gap persists in conceptualizing and operationalizing Maqasid al-Shariah as a holistic governance framework (Mohiuddin & Siddiqui, 2023). Existing literature often focuses on performance measurement indices or partial implementations without offering an integrated model that connects governance principles with sustainability outcomes (Haque et al., 2024). Furthermore, there is limited theoretical synthesis that bridges Islamic jurisprudential concepts with modern corporate governance theories (Mahadi, 2025). This gap underscores the necessity of developing a comprehensive framework that aligns governance mechanisms with the multidimensional objectives of Maqasid al-Shariah, thereby ensuring ethical coherence and long-term sustainability in Islamic banking operations.

The novelty of this research lies in its attempt to construct a paradigm of corporate governance explicitly grounded in Maqasid al-Shariah, positioning it as a foundational rather than supplementary element. By integrating ethical sustainability into governance discourse, this study moves beyond conventional compliance-based approaches and proposes a value-centric model that harmonizes financial performance with social responsibility and spiritual accountability. This approach contributes to the enrichment of Islamic economic thought while simultaneously offering practical implications for institutional reform in Islamic banking.

Based on this context, the research is guided by several key questions. How can Maqasid al-Shariah be systematically integrated into corporate governance frameworks within Islamic banking? What are the limitations of existing governance models in addressing ethical sustainability? In what ways can a Maqasid-based approach enhance accountability, transparency, and social impact in Islamic financial institutions? These questions aim to explore both the theoretical underpinnings and practical applications of the proposed paradigm.

The primary objective of this study is to develop a comprehensive model of corporate governance based on Maqasid al-Shariah that supports ethical sustainability in Islamic banking. Additionally, the research seeks to critically evaluate existing governance practices, identify their shortcomings, and propose strategic enhancements that align with Islamic ethical principles. Another objective is to contribute to the theoretical discourse by bridging classical Islamic jurisprudence with contemporary governance theories, thereby offering an interdisciplinary perspective.

The theoretical significance of this research lies in its contribution to the development of Islamic corporate governance literature, particularly in advancing the integration of ethical and sustainability dimensions. Academically, this study provides a robust conceptual framework that can serve as a reference for future empirical investigations and comparative analyses. From a practical standpoint, the findings are expected to assist policymakers, regulators, and practitioners in designing governance structures that are not only Shariah-compliant but also ethically transformative and socially impactful.

Nevertheless, this study is not without limitations. The research primarily adopts a conceptual and qualitative approach, which may limit its generalizability across different institutional and geographical contexts. Additionally, the complexity of operationalizing Maqasid al-Shariah into measurable governance indicators presents methodological challenges that require further empirical validation (Jumat, 2025). These limitations suggest that while the proposed framework offers valuable insights, its practical implementation may require contextual adaptation and iterative refinement.

Future research is therefore recommended to empirically test the proposed Maqasid-based governance model across various Islamic banking institutions and jurisdictions. Quantitative studies could be conducted to measure the impact of such governance frameworks on financial performance, social welfare, and stakeholder trust. Furthermore, comparative studies between Islamic and conventional governance systems may provide deeper insights into the distinctive advantages and challenges of Maqasid-oriented approaches. Expanding interdisciplinary collaboration between

scholars of Islamic jurisprudence, economics, and management is also essential to further refine and operationalize this paradigm.

In conclusion, the integration of Maqasid al-Shariah into corporate governance represents a critical step toward achieving ethical sustainability in Islamic banking. By addressing existing gaps and proposing a novel conceptual framework, this study aims to contribute meaningfully to both academic discourse and practical advancements in the field.

LITERATURE REVIEW

The literature on corporate governance in Islamic banking has evolved through the intersection of conventional governance theories and Islamic ethical principles, yet a comprehensive synthesis grounded in Maqasid al-Shariah remains underdeveloped (Primadhany et al., 2025). Existing studies predominantly emphasize compliance with Shariah rules through institutional mechanisms such as Shariah Supervisory Boards, while less attention is given to embedding the higher objectives of Islamic law into governance structures (Azizov et al., 2025). This study situates its theoretical foundation within three major frameworks, namely Agency Theory, Stakeholder Theory, and Maqasid al-Shariah Theory, each of which provides a distinct yet complementary lens for understanding governance in Islamic financial institutions.

Agency Theory, popularized by Michael C. Jensen and William H. Meckling in 1976 at Harvard University, United States, explains the relationship between principals and agents, highlighting issues of information asymmetry, moral hazard, and conflicts of interest (Thamsir et al., 2025). Jensen and Meckling conceptualize the firm as a nexus of contracts, where governance mechanisms are designed to align the interests of managers with those of shareholders (Raimi et al., 2024). In the context of Islamic banking, this theory provides a foundational understanding of accountability and control; however, its shareholder-centric orientation limits its capacity to address broader ethical and social concerns. The development of Agency Theory has expanded into areas such as behavioral agency and stewardship perspectives, yet its application in Islamic finance often remains confined to monitoring efficiency rather than ethical transformation (Hefni et al., 2025).

Stakeholder Theory, introduced by R. Edward Freeman in 1984 at the University of Virginia, United States, broadens the scope of corporate governance by emphasizing the interests of all stakeholders, including customers, employees, regulators, and society at large (Busari et al., 2025). Freeman argues that organizations must create value for all stakeholders, not merely shareholders, thereby promoting a more inclusive and socially responsible governance model (Aziz et al., 2023). In Islamic banking, this theory resonates with the principles of justice ('adl) and public interest (maslahah), aligning closely with the ethical foundations of Shariah. Contemporary developments in Stakeholder Theory incorporate sustainability and environmental, social, and governance (ESG) considerations, making it increasingly relevant for addressing the ethical sustainability challenges faced by Islamic financial institutions (Ashafa & Raimi, 2025).

Maqasid al-Shariah Theory, systematically articulated by Abu Ishaq al-Shatibi in the 14th century at the University of Granada, Spain, and further developed by contemporary scholars such as Mohammad Hashim Kamali in 2008 at the International Islamic University Malaysia, provides a normative framework that defines the objectives of Islamic law (Kamarudin, 2021). Al-Shatibi emphasizes the preservation of essential human values, while Kamali expands the theory to include contemporary socio-economic dimensions (Amin, 2022). This theory offers a holistic approach to governance by integrating legal compliance with ethical purpose, thereby addressing the limitations of both Agency and Stakeholder theories. The evolution of Maqasid al-Shariah Theory in modern Islamic economics has led to the development of performance indices and governance frameworks; however, its full integration into corporate governance practices remains a work in progress (Asnan et al., 2025).

From the perspective of leading scholars, Jensen and Meckling (1976) conceptualize governance as a mechanism to mitigate agency costs through monitoring and incentive alignment, Freeman (1984) redefines governance as a value-creation process involving multiple stakeholders, and Kamali (2008) positions governance within a moral and purposive framework guided by Maqasid al-Shariah (Syauqi et al., 2025). These three perspectives collectively form a conceptual framework in

which governance is understood as a multidimensional construct encompassing efficiency, inclusivity, and ethical intentionality. The integration of these theories provides a robust analytical foundation for examining the governance challenges in Islamic banking.

The theoretical development of these frameworks reflects an ongoing shift from purely economic considerations toward ethical and sustainability-oriented paradigms. Agency Theory has been critiqued for its narrow focus on financial performance, leading to the emergence of hybrid models that incorporate ethical considerations (Munir, 2025). Stakeholder Theory has evolved to include sustainability discourse, particularly in response to global environmental and social challenges (Abrori et al., 2024). Meanwhile, Maqasid al-Shariah Theory has gained renewed relevance as scholars seek to align Islamic financial practices with their foundational ethical objectives (Dikuraisyin & Hakim, 2025). The convergence of these developments underscores the need for an integrated governance model that transcends disciplinary boundaries.

In relation to the main research problem, which concerns the lack of ethical sustainability in Islamic banking governance, Agency Theory highlights the structural limitations of existing governance mechanisms, Stakeholder Theory emphasizes the need for broader accountability, and Maqasid al-Shariah Theory provides the ethical foundation for addressing these shortcomings. The research gap lies in the absence of a unified framework that systematically integrates these perspectives into a coherent governance model (Ma'arif & Firdaus, 2024). While each theory offers valuable insights, their isolated application fails to fully capture the complexity of governance in Islamic financial institutions.

Furthermore, these theories are closely linked to the formulation of the research questions, which seek to explore how Maqasid al-Shariah can be operationalized within corporate governance, how existing models can be enhanced, and how ethical sustainability can be achieved. The theoretical framework also supports the research objectives by providing a basis for developing a Maqasid-based governance model, evaluating current practices, and proposing strategic improvements. In terms of benefits, the integration of these theories contributes to theoretical advancement by bridging conventional and Islamic perspectives, offers academic value through the development of a comprehensive conceptual model, and provides practical implications for policymakers and practitioners in designing more ethical governance systems.

In conclusion, the literature review demonstrates that while Agency Theory, Stakeholder Theory, and Maqasid al-Shariah Theory each offer important insights into corporate governance, their integration remains limited in the context of Islamic banking. By synthesizing these theoretical perspectives, this study addresses the existing research gap and proposes a novel paradigm that emphasizes ethical sustainability. The convergence of these theories not only enhances the understanding of governance challenges but also provides a foundation for developing innovative solutions that align with the principles of Islamic law. This integrative approach represents a significant contribution to the literature and supports the overall aim of advancing corporate governance in Islamic banking toward a more ethical and sustainable future.

RESEARCH METHODS

The methodological approach adopted in this study is grounded in a qualitative research paradigm, which is particularly suitable for exploring complex, value-laden constructs such as Maqasid al-Shariah-based corporate governance and its implications for ethical sustainability in Islamic banking (Wanto et al., 2021). Qualitative inquiry enables an in-depth understanding of meanings, interpretations, and contextual dynamics that cannot be adequately captured through purely quantitative measures (Kader, 2021). Given that the study seeks to construct a conceptual and interpretive framework rather than test predetermined hypotheses, a qualitative design is considered the most appropriate approach. This method allows the researcher to critically engage with normative principles, institutional practices, and expert perspectives in order to generate a holistic understanding of governance rooted in Islamic ethical philosophy.

The research design employed is a qualitative case study with a conceptual-exploratory orientation (Sholihin & Shalihin, 2023). This design is chosen because it facilitates an intensive examination of governance practices within selected Islamic banking institutions while simultaneously

allowing for theoretical elaboration based on Maqasid al-Shariah. The case study approach provides the flexibility to integrate multiple sources of evidence, including interviews, documents, and policy analyses, thereby enhancing the richness and validity of the findings (Sarpong, 2024). Furthermore, the exploratory nature of the design aligns with the study's objective of developing a novel governance paradigm, as it allows for the identification of patterns, themes, and conceptual linkages that may not yet be fully articulated in existing literature.

The research is conducted within selected Islamic banking institutions operating in Indonesia, which represents one of the largest and fastest-growing Islamic finance markets globally (Korkut, 2025). Indonesia is chosen as the research location due to its unique regulatory framework, dual banking system, and strong institutional commitment to integrating Shariah principles into financial governance. Additionally, the presence of diverse Islamic banks, ranging from fully-fledged Islamic commercial banks to Shariah business units, provides a rich empirical context for examining variations in governance practices. The selection of Indonesia also reflects its strategic role in advancing Islamic economic thought and its relevance as a case for studying the practical implementation of Maqasid al-Shariah in contemporary financial systems.

In line with the qualitative approach, the study relies on purposive sampling to select participants who possess relevant knowledge and experience in Islamic banking governance (Setiawan, 2022). The sample consists of key informants drawn from three main categories, namely Shariah scholars, banking practitioners, and regulatory experts. A total of twelve informants are included in the study, each selected based on their expertise, professional role, and involvement in governance processes. The use of pseudonyms ensures confidentiality and ethical compliance while maintaining the integrity of the data.

Among the informants, three individuals are Shariah Supervisory Board members, identified as Informant A (Dr. Hasan), Informant B (Prof. Karim), and Informant C (Ustadz Rahman), who provide insights into the interpretation and application of Shariah principles within governance frameworks. Their inclusion is essential because they play a central role in ensuring Shariah compliance and advising on ethical matters. Four informants are senior banking executives, namely Informant D (Mr. Arif), Informant E (Ms. Nadia), Informant F (Mr. Rizal), and Informant G (Ms. Laila), holding positions such as Chief Compliance Officer, Risk Manager, and Corporate Governance Director. These participants are selected due to their direct involvement in implementing governance policies and managing institutional operations. Additionally, three regulatory experts, identified as Informant H (Mr. Budi), Informant I (Ms. Sari), and Informant J (Dr. Yusuf), are included to provide perspectives on policy frameworks and regulatory oversight. Finally, two academic experts, Informant K (Dr. Aminah) and Informant L (Prof. Zainal), contribute theoretical insights and critical reflections on Maqasid al-Shariah and governance.

Data collection is conducted through semi-structured interviews, document analysis, and literature review. Semi-structured interviews are chosen because they allow for guided yet flexible conversations, enabling participants to elaborate on their experiences and perspectives (Nor et al., 2025). Interview questions are designed to explore key themes such as governance practices, ethical challenges, the role of Maqasid al-Shariah, and sustainability considerations. Each interview is conducted in a confidential setting, recorded with consent, and transcribed for analysis. Document analysis involves the examination of annual reports, governance guidelines, Shariah board reports, and regulatory documents to triangulate findings and enhance credibility (Ascarya & Masrifah, 2023). The integration of multiple data sources strengthens the validity and reliability of the study (Shihan et al., 2021).

The data analysis process follows a thematic analysis approach, which involves coding, categorizing, and interpreting qualitative data to identify recurring patterns and meaningful themes (Syarif & Aysan, 2024). Initially, open coding is applied to segment the data into manageable units, followed by axial coding to establish relationships between categories. Selective coding is then used to integrate these categories into a coherent conceptual framework aligned with the research objectives. Throughout the analysis, the researcher employs constant comparison techniques to ensure consistency

and depth of interpretation (Sholihin et al., 2023). The use of qualitative data analysis software further facilitates systematic organization and retrieval of data.

To ensure the rigor and trustworthiness of the research, several validation strategies are employed. Credibility is enhanced through triangulation of data sources and member checking, whereby participants are invited to review and verify the accuracy of the findings (Raimi, 2024). Transferability is addressed by providing detailed contextual descriptions, allowing readers to assess the applicability of the results to other settings. Dependability is ensured through a transparent documentation of the research process, while confirmability is achieved by maintaining an audit trail and minimizing researcher bias through reflexivity (Haque et al., 2025).

The technique for drawing conclusions in this study is based on an inductive reasoning process, which allows theoretical insights to emerge from empirical observations (Khan & Tabet, 2023). The researcher synthesizes findings from interviews, documents, and literature to construct a Maqasid al-Shariah-based governance model that addresses ethical sustainability in Islamic banking. This process involves iterative reflection and conceptual integration, ensuring that the conclusions are grounded in both empirical evidence and theoretical foundations. The resulting framework is evaluated in relation to the research questions, objectives, and identified gaps, thereby providing a coherent and comprehensive contribution to the field.

In conclusion, the qualitative case study methodology adopted in this research provides a robust and flexible framework for exploring the integration of Maqasid al-Shariah into corporate governance. By combining empirical inquiry with conceptual analysis, the study is able to generate nuanced insights into the ethical dimensions of governance in Islamic banking. The careful selection of informants, rigorous data collection and analysis procedures, and systematic approach to conclusion drawing collectively ensure the validity and relevance of the findings. This methodological approach not only supports the development of a novel governance paradigm but also contributes to advancing research practices in the field of Islamic economics and finance.

RESULTS AND DISCUSSION

The findings of this study reveal that the implementation of corporate governance in Islamic banking institutions remains predominantly compliance-driven, with limited integration of Maqasid al-Shariah as a substantive ethical framework. Based on qualitative data obtained from in-depth interviews, document analysis, and thematic interpretation, it is evident that governance practices are largely oriented toward regulatory adherence rather than the realization of broader ethical sustainability objectives. This condition directly reflects the main research problem, namely the disconnect between formal Shariah compliance and the actual embodiment of Maqasid al-Shariah values in institutional governance. Informants consistently emphasized that while governance structures such as Shariah Supervisory Boards are formally established, their roles are often confined to validating legal compliance rather than actively shaping strategic and ethical directions.

From the perspective of Agency Theory, as developed by Jensen and Meckling, the findings indicate that Islamic banks have implemented various monitoring and control mechanisms to reduce agency conflicts between management and stakeholders (Arsyad et al., 2025). These include internal audits, risk management systems, and compliance units. However, the study finds that such mechanisms are primarily designed to ensure efficiency and accountability in financial terms, rather than to promote ethical accountability in line with Maqasid al-Shariah. This suggests that while Agency Theory is partially operationalized, its application remains limited to technical governance functions, thereby failing to address the broader ethical dimension required in Islamic banking.

In relation to Stakeholder Theory, as introduced by Freeman, the findings demonstrate a growing awareness among Islamic banking practitioners of the importance of stakeholder engagement and social responsibility (Harits & Isman, 2025). Several informants highlighted initiatives related to corporate social responsibility, financial inclusion, and community development. Nevertheless, these initiatives are often implemented as supplementary programs rather than being integrated into the core governance framework. This indicates a partial alignment with Stakeholder Theory, where the recognition of stakeholder interests exists, but its institutionalization within governance structures

remains insufficient. Consequently, the gap between theoretical expectations and practical implementation persists.

The application of Maqasid al-Shariah Theory, as articulated by Al-Shatibi and further developed by Kamali, appears to be the most underutilized among the three theoretical frameworks (Khalil & Hussain, 2022). Although informants acknowledge the importance of Maqasid al-Shariah, its operationalization is largely symbolic and lacks measurable indicators. The findings reveal that Maqasid principles are rarely incorporated into key performance indicators, decision-making processes, or governance evaluations. This highlights a critical gap in translating normative Islamic principles into actionable governance practices, reinforcing the need for a more integrated and systematic approach.

To provide a structured overview of the findings, the following table summarizes the key themes identified in the study:

Theme	Key Findings	Theoretical Link	Implementation Status
Governance Orientation	Predominantly compliance-based	Agency Theory	Strong but limited to financial accountability
Stakeholder Engagement	Recognized but not fully integrated	Stakeholder Theory	Moderate and fragmented
Ethical Framework	Maqasid acknowledged but not operationalized	Maqasid al-Shariah Theory	Weak and symbolic
Sustainability Practices	Present but not embedded in governance	Stakeholder & Maqasid	Emerging but inconsistent
Shariah Supervision	Focused on legality rather than ethics	Agency & Maqasid	Procedural rather than strategic

These findings directly address the research gap identified in the study, which concerns the lack of an integrated governance model that incorporates ethical sustainability based on Maqasid al-Shariah. The analysis shows that while elements of Agency and Stakeholder theories are present, they are not sufficiently aligned with the ethical objectives of Islamic law. This fragmentation underscores the need for a paradigm shift toward a more holistic governance framework.

In answering the research questions, the study finds that the integration of Maqasid al-Shariah into corporate governance requires a redefinition of governance objectives, moving from compliance to value-based management. This involves embedding ethical considerations into strategic planning, performance measurement, and institutional culture. The findings also suggest that existing governance models can be enhanced by incorporating multidimensional accountability mechanisms that reflect both financial and ethical performance. Furthermore, the study demonstrates that a Maqasid-based approach can improve transparency, stakeholder trust, and social impact, thereby contributing to sustainable development.

The achievement of the research objectives is evident in the development of a conceptual governance model that integrates the three theoretical frameworks. Agency Theory provides the structural foundation for accountability, Stakeholder Theory expands the scope of governance to include broader societal interests, and Maqasid al-Shariah offers the ethical direction that guides decision-making. This integrative model represents a significant advancement in the literature, as it bridges the gap between conventional governance theories and Islamic ethical principles.

From a theoretical perspective, the findings contribute to the enrichment of corporate governance literature by demonstrating the limitations of existing models and proposing a more comprehensive framework. Academically, the study provides a basis for future research on Islamic

governance, particularly in developing empirical measures of Maqasid-based performance. Practically, the findings offer valuable insights for policymakers and practitioners, highlighting the need for regulatory reforms, capacity building, and institutional innovation to support the implementation of ethical governance.

The discussion of findings further reinforces the relevance of this study by linking the results to previous research. Prior studies have similarly identified the dominance of compliance-oriented governance in Islamic banking, often at the expense of ethical considerations (TUMIRAN et al., 2025). However, this study extends the literature by explicitly connecting these findings to the theoretical frameworks of Agency, Stakeholder, and Maqasid al-Shariah, thereby providing a more nuanced understanding of the underlying issues. The identified gap in operationalizing Maqasid al-Shariah is consistent with earlier research, which has called for more practical and measurable approaches to integrating Islamic principles into financial practices (Zailani et al., 2023).

In relation to the main research problem, the findings confirm that the current governance model in Islamic banking is insufficient for achieving ethical sustainability. This aligns with previous studies that have highlighted the need for a paradigm shift in governance practices (Yunadi et al., 2025). The discussion also demonstrates that the research gap identified in the literature is not only theoretical but also practical, as evidenced by the experiences of informants. This reinforces the importance of developing a governance framework that is both conceptually robust and practically applicable.

The study's contribution to addressing the research questions and objectives is further supported by its alignment with previous findings on stakeholder engagement and sustainability. While earlier studies have emphasized the importance of these elements, this research provides a more integrated perspective by linking them to Maqasid al-Shariah. This integration enhances the explanatory power of the theoretical framework and offers a more comprehensive solution to the challenges faced by Islamic banking.

In terms of benefits, the study provides significant theoretical contributions by advancing the discourse on Islamic corporate governance. It also offers academic value by establishing a foundation for future research and practical implications by informing policy and practice. These contributions are closely aligned with the theoretical frameworks used in the study, demonstrating their relevance and applicability in addressing real-world challenges.

In conclusion, the findings and discussion of this study highlight the urgent need to transform corporate governance in Islamic banking by integrating Maqasid al-Shariah as a central guiding principle. The analysis demonstrates that while existing governance practices incorporate elements of Agency and Stakeholder theories, they fall short of achieving ethical sustainability due to the limited application of Maqasid principles. By proposing an integrated governance model, this study not only addresses the identified research gap but also contributes to the development of a more ethical and sustainable financial system.

CONCLUSION

The conclusion of this study underscores that corporate governance practices in Islamic banking, while structurally aligned with regulatory and Shariah compliance requirements, have not yet fully embodied the ethical and purposive dimensions envisioned by Maqasid al-Shariah. Drawing from the findings and discussion, it is evident that the prevailing governance paradigm remains predominantly compliance-oriented, focusing on legal validation and procedural accountability rather than the realization of broader ethical sustainability. This condition confirms the central research problem, namely the gap between formal Shariah compliance and the substantive implementation of Islamic ethical objectives within governance systems.

The analysis reveals that Agency Theory has been effectively institutionalized in Islamic banking through various monitoring and control mechanisms designed to mitigate conflicts of interest and ensure managerial accountability. However, its application is largely confined to financial and operational dimensions, thereby limiting its contribution to ethical governance. Similarly, Stakeholder Theory is partially reflected in the recognition of social responsibility and stakeholder engagement

initiatives. Despite this progress, such efforts are often peripheral and lack integration into the core governance framework, resulting in fragmented implementation. In contrast, Maqasid al-Shariah Theory, which offers a comprehensive ethical foundation, remains underutilized and insufficiently operationalized. Although widely acknowledged in principle, its translation into measurable indicators and strategic governance practices is still limited.

These findings lead to the conclusion that the current governance model in Islamic banking is characterized by a structural imbalance, where technical compliance mechanisms are well-developed, but ethical and sustainability dimensions are not systematically embedded. This imbalance highlights the persistence of the research gap identified in the study, particularly the absence of an integrated governance framework that harmonizes conventional governance theories with Islamic ethical principles. The study demonstrates that without such integration, Islamic banking institutions risk operating in a manner that is formally compliant yet substantively disconnected from the higher objectives of Shariah.

In addressing this gap, the study proposes that Maqasid al-Shariah should be repositioned as the central guiding framework for corporate governance, rather than being treated as a supplementary or symbolic element. The integration of Agency Theory, Stakeholder Theory, and Maqasid al-Shariah Theory offers a comprehensive paradigm in which governance is understood as a multidimensional construct encompassing accountability, inclusivity, and ethical intentionality. This integrated approach not only enhances the conceptual coherence of governance models but also provides a practical pathway for achieving ethical sustainability in Islamic banking.

Furthermore, the study concludes that the successful implementation of Maqasid-based governance requires a transformation in institutional mindset, regulatory frameworks, and performance measurement systems. Governance practices must move beyond procedural compliance toward value-based management, where ethical considerations are embedded in strategic decision-making, organizational culture, and stakeholder interactions. This transformation is essential for enhancing transparency, strengthening stakeholder trust, and ensuring that Islamic banking contributes meaningfully to social and economic development.

The implications of these conclusions are significant for theory, practice, and academia. Theoretically, the study advances the discourse on Islamic corporate governance by demonstrating the limitations of existing models and proposing an integrated framework grounded in Maqasid al-Shariah. Practically, it provides actionable insights for policymakers, regulators, and practitioners, emphasizing the need for reforms that align governance structures with ethical objectives. Academically, the study offers a foundation for future research, particularly in developing empirical tools to measure the effectiveness of Maqasid-based governance.

In summary, this research concludes that the realization of ethical sustainability in Islamic banking depends on the successful integration of Maqasid al-Shariah into corporate governance. The findings affirm that while current practices exhibit elements of conventional governance theories, they fall short of achieving a holistic and ethically grounded model. By bridging this gap, the proposed paradigm contributes to the development of a more just, transparent, and sustainable financial system, in line with the fundamental objectives of Islamic law.

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