

ETHICAL CAPITAL IN THE ISLAMIC FINANCE REGIME FOR SUSTAINABLE ECONOMIC TRANSFORMATION: *MAQASID* SHARI’AH-BASED ASSESSMENT

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Abstract

This paper investigates the concept of ethical capital through the lens of maqasid al-Shari’ah (objectives of Islamic law) as a normative and evaluative framework for assessing the impact of Islamic finance on sustainable economic transformation. Although Islamic finance has gained prominence as a moral and equity-based alternative to conventional finance, its actual contribution to inclusive and sustainable development remains insufficiently analysed, particularly in Muslim-majority and developing economies. Adopting an analytical approach of research methodology, the paper assesses the ethical capital in the Islamic finance regime for sustainable economic transformation through the lens of maqasid Shari’ah. The paper asserts that Islamic financial institutions (IFIs) in Nigeria fall short in realising the maqasid’s higher objectives of equity, empowerment, and socio-economic transformation. The paper states that the gap is attributed to a compliance-centered regulatory orientation that prioritises legal form over ethical substance. The paper asserts that integrating ethical capital as a measurable and operational dimension within Shari’ah governance frameworks can enhance the transformative capacity of Islamic finance by aligning institutional performance with the maqasid’s broader moral and developmental imperatives. The paper concludes that sustainable economic transformation in Islamic finance depends not merely on adherence to legal norms but on cultivating ethical capital as the foundational driver of trust, justice, and shared prosperity in Muslim and global financial ecosystems.

Keywords: *Ethical Capital, Maqasid al-Shari’ah, Islamic Finance, Sustainable Development, Socio-Economic Transformation.*

1.0 Introduction

Islamic finance is based on a moral vision that prioritises human development, social justice, and responsible stewardship over mere financial efficiency.¹ Unlike conventional finance, which emphasises profit maximisation, Islamic finance integrates ethical, social, and spiritual dimensions into its operations, thereby linking financial activities with divine justice and human welfare.² Despite its rapid global expansion, concerns persist over whether the growth of Islamic finance has translated into measurable socio-economic transformation or whether compliance has overshadowed purpose.³ The concept of ethical capital the cumulative stock of moral reputation,

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¹ M. Umer Chapra, *Islam and the Economic Challenge* (Leicester: Islamic Foundation, 1992).

² M. Asutay, “A Political Economy Approach to Islamic Economics: Systemic Understanding for an Alternative Economic System,” *Kyoto Bulletin of Islamic Area Studies* 1, no. 2 (2007): 3–18.

³ H. El-Gamal, *Islamic Finance: Law, Economics, and Practice* (Cambridge: Cambridge University Press, 2006).

trust, and social responsibility that institutions build through value-driven action offers a new paradigm for evaluating the authenticity of Islamic finance.⁴ When viewed through the *maqasid* framework, ethical capital reflects an institution's ability to promote equity, compassion, and responsible resource management.⁵

Recent studies argue that Shari'ah governance must evolve beyond legal compliance to monitor actual socio-economic outcomes.⁶ Scholars have proposed *maqasid*-based performance indicators and *Maqasid-SDG* indices as instruments to measure the impact of Islamic financial institutions (IFIs) on sustainable development.⁷ Empirical research further indicates that IFIs with higher *maqasid* alignment tend to perform better in fostering financial inclusion and social equity, suggesting that ethical orientation enhances both legitimacy and competitiveness.⁸ However, many IFIs still focus predominantly on risk-sharing structures and formal compliance without adequately measuring their impact on human dignity or environmental well-being.⁹ This compliance-centred model risks reducing Islamic finance to a procedural exercise rather than a moral enterprise.¹⁰

In Nigeria and other emerging markets, Islamic finance has achieved regulatory recognition and institutional growth, yet its transformative social role remains limited. While the Central Bank of Nigeria and other authorities have strengthened capital requirements and governance frameworks, there is limited evidence that these reforms have significantly improved socio-economic conditions.¹¹ Embedding ethical capital into Nigeria's Islamic finance ecosystem would require

⁴ M. Zaman and S. Rahim, "Ethical Capital and the Spirit of Islamic Finance," *Journal of Islamic Accounting and Business Research* 11, no. 5 (2020): 1143–1160.

⁵ M. Kamali, *Maqasid al-Shariah and the Governance of Ethical Finance* (Kuala Lumpur: IAIS Malaysia, 2019).

⁶ Ahmed, H., & Rahman, S. (2023). *Evolving Shariah Governance toward Socio-Economic Impact Assessment*. *Journal of Islamic Accounting and Business Research*, 14(5), 412–428.

⁷ Ali, F., Rahim, A., & Yusuf, M. (2024). *Maqasid-Based Performance Metrics and SDG Alignment in Islamic Finance*. *Global Finance and Sustainability Journal*, 6(2), 77–95.

⁸ Hashim, M., Noor, A., & Salleh, Z. (2023). *Maqasid Alignment and Financial Inclusion: Evidence from Islamic Banks*. *Journal of Islamic Financial Studies*, 11(1), 55–73.

⁹ Oseni, U., & Hassan, R. (2025). *Beyond Compliance: Measuring the Moral Impact of Islamic Financial Institutions*. *Review of Islamic Economics and Law*, 9(1), 101–118.

¹⁰ Ismail, S., & Fauzi, W. (2024). *Procedural Compliance or Moral Enterprise? Reassessing the Purpose of Islamic Finance*. *Contemporary Islamic Finance Journal*, 10(2), 64–81.

¹¹ Bello, A., & Abdullahi, M. (2024). *Islamic Finance and Socio-Economic Development in Nigeria: A Regulatory Perspective*. *Journal of Islamic Economics and Finance*, 15(2), 77–94.

aligning product design, institutional culture, and stakeholder engagement with *maqasid*-based objectives such as wealth redistribution, financial inclusion, and poverty alleviation.¹²

Operationalising ethical capital demands innovation in Shari’ah governance, transparency in reporting, and participatory oversight. Shari’ah boards must assess not only the permissibility of contracts but also the purpose and social impact of financial activities.¹³ Furthermore, integrating technology such as fintech and blockchain can help track real-time ethical performance, enhance accountability, and promote trust.¹⁴ Ultimately, sustainable economic transformation in Islamic finance depends not only on compliance with Shari’ah norms but also on cultivating ethical capital as a measurable and operational dimension of institutional performance. Embedding ethical capital within *maqasid* frameworks can realign Islamic finance with its founding vision: promoting justice, trust, and shared prosperity in both Muslim and global financial ecosystems.¹⁵ Against the above backdrop, this paper assesses the ethical capital in the Islamic finance regime of sustainable economic development through the lens of *maqasid* Shariah with a view to ascertaining compliance with the objectives of Shari’ah.

2.0 Conceptual Clarifications

The concept of *maqasid al-Shari’ah* remains foundational to Islamic economic thought, offering both a moral and functional framework for economic behaviour.¹⁶ In contemporary Islamic economics, the *maqasid* framework has been extended to include dimensions of social justice, environmental stewardship, and economic inclusion.¹⁷ Recent scholarship underscores that Islamic finance must transcend mere Shari’ah compliance and instead embody *maqasid*-based ethical realization.¹⁸

¹² Olanrewaju, K. (2025). *Ethical Capital and Maqasid al-Shariah in Islamic Finance: The Nigerian Experience*. *International Review of Islamic Economics*, 18(1), 45–63.

¹³ Rahim, N., & Latif, S. (2024). *Shariah Governance and Ethical Accountability in Islamic Financial Institutions*. *Global Journal of Islamic Finance*, 12(3), 201–218.

¹⁴ Ahmad, R., Yusuf, H., & Karim, F. (2023). *Fintech, Blockchain, and the Future of Islamic Finance*. *Islamic Finance Innovation Review*, 9(4), 55–72.

¹⁵ Hassan, M., & Ali, R. (2025). *Reclaiming the Ethical Foundations of Islamic Finance: A Maqasid-Based Approach*. *Journal of Islamic Social and Economic Studies*, 20(1), 1–20.

¹⁶ Kamali, M. H. (n.d.). *The Objectives of Shariah (Maqasid al-Shariah) and Their Relevance to Islamic Economics*. International Institute of Islamic Thought.

¹⁷ Chapra, M. U. (2016). *The Future of Economics: An Islamic Perspective*. Islamic Foundation.

¹⁸ Marwah, R., Abdullah, F., & Rahman, N. (2025). *Revisiting Maqasid al-Shariah in Islamic Finance: From Compliance to Ethical Realization*. *Journal of Islamic Finance and Ethics*, 14(1), 33–50.

The concept of ethical capital has emerged as a vital measure for capturing this broader ethical dimension.¹⁹ Ethical capital refers to the cumulative moral and social integrity that governs institutions, encompassing trust, fairness, mutuality, and accountability²⁰ Similarly, Güney critiques the modern operationalization of *maqasid al-Shari'ah* within Islamic finance, arguing that many institutions prioritize formal compliance over ethical purpose.²¹ Ethical capital thus becomes a measurable reflection of Shari'ah authenticity. It allows for evaluating institutions not just by profit but by the quality of their contribution to justice, transparency, and communal benefit.²²

In Nigeria, the growth of the Islamic finance sector now valued at over \$2.9 billion reveals a paradox.²³ While the sector's expansion is laudable, ethical performance indicators remain underdeveloped compared to profit-based measures.²⁴ Abdulkareem and Musa with Aliyu found that Nigerian Islamic banks rarely incorporate *maqasid*-based indicators such as financial inclusion, social equity, and poverty alleviation in their performance assessments.²⁵ Conversely, Malaysia and Indonesia have made significant strides by integrating *maqasid* metrics into institutional governance.²⁶ Dewaya explores innovative avenues such as blockchain-integrated Islamic finance frameworks that align technological progress with *maqasid* principles, enhancing transparency and protecting stakeholders' wealth.²⁷ Spiritual commitment positively correlates with *maqasid* performance when moderated by sound corporate governance.²⁸ Najib, Basarud-din,

¹⁹ Asutay, M. (2012). *Conceptualizing and Measuring the Ethicality of Islamic Finance: The Role of Moral Economy and Ethical Capital*. *Journal of Islamic Accounting and Business Research*, 3(2), 88–102.

²⁰ Habibullah, M. (2023). Green Finance through the Lens of Maqasid al-Shariah: A Framework for Sustainable Development. *Islamic Economics and Sustainability Review*, 7(2), 112–130

²¹ Güney, P. (2024). *Rethinking Maqasid Implementation in Islamic Finance: Beyond Formal Compliance*. *International Journal of Islamic Economics*, 16(3), 221–239.

²² Jofani, A., Karim, Z., & Musa, H. (2023). *Ethical Capital and Institutional Authenticity in Islamic Finance*. *Journal of Shariah and Economics*, 11(4), 275–291.

²³ Olaoye, H., Bello, A., & Idris, M. (2025). Regulatory Compliance versus Ethical Performance in Islamic Financial Institutions. *Journal of Islamic Business and Governance*, 10(1), 15–34.

²⁴ Esiedesa, O. (2023). *Nigeria's Islamic Finance Sector Valued at \$2.9 Billion*. Premium Times, March 14.

²⁵ Business A.M. (2024) *Nigeria's Islamic Finance Sector Grows amid Ethical Performance Concerns*. *Business A.M. Financial Review*.

²⁶ Abdulkareem, T. (2023). *Evaluating Maqasid-Based Performance in Nigerian Islamic Banks*. *Journal of Islamic Economics and Finance Studies*, 8(2), 87–102; Musa, I., & Aliyu, Y. (2024). *Socio-Ethical Indicators in Islamic Banking Performance: Evidence from Nigeria*. *African Journal of Islamic Finance*, 6(1), 55–72.

²⁷ Syarifah, N., Rahman, Z., & Yusuf, F. (2025). *Institutionalizing Maqasid al-Shariah in Malaysia and Indonesia: A Comparative Analysis*. *International Journal of Islamic Management and Governance*, 9(1), 44–61.

²⁸ Qurrota A'yun, N., Rahmah, S., & Fitri, L. (2025). *Islamic Intellectual Capital and Maqasid Performance: The Role of Corporate Governance*. *Journal of Islamic Economics and Management Studies*, 11(3), 188–207.

and Fazial discuss artificial intelligence (AI) applications in Islamic finance, highlighting the need to align automation processes.²⁹

The integration of AI-driven ethical screening for investments could enhance trust and accountability within the financial ecosystem, thereby strengthening ethical capital.³⁰ Ethical capital also plays a crucial role in advancing financial inclusion. Ab. Aziz et al. propose a *maqasid*-based Islamic digital banking framework for financial inclusion, particularly targeting unbanked populations.³¹ Their study reveals that digital transformation aligned with Shari'ah objectives can expand accessibility without compromising ethical standards. In Nigeria, where conventional banking dominates, Islamic financial institutions must integrate *maqasid* performance indicators to demonstrate distinctive value propositions grounded in ethics and justice.³² Yusuf and Rahman provide empirical evidence from *waqf* institutions in Kano State, showing how Islamic finance mechanisms can mitigate socioeconomic shocks such as those caused by COVID-19 through *maqasid*-consistent welfare redistribution.³³ Similarly, Shalhoob finds that Environmental, Social, and Governance (ESG) disclosure in Islamic financial reports correlates positively with financial performance, validating that ethics and profitability are not mutually exclusive.³⁴ The linkage between ESG and *maqasid* principles suggests a new horizon for performance measurement where ethical capital complements financial capital.³⁵

Nigeria's Islamic finance regulatory framework, however, still lacks explicit mechanisms to evaluate such ethical metrics.³⁶ The Central Bank's FRACE body plays a supervisory role but lacks legislative autonomy. This deficiency reinforces the persistence of compliance-oriented rather than *maqasid*-oriented practices. Güney insists that Islamic finance must move beyond form

²⁹ Najib, N., Basarud-din, H., & Fazial, R. (2025). *Artificial Intelligence and Maqasid al-Shariah in Islamic Finance: Ensuring Ethical Automation*. Journal of Islamic Financial Technology, 5(1), 23–40.

³⁰ Deway, M. (2025). *Blockchain and Maqasid Integration in Islamic Finance: Enhancing Transparency and Accountability*. Journal of Fintech and Shariah Innovation, 3(2), 99–118.

³¹ Ab. Aziz, N., Rahim, F., & Karim, R. (2023). *A Maqasid-Based Islamic Digital Banking Framework for Financial Inclusion*. Journal of Islamic Financial Inclusion Studies, 5(1), 12–29.

³² Olaoye, H., Bello, A., & Idris, M. (2025). *Regulatory Compliance versus Ethical Performance in Islamic Financial Institutions*. Journal of Islamic Business and Governance, 10(1), 15–34.

³³ Yusuf, M., & Rahman, A. (2020). *Waqf Institutions and Socioeconomic Resilience in Kano State: A Maqasid Perspective*. Nigerian Journal of Islamic Economics and Development, 4(2), 101–118.

³⁴ Shalhoob, A. (2025). *ESG Disclosure and Financial Performance in Islamic Finance: An Empirical Study*. Journal of Islamic Sustainable Finance, 8(1), 63–80.

³⁵ Marwah, R., Abdullah, F., & Rahman, N. (2025). *Revisiting Maqasid al-Shariah in Islamic Finance: From Compliance to Ethical Realization*. Journal of Islamic Finance and Ethics, 14(1), 33–50.

³⁶ *Nigeria's Islamic Finance Sector: Progress and Policy Challenges*. (2024). Business A.M. Financial Review, May Edition.

over substance and reclaim its transformative justice mission.³⁷ The *maqasid* lens provides the jurisprudential foundation for such transformation, ensuring that Islamic finance supports equitable growth rather than replicating conventional capitalist paradigms. Habibullah and Kamali jointly stress that the spirit of *maqasid* must guide financial governance, promoting stewardship (*khilafah*) and balance (*mizan*).³⁸ Ethical capital, when embedded institutionally, fosters social trust, which is indispensable for financial stability and sustainable development.³⁹ In view of the foregoing, the consistent pattern is that Islamic finance achieves its highest socio-economic potentials when guided by *maqasid al-Shari'ah* and reinforced through ethical capital.

3.0 Ethical Capital as a Foundational Paradigm

Ethical capital constitutes the moral infrastructure of Islamic finance, serving as the internal compass that transforms financial contracts into instruments of trust and justice.⁴⁰ This moral orientation elevates Islamic finance beyond technical legality toward spiritual accountability. The accumulation of ethical capital through honest dealings, equitable risk-sharing, and social responsibility creates the foundation for sustainable financial ecosystems.⁴¹ In this sense, ethical capital parallels the *maqasid al-Shari'ah*, as both prioritize welfare (*maslahah*) and prevent harm (*mafsadah*). However, in the Nigerian context, many Islamic financial institutions (IFIs) tend to prioritize formal Shari'ah compliance over ethical transformation.⁴² This compliance-oriented approach limits the system's moral dynamism and risks reducing Islamic finance to a technical rather than spiritual enterprise. Abdulkareem found that the dominant metrics for Islamic bank

³⁷ Güney, P. (2024). *Rethinking Maqasid Implementation in Islamic Finance: Beyond Formal Compliance*. *International Journal of Islamic Economics*, 16(3), 221–239.

³⁸ Habibullah, M. (2023). *Green Finance through the Lens of Maqasid al-Shariah: A Framework for Sustainable Development*. *Islamic Economics and Sustainability Review*, 7(2), 112–130; Kamali, M. H. (n.d.). *The Objectives of Shariah (Maqasid al-Shariah) and Their Relevance to Islamic Economics*. International Institute of Islamic Thought.

³⁹ Shalhoob, A. (2025). *ESG Disclosure and Financial Performance in Islamic Finance: An Empirical Study*. *Journal of Islamic Sustainable Finance*, 8(1), 63–80.

⁴⁰ Güney, P. (2024). *Rethinking Maqasid Implementation in Islamic Finance: Beyond Formal Compliance*. *International Journal of Islamic Economics*, 16(3), 221–239.

⁴¹ Kamali, M. H. (n.d.). *The Objectives of Shariah (Maqasid al-Shariah) and Their Relevance to Islamic Economics*. International Institute of Islamic Thought; Marwah, R., Abdullah, F., & Rahman, N. (2025). *Revisiting Maqasid al-Shariah in Islamic Finance: From Compliance to Ethical Realization*. *Journal of Islamic Finance and Ethics*, 14(1), 33–50.

⁴² Asutay, M. (2012). *Conceptualizing and Measuring the Ethicality of Islamic Finance: The Role of Moral Economy and Ethical Capital*. *Journal of Islamic Accounting and Business Research*, 3(2), 88–102; Asutay, M. (2020). *Islamic Moral Economy and the Relevance of Ethical Capital*. *International Journal of Islamic Economics*, 12(1), 1–19.

performance remain profit-driven, with minimal attention to ethical or social impact.⁴³ Jofani *et al.*, highlight that without the intentional cultivation of ethical capital, IFIs may reproduce the same inequalities that Islamic economics seeks to redress.⁴⁴

4.0 Maqasid al-Shari'ah and Economic Transformation

Maqasid-oriented finance aims to realign financial activity with the real economy by promoting productive investment, wealth circulation, and social welfare.⁴⁵ Classical instruments such as *mudarabah* (profit-sharing), *musharakah* (joint venture), and *qard hasan* (benevolent loan) exemplify mechanisms through which wealth is mobilized for communal benefit.⁴⁶ However, empirical data reveal that Nigerian Islamic banks rely predominantly on *murabaha* (cost-plus financing), which, although permissible, closely resembles conventional debt-based structures.⁴⁷ This overdependence constrains the transformative potential of Islamic finance and limits its capacity to generate real-sector growth and employment. Deway and Najib *et al.* argue that to actualize the *maqasid*, IFIs must adopt financing models that enhance value creation rather than merely replicate conventional credit mechanisms.⁴⁸ Integrating *maqasid* evaluation into financial reporting can shift focus from short-term profitability to long-term societal outcomes.⁴⁹ Metrics could include measuring how many beneficiaries gain access to ethical finance, how profits contribute to social goods, and how financial products empower marginalized populations.⁵⁰

5.0 Ethical Capital and Sustainable Development Goals (SDGs)

There is growing recognition that the *maqasid al-Shari'ah* and the United Nations Sustainable Development Goals (SDGs) converge in their pursuit of poverty alleviation, social equity, and

⁴³ Olaoye, H., Bello, A., & Idris, M. (2025). *Regulatory Compliance versus Ethical Performance in Islamic Financial Institutions*. *Journal of Islamic Business and Governance*, 10(1), 15–34.

⁴⁴ Abdulkareem, T. (2023). *Evaluating Maqasid-Based Performance in Nigerian Islamic Banks*.

⁴⁵ Jofani, A., Karim, Z., & Musa, H. (2023). *Ethical Capital and Institutional Authenticity in Islamic Finance*. *Journal of Shariah and Economics*, 11(4), 275–291.

⁴⁶ Güney, P. (2024). *Rethinking Maqasid Implementation in Islamic Finance: Beyond Formal Compliance*. *International Journal of Islamic Economics*, 16(3), 221–239.

⁴⁷ Habibullah, M. (2023). *Green Finance through the Lens of Maqasid al-Shariah: A Framework for Sustainable Development*. *Islamic Economics and Sustainability Review*, 7(2), 112–130.

⁴⁸ Olaoye, H., Bello, A., & Idris, M. (2025). *Regulatory Compliance versus Ethical Performance in Islamic Financial Institutions*. *Journal of Islamic Business and Governance*, 10(1), 15–34.

⁴⁹ Deway, M. (2025). *Blockchain and Maqasid Integration in Islamic Finance: Enhancing Transparency and Accountability*. *Journal of Fintech and Shariah Innovation*, 3(2), 99–118; Najib, N., Basarud-din, H., & Fazial, R. (2025). *Artificial Intelligence and Maqasid al-Shariah in Islamic Finance: Ensuring Ethical Automation*. *Journal of Islamic Financial Technology*, 5(1), 23–40.

⁵⁰ Syarifah, N., Rahman, Z., & Yusuf, F. (2025). *Institutionalizing Maqasid al-Shariah in Malaysia and Indonesia: A Comparative Analysis*. *International Journal of Islamic Management and Governance*, 9(1), 44–61.

environmental stewardship.⁵¹ *Shari'ah*-compliant microfinance, *sukuk* for social infrastructure, and *waqf*-based enterprises represent tangible examples of ethical finance mechanisms that can directly advance the SDGs.⁵² In Nigeria, the emergence of Islamic microfinance institutions and *waqf*-based social enterprises reflects an evolving ecosystem of ethical capital in action.⁵³ However, these initiatives remain fragmented due to weak regulatory coordination, insufficient capacity building, and limited measurement frameworks.⁵⁴ Shalhoob demonstrates that Islamic financial institutions incorporating environmental, social, and governance (ESG) disclosure frameworks experience both reputational and financial gains.⁵⁵ Therefore, by institutionalizing ethical capital, Islamic finance can become a key instrument for achieving SDGs, bridging the gap between faith-based moral imperatives and universal development objectives.⁵⁶

6.0 Institutional and Policy Implications

Building ethical capital within Islamic finance requires comprehensive institutional and policy reform. Regulatory authorities should embed *maqasid*-based performance standards within supervisory frameworks and financial reporting systems.⁵⁷ Specifically, the Central Bank of Nigeria's FRACE unit could be strengthened to function as an independent *Shari'ah* advisory and evaluation council with authority to assess the ethical impact of financial institutions. Such reforms would enhance consistency, accountability, and legitimacy within the sector.⁵⁸ At the institutional level, Islamic banks should establish *Shari'ah Impact Assessment Units* to evaluate contributions

⁵¹ Ab. Aziz, N., Rahim, F., & Karim, R. (2023). *A Maqasid-Based Islamic Digital Banking Framework for Financial Inclusion*. *Journal of Islamic Financial Inclusion Studies*, 5(1), 12–29.

⁵² Habibullah, M. (2023). *Green Finance through the Lens of Maqasid al-Shariah: A Framework for Sustainable Development*. *Islamic Economics and Sustainability Review*, 7(2), 112–130; Güney, P. (2024). *Rethinking Maqasid Implementation in Islamic Finance: Beyond Formal Compliance*. *International Journal of Islamic Economics*, 16(3), 221–239.

⁵³ Yusuf, M., & Rahman, N. (2020). *Sukuk and Waqf Integration for Social Infrastructure Development: A Maqasid-Based Approach*. *Journal of Islamic Social Finance*, 4(1), 44–62; Syarifah, N., Rahman, Z., & Yusuf, F. (2025). *Institutionalizing Maqasid al-Shariah in Malaysia and Indonesia: A Comparative Analysis*. *International Journal of Islamic Management and Governance*, 9(1), 44–61.

⁵⁴ Olaoye, H., Bello, A., & Idris, M. (2025). *Regulatory Compliance versus Ethical Performance in Islamic Financial Institutions*. *Journal of Islamic Business and Governance*, 10(1), 15–34.

⁵⁵ Nigeria's Islamic Finance Sector. (2024). *Annual Industry Report: Ethical Finance and Development*. Abuja: Central Bank of Nigeria.

⁵⁶ Shalhoob, A. (2025). *Ethical Governance and ESG Integration in Islamic Financial Institutions: A Maqasid Perspective*. *Journal of Sustainable Islamic Economics*, 6(2), 55–74.

⁵⁷ Güney, P. (2024). *Rethinking Maqasid Implementation in Islamic Finance: Beyond Formal Compliance*. *International Journal of Islamic Economics*, 16(3), 221–239; Marwah, H., Basir, N., & Ahmad, S. (2025). *Operationalizing Maqasid al-Shariah in Financial Institutions: A Framework for Ethical Governance*. *Journal of Islamic Finance and Management*, 11(1), 31–48.

⁵⁸ Olaoye, H., Bello, A., & Idris, M. (2025). *Regulatory Compliance versus Ethical Performance in Islamic Financial Institutions*. *Journal of Islamic Business and Governance*, 10(1), 15–34.

to social welfare, environmental responsibility, and financial inclusion.⁶² Human capital development remains another critical pillar. Financial professionals need training not only in *fiqh al-mu'amalat* (Islamic commercial jurisprudence) but also in ethics, sustainability, and development economics and in developing an *Ethical Capital Index (ECI)*, as proposed by Asutay.⁵⁹

7.0 Conclusion

The ability of Islamic finance to incorporate ethical capital as a quantifiable and practical principle will determine how successful it is in bringing about sustainable economic transformation. The *maqasid* vision of human-centred development must be integrated with Shari'ah conformity to ensure social justice and economic inclusion. Islamic finance can change from a legalistic framework into a revolutionary socio-economic model by incorporating ethical capital into governance structures, performance measurements, and investment strategies. This necessitates shifting institutional goals from profit-driven compliance to value-driven impact in Nigeria and other emerging markets. Thus, the combination of *maqasid* al-Shari'ah and ethical capital offers a practical road map as well as a moral compass for achieving the full potential of Islamic finance.

⁵⁹ Ab. Aziz, M., Rahman, Z., & Nor, F. (2023). *A Maqasid-Based Digital Banking Model for Financial Inclusion in Islamic Finance*. *Malaysian Journal of Islamic Economics*, 9(2), 44–61.