

DEVELOPMENT OF AN INTEGRATED SOCIAL BANKING FRAMEWORK: A MAQASIDIC APPROACH

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Abstract: *Islamic banking should expand its scope beyond commercial banking and actively contribute to all levels of the community by offering products and services, utilizing effective distribution channels, and engaging in sustainable activities. Although Islamic banks are evaluated based on financial performance, there is a notable absence of a mechanism to assess their social impact on society. Presently, social themes related to Islamic banking are scattered across various sustainability agendas such as SDG, ESG, SRI, and CSR. This paper aims to develop an integrative framework that addresses and reconciles the fragmented aspects of Islamic social banking in line with the principles of Maqasid Shariah. This study employed a qualitative method which was conducted in two phases. In the first phase, content analysis was utilized to construct social themes under SDG, ESG, SRI, CSR, and Maqasid Shariah. In the subsequent phase, semi-structured interviews were conducted to gain input for the framework development. The integrated framework incorporates five (5) dimensions of Maqasid Shariah with corresponding thirteen (13) themes to measure Islamic banking practices. This framework has the potential to serve as a significant contributor to the development of comprehensive performance indicators for the effective implementation of social banking within the Islamic banking sector. Moreover, it plays a pivotal role in realizing the objectives outlined in Malaysia's Shared Prosperity Vision 2030.*

Keywords: Maqasid Shariah, sustainable development, social banking, Islamic bank

1. Introduction and Objective

Islamic banking has experienced significant growth and development over the past few decades. Despite Islamic banking is a relatively nascent industry in comparison to the extensive history of conventional banking spanning 400 years, there has been a contentious debate surrounding its primary roles and economic substance (Tarique et al., 2021). Hence, Islamic banking should broaden its operational scope beyond commercial banking and actively contribute to all segments of society by offering diverse products and services that cater to various needs, leveraging efficient distribution channels, and engaging in sustainable activities (Hamidi & Worthington, 2020). Nonetheless, a significant lack of methods to evaluate its social influence and contributions to the community is evident. Currently, a number of sustainability agendas exist, each encompassing distinct social responsibilities that institutions should undertake. These include but are not limited to the Sustainable Development Goals (SDGs), Environment, Social, Governance (ESG) principles, Socially Responsible Investment (SRI), and Corporate Social Responsibility (CSR) and Value-based Intermediation (VBI) (Weber and Feltmate, 2016). Notably, these agendas closely align with the principles of Maqasid Shariah (Khan, 2019; Julia et. al., 2019) providing Islamic banks with a remarkable opportunity to leverage them and fulfill their social responsibility towards the society and environment (Jan et. al., 2021; Azman & Ali, 2019). Therefore, the primary aim of this paper is to develop an inclusive and unified framework that effectively tackles and reconciles the fragmented aspects of Islamic social banking, while constantly adhering to the core principles of Maqasid Shariah. This framework could provide a comprehensive and unified approach to measure the social impacts of Islamic banking and effectively contribute towards the realization of Malaysia's Shared Prosperity Vision 2030.

2. Method

This study employed a qualitative method that comprises two phases. In the first phase, content analysis was utilized to systematically identify and categorize social themes under SDG, ESG, SRI, CSR, VBI and Maqasid Shariah. The process involved analyzing the secondary data (includes books, article journals, documents from the key providers of the social initiatives and integrated reporting), identifying commonalities and patterns, and integrating them into a coherent framework. In the subsequent phase, semi-structured interviews were conducted with four (4) Islamic banking experts and three (3) Shariah scholars. A pre-defined set of questions based on the identified topics were used for the interviews. The construction of the framework followed a similar approach utilized by Asutay and Harningtyas (2015) and Tarique et al. (2022).

3. Findings and Discussion

In the first phase, a draft of the integrated social banking framework was developed based on the secondary data analysis. All the specific elements under SDGs, ESG, SRI, CSR, VBI were extracted, analyzed and grouped into several themes. All the themes then were mapped into the five dimensions of Maqasid Shariah. In the next phase, based on insightful feedback from the semi-structured interviews, the framework was revised and refined accordingly. The final integrated social banking framework incorporates five (5) dimensions of Maqasid Shariah with corresponding thirteen themes aimed to measure Islamic social banking practices. Figure 1

shows the integrated social banking framework. The findings are discussed in the following sub sections.

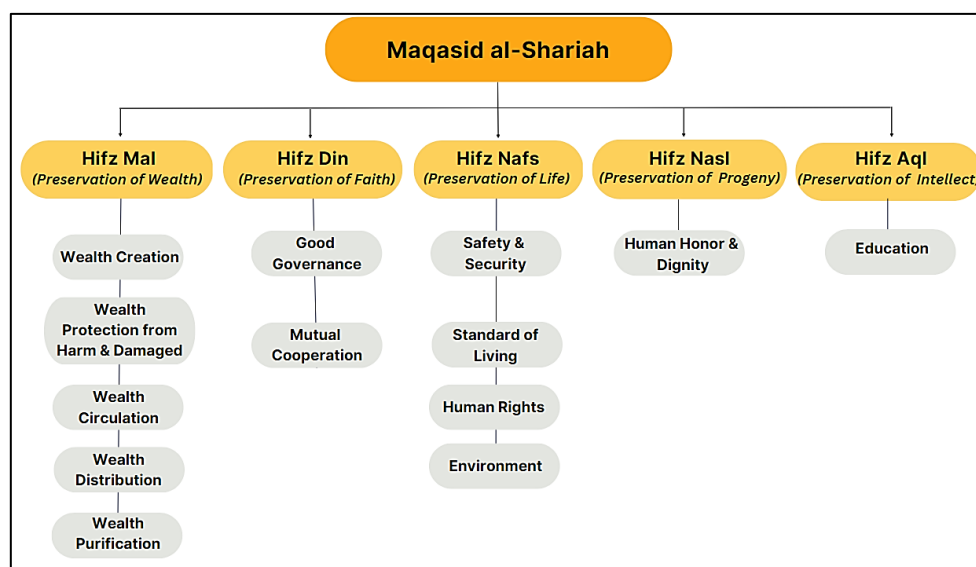


Figure 1: Integrated Social Banking Framework

3.1 Dimension 1: Hifz Mal (Preservation of Wealth)

From the perspective of Maqasid Shariah, the preservation of wealth is considered an important objective to promote the overall well-being of individuals and society to achieve justice, equity, and social welfare (Chapra, 2008). This dimension focuses on fostering socially responsible values among Islamic banks in utilizing wealth for the betterment of individuals' lives and society. Five themes were acknowledged which are: (i) wealth creation - the wealth should be acquired or generated fairly by emphasizing the element of prudence and transparency in banking operations, (ii) wealth protection from harm and damage - the wealth must be protected from unlawful and harmful resources (Ashur, 2006) through the implementation of risk management by an Islamic bank, acts against bribery and conduct cybersecurity, (iii) wealth circulation - Islamic bank should encourage the beneficial use of wealth and its circulation for instance through the tax payment (Tarique et al., 2021), (iv) wealth distribution - Islamic bank's wealth must be distributed among the needy people for example through zakat payment and waqf (endowment), and any form of exploitation should be avoided (Attia, 2010, p. 214), and lastly (v) wealth purification - the purification of Islamic bank's wealth is necessary in the case of Shariah non-compliance (SNC) income.

3.2 Dimension 2: Hifz Din (Preservation of Faith)

Inner faith serves as a filtering mechanism, restraining individuals from engaging in wickedness and selfish acts (Lamido, 2016). The two key themes constructed under this dimension include: (i) good governance – Islamic bank must commit to conduct righteous acts and integrity through Shariah governance practices, and (ii) mutual cooperation to promote and safeguard faith – Islamic bank could commit to preserving faith through collaboration with strategic partners (NGOs, societies, and governments) by organizing impactful programmes to the relevant stakeholders.

3.3 Dimension 3: Hifz Nafs (Preservation of Life)

The term 'preservation of human life' refers to preventing life from being destroyed entirely in the form of death (Attia, p. 118-119, 2010). This dimension aims to create a society that values and protects human life, promotes well-being, and upholds the rights of individuals. Four themes were identified under this dimension: (i) safety and security – Islamic bank plays a vital role to protect employees from physical harm, violence, and any actions that may pose a threat to their well-being, (ii) human rights – Islamic bank should uphold customers' rights, including providing equal opportunities to benefit from the bank's products and services, (iii) standards of living - the focus of Islamic bank on healthcare and employee benefits is of paramount importance, and (iv) environment –Islamic bank should avoid environmental corruption, air pollution, resource depletion and ecological imbalance which are undoubtedly the major threats to the human life (Al-Qaradawi, 2022, p. 48).

3.4 Dimension 4: Hifz Nasl (Preservation of Progeny)

Shariah imposes strict rules and penalties to safeguard the progeny and family institutions. This is essential to prevent crimes and unethical behaviors such as sexual offenses, illegal sexual intercourse including same-gender relationships, abortion, adultery, pornography, child trafficking, and sex slave that may have adverse effects on society (Daud Bakar, 2021, p. 285). Only one theme was identified to signify this dimension, which is human honour and dignity. With regard to this matter, Islamic bank could improve the bank's code of ethics to include all the necessary elements, offer specific initiatives to single parents, and conduct a family planning awareness program with strategic partners.

3.5 Dimension 5: Hifz Aql (Preservation of Intellect)

Education plays an essential role in facilitating the transformation and improvement of an individual's socioeconomic conditions (Birochi & Pozzebon, 2016). Through the amalgamation of religious and scientific education, individuals can establish a robust foundation for comprehending and embracing societal values, developing skills to improve the standard of living, and actively participating in the advancement of science and technology (Chapra, 2008). The education theme proposed in this dimension primarily focuses on enhancing employees' skills of the Islamic bank to meet the evolving strategic goals especially on the advanced technology, and at the same time aiming to educate society at large.

4. Conclusion and Suggestions

This paper is a humble attempt to develop an integrated social banking framework by adopting a maqasidic approach. The framework aims to assist Islamic bank to promote and achieve Maqasid Shariah by allowing for flexibility in safeguarding human well-being, social justice, and meeting the essential needs of its stakeholders. The presence of this framework could motivate the Islamic banks to actively engage in social impact activities that aligned with the values upheld by Islamic law. In future research, it is imperative to develop specific elements that comprise indicators to effectively measure Islamic social banking performance.

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