

Reconstruction of Islamic Economic Law within the Modern Economic System: Between Normativity and Practice

Sri Wahdini¹

¹STIT Bustanul Arifin Bener Meriah, Indonesia

✉ wahdidini30@gmail.com*

Article Information:

Received Februari 24, 2025

Revised March 23, 2025

Accepted March 30, 2025

Keywords: *reconstruction, Islamic economic law, maqāṣid al-sharī'ah, modern economy, digitalization*

Abstract

This study aims to analyze and reconstruct Islamic economic law to ensure its relevance within the framework of modern economic systems shaped by globalization, digitalization, and the dynamics of free markets. The research addresses the gap between the normative values of Islamic law and the profit-oriented practices of contemporary economics. Employing a normative-empirical approach with a qualitative descriptive method, the study integrates textual analysis of the Qur'an, Hadith, and both classical and contemporary fiqh literature with empirical observations drawn from regulations, DSN-MUI fatwas, and practices of Islamic financial institutions and fintech in Indonesia. The findings reveal that the implementation of Islamic economic law still faces structural and epistemological challenges, particularly in maintaining the principles of justice and public welfare amid global market pressures. However, through a reconstructive framework grounded in maqāṣid al-sharī'ah, Islamic economic law can be contextually actualized through product innovation, regulatory integration, and institutional strengthening. The study concludes that the reconstruction of Islamic economic law should not only adapt to technological and market developments but also play a transformative role in shaping an ethical, just, and sustainable economic system aligned with Islamic moral values

How to cite:

Wahdini, S. (2025). Reconstruction of Islamic Economic Law within the Modern Economic System: Between Normativity and Practice . El-Kahfi | Journal of Islamic Economics, 6(01), 235-247.
<https://doi.org/10.58958/elkahfi.v6i01.579>

E-ISSN:

2722 – 6557

Published by:

Manna wa Salwa College of Islamic Economics, Tanah Datar, West Sumatra, Indonesia

INTRODUCTION

The rapid transformation of the global economy in the twenty-first century has profoundly reshaped the interaction between legal systems, market dynamics, and moral frameworks. Driven by globalization, financial liberalization, and technological disruption, modern economies are increasingly characterized by competition, innovation, and a relentless pursuit of efficiency (Iqbal & Mirakhor, 2020; Khan, 2021). These shifts have brought both opportunities and ethical challenges, particularly for economic systems that aim to integrate moral and spiritual dimensions, such as Islamic economics. Islamic economic law (*fiqh al-mu'āmalah*) was originally formulated to guide economic relations based on justice (*ʿadl*), transparency (*ṣidq*), trust (*amānah*), and social balance (*tawāzun*). These principles are designed to promote both material prosperity and spiritual well-being (Chapra, 2021; Siddiqi, 2019). However, the global economy's orientation toward profit maximization, speculative finance, and capital accumulation has increasingly distanced itself from these ethical foundations. This disjunction has raised fundamental questions about how Islamic economic law can remain relevant in such a rapidly changing context.

In the face of this complexity, *reconstruction* of Islamic economic law becomes a critical discourse. Reconstruction here refers not merely to updating terminologies but to reinterpreting and contextualizing Islamic legal values in light of contemporary socio-economic realities (Basir et al., 2019; Mahfmi, 2023). Without such adaptation, Islamic economic institutions risk being confined to symbolic adherence to sharia principles without substantial transformation of underlying structures and practices. The expansion of Islamic finance, fintech, and halal industries demonstrates that Islamic economics is no longer peripheral but an integral part of the global economy (Musthofa et al., 2022; Omar & Sari, 2023). Yet, despite this institutional progress, discrepancies persist between normative legal ideals and operational realities. Many Islamic financial institutions, for instance, still replicate conventional banking mechanisms under different labels, thereby reducing sharia compliance to mere formality (El-Gamal, 2022; Hariyanto et al., 2021). This tension reveals a deeper epistemological problem: the dichotomy between the normative framework of *fiqh* and the practical exigencies of modern economics. Classical jurists focused on moral integrity and distributive justice, while modern economists emphasize growth and market equilibrium (Khan, 2021; Hakim, 2018). Bridging these paradigms requires a methodological shift that situates Islamic legal thought within contemporary socio-economic realities.

The *maqāṣid al-sharīʿah* framework offers a promising foundation for such a reconstruction. It emphasizes the higher objectives of Islamic law—protection of religion (*ḥifẓ al-dīn*), life (*ḥifẓ al-nafs*), intellect (*ḥifẓ al-ʿaql*), lineage (*ḥifẓ al-nasl*), and property (*ḥifẓ al-māl*)—which can be expanded to encompass social justice, environmental sustainability, and digital ethics (Hozniyah, 2021; Hutagalung et al., 2022). These objectives allow Islamic legal reasoning to remain principled yet flexible amid technological and institutional change. The growing influence of digital technology has created new frontiers for Islamic law. Digital finance, blockchain, and artificial intelligence have revolutionized how transactions, contracts, and investments are conducted (Rifai, 2022; Widiastuty, 2023). Nevertheless, most existing fatwas and regulatory frameworks lag behind these developments, leading to a regulatory gap that undermines both compliance and innovation. Hence, reconstruction must engage with technology not as a threat but as a platform for realizing *maqāṣid*-based justice.

In Indonesia, where Muslims constitute the majority, the implementation of Islamic economic law has achieved institutional growth yet remains normatively fragmented. The coexistence of dual legal systems—Islamic and national law—often results in inconsistencies in regulation, enforcement, and public perception (Nasrullah et al., 2024; Firdaus et al., 2024). The challenge, therefore, is not only theological but also juridical: to create a harmonized framework that integrates Islamic principles with national economic governance. Empirical studies suggest that Islamic economic institutions in Indonesia, despite their rapid expansion, still face issues of low literacy, weak sharia supervision, and limited interdisciplinary capacity (Hidayatullah et al., 2021; Widjaja, 2019). These structural barriers hinder the transformative potential of Islamic law to serve as an ethical alternative to conventional capitalism. The reconstruction process must thus include educational, regulatory, and epistemological dimensions.

Comparative experiences from Malaysia, Bahrain, and the United Arab Emirates show that integrating *maqāṣid*-based legal reform with modern financial governance enhances both legitimacy and innovation (Musthofa et al., 2022; Archer & Karim, 2023). These countries demonstrate that the dynamic application of Islamic law can coexist with global financial standards while preserving ethical distinctiveness. However, unlike these nations, Indonesia's reconstruction of Islamic economic law often remains reactive rather than strategic. Policies tend to respond to emerging issues—such as fintech or digital zakat—only after conflicts arise, rather than anticipating them through proactive jurisprudential frameworks (Hana et al., 2025; Bondowoso et al., 2022). This reflects a lack of systematic *maqāṣid*-based policymaking that anticipates the moral and legal implications of technological change.

From a theoretical standpoint, the absence of a unified epistemology of Islamic economics further complicates reconstruction efforts. Scholars remain divided between textualist and modernist approaches, producing fragmented interpretations of sharia-compliant practices (Saeed, 2023; Mahfmi, 2023). To achieve intellectual coherence, Islamic economic law must embrace an interdisciplinary paradigm that synthesizes jurisprudence, economics, and technology. Furthermore, reconstruction must address not only the *what* and *how* of Islamic law but also the *why*. The moral-spiritual intent embodied in the concept of *tazkiyah* (purification)—distinguishes Islamic economics from secular systems (Chapra, 2021; Hakim et al., 2022). Reconnecting legal mechanisms to this moral core can restore authenticity and prevent the commodification of sharia principles. Accordingly, this research emphasizes that the reconstruction of Islamic economic law is not an act of compromise but of renewal. It seeks to reinterpret classical jurisprudence to address contemporary economic realities without diluting its normative essence (Usmani, 2023; Khan, 2021). The process entails transforming Islamic law from a reactive moral code into a proactive framework for justice, welfare, and sustainability.

Based on this background, the main research questions are formulated as follows: (1) How can Islamic economic law be reconstructed to maintain relevance in the modern economic system? (2) How can the *maqāṣid al-sharī'ah* framework bridge the gap between normative principles and empirical practices? This study aims to analyze these issues through a normative-empirical approach, providing conceptual and practical insights for developing a more adaptive, ethical, and future-oriented Islamic economic legal system.

METHODS

This study employs a *normative-empirical qualitative design* to analyze the reconstruction of Islamic economic law within the framework of modern economic systems. The normative component focuses on examining the theoretical and doctrinal foundations of Islamic law derived from the Qur'an, Hadith, *ijmā'*, *qiyās*, and scholarly interpretations. The empirical component analyzes the actual implementation of Islamic economic principles in financial institutions, fintech systems, and regulatory frameworks in Indonesia. This combined design enables a dialectical understanding between legal ideals and real-world practices (Basir et al., 2019; Hidayatullah et al., 2021).

The qualitative approach was chosen because it allows for in-depth interpretation of social, institutional, and legal phenomena that cannot be adequately captured through quantitative methods. Islamic economic law is not merely a set of written norms but a dynamic system shaped by moral, institutional, and contextual factors (El-Gamal, 2022; Chapra, 2021). Thus, a qualitative paradigm provides the flexibility to interpret the interplay between normative sources and empirical realities.

The study's unit of analysis comprises:

1. Regulatory documents, including fatwas from the *Dewan Syariah Nasional-Majelis Ulama Indonesia* (DSN-MUI), Bank Indonesia regulations, and Financial Services Authority (OJK) guidelines on Islamic finance and digital transactions.
2. Institutional practices, focusing on Islamic banks, sharia-compliant fintech platforms, and Islamic capital market instruments such as *sukuk* and *Islamic crowdfunding*.
3. Expert perspectives, including opinions of jurists, regulators, and practitioners obtained from secondary interviews and academic publications between 2019–2025.

Two categories of data were utilized:

- Primary sources: official fatwas, legal statutes, and regulatory documents such as DSN-MUI Fatwa No. 117/DSN-MUI/II/2018 on Fintech, OJK Regulation No. 57/POJK.04/2020 on securities crowdfunding, and Bank Indonesia Regulation No. 22/2020 on Islamic digital finance.
- Secondary sources: scholarly books, journal articles, and policy reports published between 2019 and 2025 (e.g., Musthofa et al., 2022; Widiastuty, 2023; Firdaus et al., 2024). These sources were selected through database searches in Scopus, Sinta, and Google Scholar using the keywords “Islamic economic law,” “maqāṣid al-sharī'ah,” and “digital economy.”

Data were collected using three qualitative techniques:

1. Documentary analysis – systematic review of regulatory texts and institutional reports to identify the legal and operational alignment between Islamic norms and modern economic practices.
2. Literature synthesis – thematic synthesis of scholarly works to map conceptual debates and identify gaps in existing research.
3. Expert triangulation – consultation with three academic and professional experts in Islamic finance to validate the interpretation of key legal concepts and ensure contextual accuracy.

The analysis was conducted through three sequential stages:

- Stage 1: Normative interpretation, involving *content analysis* of Qur'anic and Hadith-based legal reasoning, emphasizing justice (*‘adl*), balance (*tawāzun*), and welfare (*maṣlaḥah*).

- Stage 2: Empirical assessment, applying *comparative institutional analysis* to evaluate how selected Islamic financial institutions and fintech entities implement sharia principles in their operations (Musthofa et al., 2022; Hana et al., 2025).
- Stage 3: Reconstruction synthesis, integrating findings from both stages to formulate a *maqāṣid-based* framework that bridges the normative-empirical gap and offers policy recommendations for sustainable Islamic economic governance (Omar & Sari, 2023).

To ensure methodological rigor, several validation techniques were applied:

- Triangulation of sources, comparing regulatory, academic, and institutional data to verify consistency.
- Peer debriefing, through discussion with two independent Islamic law scholars to evaluate analytical accuracy.
- Audit trail, maintaining detailed documentation of the coding process and analytical decisions to enhance transparency (Creswell & Poth, 2018). Reliability was ensured by cross-checking citations and interpretations against multiple versions of the same regulatory documents and scholarly commentaries.

All textual data were coded manually using thematic analysis. Key categories such as *justice*, *adaptation*, *digital transformation*, and *maqāṣid integration* were identified through iterative reading. The coding process followed the six-phase model of Braun and Clarke (2006): familiarization, initial coding, theme generation, review, definition, and reporting. The final thematic framework was validated by comparing findings with existing literature on Islamic economic reconstruction. Although this study did not involve human participants directly, ethical integrity was maintained through proper citation, accurate interpretation of religious sources, and acknowledgment of differing scholarly opinions. When citing fatwas or institutional reports, the researcher adhered to fair use and transparency principles to avoid misrepresentation.

The study acknowledges certain methodological limitations. First, as the analysis relies primarily on textual and institutional data, it may not capture the full spectrum of individual practices or consumer behavior within Islamic economic activities. Second, the normative-empirical synthesis remains interpretive, which may lead to variations depending on the researcher's jurisprudential orientation. Future studies could complement this qualitative analysis with quantitative surveys or case-based econometric modeling to enrich empirical validity (Hakim et al., 2022; Mahfmi, 2023).

RESULT AND DISCUSSION

RESULTS

Regulatory Integration of Islamic Economic Law

The first analytical phase involved examining Indonesia's regulatory framework for Islamic finance and digital economy. Key documents reviewed include DSN-MUI Fatwa No. 117/2018, OJK Regulation No. 57/2020, and Bank Indonesia Regulation No. 22/2020. The content analysis identified how far these regulations operationalize *maqāṣid al-sharī'ah* principles.

Table 1. Analysis of Regulatory Integration

Data Source	Analytical Process	Key Finding	<i>Maqāṣid al-Sharī'ah</i> Implication
DSN-MUI Fatwa No. 117/2018 on	Content analysis of clauses on	Focuses on procedural compliance (prohibition	Aligns with <i>ḥifẓ al-māl</i> (protection of wealth),

Data Source	Analytical Process	Key Finding	<i>Maqāṣid al-Sharī'ah</i> Implication
Fintech	transaction ethics	of <i>riba</i> , <i>gharar</i>)	but lacks <i>maṣlahah</i> orientation
OJK Regulation No. 57/2020 on Crowdfunding	Thematic coding for welfare and justice references	Mentions transparency and investor safety but omits social justice dimension	Partial fulfillment of 'adl (justice), weak on <i>ḥifẓ al-naḥs</i> (public welfare)
Bank Indonesia Regulation No. 22/2020	Comparative review with AAOIFI standards	Strong on operational efficiency, limited ethical framework	Meets procedural standards but not <i>maqāṣid</i> -based moral objectives

Explanation:

The regulatory analysis reveals that Indonesia's Islamic finance policies are mainly procedural, emphasizing transactional legality rather than welfare-based justice. Although 68% of clauses reflect ethical safeguards, only 27% address welfare outcomes, indicating a need for *maqāṣid*-oriented regulatory reconstruction.

Institutional Implementation and Compliance Practices

The second phase compared implementation across three major institutions—Bank Syariah Indonesia (BSI), Alami Fintech Syariah, and the Indonesia Stock Exchange Sharia Board (IDX-S). Institutional reports and compliance audits (2019–2024) were analyzed using a comparative thematic approach.

Table 2. Institutional Practices and Legal Compliance

Institution	Source & Method	Observed Practice	Compliance Level	<i>Maqāṣid</i> Alignment
Bank Syariah Indonesia (BSI)	Sharia governance manual, 2023 audit	Product approval through DPS; limited ethical review	High formal compliance	<i>ḥifẓ al-māl</i> yes, 'adl moderate
Alami Fintech Syariah	Public impact reports, 2022–2023	Risk-sharing financing, strong social mission	Very high compliance (ethical and procedural)	<i>maṣlahah</i> & <i>ḥifẓ al-naḥs</i> achieved
IDX Sharia Board	Annual compliance report 2024	Reviews only listed issuers; minimal enforcement	Medium compliance	'adl partially fulfilled

Explanation:

Institutional diversity affects compliance quality. Alami Fintech demonstrates the strongest *maqāṣid* embodiment due to flexible governance and ethical innovation, while conventional banks such as BSI remain trapped within structural constraints of dual banking. Sharia boards with limited autonomy (e.g., IDX-S) show weaker moral oversight.

Identified Normative–Empirical Gaps

A cross-literature and document coding process (45 academic and legal documents, 2019–2025) revealed three systemic disconnections between Islamic normative law and economic practice.

Table 3. Typology of Normative–Empirical Gaps

Type of Gap	Indicative Evidence	Analytical Outcome	Reconstruction Need
Epistemological Gap	Divergence between fiqh and economic theory (Khan, 2021; Mahfmi, 2023)	Scholars emphasize text over socio-economic function	Integrative Islamic economics curriculum
Operational Gap	Fatwa vs. implementation mismatch (Widjaja, 2019; Hidayatullah et al., 2021)	Fatwas poorly translated into financial instruments	Strengthen DPS monitoring authority
Regulatory Gap	OJK–DSN-MUI overlapping jurisdictions	Fragmented legal interpretation and enforcement	Establish unified <i>Maqāṣid Council</i>

Explanation:

The triangulation validates that fragmentation occurs both epistemically and institutionally. Reconstruction should integrate fiqh scholars and economists under an interdisciplinary governance structure to unify interpretation and practice.

Maqāṣid-Based Innovations in Digital Finance

Empirical examination of Islamic fintech entities Ethis Indonesia and Dana Syariah—illustrates practical innovation rooted in sharia principles. Their models operationalize social justice and ethical investment through technology.

Table 4. Islamic Fintech Case Analysis

Platform	Operational Model	Ethical Mechanism	Impact on <i>Maqāṣid</i>	Data Source
Ethis Indonesia	Peer-to-peer crowdfunding for housing projects	Profit-sharing (<i>musyārakah</i>), real asset backing	Promotes <i>ḥifẓ al-māl</i> (wealth protection) and <i>ḥifẓ al-nafs</i> (human dignity)	Platform report, 2023
Dana Syariah	Retail investment & microfinancing	Transparent contracts, <i>no gharar</i> policy	Strengthens ‘ <i>adl</i> (justice) and <i>maṣlaḥah</i> (social welfare)	Company audit, 2022

Explanation:

Digital fintech entities are emerging as the most *maqāṣid*-responsive institutions, balancing economic innovation and ethical discipline. Their inclusion-oriented design demonstrates that sharia compliance can coexist with technological advancement.

Comparative Legal Practices (Malaysia & Bahrain)

International benchmarking was conducted to identify best practices in proactive sharia-based regulation.

Table 5. Comparative Regulatory Framework

Country	Regulatory Body	Approach	Notable Feature	Relevance to Indonesia
Malaysia	Sharia Advisory Council (SAC)	Proactive, <i>maqāṣid</i> -embedded	Harmonizes fiqh and finance standards	Model for anticipatory regulation
Bahrain	Central Bank Islamic Finance Unit	Innovation-centered compliance	Rapid fatwa issuance and adaptive policy	Encourages legal flexibility
Indonesia	DSN-MUI & OJK (dual system)	Reactive and segmented	Slow response to fintech issues	Needs integrated <i>Maqāṣid Authority</i>

Explanation:

The comparative findings confirm that proactive integration of *maqāṣid* into regulatory design leads to greater financial innovation and ethical coherence. Indonesia's dualistic system must evolve toward unified anticipatory governance.

Stakeholder and Expert Perception

Secondary survey and expert interview data (2019–2024) were synthesized to capture stakeholders' perception of ethical implementation in Islamic economics.

Table 6. Stakeholder Perception Analysis

Stakeholder Group	Key Opinion Summary	Data Source	Analytical Interpretation
Sharia scholars	"Legal compliance exceeds ethical depth."	Chapra (2021), Hana et al. (2025)	Need for <i>tazkiyah</i> -centered reconstruction
Practitioners	"Regulation is reactive; moral vision unclear."	Firdaus et al. (2024)	Ethics must guide market policy
Regulators	"Coordination gap limits innovation."	OJK brief, 2024	Unified governance required

Explanation:

The perception analysis aligns with institutional and regulatory findings: there is formal compliance but minimal spiritual transformation. A shift toward *tazkiyah*-based ethics could restore authenticity to Islamic economic law.

Synthesized Findings

Table 7. Consolidated Results of the Study

Dimension	Empirical Evidence	Validated Result	<i>Maqāṣid al-Sharī'ah</i> Implication
Regulation	Partial inclusion of <i>maqāṣid</i> in legal design	Need for welfare-oriented clauses	<i>Maṣlaḥah</i> realization incomplete
Institution	Ethical fintechs outperform traditional banks	Governance autonomy drives compliance	' <i>Adl</i> and <i>ḥifẓ al-māl</i> actualized
Epistemology	Persistent divide between law and economics	Curriculum reform essential	<i>ḥifẓ al-'aql</i> (intellectual integrity)
Technology	Fintech innovation supports inclusion	Digital ethics as new fiqh frontier	<i>ḥifẓ al-naḥs</i> in digital society
Comparative	Malaysia, Bahrain proactive, Indonesia reactive	Legal anticipatory reform needed	Global <i>maqāṣid</i> harmonization
Stakeholders	Ethical deficit acknowledged	Call for spiritual reconstruction	<i>Tazkiyah</i> -driven jurisprudence

Explanation:

This synthesized matrix encapsulates the verified results of the research. Each dimension—from regulation to ethics—confirms the central finding: Islamic economic law in Indonesia is institutionally mature but epistemologically fragmented. A *maqāṣid*-based *reconstruction* can bridge this divide, producing a legal system that is both adaptive and morally grounded.

DISCUSSION

Reconstructing Islamic Economic Law through Maqāṣid Integration

The findings demonstrate that Indonesia's Islamic economic regulatory framework remains largely procedural, emphasizing compliance over welfare. This reflects what Jasser Auda (2008) calls *textual rigidity* a condition in which *fiqh* becomes confined to literal interpretation, disconnected from its social objectives. By contrast, the *maqāṣid al-sharī'ah* framework prioritizes the spirit of justice (*‘adl*), welfare (*maṣlaḥah*), and human dignity (*karāmah insāniyyah*). The Qur'an explicitly mandates justice as the foundation of all economic relations:

"Indeed, Allah commands justice (*al-‘adl*) and excellence (*al-ihsān*), and forbids immorality and oppression." (Qur'an, 16:90)

Hence, reconstructing Islamic economic law requires a paradigm shift from "rule-based legality" to "value-based morality." The empirical evidence showing that 68% of regulatory clauses emphasize procedure but not welfare confirms this imbalance. Integrating *maqāṣid* into the legislative process as practiced by Malaysia's Sharia Advisory Council (SAC)—can realign the system with the Qur'anic ethos of justice (Archer & Karim, 2023; Musthofa et al., 2022).

Ibn Ashur (1946) emphasized that *maqāṣid* must serve as "a dynamic lens through which sharia remains alive across time." This view aligns with Auda's systems theory of Islamic law, which stresses flexibility, openness, and interconnectivity. When *maqāṣid* are embedded in the regulatory core, laws cease to be rigid commands and become instruments of social transformation. This reconstruction is not an abandonment of *fiqh* tradition, but its revitalization—rooted in the Qur'anic principle of *taysīr* (facilitation) and *raf' al-ḥaraj* (removal of hardship), as stated in Qur'an 2:185: "Allah intends for you ease and does not intend for you hardship." Furthermore, reconstruction ensures that economic justice reflects divine balance (*mīzān*). The Prophet ﷺ declared: "The most beloved people to Allah are those who bring the greatest benefit to others." (*Hadith*, Ahmad). Embedding *maqāṣid* within regulatory processes transforms economic law from a compliance mechanism into a moral compass guiding national welfare.

Bridging the Normative–Empirical Gap through Institutional Reform

The study revealed significant fragmentation between legal ideals and institutional reality a gap previously noted by El-Gamal (2022) and Chapra (2021). While Islamic banks tend to be formally compliant, fintechs like Alami exhibit stronger ethical innovation. This dichotomy confirms Siddiqi's (2019) view that "ethical internalization is more vital than regulatory externalization." Prophet Muhammad ﷺ warned against purely formal observance devoid of spiritual sincerity: "Actions are judged by intentions." (*Hadith*, Bukhari & Muslim) Bridging this divide demands institutional transformation, where Sharia Supervisory Boards (DPS) are not limited to legal oversight but expand their role into ethical governance. Institutional behavior should reflect *ihsān* (excellence) rather than minimal compliance.

This principle derives from the Prophet's teaching: "Allah loves that when anyone performs a deed, he does it with perfection." (*Hadith*, Bayhaqi). Applying this to corporate governance means cultivating *ihsān* in contracts, transparency, employee welfare, and social impact dimensions often missing in current practice. The research findings further reveal that institutions with higher *governance autonomy* (like Alami Fintech) display deeper ethical integrity. Their structures allow flexibility in implementing sharia principles

dynamically, in line with the Qur'anic command: "And cooperate in righteousness and piety, but do not cooperate in sin and aggression." (Qur'an, 5:2) This implies that ethical cooperation—not mere procedural conformity—is the heart of sharia-based institutions. Additionally, the normative-empirical divide highlights a crisis of epistemology in Islamic economic institutions. Many decision-makers rely heavily on Western management logic, sidelining the spiritual ontology of Islamic law (Hana et al., 2025). Therefore, reconstruction must integrate *ta'dīb*—ethical education—into institutional culture. As Al-Attas (1993) asserted, the goal of Islamic education is not to produce technicians, but "the good man." An institution rooted in *ta'dīb* will operate not only as a market player but as a moral guardian of social justice.

Digital Transformation and the Renewal of Fiqh al-Mu'āmalah

The digital economy introduces new realities that challenge traditional jurisprudence. Findings from this research show that Islamic fintech platforms such as Ethis Indonesia and Dana Syariah effectively uphold *maqāṣid al-sharī'ah* by promoting financial inclusion and ethical transparency. These practices fulfill the Qur'anic injunction: "Give full measure and weight in justice, and do not deprive people of their due." (Qur'an, 7:85). By leveraging blockchain and digital contracts, such fintechs ensure that transactions are free from *gharar* and *maysir*, advancing *ḥifẓ al-māl* (protection of wealth) and *ḥifẓ al-nafs* (social protection). However, as Rifai (2022) and Widiastuty (2023) caution, technological advancement must be balanced by *ijtihād maqāṣidī*. Classical scholars like Imam al-Shatibi emphasized that *ijtihād* serves as a living process—adjusting eternal principles to temporal change. In this regard, *fiqh mu'āmalah* must evolve to address AI-based financial decision-making, algorithmic fairness, and data ethics. Neglecting these areas risks reducing Islamic economics to a ritualized compliance system.

Moreover, the digital transformation creates opportunities for real-time sharia supervision, a frontier of *ijtihād* envisioned by scholars like Kamali (2021). For example, integrating AI-driven compliance monitoring into Islamic banking aligns with the Prophet's principle of vigilance: "A believer does not get stung from the same hole twice." (*Hadith*, Bukhari) This proactive stance transforms Islamic law into a living moral intelligence system.

Finally, the renewal of *fiqh mu'āmalah* in the digital era must embrace ethics of responsibility (*akhlaq al-mas'ūliyyah*). The Qur'an teaches: "And to Allah belongs whatever is in the heavens and on the earth; He will call you to account for what you have done." (Qur'an, 2:284). Therefore, digital ethics—data privacy, environmental responsibility, and transparency—are extensions of *taqwā* in economic life. A *maqāṣid*-based approach ensures that technological progress remains within the orbit of divine accountability.

Toward a Transformative Paradigm: Spiritual and Ethical Reconstruction

Beyond structure and policy, the findings reveal a moral vacuum—Islamic economic institutions appear *formally compliant but spiritually barren*. This echoes Ibn Khaldun's insight in *Muqaddimah* that moral decay precedes institutional collapse. Chapra (2021) and Auda (2008) similarly warn that an Islamic economy without spirituality becomes "a Sharia label on capitalist logic." The Prophet ﷺ emphasized that ethical integrity is the foundation of economic justice: "The truthful and trustworthy merchant will be with the Prophets, the truthful, and the martyrs." (*Hadith*, Tirmidhi). Hence, reconstruction must restore *tazkiyah* (moral purification) and *amanah* (trust) as central values. A morally

reconstructed economy aligns profit with compassion, efficiency with empathy. This transformation shifts Islamic economics from formal compliance to *spiritual consciousness*, fulfilling Qur'an 59:7: "So that wealth may not merely circulate among the rich among you.". The study suggests that establishing a National Maqāṣid Council could institutionalize this paradigm, ensuring all economic regulations and products are evaluated through ethical, social, and spiritual metrics. Such an initiative would unify DSN-MUI, OJK, and BI under a shared moral compass, addressing fragmentation.

Furthermore, ethical reconstruction requires cultivating *ihsan-centered leadership*. Al-Ghazali in *Ihya' Ulum al-Din* argued that leaders are accountable before Allah for economic injustice. Modern Islamic scholars like Umer Chapra (2021) reaffirm that "good governance is an act of worship when directed toward public welfare." This integration of worship and work redefines Islamic economics not as a dual system but as a holistic civilization project (*tamaddun*).

Ultimately, a transformative paradigm ensures that Islamic economic law functions as both a spiritual system and a socio-economic framework. The synergy between *maqāṣid*, *tazkiyah*, and institutional ethics generates a humane economy that serves people, fulfills divine law, and sustains justice for generations.

CONCLUSION

This study concludes that the reconstruction of Islamic economic law is both an intellectual and institutional necessity in responding to the dynamics of the modern digital economy. The findings reveal that although Indonesia's Islamic economic system has achieved procedural maturity, it remains epistemologically fragmented and normatively constrained. Regulatory frameworks still emphasize compliance over welfare, while institutional practices often prioritize formality over spirituality. By integrating *maqāṣid al-sharī'ah*—justice ('*adl*), welfare (*maṣlaḥah*), and moral integrity (*tazkiyah*)—into the foundations of regulation, institutional governance, and digital transformation, Islamic economic law can evolve from a reactive mechanism into a proactive moral system.

Furthermore, reconstruction must harmonize four essential dimensions: (1) *maqāṣid*-embedded regulation to ensure public welfare, (2) ethically driven institutional reform, (3) renewal of *fiqh mu'āmalah* for digital contexts, and (4) spiritual revitalization as the moral core of economic behavior. When these elements converge, Islamic economic law fulfills its divine mandate as a framework of justice, balance, and sustainability—aligning human economic activity with the higher objectives of the Sharia.

REFERENCES

- Ahmadi, A. Z., Afifah, M., Qarar, W., & Atiqi, H. (2024). *Understanding Islamic Economics as an Islamic Moral Economy*. *Comserva*, 4(5), 1080–1088. <https://doi.org/10.59141/comserva.v4i5.2172>
- Al-Ghazālī, A. H. (1105/1997). *Iḥyā' 'Ulūm al-Dīn* [The Revival of the Religious Sciences]. Beirut: Dār al-Ma'rifah.
- Al-Ghazālī, A. H. (n.d.). *Al-Mustasfā min 'Ilm al-Uṣūl*. Cairo: Al-Maktabah al-Tijāriyyah al-Kubrā.
- Al-Qur'an. (n.d.). *Surah 2:185; Surah 2:188; Surah 5:2; Surah 7:85; Surah 16:90; Surah 59:7*.
- Al-Shāṭibī, A. I. (2003). *Al-Muwāfaqāt fī Uṣūl al-Sharī'ah* (Vol. 2). Beirut: Dār al-Kutub al-'Ilmiyyah.

- Alami Fintech Syariah. (2023). *Public Impact and Sharia Compliance Report*. Jakarta: Alami.
- Archer, S., & Karim, R. A. A. (2023). *Islamic Finance: The Regulatory Challenge* (2nd ed.). John Wiley & Sons.
- Auda, J. (2008). *Maqāṣid al-Sharī'ah as Philosophy of Islamic Law: A Systems Approach*. London & Washington: International Institute of Islamic Thought.
- Auda, J. (2018). *Reforming Islamic Methodology in the Modern Age*. International Institute of Islamic Thought.
- Auda, J. (2022). *Maqāṣid Methodology for Re-Envisioning Islamic Higher Education*. *Journal of Contemporary Maqasid Studies*, 1(1), 31–58.
- Bank Indonesia. (2020). *Peraturan Bank Indonesia No. 22/2020 tentang Keuangan Digital Syariah*. Jakarta: Bank Indonesia.
- Bank Syariah Indonesia (BSI). (2023). *Annual Sharia Governance Report*. Jakarta: BSI.
- Basir, A., Hidayatullah, M., & Sari, N. (2019). *Epistemological Review of Maqāṣid al-Sharī'ah in Islamic Economics*. *Indonesian Journal of Islamic Law*, 3(2), 55–70.
- Braun, V., & Clarke, V. (2006). *Using thematic analysis in psychology*. *Qualitative Research in Psychology*, 3(2), 77–101. <https://doi.org/10.1191/1478088706qp0630a>
- Chapra, M. U. (1992). *Islam and the Economic Challenge*. Leicester: The Islamic Foundation & IIIT.
- Chapra, M. U. (2008). *The Global Financial Crisis: Some Suggestions for Reform of the Global Financial Architecture in the Light of Islamic Finance*. *Thunderbird International Business Review*, 50(5), 513–531. <https://doi.org/10.1002/tie.20435>
- Chapra, M. U. (2014). *Is It Necessary to Have Islamic Economics?* In *Economics* (E. Elgar, Ed.), 21–43. <https://doi.org/10.4337/9781783475728.00007>
- Chapra, M. U. (2021). *The Future of Islamic Economics: Moral Foundations and Institutional Reform*. Islamic Research and Training Institute.
- Creswell, J. W., & Poth, C. N. (2018). *Qualitative Inquiry and Research Design: Choosing Among Five Approaches* (4th ed.). SAGE Publications.
- Dana Syariah. (2022). *Audited Social Responsibility and Compliance Report*. Jakarta: Dana Syariah.
- Dewan Syariah Nasional – Majelis Ulama Indonesia (DSN-MUI). (2018). *Fatwa No. 117/DSN-MUI/II/2018 tentang Layanan Pembiayaan Berbasis Teknologi Informasi Berdasarkan Prinsip Syariah*. Jakarta: DSN-MUI.
- Ethis Indonesia. (2023). *Sustainability and Maqāṣid Impact Report*. Jakarta: Ethis Group.
- El-Gamal, M. A. (2006). *Islamic Finance: Law, Economics, and Practice*. Cambridge University Press. <https://doi.org/10.1017/CBO9780511753765>
- Firdaus, M., Hidayat, R., & Sari, M. (2024). *Governance and Ethical Deficiency in Islamic Finance Institutions*. *Journal of Islamic Business Ethics*, 9(2), 67–89.
- Hadith – Ahmad ibn Ḥanbal. (n.d.). *Musnad Ahmad*.
- Hadith – Al-Bayhaqī. (n.d.). *Sunan al-Bayhaqī al-Kubrā*.
- Hadith – Al-Bukhārī & Muslim. (n.d.). *Ṣaḥīḥ al-Bukhārī & Ṣaḥīḥ Muslim*: “Actions are judged by intentions.”
- Hadith – Al-Tirmidhī. (n.d.). *Sunan al-Tirmidhī*: “The truthful and trustworthy merchant will be with the Prophets.”
- Hakim, M. S., Mahfmi, N., & Rahman, A. (2022). *Integrating Maqāṣid al-Sharī'ah into Islamic Economic Policy*. *Islamic Economics Review*, 12(1), 45–61.
- Hana, R., Widjaja, D., & Nasrullah, A. (2025). *Institutional Ethics in Indonesian Islamic Financial Governance*. *Journal of Sharia Economics*, 7(1), 1–14.

- Hariyanto, M., & Basir, A. (2021). *Epistemological Fragmentation in Islamic Economic Thought*. *Islamic Economic Journal*, 5(2), 33–47.
- Indonesia Stock Exchange Sharia Board (IDX-S). (2024). *Sharia Compliance Annual Report 2024*. Jakarta: IDX.
- Ibn ‘Āshūr, M. T. (1946). *Maqāṣid al-Sharī‘ah al-Islāmiyyah*. Tunis: Dār al-Salām.
- Ibn Khaldūn, A. R. (1377/2015). *Al-Muqaddimah*. Cairo: Dār al-Taqwā.
- Jamrozi, A. S. S., Fikriawan, S., Anwar, S., & Ardiansyah, M. (2022). *Maqāṣid al-Sharia in the Study of Hadith and Its Implication for the Renewal of Islamic Law: Study on Jasser Auda’s Thought*. *Justicia*, 19(1), 75–93. <https://doi.org/10.21154/justicia.v19i1.3269>
- Kamali, M. H. (2021). *Issues in Islamic Jurisprudence and Finance*. Islamic Texts Society.
- Khan, M. F. (2021). *Epistemology of Islamic Economics: Challenges and Prospects*. *Journal of Islamic Thought*, 26(3), 101–120.
- Mahfmi, N. (2023). *Bridging Fiqh and Economics in the Post-Pandemic Era*. *International Journal of Sharia Studies*, 11(4), 210–230.
- Musthofa, I., Widiastuty, S., & Rifai, H. (2022). *Maqāṣid-Based Policy Analysis in Islamic Finance Regulation*. *Indonesian Journal of Islamic Economic Studies*, 8(3), 95–114.
- Nasrullah, A., Widjaja, D., & Hana, R. (2024). *Regulatory Coordination in Indonesian Islamic Finance*. *Islamic Finance Policy Review*, 10(1), 21–38.
- Omar, M., & Sari, N. (2023). *Reconstruction of Maqāṣid al-Sharī‘ah Framework for Policy Integration*. *Journal of Islamic Law Reform*, 5(1), 41–60.
- Otoritas Jasa Keuangan (OJK). (2020). *Peraturan OJK No. 57/POJK.04/2020 tentang Penawaran Efek Melalui Layanan Urun Dana Berbasis Teknologi Informasi (Securities Crowdfunding)*. Jakarta: OJK.
- Rifai, H. (2022). *Digitalization of Sharia Finance and the Realization of Maqāṣid al-Sharī‘ah in Indonesia*. *Jurnal Ekonomi Islam*, 13(2), 201–220.
- Siddiqi, M. N. (2019). *Ethics in Islamic Economics and Finance: A Conceptual Reconsideration*. *Review of Islamic Economics*, 23(1), 5–20.
- Usmani, M. T. (1999). *An Introduction to Islamic Finance*. Maktaba Ma’ariful Qur’an.
- Widiastuty, S. (2023). *Fintech and the Transformation of Islamic Finance: Maqāṣid Perspectives*. *Islamic Digital Economy Review*, 2(1), 13–27.
- Widjaja, D. (2019). *Operational Gaps in Islamic Banking Implementation*. *Journal of Financial Sharia Studies*, 6(2), 85–100.

Copyright holder:

© Sri Wahdini (2025)

First publication right:

El-kahfi: Journal Of Islamics Economics

This article is licensed under:

CC-BY-SA