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Human Scholars or Intelligent Machines? Reassessing Sharīʿah Decision-Making in Islamic Finance

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Abstract

The rapid advancement of Artificial Intelligence (AI) is reshaping the Islamic finance industry through applications in compliance monitoring, risk management, fraud detection, and decision-support systems. While AI offers significant operational benefits, its growing role in Sharīʿah governance raises critical questions regarding legal authority, ethical accountability, and the legitimacy of AI-assisted decision-making. This study examines the epistemological limits of AI in Sharīʿah decision-making and explores how intelligent technologies can be integrated into Islamic financial governance without compromising the objectives of Islamic law. This research employs a qualitative library research approach, drawing on classical Islamic legal sources, contemporary literature on AI and Islamic finance, and governance frameworks issued by Islamic financial institutions. Data were analyzed using thematic content analysis and evaluated through the lens of Maqāṣid al-Sharīʿah. The findings indicate that although AI possesses superior capabilities in data processing, pattern recognition, and compliance assessment, it cannot replicate the essential elements of Islamic legal reasoning, including contextual interpretation, ethical judgment, consideration of public welfare, and moral responsibility. Consequently, AI cannot function as an autonomous Sharīʿah authority. However, it can significantly enhance governance effectiveness when utilized as a decision-support instrument. Based on these findings, the study proposes a Maqāṣid-Based Human–AI Collaborative Governance Model, in which AI supports analytical functions while final authority remains with qualified Sharīʿah scholars. The study concludes that the future of Islamic finance lies not in

Keywords

Artificial Intelligence, Islamic Finance, Sharīʿah Governance, Maqāṣid al-Sharīʿah, Human–AI Collaboration.

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replacing human scholars with intelligent machines but in establishing a collaborative governance framework that aligns technological innovation with the higher objectives of Sharīʿah.

Introduction

The rapid advancement of Artificial Intelligence (AI) has transformed various sectors of contemporary society, including finance, healthcare, education, governance, and law. In the financial industry, AI has become a critical instrument for enhancing efficiency, reducing operational costs, predicting risks, detecting fraud, and supporting decision-making processes (Klopov et al. 2023). The emergence of machine learning, natural language processing, and predictive analytics has enabled financial institutions to process large volumes of data with unprecedented speed and accuracy. As a result, AI is increasingly viewed not merely as a technological tool but as a strategic actor capable of influencing organizational decisions and policy directions (Harahap et al. 2023).

The Islamic finance industry has not been immune to this technological transformation. Over the last decade, Islamic banks, takaful companies, fintech platforms, and Islamic investment institutions have begun integrating AI-based systems into their operational frameworks. Applications such as automated customer service, intelligent credit assessment, fraud detection, risk management, robo-advisory services, and digital compliance monitoring are becoming increasingly common within Islamic financial ecosystems (Katterbauer et al. 2023). The integration of AI aligns with broader efforts to enhance financial inclusion, improve service delivery, and strengthen institutional competitiveness in an increasingly digitalized global economy ('IAIS - Fostering a True Halal Economy: Global Integration and Ethical Practice' 2025).

Despite these benefits, the expansion of AI within Islamic finance raises fundamental questions that extend beyond technical efficiency and economic performance. Unlike conventional financial systems, Islamic finance is grounded in Sharīʿah principles that regulate not only financial transactions but also ethical conduct, social justice, and human welfare. Consequently, decision-making in Islamic finance is not solely a matter of financial optimization; it involves legal interpretation, ethical judgment, and religious accountability (Iqbal et al. 2025). This distinctive characteristic places Sharīʿah scholars and Sharīʿah supervisory boards at the center of institutional governance, ensuring that financial products and practices remain consistent with Islamic legal and moral principles (Ali et al. 2025).

The increasing reliance on AI-generated recommendations and automated decision-support systems raises an important epistemological question: can intelligent machines participate in processes traditionally reserved for human scholars? Historically, Sharīʿah decision-making has depended upon human expertise in Islamic jurisprudence (fiqh), legal theory (uṣūl al-fiqh), and contextual reasoning (ijtihād). The process requires not only technical knowledge of legal texts but also moral discernment, contextual awareness, and an understanding of the objectives of Islamic law (maqāṣid al-sharīʿah) (Auda 2022). AI systems, regardless of their computational sophistication, operate through algorithms and data-driven models that lack human consciousness, moral intuition, and spiritual responsibility (Floridi and Cowls 2022).

This debate becomes increasingly significant as financial institutions begin exploring AI-powered Sharīʿah compliance mechanisms. Emerging technologies can analyze legal documents, compare contractual structures against established Sharīʿah standards, and identify potential compliance issues more efficiently than traditional manual approaches. Some scholars argue that these capabilities may substantially improve the effectiveness of Sharīʿah governance and reduce human error (Wibisono and Roeslan 2025). Others, however, caution that excessive dependence on algorithms risks reducing Islamic jurisprudence to a mechanical process detached from its ethical and spiritual foundations (Kamali 2020).

The discussion reflects a broader global concern regarding the relationship between artificial intelligence and human authority. In many professional domains, AI is increasingly performing tasks once considered uniquely human, including medical diagnosis, legal analysis, and policy evaluation. Yet the transfer of authority from humans to machines remains controversial, particularly when decisions involve ethical judgment and social consequences (Abidin and Mokhtar 2016). Within Islamic finance, the issue becomes even more complex because Sharīʿah compliance is not simply a technical matter but a religious obligation linked to accountability before God. Consequently, the question is not merely whether AI can perform legal analysis but whether it can legitimately participate in religious decision-making processes (Wazin et al. 2025).

Theoretical discussions on this issue may benefit significantly from the framework of maqāṣid al-sharīʿah. Classical scholars such as Abu Ishaq al-Shatibi emphasized that Islamic law aims to protect and promote human welfare through the preservation of religion (ḥifẓ al-dīn), life (ḥifẓ al-nafs), intellect (ḥifẓ al-ʿaql), lineage (ḥifẓ al-nasl), and wealth (ḥifẓ al-māl) (Al-Shatibi, 2004). Contemporary maqāṣid scholars have expanded this framework to address modern challenges, including technology, governance, sustainability, and social justice (Auda 2008). From this perspective, AI should not be evaluated solely on the basis of efficiency but also according to its capacity to serve broader ethical and societal objectives.

Applying a maqāṣid perspective to AI in Islamic finance introduces several critical considerations. First, AI may contribute positively to the preservation of wealth by enhancing transparency, reducing fraud, and improving financial management. Second, it may support the preservation of intellect by facilitating access to information and analytical insights (Mustaffha 2025). However, AI may also create risks related to algorithmic bias, opacity, accountability, and the erosion of human responsibility. If decision-making authority becomes excessively concentrated within automated systems, questions arise concerning who bears responsibility for Sharīʻah violations and ethical failures. Such concerns highlight the need for a balanced governance model that integrates technological innovation with human oversight (Farook and Farooq 2013).

A review of existing literature indicates that most studies focus on technological adoption, digital transformation, fintech innovation, and operational efficiency within Islamic finance. Research examining the role of AI in Sharīʻah governance remains limited, while investigations into the implications of AI for religious authority and Islamic legal reasoning are even rarer (Arsyad et al. 2025). Current scholarship often assumes that AI functions merely as a support tool rather than interrogating its potential influence on the structure of authority itself. Consequently, there remains a significant gap in understanding how AI may reshape relationships among Sharīʻah scholars, financial institutions, regulators, and stakeholders within the Islamic financial ecosystem.

This study seeks to address this gap by critically reassessing the role of artificial intelligence in Sharīʻah decision-making processes within Islamic finance. Rather than focusing exclusively on technical capabilities, the study explores broader questions concerning authority, legitimacy, accountability, and ethical governance. By employing the maqāṣid al-sharīʻah framework, this research aims to develop a conceptual model capable of evaluating both the opportunities and limitations of AI-assisted decision-making in Islamic financial institutions.

The significance of this study lies in its contribution to an emerging discourse at the intersection of Islamic jurisprudence, financial governance, and artificial intelligence. As AI continues to expand its influence across global financial systems, Islamic finance must determine how technological innovation can be harmonized with religious principles and ethical responsibilities. The future of Sharīʻah governance may not depend on choosing between human scholars and intelligent machines; rather, it may require constructing a collaborative framework in which technological capabilities enhance, rather than replace, human judgment and religious accountability. Such an approach is essential for ensuring that the digital transformation of Islamic finance remains consistent with the fundamental objectives of Sharīʿah and the broader pursuit of human welfare.

Method

This study employs a qualitative research approach utilizing a library-based conceptual inquiry to critically examine the implications of Artificial Intelligence (AI) for Sharīʿah decision-making in Islamic finance. The selection of a qualitative design is grounded in the nature of the research problem itself, which revolves around questions of legal authority, epistemology, ethics, governance, and the future of Islamic jurisprudential reasoning in a technologically mediated environment. Unlike quantitative studies that seek to measure relationships among variables, this research aims to understand and critically interpret the conceptual transformation occurring within Islamic financial governance as intelligent technologies increasingly participate in activities that were historically reserved for human scholars and Sharīʿah supervisory bodies (Creswell 2013; Mann 2015). Consequently, the study is positioned within the broader tradition of normative Islamic legal research and interdisciplinary scholarship at the intersection of Islamic studies, financial governance, and artificial intelligence.

The rapid integration of AI into Islamic financial institutions has generated a new intellectual challenge that extends beyond the conventional discourse of technological efficiency. Existing studies largely focus on operational applications such as fraud detection, credit scoring, customer service automation, risk management, and compliance monitoring (B. Hassan 2015). While these studies demonstrate the practical benefits of AI for institutional performance, they rarely address a more fundamental question: how does the increasing reliance on intelligent systems affect the nature of Sharīʿah authority and the legitimacy of legal decision-making within Islamic finance? This gap is particularly significant because Sharīʿah governance is not merely a technical compliance mechanism but a system rooted in Islamic legal epistemology, ethical responsibility, and religious accountability. Therefore, understanding the implications of AI requires a methodological framework capable of integrating legal theory, ethical reasoning, and technological analysis.

To address this complexity, the study adopts Maqāṣid al-Sharīʿah as its primary analytical framework. The maqāṣid paradigm has emerged as one of the most influential approaches in contemporary Islamic legal thought because of its ability to bridge classical jurisprudential principles with modern social realities (Auda, 2008; Nyazee, 2016). Classical Muslim jurists, particularly Al-Ghazālī and Al-Shāṭibī, argued that the ultimate purpose of Islamic law is the realization of human welfare (maṣlaḥah) and the prevention of harm (mafsadah) through the preservation of essential human interests, namely religion, life, intellect, lineage, and wealth (Ghazali 2014; Al-Syathibi 2004). Contemporary maqāṣid scholars have further expanded this framework to include dimensions such as human dignity, social justice, institutional integrity, sustainability, transparency, and good governance (Auda 2025; Dusuki 2008; Abdullah 2018). Within the context of this study, maqāṣid al-sharīʻah serves as a normative benchmark through which the legitimacy, opportunities, and limitations of AI-assisted Sharīʻah decision-making can be critically evaluated.

The methodological orientation of this research is also informed by Islamic legal epistemology (uṣūl al-fiqh). Classical Islamic jurisprudence recognizes that legal judgments are produced through a complex process involving textual interpretation, contextual understanding, analogical reasoning, juristic preference, and consideration of public interest (Hallaq 2004). Legal authority in Islam is grounded in scholarly competence, moral integrity, intellectual discipline, and accountability before God. This framework provides an important lens for evaluating artificial intelligence (AI), as algorithmic systems operate through computational processes rather than moral reasoning or independent legal judgment. Accordingly, this study examines the extent to which AI may legitimately participate in Islamic legal and Sharīʿah governance while recognizing the indispensable role of human scholarly oversight.

This study employs a qualitative library research design based exclusively on secondary data. The sources include classical Islamic legal works, contemporary scholarly publications, and institutional governance documents. Classical references—such as Al-Muwāfaqāt by Al-Shāṭibī, Al-Mustaṣfā by Al-Ghazālī, Iʿlām al-Muwaqqiʿīn by Ibn Qayyim al-Jawziyyah, and Al-Baḥr al-Muḥīṭ by Al-Zarkashī—provide the theoretical foundation for Islamic legal authority, ijtihād, fatwa, and maqāṣid al-sharīʿah. Contemporary literature on AI, Islamic finance, fintech, algorithmic governance, and digital ethics was collected from Scopus, Web of Science, and Google Scholar. The analysis is further supported by governance frameworks issued by leading Islamic finance institutions, including the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board (IFSB), and the Islamic Development Bank Institute (IsDBI).

Data were collected through a systematic literature review using keywords such as "Artificial Intelligence," "Islamic Finance," "Sharīʿah Governance," "Islamic

Fintech," "Algorithmic Decision-Making," "Religious Authority," and "Maqāṣid al-Sharīʿah." Sources were selected based on their scholarly quality, relevance, and contribution to the research objectives, while purely technical studies without governance or ethical perspectives were excluded. The selected literature was then analyzed thematically to examine the interaction between AI, Sharīʿah governance, and Islamic legal authority.

The analytical strategy employed in this research combines thematic content analysis with normative maqāṣid evaluation. Thematic content analysis enables the identification of recurring concepts, debates, and patterns across a diverse body of literature (Braun et al. 2023). Through iterative reading and coding, major themes emerged, including algorithmic authority, Sharī'ah legitimacy, ethical accountability, human expertise, governance transformation, transparency, interpretive autonomy, and institutional trust. These themes were subsequently categorized into broader conceptual clusters to facilitate deeper interpretation and comparison.

Following thematic categorization, the findings were subjected to normative analysis using the maqāṣid framework. This stage constitutes the distinctive methodological contribution of the study because it shifts the focus from technological capability to ethical and legal legitimacy. Rather than asking whether AI can perform certain functions more efficiently than humans, the analysis examines whether AI contributes to the realization of the higher objectives of Islamic law. The evaluation considers the extent to which AI promotes the protection of wealth through improved governance, enhances intellectual capacity through data-driven insights, supports justice through transparency and accountability, and safeguards public welfare within Islamic financial systems. Simultaneously, the analysis investigates potential risks, including algorithmic bias, opacity, concentration of decision-making power, erosion of human responsibility, and the marginalization of scholarly judgment.

The study also employs a comparative epistemological analysis to examine the differences between human juristic reasoning and machine-based decision-making. Islamic legal scholars derive judgments through a process that integrates textual interpretation, contextual understanding, moral reflection, experiential wisdom, and spiritual accountability (Kamali 1999; Hallaq 2004). AI systems, in contrast, generate outputs through computational models based on statistical correlations, pattern recognition, and predictive algorithms (Poldrack 2006). While AI may excel in processing large volumes of information and identifying complex patterns, it lacks the moral agency and ethical consciousness that characterize human legal reasoning. This comparison provides a critical foundation for evaluating whether AI should be regarded as an autonomous decision-maker, a decision-support instrument, or a hybrid component within future Sharīʿah governance structures.

To strengthen the credibility and trustworthiness of the findings, the study employs source triangulation by integrating evidence from classical Islamic scholarship, contemporary academic research, and institutional governance frameworks. Such triangulation enables the research to capture multiple dimensions of the phenomenon under investigation while reducing the likelihood of disciplinary bias. Furthermore, methodological transparency is maintained through systematic documentation of source selection, thematic coding, interpretive procedures, and normative evaluation. This approach enhances the reliability and replicability of the research process.

Ultimately, this methodological framework is designed to facilitate a comprehensive assessment of AI's role in the evolving landscape of Islamic finance. By integrating Islamic legal theory, maqāṣid al-sharīʿah, governance studies, and contemporary AI scholarship, the study seeks to move beyond simplistic narratives of technological optimism or technological skepticism. Instead, it aims to develop a balanced and theoretically grounded understanding of how intelligent machines may coexist with human scholars in shaping the future of Sharīʿah decision-making. Such an understanding is essential not only for academic discourse but also for policymakers, regulators, Sharīʿah boards, and financial institutions seeking to navigate the ethical and legal challenges of the emerging digital era.

Results and Discussion

The Epistemological Limits of Artificial Intelligence in Sharīʿah Decision-Making

The emergence of Artificial Intelligence (AI) has fundamentally transformed contemporary approaches to decision-making across numerous sectors, including finance, healthcare, education, law, and governance. Within the financial industry, AI is increasingly utilized to process large datasets, identify patterns, predict risks, automate compliance procedures, and enhance organizational efficiency (Poldrack 2006). The Islamic finance industry has similarly embraced AI-driven technologies to improve operational effectiveness, strengthen Sharīʿah compliance monitoring, and support financial innovation. From AI-powered customer services and fraud detection systems to algorithmic risk assessments and regulatory technology (RegTech), intelligent systems are becoming an integral component of modern Islamic financial institutions (R. Hassan et al. 2024). However, while these developments offer significant opportunities, they also raise profound epistemological questions regarding the nature of knowledge, authority, and legal reasoning in Islamic law

(Mohammad et al. 2023). More specifically, the increasing role of AI in Sharīʿah governance prompts a critical inquiry: can intelligent machines legitimately participate in processes of legal interpretation and decision-making that have historically been entrusted to qualified Islamic scholars?

This question is not merely technological; rather, it is deeply epistemological. In Islamic intellectual tradition, law is not conceived as a static set of rules mechanically applied to social reality. Instead, Islamic law is understood as a dynamic process of interpretation that seeks to uncover and implement divine guidance within changing historical contexts (Rauf 2018). Consequently, Sharīʿah decision-making involves more than technical knowledge of legal texts. It requires the integration of textual interpretation, ethical reflection, contextual understanding, and the pursuit of justice and public welfare. These dimensions are embedded within the broader framework of Islamic epistemology, which recognizes multiple sources of knowledge, including revelation (waḥy), reason (ʿaql), experience (tajribah), and scholarly interpretation (ijtihād) (Kamali 2015). Therefore, evaluating AI within Sharīʿah governance necessitates an examination of whether algorithmic systems possess the epistemological capacities required to participate in such processes.

A central feature of Islamic legal epistemology is the institution of ijtihād. Classical jurists regarded ijtihād as the highest form of intellectual endeavor in Islamic law because it enables scholars to derive legal rulings for circumstances not explicitly addressed in foundational texts. According to Al-Ghazālī, ijtihād requires comprehensive mastery of the Qur'an, Sunnah, Arabic language, legal theory, and the objectives of Islamic law (Roslan and Zainuri 2023; Athambawa 2025). Similarly, Al-Shāṭibī argued that juristic reasoning must be guided by a profound understanding of the purposes underlying Sharīʿah rather than a narrow adherence to literal textual formulations (Qaraḍāwī 1985). Thus, ijtihād is not simply an exercise in information retrieval; it is a sophisticated process involving contextual interpretation, ethical deliberation, and the balancing of competing interests.

This understanding reveals a fundamental distinction between human scholars and AI systems. Human jurists engage in reasoning that is simultaneously intellectual, ethical, and spiritual. Their legal judgments emerge from years of scholarly training, experiential knowledge, moral reflection, and engagement with social realities. AI systems, by contrast, generate outputs through computational processes based on data analysis, machine learning algorithms, and statistical inference (Wahab and Mahdiya 2025). While AI can identify correlations and produce recommendations with remarkable speed and accuracy, its reasoning remains fundamentally different from human legal judgment. Algorithmic outputs are derived from patterns in data rather than from conscious reflection upon ethical values, divine objectives, or social consequences.

The distinction becomes even more significant when examined through the lens of Maqāṣid al-Sharīʿah. The maqāṣid tradition emerged as a response to excessively literal approaches to Islamic law, emphasizing instead that legal rulings must serve broader objectives aimed at promoting human welfare and preventing harm. Al-Ghazālī identified the preservation of religion, life, intellect, lineage, and wealth as the essential purposes of Sharīʿah, while Al-Shāṭibī expanded this framework by emphasizing the interconnected nature of these objectives and their role in guiding legal interpretation (Kasdi 2016). Contemporary scholars such as Jasser Auda have further developed maqāṣid theory into a systems-oriented framework capable of addressing complex modern challenges, including governance, technology, sustainability, and globalization (F. Opwis 2017).

From a maqāṣid perspective, legal reasoning cannot be reduced to the mechanical application of rules. Rather, it requires the ability to assess context, evaluate consequences, and balance competing forms of benefit and harm. This process often involves navigating situations characterized by uncertainty, ambiguity, and conflicting interests. Human scholars are capable of exercising such judgment because they can engage in ethical reflection and contextual analysis. AI systems, however, operate within the constraints of their programming and training data. Although machine learning algorithms can identify patterns and generate predictions, they lack the capacity to independently understand why a particular outcome is morally desirable or legally preferable (Zulkepli et al. 2026). Consequently, AI may assist in identifying possible legal solutions, but it cannot autonomously determine which solution best fulfills the objectives of Sharīʿah.

The limitations of AI become particularly evident when addressing the concept of maṣlaḥah (public welfare). Throughout the history of Islamic jurisprudence, jurists have relied upon considerations of public interest to address new circumstances and emerging societal challenges. Ibn Qayyim al-Jawziyyah famously argued that Islamic law is fundamentally rooted in justice, mercy, wisdom, and welfare, and that any interpretation leading to injustice, oppression, or harm contradicts the spirit of Sharīʿah (Hamid and Putra 2021; Ibn al-Qayyim 2005). Determining maṣlaḥah, however, requires nuanced judgments regarding social realities, human behavior, cultural contexts, and future consequences. Such judgments often involve qualitative assessments that cannot be fully captured through quantitative data. Since AI systems rely primarily on historical datasets and statistical relationships, they may struggle to address unprecedented situations requiring innovative and context-sensitive legal responses (F. M. M. Opwis 2010).

Another critical epistemological limitation concerns the issue of intention (niyyah). Islamic law places considerable emphasis on intention as a determinant of legal and moral responsibility. The Prophet Muhammad stated that actions are judged according to intentions, establishing a foundational principle of Islamic jurisprudence. Numerous legal rulings concerning financial transactions depend not only upon observable conduct but also upon the underlying intentions of the parties involved (Muhammad Asadurrohman 2025). For example, contracts that appear legally valid in form may nevertheless be deemed impermissible if structured to circumvent Sharīʻah principles. Human scholars possess the capacity to investigate context, infer motivations, and evaluate ethical dimensions that extend beyond the surface characteristics of a transaction. AI systems, by contrast, can only analyze available data and observable indicators (Faizi and Ali 2024). They lack access to subjective human intentions and therefore cannot fully assess one of the most important dimensions of Islamic legal evaluation.

The issue of accountability further illustrates the limitations of algorithmic decision-making. Islamic legal theory assumes that authority and responsibility are inseparable. Scholars who issue fatwas or legal rulings bear moral and religious responsibility for their judgments. This accountability extends not only to society but also to God, reflecting the spiritual nature of Islamic legal authority (Kamali 1999). AI systems, however, cannot bear responsibility for their outputs because they lack consciousness, intentionality, and moral agency. If an AI-generated recommendation results in a Sharīʻah violation, financial loss, or social harm, responsibility inevitably falls upon human actors, including programmers, financial institutions, regulators, and Sharīʻah supervisors. This reality demonstrates that AI can function as a decision-support tool but cannot independently assume the role of a legal authority.

Contemporary debates on AI ethics have also highlighted concerns regarding algorithmic opacity and bias. Many advanced AI systems function as "black boxes," producing outputs through highly complex computational processes that are difficult for users to interpret or explain (Floridi and Cowls 2022). This lack of transparency poses significant challenges for Sharīʻah governance because Islamic legal decisions require clear reasoning and evidentiary justification. Classical jurists consistently emphasized the importance of demonstrating the legal rationale (ʻillah) underlying a ruling so that it can be evaluated, critiqued, and refined through scholarly discourse

(Kamali 2015). An algorithm that generates recommendations without transparent reasoning conflicts with this tradition of legal accountability and intellectual scrutiny.

Moreover, AI systems are vulnerable to biases embedded within training data and algorithmic design. Research has demonstrated that algorithmic models often reproduce existing social and economic inequalities present within historical datasets (Agustina and Aini 2025). Such biases are particularly problematic within Islamic finance because Sharīʿah governance is fundamentally oriented toward justice (ʿadl), equity (qisṭ), and the protection of vulnerable members of society. If AI systems inadvertently reinforce discriminatory practices or unfair outcomes, they may undermine the ethical foundations upon which Islamic finance is built. Therefore, the adoption of AI within Sharīʿah governance must be accompanied by rigorous ethical oversight and continuous evaluation.

Despite these limitations, rejecting AI altogether would be neither practical nor desirable. AI possesses significant potential to enhance the effectiveness of Sharīʿah governance by improving compliance monitoring, accelerating legal research, strengthening audit procedures, and facilitating risk assessment. Intelligent systems can assist scholars in analyzing large volumes of information that would otherwise be difficult to process efficiently. In this sense, AI can serve as a valuable instrument for supporting human decision-making. However, support should not be confused with substitution. The capacity to process information does not equate to the capacity to exercise legal judgment, ethical reasoning, or moral responsibility.

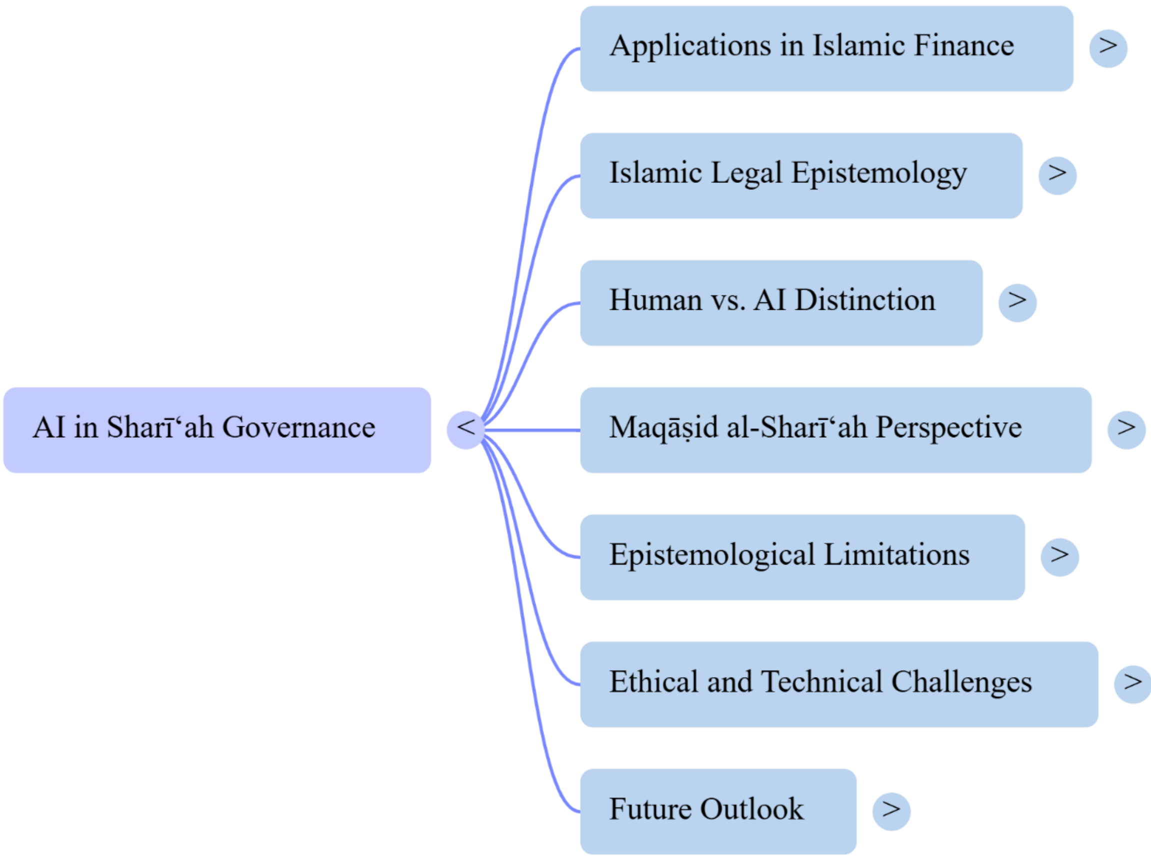

Figure 1 AI and the Epistemology of Sharīʻah Governance

Ultimately, the epistemological analysis presented in this study demonstrates that AI cannot replace human scholars in Sharīʻah decision-making because it lacks the essential qualities that constitute legitimate Islamic legal authority. While intelligent machines can replicate certain analytical functions associated with legal reasoning, they remain incapable of understanding divine objectives, evaluating moral intentions, exercising ethical discretion, or assuming responsibility for legal judgments. Islamic jurisprudence is not merely a system of information management; it is a moral and spiritual enterprise aimed at realizing justice, mercy, wisdom, and human welfare. Therefore, the future of Islamic finance should not be framed as a competition between human scholars and intelligent machines. Rather, it should be understood as an effort to develop collaborative governance models in which technological innovation enhances, rather than replaces, the epistemological and ethical foundations of Sharīʻah. Such an approach is essential for ensuring that the digital transformation of Islamic finance remains faithful to both the letter and spirit of Islamic law (M. K. Hassan et al. 2023).

Research findings should be presented in a clear, logical, and well-ordered manner. Authors are encouraged to use tables, figures, and other relevant visual materials where appropriate to clarify patterns, relationships, or key insights emerging from the data. All visual elements must be clearly labeled, consistently formatted, and explicitly referenced within the text, and they should be placed as close as possible to the corresponding discussion to enhance readability and comprehension (Kismawadi 2024). The discussion component should provide a critical and in-depth engagement with the findings by relating them to relevant theoretical frameworks and existing scholarly literature, particularly studies published in reputable international journals. Authors are expected to demonstrate how their findings align with, extend, refine, or challenge existing research and theoretical assumptions. This comparative engagement should clearly highlight the study's contribution to ongoing academic debates rather than merely restating previous conclusions.

Furthermore, authors are encouraged to elaborate on the theoretical and/or practical implications of their findings, especially with regard to the development and contemporary articulation of Islamic legal thought. This may include implications for conceptual development, policy formulation, institutional practice, or methodological innovation. The section should also identify unresolved issues or emerging questions that warrant further scholarly investigation, thereby opening pathways for future research and contributing to the cumulative advancement of knowledge.

Towards a Maqāṣid-Based Human–AI Collaborative Governance Model in Islamic Finance

The preceding discussion has demonstrated that Artificial Intelligence (AI), despite its remarkable analytical capabilities, faces significant epistemological limitations that prevent it from functioning as an autonomous authority in Sharīʿah decision-making. Nevertheless, acknowledging these limitations does not imply that AI should be excluded from Islamic financial governance. On the contrary, the accelerating digital transformation of the global financial sector necessitates a serious reconsideration of how Islamic financial institutions can utilize intelligent technologies while preserving the ethical, legal, and spiritual foundations of Sharīʿah (Bastomi et al. 2017). The central challenge, therefore, is not whether AI should be accepted or rejected, but rather how it should be integrated into governance structures in a manner that remains consistent with the higher objectives of Islamic law. This section argues that the most viable approach is the development of a Maqāṣid-based Human–AI Collaborative Governance Model, in which AI functions as an advanced decision-support instrument while ultimate authority remains vested in qualified Sharīʻah scholars and governance institutions (Sarea et al. 2021).

The need for such a model arises from the growing complexity of contemporary Islamic finance. Modern Islamic financial institutions operate within highly interconnected global markets characterized by rapid technological change, complex regulatory environments, and increasing volumes of financial data. Sharīʻah supervisory boards are expected to evaluate sophisticated financial products, monitor compliance across multiple jurisdictions, and respond to emerging technological innovations such as blockchain, decentralized finance, smart contracts, and digital assets (Hasanudin 2020). These developments create substantial informational burdens that exceed the analytical capacities of traditional governance mechanisms. Consequently, AI offers significant opportunities to enhance institutional effectiveness by supporting data analysis, risk assessment, compliance monitoring, and regulatory oversight.

One of the most promising applications of AI in Islamic finance involves Sharīʻah compliance monitoring. Compliance assessment traditionally requires extensive review of contracts, transactions, and financial reports to ensure conformity with Islamic legal principles. Such processes are often time-consuming and susceptible to human error. AI-powered systems can rapidly analyze large volumes of data, identify irregularities, detect potential Sharīʻah violations, and provide real-time alerts to compliance officers and Sharīʻah supervisors (Asy-Syāṭibī 1997). By automating routine analytical tasks, AI enables scholars to focus their attention on higher-level interpretive and ethical questions rather than administrative and procedural functions.

Similarly, AI can significantly strengthen Sharīʻah auditing mechanisms. The growth of Islamic financial institutions has increased the demand for effective auditing procedures capable of ensuring transparency and accountability. Traditional audit processes frequently rely on sampling techniques due to practical limitations in reviewing every transaction. AI systems, however, possess the capacity to examine entire datasets rather than selected samples, thereby improving accuracy and reducing the likelihood of overlooked compliance issues. Furthermore, machine learning algorithms can continuously monitor financial activities and identify unusual patterns that may indicate fraud, manipulation, or regulatory violations (Alshater et al. 2022). Such capabilities align closely with the Islamic principles of transparency (shafāfiyyah) and accountability (mas'ūliyyah), both of which are essential components of good governance (Thought 1989).

The relevance of AI becomes even more evident when evaluated through the framework of Maqāṣid al-Sharīʿah. From the perspective of ḥifẓ al-māl (protection of wealth), AI contributes to financial stability by improving risk management, reducing operational inefficiencies, and strengthening fraud prevention mechanisms. Effective governance safeguards the assets of institutions, investors, and society while minimizing financial losses resulting from misconduct or poor decision-making (Kismawadi et al. 2026). Consequently, the responsible use of AI may enhance the realization of one of the core objectives of Islamic law by protecting wealth and promoting economic welfare.

AI also contributes to ḥifẓ al-ʻaql (protection of intellect) by facilitating access to information and supporting evidence-based decision-making. Islamic civilization has historically emphasized the pursuit of knowledge and intellectual development as essential elements of human flourishing (Saad 2023). In contemporary financial governance, intelligent systems can assist scholars and practitioners by processing large quantities of information, identifying relevant legal precedents, and generating analytical insights that improve decision quality. Rather than replacing human intellect, AI has the potential to augment intellectual capabilities and support more informed deliberation (Jokhio and Jaffer 2024).

However, a maqāṣid-based evaluation must also consider potential risks. The protection of religion (ḥifẓ al-dīn) requires that Sharīʿah governance preserve the integrity and authenticity of Islamic legal reasoning. Excessive reliance on algorithmic systems may inadvertently weaken the role of scholars and reduce Sharīʿah compliance to a purely technical exercise (Harits and Isman 2025). Such a development would be inconsistent with the broader objectives of Islamic law, which emphasize moral responsibility, ethical consciousness, and accountability before God. Therefore, while AI may assist legal analysis, it must not be permitted to displace the interpretive authority of qualified scholars.

Likewise, the protection of intellect requires safeguarding against algorithmic dependency. If governance institutions become overly reliant on automated recommendations, decision-makers may gradually lose the capacity for independent critical reasoning. This phenomenon, sometimes described as automation bias, occurs when individuals defer excessively to technological systems despite potential errors or limitations (Shukri et al. 2026). From an Islamic perspective, preserving intellectual autonomy is essential because human beings are entrusted with moral agency and responsibility. AI should therefore function as an aid to human reasoning rather than a substitute for it.

Another important concern relates to algorithmic bias and digital injustice. AI systems are trained on historical data that may contain hidden prejudices, structural inequalities, or incomplete representations of social reality. As a result, algorithmic outputs may inadvertently perpetuate unfair outcomes. Such risks directly challenge the maqāṣid objective of justice, which occupies a central position within Islamic legal philosophy. The Qur'an repeatedly commands believers to uphold justice even when doing so conflicts with personal interests. Consequently, any governance model incorporating AI must include mechanisms for identifying, evaluating, and correcting algorithmic biases to ensure that technological innovation remains aligned with ethical principles (Saad 2023).

The issue of accountability further reinforces the need for a collaborative governance approach. One of the most persistent challenges in AI governance concerns the allocation of responsibility when automated systems generate harmful outcomes. Because AI lacks moral agency, it cannot bear legal or ethical responsibility for its decisions. Accountability must therefore remain with human actors who design, deploy, and oversee these systems. In Islamic finance, this responsibility extends to Sharīʻah scholars, institutional managers, regulators, and technology developers. A governance model that delegates final authority to AI would create an accountability gap incompatible with both Islamic legal theory and contemporary governance standards (Auda 2025).

These considerations suggest that neither complete technological determinism nor absolute human exclusivism offers an adequate solution. Technological determinism assumes that AI can eventually replace human decision-makers because of its superior analytical capabilities. Human exclusivism, by contrast, rejects meaningful technological participation in governance processes. Both positions fail to recognize the complementary strengths of human scholars and intelligent systems (Hidayati et al. 2023). Human scholars possess ethical judgment, contextual understanding, spiritual awareness, and interpretive flexibility. AI systems possess computational speed, analytical consistency, and the ability to process vast amounts of information. The challenge is therefore to design a governance framework that combines these strengths while mitigating their respective limitations (Syihab 2023).

Based on this analysis, the study proposes a Maqāṣid-Based Human–AI Collaborative Governance Model. Within this framework, AI functions primarily as a decision-support system responsible for data analysis, compliance monitoring, risk assessment, legal research, and predictive analytics. Human scholars retain responsibility for interpretation, ethical evaluation, fatwa issuance, and final decision-making (Maulidar and Majid 2020). Governance institutions provide oversight by establishing standards for transparency, accountability, explainability, and algorithmic fairness. Regulatory authorities ensure that technological innovations remain consistent with both Sharī'ah principles and broader public interests.

This model can be conceptualized as a three-layer governance structure. The first layer consists of intelligent technologies that collect, process, and analyze information. The second layer comprises Sharī'ah scholars and governance professionals who evaluate AI-generated insights through the lens of Islamic legal principles and maqāṣid considerations. The third layer involves regulatory and institutional oversight mechanisms that ensure accountability, transparency, and ethical compliance. Such a structure prevents the concentration of authority within either human actors or technological systems and instead promotes collaborative decision-making grounded in mutual complementarity.

From a theoretical perspective, this collaborative model represents a significant departure from traditional discussions of Sharī'ah governance. Rather than framing AI as a threat to religious authority, it reconceptualizes technology as a tool that can strengthen governance when appropriately regulated and ethically guided. At the same time, it rejects the notion that technological sophistication alone can confer legal legitimacy. Legitimacy remains rooted in human responsibility, moral accountability, and commitment to the higher objectives of Islamic law.

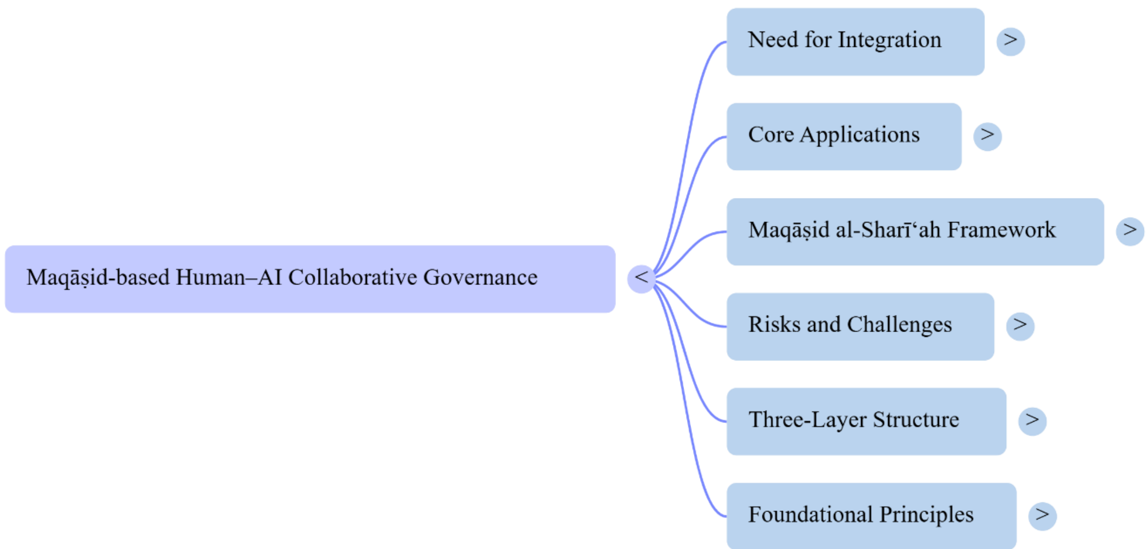

Figure 2 Maqāṣid-based Human–AI Collaborative Governance

Ultimately, the future of Islamic finance will not be determined by a competition between human scholars and intelligent machines. Instead, it will depend upon the ability of institutions to develop governance frameworks that harmonize technological innovation with the normative foundations of Sharīʿah. A Maqāṣid-based Human–AI Collaborative Governance Model provides a promising pathway toward achieving this objective. By combining the analytical power of AI with the ethical and jurisprudential expertise of human scholars, Islamic financial institutions can embrace digital transformation while preserving the values of justice, accountability, transparency, and human welfare that constitute the essence of Sharīʿah. Such a model not only addresses contemporary governance challenges but also offers a sustainable framework for navigating the increasingly complex relationship between religion, technology, and finance in the twenty-first century.

Conclusion

The rapid advancement of Artificial Intelligence (AI) has introduced unprecedented opportunities for innovation within Islamic finance, particularly in areas such as Sharīʿah compliance monitoring, risk management, financial auditing, regulatory supervision, and decision-support systems. As Islamic financial institutions increasingly adopt intelligent technologies to enhance efficiency and competitiveness, fundamental questions emerge concerning the future of Sharīʿah decision-making and the role of human scholars within an increasingly digitalized governance environment. This study sought to address these questions by examining the epistemological implications of AI in Islamic finance and evaluating its legitimacy through the framework of Maqāṣid al-Sharīʿah.

The findings reveal that although AI possesses exceptional capabilities in processing information, identifying patterns, and generating analytical recommendations, it remains fundamentally limited in performing the essential functions associated with Islamic legal reasoning. Sharīʿah decision-making is not merely a technical process of rule application but a multidimensional activity involving textual interpretation, contextual understanding, ethical deliberation, consideration of public welfare, and accountability before God and society. These characteristics are deeply rooted in the epistemological foundations of Islamic jurisprudence and cannot be fully replicated by algorithmic systems. While AI can analyze legal texts and financial data with remarkable speed and consistency, it lacks the moral agency, spiritual consciousness, intentionality, and ethical discernment that characterize human juristic reasoning.

The study further demonstrates that the limitations of AI become particularly evident when examined through the lens of Maqāṣid al-Sharīʿah. Islamic law aims not only to regulate transactions but also to realize justice, mercy, wisdom, and human welfare through the protection of religion, life, intellect, lineage, and wealth. Achieving these objectives often requires contextual judgments, balancing competing interests, and evaluating long-term social consequences. Such processes extend beyond computational analysis and demand forms of reasoning that remain uniquely human. Consequently, AI cannot be regarded as an autonomous mujtahid or an independent source of Sharīʿah authority. The legitimacy of legal judgments in Islamic finance continues to depend upon qualified scholars who possess the intellectual competence, ethical integrity, and jurisprudential expertise necessary to interpret Islamic law.

At the same time, the findings indicate that rejecting AI entirely would be inconsistent with the broader objectives of Sharīʿah. Intelligent technologies offer substantial benefits for enhancing transparency, strengthening governance, improving compliance mechanisms, reducing operational inefficiencies, and protecting wealth. From a maqāṣid perspective, these contributions can support the realization of public welfare and institutional accountability when implemented responsibly. Therefore, the challenge is not whether AI should be incorporated into Islamic finance, but how it should be integrated in a manner that preserves the normative foundations of Sharīʿah governance.

Based on this analysis, the study proposes a Maqāṣid-Based Human–AI Collaborative Governance Model as a conceptual framework for the future of Islamic financial governance. Within this model, AI functions as a sophisticated decision-support instrument capable of assisting scholars through data analysis, compliance assessment, predictive evaluation, and information management. However, ultimate authority remains with human scholars and governance institutions responsible for interpretation, ethical judgment, fatwa issuance, and accountability. This arrangement ensures that technological innovation complements rather than replaces human expertise, thereby maintaining the integrity of Sharīʿah decision-making while benefiting from the efficiencies offered by AI.

The theoretical contribution of this study lies in shifting the discourse from a simplistic debate over whether AI can replace human scholars toward a more nuanced understanding of collaborative governance. Existing discussions often focus on technological capability, operational efficiency, or digital transformation, whereas this study emphasizes the importance of epistemology, legitimacy, and maqāṣid-oriented governance. By integrating Islamic legal theory, AI ethics, and governance studies, the research provides a conceptual foundation for evaluating intelligent technologies within Islamic finance beyond purely technical considerations.

Practically, the findings have important implications for Islamic financial institutions, regulators, Sharīʿah supervisory boards, and technology developers. Institutions should establish governance frameworks that ensure transparency, explainability, accountability, and ethical oversight in the deployment of AI systems. Regulators should develop standards that address algorithmic bias, accountability gaps, and the protection of Sharīʿah integrity. Sharīʿah scholars should actively engage with emerging technologies to ensure that digital innovation remains aligned with Islamic legal principles and objectives. Meanwhile, technology developers should recognize that successful AI integration within Islamic finance requires not only technical sophistication but also sensitivity to ethical, religious, and social considerations.

Nevertheless, this study is primarily conceptual and normative in nature. Consequently, future research should explore empirical dimensions of AI implementation within Islamic financial institutions. Comparative studies involving Islamic banks, fintech platforms, and Sharīʿah governance bodies across different jurisdictions could provide valuable insights into how AI is currently being utilized and how stakeholders perceive its role in decision-making processes. Further research may also investigate the development of explainable AI systems, algorithmic accountability frameworks, and maqāṣid-based evaluation models capable of operationalizing the principles proposed in this study.

In conclusion, the future of Islamic finance should not be framed as a choice between human scholars and intelligent machines. Such a binary perspective overlooks the complementary strengths of both actors. Human scholars contribute ethical judgment, contextual understanding, spiritual responsibility, and jurisprudential expertise, while AI contributes analytical power, efficiency, scalability, and data-driven insights. The sustainability of Islamic financial governance in the digital era depends on the successful integration of these strengths within a framework guided by the higher objectives of Sharīʿah. Ultimately, intelligent machines may transform the mechanisms of governance, but the moral and legal responsibility for preserving justice, accountability, and human welfare must remain firmly within the domain of human stewardship. Through a Maqāṣid-based collaborative approach, Islamic finance can embrace technological innovation without compromising the ethical and spiritual principles that constitute its distinctive identity.

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