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Islamic Finance and Multicultural Social Justice: A Systematic Review of Rahmatan *lil-'Alamin* Principles in Economic Development

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ABSTRACT

In the context of globalization and multiculturalism, alongside persistent economic inequality and social injustice, this study examines the role of Islamic finance in promoting social justice by integrating *Rahmatan lil-'Alamin* values and Maqasid al-Shariah principles into economic development. Despite the growing discourse on ethical and inclusive finance, the practical capacity of Islamic finance to address social justice challenges in multicultural societies remains insufficiently systematized. This study contributes a systematic synthesis that explicitly links Islamic finance instruments, *Maqasid al-Shariah*, and multicultural social justice within a unified analytical framework. Employing a Systematic Literature Review (SLR), this study reviewed 52 selected articles from an initial corpus of 2,616 Scopus-indexed publications published between 2015 and 2025. The findings revealed that Islamic finance promotes social justice through inclusive mechanisms such as profit-and-loss sharing, zakat, waqf, and sukuk, thereby contributing to reducing inequality, promoting financial inclusion, and empowering communities. The study concludes that Islamic finance is a viable ethical economic system capable of fostering inclusive, socially just development in multicultural societies.

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INTRODUCTION

Globalization and digitalization have made multiculturalism inevitable, uniting diverse cultural, economic, and religious backgrounds (Riza, 2021). However, global society still faces widening inequality: the richest ten percent control seventy-six percent of global wealth, while the bottom fifty percent owns just two percent of productive assets (World Inequality Report, 2022). This shows that economic growth does not guarantee equitable welfare. In multicultural societies, these disparities not only separate the rich from the poor but also intensify social distance among groups, potentially leading to exclusion and polarization (Gunawan et al., 2023).

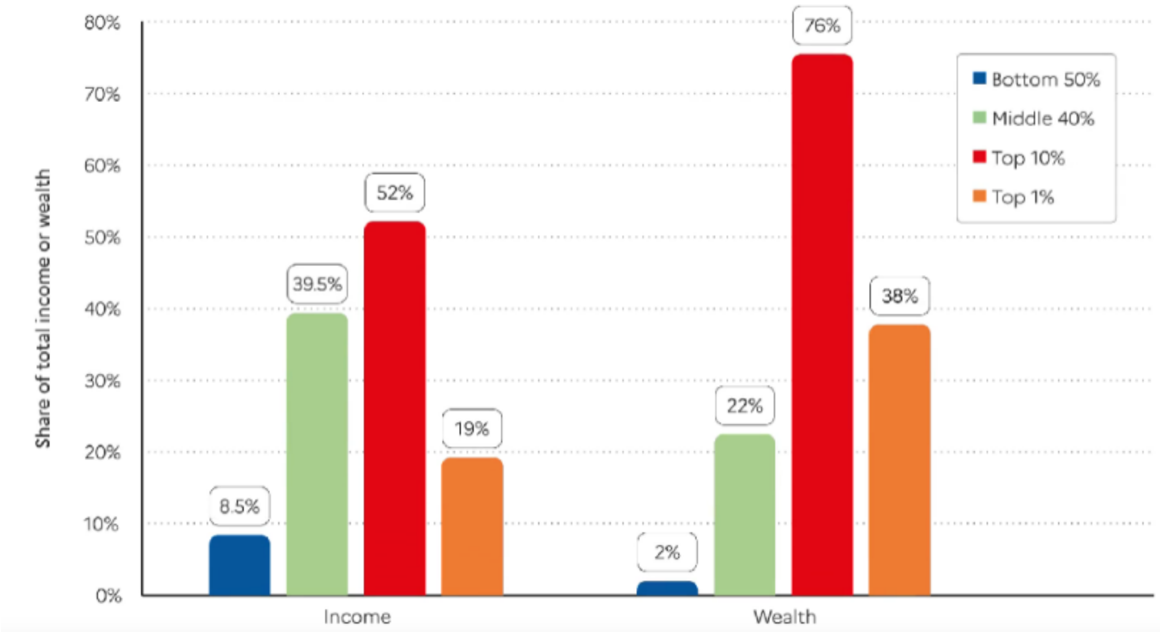

Figure 1. Global Inequality Index 2025

Source: World Inequality Report, 2026

Beyond economic inequality, gender- and culture-based injustice remains a global challenge constraining human potential (Lulu'Aniqurrohmah, 2023). The Gender Social Norms Index (UNDP, 2023) reported that nine out of ten people still hold biases against women, and nearly half believe men are better suited to lead. These biases persist across societies, showing social justice is not just economic, but a broader crisis of human values (Baso et al., 2024). In plural societies, such biases weaken social cohesion and create unequal opportunities, requiring more inclusive economic systems (Yasin & Cikusin, 2025).

Within this complex context, Islamic finance emerges as a central framework for addressing social justice and economic disparity in multicultural societies. The principle of *maqāṣid al-sharīʻah* positions human welfare at the core of economic activity, upholding justice and human solidarity (Rasito & Mahendra, 2022). Chapra (1992) emphasized that Islamic finance not only prohibits interest but also aspires to equitably distribute wealth through zakat, waqf, and profit-and-loss sharing. These core tenets directly align with *Islam Rahmatan lil-ʻAlamin*, which champions universal compassion and inclusivity. Therefore, in multicultural societies, Islamic finance serves as a foundation for strengthening social cohesion and reducing disparities by placing human well-being at the heart of economic systems (Juniar et al., 2024).

Empirically, the growth of the Islamic finance industry reflects increasing global relevance. According to LSEG Data and Analitycs (2024), Islamic financial assets reached USD 4.5 trillion in 2023 and are projected to exceed USD 6 trillion by 2028, spanning banking, green sukuk, and digital innovations such as Islamic fintech that expand financial access. Hasan et al. (2022) found that Islamic financial institutions contributed to socio-economic stability during the COVID-19 pandemic by maintaining socially oriented financing. These developments indicate that Islamic finance can bridge economic efficiency and inclusive social justice while adapting to the demands of pluralistic and dynamic modern societies.

Islamic finance is grounded in the principles of *maqāṣid al-sharīʻah*, which aim to achieve welfare and social justice by comprehensively adhering to Islamic law (Al-Nahari et al., 2022). These principles provide a moral foundation that guides economic activities beyond material profit toward social benefit and balance. Specifically, *maqāṣid al-sharīʻah* emphasized the protection of religion, life, intellect, lineage, and wealth as essential considerations in developing Islamic financial products and services that support sustainable development (Kazak et al., 2023). A sound understanding of *maqāṣid* helps address misconceptions that Islamic financial institutions are purely profit-oriented, as they are normatively designed to achieve distributive justice and public welfare (Al-Nahari et al., 2022; Hassan et al., 2023).

Yet, misinterpretations arise in applying *maqāṣid, especially when financial products prioritize profit over* welfare (Alam et al., 2023). This gap between ideals and practice reflects commercial pressures sidelining social dimensions. Thus, a comprehensive, contextual understanding of *maqāṣid* is vital so that Islamic financial institutions can balance their economic and social roles and support justice-based, sustainable development (Al-Nahari et al., 2022; Kazak et al., 2023). Social justice in Islamic economics centers on distributing wealth to reduce inequality and strengthen solidarity (Yusuf et al., 2021). Zakat, infaq, and sadaqah serve as redistributive tools addressing income disparities (Hidayati et al., 2023). Transparency and accountability ensure growth benefits all segments fairly (Syed Azman et al., 2022a).

Moreover, social justice reflects a balance between rights and obligations, directing economic activities toward sustainability and collective well-being rather than profit maximization alone (Nik Abdullah & Haron, 2022). Islamic financial instruments are thus designed to prevent exploitation and ensure fair risk- and benefit-sharing. As emphasized Hassan et al. (2023) the application of justice ensures that Islamic economic systems function ethically and civilly, positioning justice not merely as a moral norm but as a practical strategy for building a shariah-based socio-economic order. Despite its growing recognition, existing literature on Islamic finance and social justice within multicultural contexts remains fragmented and thematic. Prior studies, such as Harahap et al. (2024), Hasan et al. (2022), dan Nik Abdullah & Haron (2022) highlighted positive contributions but remain limited to sectoral or regional perspectives.

Other studies emphasized regulatory and ethical dimensions without explicitly linking *maqāṣid al-sharīʻah* to social justice in multicultural settings (Mohd Noor et al., 2024; Tok & Yesuf, 2022). This study directly addresses that gap by advancing the main argument: Islamic finance, when guided by maqāṣid al-sharīʻah, provides a robust, practical system for fostering social justice in plural societies. Employing a Systematic Literature Review (SLR), this research consolidates diverse findings into an evidence-based framework, asserting that Islamic finance is a universal, inclusive value system compatible with social justice and informing financial policies aligned with the *Rahmatan lil-ʻAlamin* principles.

METHOD, DATA, AND ANALYSIS

This study employed secondary data from scholarly articles collected through a Systematic Literature Review (SLR). The data consisted of peer-reviewed journal articles addressing Islamic finance, social justice, and multicultural societies. Scopus was selected as the primary database due to its high credibility, international indexing standards, and quality assurance mechanisms, including Q-rank (Q1–Q4) and SJR scores. The literature search was conducted on 11 October 2025, covering publications from 2015 to 2025 to capture a decade of academic developments in Islamic finance and social justice within multicultural contexts. Only English-language journal articles in the fields of Economics, Finance, Econometrics, and Social Sciences were considered to ensure relevance and academic rigor.

The Systematic Literature Review (SLR) method was chosen for its transparency, systematic approach, and replicable synthesis of existing research. This reduces researcher bias and improves reliability (Lame, 2019). SLR best suits fragmented and thematic literature because it consolidates diverse empirical and theoretical studies into one coherent body of knowledge. In this study, SLR examines how *maqāṣid al-sharīʿah* principles and *rahmatan lil-ʿalamin* values are used in Islamic finance to advance social justice in multicultural societies. The review process followed established SLR protocols, ensuring comprehensiveness and methodological rigor (Rethlefsen & Page, 2022).

Steps of Research

The research procedure was carried out in three main stages: the search stage, the implementation stage, and the data extraction results stage. Each stage was built on the results of the previous one to ensure a systematic, coherent workflow.

Search Stage

The process began with the search stage, which involved defining the search strategy and identifying relevant publications in the Scopus database. Boolean operators were applied using the query TITLE-ABS-KEY (“Islamic finance” AND “social justice” AND “multicultural” OR “maqasid al-shariah”) to capture studies linking Islamic finance, social justice, and cross-cultural inclusivity. The initial search yielded 66 relevant publications, which were further assessed for thematic relevance and journal quality. To guide the literature selection and evaluation, four research questions (RQs) were formulated (see Table 1).

Table 1. Research Questions

Code	Research Question
RQ1	How are *maqāṣid al-sharīʿah* principles integrated into contemporary Islamic finance practices?
RQ2	How does Islamic finance contribute to the achievement of social justice in multicultural societies?

Code	Research Question
RQ3	What are the current research trends linking Islamic finance with issues of inclusivity and social diversity?
RQ4	What opportunities and challenges exist in strengthening the role of Islamic finance as an instrument of *rahmatan lil-'alamin* within the global economic system?

Source: Authors processed, 2026

Implementation Stage

The implementation stage involved a systematic screening process of 2,616 initial publications retrieved from Scopus using the keyword "Islamic finance" for the period 2015–2025. After limiting the document type to journal articles, the number was reduced to 1,691 publications, and further to 1,592 at the final publication stage. Subsequent filtering using the keywords "Islamic finance" and "economic growth" resulted in 869 articles, of which 864 were journal articles, and 836 were published in English. From this pool, 307 open-access articles were identified. The scope was then restricted to Economics, Econometrics, Finance, and Social Sciences, yielding 266 articles. Among these, 169 articles originated in OIC member countries, and only 70 had been cited more than 10 times. After removing duplicates, 52 final articles were selected for in-depth analysis. The inclusion and exclusion criteria applied in this process are summarized in Table 2, and the overall screening procedure follows the PRISMA flow diagram (Figure 2).

Table 2. Inclusion and Exclusion Criteria

Inclusion Criteria	Exclusion Criteria
Peer-reviewed scholarly articles published in reputable Scopus-indexed journals (Q1–Q4) with verified SJR scores.	Non-journal documents such as conference proceedings, editorials, technical reports, or conference papers.
English-language publications in the fields of Economics, Finance, and Social Sciences.	Articles published in languages other than English or outside the fields of economics and social sciences.
Studies focusing on Islamic finance, *maqāṣid al-sharī'ah*, social justice, multicultural societies, or economic growth in OIC member countries.	Studies addressing theological, jurisprudential (*fiqh*), or legal aspects without economic or social justice relevance.

Inclusion Criteria	Exclusion Criteria
Empirical or conceptual studies with citation counts ≥ 10 and no duplication.	Duplicate publications, in-press articles, or studies without verifiable citation indicators.

Source: Authors processed, 2026

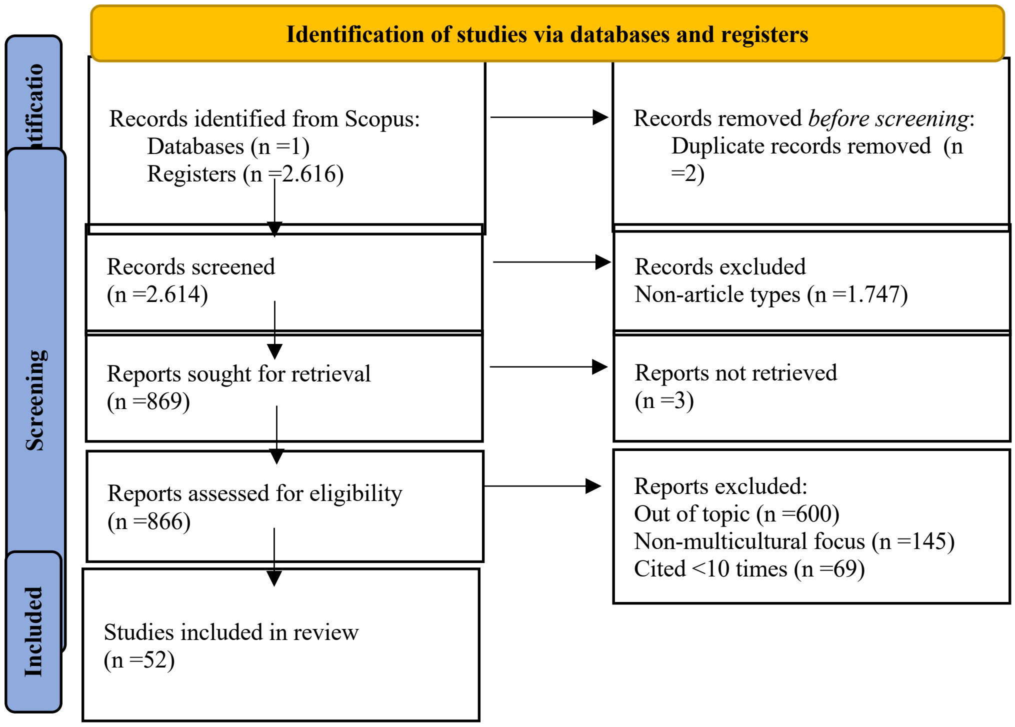

Figure 2. PRISMA Flow Diagram

Source: (Authors processed, 2025)

Data Extraction Results

The final dataset comprised 52 articles published in Scopus-indexed journals verified by Q-rank (Q1–Q4) and SJR scores. The majority of articles were published in ISRA International Journal of Islamic Finance and Journal of Islamic Monetary Economics and Finance, which serve as core outlets for Islamic finance research. High-ranked journals such as *Borsa Istanbul Review*, *Research in International Business and Finance*, and *Pacific Basin Finance Journal* further strengthen the academic validity of the review. Multidisciplinary journals contributed additional perspectives on social justice and multiculturalism. Publication trend analysis (Figure 3) indicated a significant increase in research output between 2018 and 2020, followed by moderate stabilization through 2023. The distribution of articles by Q-rank

(Figure 4) shows that most publications fall into the Q1 and Q3 categories, confirming the overall quality and credibility of the reviewed literature.

Table 3. Data Extraction Result by publisher

Publisher	Quantity	Q-Rank	SJR Score
Al-Ahkam	1	Q1	1.326
Borsa Istanbul Review	7	Q1	1.415
Global Finance Journal	1	Q1	1.31
Legality: Jurnal Ilmiah Hukum	1	Q1	0.688
North American Journal of Economics and Finance	1	Q1	0.951
Pacific Basin Finance Journal	1	Q1	0.792
PSU Research Review	1	Q1	1.157
Research in International Business and Finance	2	Q1	0.581
SAGE Open	1	Q1	0.961
Sustainability (Switzerland)	1	Q1	0.514
Environmental Economics	1	Q2	0.273
European Research Studies Journal	1	Q2	0.471
Journal of Banking Regulation	1	Q2	0.48
Journal of Capital Markets Studies	1	Q2	0.294
Journal of Risk and Financial Management	1	Q2	0.299
Pertanika Journal of Social Sciences and Humanities	2	Q2	0.571
Qualitative Research in Financial Markets	1	Q2	0.525
Quarterly Review of Economics and Finance	1	Q2	0.288
Science Editing	1	Q2	0.377
Asian Economic and Financial Review	1	Q2	0.725
Buletin Ekonomi Moneter dan Perbankan	1	Q3	0.313
ISRA International Journal of Islamic Finance	13	Q3	0.264
Journal of Islamic Monetary Economics and Finance	5	Q3	0.205
Journal of Governance and Regulation	1	Q3	0.208
Journal of King Abdulaziz University: Islamic Economics	3	Q4	0.138
Zbornik radova Ekonomskog fakulteta u Rijeci	1	Q4	0.195
Total	**52**		

Source: Authors processed, 2026

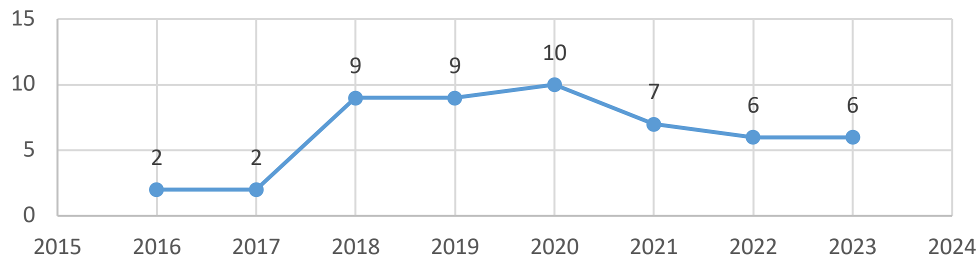

Figure 3. Research Trend by Year

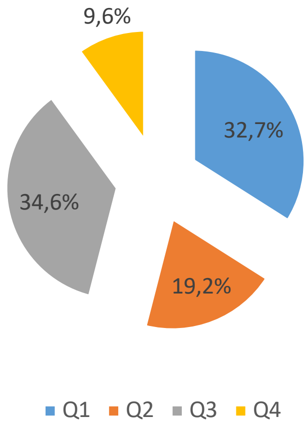

Figure 4. Research Trend by Scopus Quantile Rank

Source: Authors processed, 2026

RESULT AND DISCUSSION

Before discussing the research findings thematically, the first step is to present a comparative synthesis that summarizes the empirical and conceptual contributions of the selected literature. This synthesis is presented in Table 4, which serves as a visual map of the global research landscape on Islamic finance and social justice. The table is constructed through a rigorous selection process using the Systematic Literature Review (SLR) methodology, enabling the identification of research patterns and focal areas across countries. The categorization is organized by country or region as recorded in the Scopus database. Each geographical entry not only represents the research location but also reflects specific areas of inquiry, socio-cultural contexts, and the distinctive analytical perspectives adopted by the original authors. Accordingly, Table 4 does more than list studies; it provides a comprehensive overview of how Islamic finance and social justice have been examined and implemented across diverse multicultural settings worldwide.

Based on the tabulation below, it can be concluded that the global Islamic finance literature has empirically demonstrated its substantive and multidimensional contributions to the realization of social justice in multicultural societies. Studies conducted in Malaysia, Indonesia, Turkey, the GCC region, and various other countries consistently reveal that Islamic finance functions not merely as an alternative financial system but as a driving force for financial inclusion, economic empowerment of vulnerable groups, systemic stability, and the recognition of diverse community identities and values. These findings reinforce the proposition that the fundamental principles of Islamic finance are closely aligned with the spirit of *rahmatan lil-'alamin*, which conceptualizes economic development as inseparable from efforts to foster a more just, inclusive, and sustainable social order across cultures and geographical boundaries.

Table 4. Synthesis of key findings from the SLR

Country/Region Studied	Number of Publications	Key Findings
Malaysia	11	Gani & Bahari (2021): Islamic banking contributes to GDP and supports inclusive welfare foundations. Mansor et al. (2020): found that Shariah-compliant funds were the only investment alternatives for principled investors. Tok & Yesuf (2022): Value-based banks demonstrated resilience and stronger social impact. Razak et al. (2019): Shariah–FinTech regulation protects multicultural consumers. Laldin & Furqani (2018): Shariah governance (IFSA) strengthens cross-community trust. Hussain et al. (2018): Shariah firms enjoy fairer access to capital markets. Caporale et al. (2020): Stable Islamic bank credit supports equitable financing. Atta & Marzuki (2020): Comparable performance

Country/Region Studied	Number of Publications	Key Findings
		of Islamic and conventional funds offered diverse investment choices. Nik Abdullah & Haron (2022): SG reporting enhances social accountability in Islamic banks. Syed Azman et al. (2022b): RI sukuk facilitated value-based investments across investor backgrounds. Anwer et al. (2019): Islamic venture capital offers equitable equity-based financing.
Indonesia	6	Hidayati et al. (2023): Progressive digital fatwas expand equitable financial access. Masrizal & Trianto (2022): Profit-and-loss sharing financing supports participatory and just growth. Yusuf et al. (2021): Halal tourism models empower local community economies. Yuspin et al. (2022): Adaptive AI regulation is essential for inclusive technological benefits. Loang (2023): SDGs influence Islamic investor behavior and link finance to global justice. Ningrat & Nurzaman (2019): Agricultural value-chain financing supports marginalized farmers.
Turki	4	Kazak et al. (2023): Islamic banking dynamically influences the real sector and informs equitable policy design. Dinc et al. (2021): Islamic financial literacy empowers individuals in multicultural settings. Hassan et al. (2023): Convergence in Islamic financial development supports cross-country fairness standards. Yıldırım et al. (2020): Sukuk development contributes to long-term inclusive growth

Country/Region Studied	Number of Publications	Key Findings
Kawasan GCC	8	Nechi & Smaoui (2019): IIBR’s linkage to conventional interest rates reflects global financial interconnection. Alshammari & Ory (2023): Oil prices affect takaful efficiency, highlighting resilience needs. Alandejani & Asutay (2017): Sectoral Islamic bank financing affects NPLs, emphasizing fair credit allocation. Al Balushi et al. (2019): SME adoption of Islamic finance highlights small business empowerment. Majdoub et al. (2018): Lower volatility of Islamic stock markets offers protective stability for investors. Tlemsani & Al Suwaidi (2016): Islamic banks emphasize social justice over conventional utility orientation. Loang (2023): SDGs influence Islamic stocks in the GCC, linking finance to equitable development. Alshammari & Ory (2023): Competition affects takaful and insurance efficiency differently, shaping fair market dynamics.
Multi-Country/Regional	10	Hassan et al. (2023): Islamic finance convergence promotes cross-border fairness harmonization. Yıldırım et al. (2020): Sukuk development supports inclusive growth across countries. Boukhatem & Moussa (2018): Strong institutions enhance Islamic finance’s positive growth impact. Kahya et al. (2020): Capital structure of Shariah firms is sensitive to diverse economic environments. Hasan et al. (2022): Global sukuk resilience provides stability as a

Country/Region Studied	Number of Publications	Key Findings
		public good. Bhuiyan et al. (2019): Sukuk offer effective diversification relative to emerging bond markets. Cevik & Bugan (2018): Financial market interconnection necessitates fair global system cooperation. Boujlil et al. (2020): Fundamental factors shape equitable sovereign sukuk issuance decisions. Tijjani et al. (2020): Dominance of Malaysian studies signals the need for broader inclusive discourse. Rusydiana & Marlina (2019): COVID-19 and Islamic finance research highlights resilience during crises.
Other Countries	6	Sabirzyanov (2016): Islamic finance addresses minority community identity needs (Tatarstan). Meera (2018): Shariah criteria for cryptocurrencies ensure ethical and just financial innovation. Abdeldayem et al. (2021): hariah-compliant cryptocurrencies enable fair participation in the digital economy. Uluyol & Abdullah (2016): Islamic legal maxims provide flexibility to achieve substantive justice. Rafikov & Akhmetova (2020): Multidisciplinary approaches (*collective ijtihad*) are essential for comprehensive justice solutions. Al-Jarhi (2017): Islamic financial economic theory offers systemic reform toward fairer economic structures.
Unspecified	3	Al-Nahari et al. (2022): Emphasis on *maqāṣid al-sharīʿah* directs Islamic finance

Country/Region Studied	Number of Publications	Key Findings
		toward universal welfare. Mohd Noor et al. (2024): Shariah risk management protects the rights of all transactional parties. Zulkhibri (2019): Macroprudential policies promote financial stability for society as a whole.

Source: Authors processed, 2026

DISCUSSION

Integration of *Maqasid al-Shariah* Principles within the Framework of Social Justice in Islamic Finance

The integration of *maqasid al-Shariah* principles constitutes the core philosophical foundation explaining the contribution of Islamic finance to social justice. Al-Nahari et al. (2022) emphasized that Islamic financial products and practices should move beyond mere formal compliance (*shariah compliance*) toward the concept of substantive welfare (*maslahah*), particularly through the fulfillment of needs (*hajiyyat*) and the enhancement of quality of life (*tahsiniyyat*). The application of *maqasid* principles is evident in various contemporary innovations, such as green sukuk, which integrate financial objectives with environmental and social goals (Alam et al., 2023), and *unit trust waqf* models that ensure the sustainability of public benefits across generations (Sulaiman et al., 2024).

The flexibility of Islamic law, manifested through *fiqh* maxims such as *al-mashaqqah tajlib al-taysir* (hardship begets facilitation), enables Islamic finance to adapt to diverse multicultural contexts (Uluyol & Abdullah, 2016). Nevertheless, the complexity of contemporary challenges necessitates more integrative methodological approaches. Rafikov & Akhmetova (2020) highlighted the importance of *collective ijtihad* and multidisciplinary perspectives to avoid normative and technical fragmentation in proposed solutions. In the context of digital innovation, Meera (2018) cautions that technologies such as cryptocurrencies must be rigorously evaluated based on their alignment with *maqasid* to prevent socio-economic inequality and speculative injustice. At the macro level, Al-Jarhi (2017) conceptualized Islamic finance as an alternative theoretical framework for systemic economic reform oriented toward justice and sustainability. Accordingly, the *maqasid* framework ensures that Islamic finance operates not only within legal legitimacy but also fulfills its broader social and ethical objectives across all segments of society.

Contributions of Islamic Finance to Social Justice in Multicultural Societies

The literature demonstrates that Islamic finance contributes substantively to social justice through multiple mechanisms within multicultural societies. In terms of financial inclusion, evidence from Tatarstan indicates that Islamic finance serves to affirm identity and meet the financial needs of Muslim minority communities (Sabirzyanov, 2016). In Indonesia, progressive digital fatwas issued by the National Sharia Council (DSN-MUI) have expanded inclusive access to Islamic financial services (Hidayati et al., 2023), while in Malaysia, Sharia-compliant FinTech regulations have enhanced consumer protection across diverse cultural backgrounds (Razak et al., 2019). Islamic finance also plays a significant role in empowering the real sector. Profit-and-loss sharing (PLS) financing schemes in Indonesia promote participatory and equitable economic growth (Masrizal & Trianto, 2022), whereas halal tourism development in Aceh strengthens local community-based economies (Yusuf et al., 2021). Agricultural value-chain financing models specifically target small-scale farmers who are often marginalized within conventional financial systems (Ningrat & Nurzaman, 2019) At the macroeconomic level, Islamic banking contributes dynamically to the real sector in Turkey (Kazak et al., 2023), and supports inclusive welfare foundations through its contribution to GDP in Malaysia (Gani & Bahari, 2021).

Moreover, Islamic social finance instruments and Sharia-compliant capital markets reinforce distributive justice. Blockchain-based zakat systems enhance transparency and accountability in wealth distribution (Khairi et al., 2023). while *cash waqf* management ensures the continuity of long-term social benefits (Ambrose & Asuhaimi, 2021). SRI sukuk and sovereign sukuk provide equitable and sustainability-oriented investment instruments that broaden market participation (Syed Azman et al., 2022b) and (Boujlil et al., 2020). Additionally, Islamic venture capital (Anwer et al., 2019), Islamic financial literacy initiatives (Dinc et al., 2021), Sharia-compliant cryptocurrencies (Abdeldayem et al., 2021), and takaful systems (Alshammari & Ory, 2023) collectively expand the scope of Islamic finance in fostering an inclusive and just economic ecosystem.

Research Trends and Directions: Inclusivity and Diversity in Islamic Finance Discourse

The mapping of the literature reveals a significant shift in Islamic finance research toward inclusivity and diversity. Geographically, while studies remain dominated by Malaysia and Indonesia (Tijjani et al., 2020), increasing contributions from GCC countries, such as the United Arab Emirates (Tlemsani & Al Suwaidi, 2016), Oman (Al Balushi et al., 2019), and other countries (Alshammari & Ory, 2023; Majdoub et al., 2018; Nechi & Smaoui, 2019) have enriched contextual perspectives. Cross-country studies further provide comparative insights into system convergence, market integration, and the inclusive growth impacts of Islamic finance (Bhuiyan et al., 2019; Boujlil et al., 2020; Boukhatem & Moussa, 2018; Hassan et al., 2023; Kahya et al., 2020; Yıldırım et al., 2020).

Loang (2023) thematically, research increasingly intersects with global agendas, including the Sustainable Development Goals (SDGs), while Nik Abdullah & Haron (2022) highlighted the importance of ESG reporting. Financial resilience during the COVID-19 crisis (Hasan et al., 2022; Rusydiana & Marlina, 2019) and systemic stability (Zulkhibri, 2019) also become an important focus. Methodologically, the field has advanced through the application of sophisticated quantitative techniques, such as time-varying causality, wavelet coherence, and stochastic frontier analysis, enhancing analytical rigor and policy relevance. Studies examining capital structure determinants, ethical fund performance, non-performing financing, and market efficiency offer robust empirical foundations for more just and accountable Islamic financial practices.

Strategic Opportunities and Challenges: Strengthening Islamic Finance as *Rahmatan lil-‘Alamin*

Strengthening the role of Islamic finance as *rahmatan lil-‘alamin* entails navigating a range of strategic opportunities and challenges. A key opportunity lies in the demonstrated contribution of Islamic finance to financial stability and resilience. Empirical evidence shows that global sukuk markets (Hasan et al., 2022) and Sharia-compliant stock markets in the GCC (Majdoub et al., 2018) exhibit relative robustness during periods of financial turbulence, underscoring their potential role as stabilizing instruments within the global financial system. Moreover, the core values of Islamic finance increasingly converge with global development trends, as reflected in initiatives such as Value-Based Intermediation (Tok & Yesuf, 2022) and the expansion of green sukuk aligned with environmental and social objectives (Alam et al., 2023).

Technological innovation further amplifies these opportunities. The integration of FinTech solutions (Razak et al., 2019), blockchain-based applications (Khairi et al., 2023), and artificial intelligence (Yuspin et al., 2022) offers significant potential to enhance efficiency, transparency, and financial inclusion. In addition, the diversification benefits provided by sukuk instruments (Bhuiyan et al., 2019) position Islamic finance as an attractive destination for global investors seeking ethical and risk-adjusted investment alternatives. Despite these prospects, Islamic finance continues to face substantial internal and external challenges. Internally, persistent gaps in the operationalization of *maqasid al-Shariah* (Al-Nahari et al., 2022), low levels of Islamic financial literacy (Dinc et al., 2021), and limited understanding of Sharia risk management (Mohd Noor et al., 2024) constrain its social impact. Externally, challenges include underdeveloped regulatory frameworks (Yuspin et al., 2022) , competitive pressure from conventional financial systems (Tlemsani & Al Suwaidi, 2016), vulnerability to external macroeconomic conditions such as oil price volatility (Alshammari & Ory, 2023), and the structural complexity of sukuk instruments (Razak et al., 2019). The tension between financial inclusion and potential financial migration also warrants careful consideration.

Addressing these challenges requires coherent and forward-looking strategic responses. Key policy directions include strengthening Sharia governance frameworks (Laldin & Furqani, 2018), enhancing intellectual capital development within Islamic financial and non-profit institutions, promoting multidisciplinary research approaches (Rafikov & Akhmetova, 2020), implementing adaptive macroprudential policies (Zulkhibri, 2019), and increasing regulatory awareness in countries with significant yet underutilized Islamic finance potential (Tijjani et al., 2020). By systematically overcoming these constraints while capitalizing on existing opportunities, Islamic finance can more fully realize its potential as a comprehensive system that delivers justice, inclusivity, and sustainable welfare, consistent with the universal ethos of *rahmatan lil-ʻalamin.*

CONCLUSION AND SUGGESTION

This study concludes that Islamic finance is more than an alternative system; it advances social justice in multicultural societies. Literature shows that it promotes financial inclusion, empowers marginalized actors, enhances stability, and supports ethical and sustainable investment through profit-and-loss sharing, sukuk, Islamic social finance, and value-based intermediation. The findings confirm maqasid al-Shariah as a coherent framework aligning economic efficiency, social welfare, inclusivity, and sustainability, while operationalizing rahmatan lil-'alamin. Economically, these mechanisms enable equitable resource allocation, market diversification, and resilience across diverse contexts. There is also increasing convergence between Islamic finance and global agendas, such as ESG, SDGs, and digital innovation.

Despite these contributions, this study has several limitations. It relies exclusively on Scopus-indexed, English-language journal articles, which may introduce publication and language bias and overlook locally grounded or policy-oriented research. Using citation thresholds may underrepresent emerging topics and recent innovations. These methodological constraints reflect deliberate choices for rigor, transparency, and replicability. Future research should expand data sources, utilize non-English and regional databases, employ mixed-method or meta-analytic strategies, and conduct empirical case studies to further clarify the role of Islamic finance in social justice within multicultural economic systems.

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