



## THE PARADIGM OF FIQH MUAMALAH AND MAQĀṢID AL-SHARI'AH IN THE DEVELOPMENT OF ISLAMIC DIGITAL FINANCIAL INNOVATION

**Niswatin Mubarriroh**

Universitas Sunan Gresik, Gresik, Jawa Timur, Indonesia

### ABSTRACT

The rapid development of digital financial innovation has transformed the structure and practices of the Islamic financial system, raising questions regarding its compliance with Islamic legal principles. This study aims to analyze the development of digital Islamic financial innovation from the perspective of fiqh muamalah and maqāṣid al-syarī'ah. Using a qualitative approach with a normative-conceptual method, this research examines classical and contemporary fiqh literature, regulatory frameworks, and scholarly views related to Islamic digital finance. The results show that digital financial innovation in the Islamic economic system is fundamentally permissible, in line with the fiqh maxim al-aṣl fī al-mu'āmalāt al-ibāḥah illā an yadulla dalīlun 'alā al-taḥrīm, as long as it does not contradict sharia principles such as the prohibition of riba, gharar, and maysir. Furthermore, the maqāṣid al-syarī'ah approach demonstrates that digital Islamic financial innovation contributes to the realization of public welfare (maṣlahah), particularly in terms of efficiency, financial inclusion, and transparency. Therefore, the integration of fiqh muamalah and maqāṣid al-syarī'ah provides a comprehensive framework for assessing and developing sustainable digital Islamic financial innovations.

**Keywords:** Fiqh Muamalah, Maqāṣid al-Syarī'ah, Digital Islamic Finance, Financial Innovation.

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✉ Corresponding author : Niswatin Mubarriroh  
Email Address : [n.mubarriroh@lecturer.usg.ac.id](mailto:n.mubarriroh@lecturer.usg.ac.id)

## INTRODUCTION

The rapid advancement of digital technology has brought significant changes to the Islamic financial industry. Digital-based financial innovations, including Islamic fintech, mobile banking, peer-to-peer lending, and digital payment systems, have become essential instruments in expanding financial inclusion and improving the efficiency of Islamic financial services. In Indonesia, the growth of digital Islamic finance is strongly supported by regulatory policies issued by the Financial Services Authority (OJK) and the National Sharia Council-Indonesian Ulema Council (DSN-MUI), which aim to ensure that technological innovation remains in line with sharia principles (OJK, 2020).

Nevertheless, the acceleration of digital innovation in Islamic finance also presents various challenges related to sharia compliance. The emergence of new transaction models, contractual mechanisms, and digital-based financial products often raises normative questions that require reinterpretation within the framework of classical and contemporary fiqh muamalah. This situation highlights the importance of developing a comprehensive paradigm that integrates technological progress with the foundational values of Islamic law, particularly through the *maqāṣid al-shari'ah* approach.

Islamic economic transactions are fundamentally guided by principles such as justice, transparency, and the prohibition of *riba*, *gharar*, and *maysir*. These principles are firmly rooted in the Qur'an, as stated in Surah Al-Baqarah verse 275, which affirms the permissibility of trade and strictly prohibits usury. This normative basis serves as a crucial reference for assessing contemporary financial practices, including digital Islamic financial innovations, to ensure their alignment with the objectives of Islamic law in protecting wealth (*hifz al-māl*) and promoting public welfare (*maṣlaḥah*).

Previous studies on Islamic financial innovation have largely emphasized technological development and regulatory aspects, while limited attention has been given to the integration of fiqh muamalah paradigms with the *maqāṣid al-shari'ah* framework. Therefore, this article aims to analyze the paradigm of fiqh muamalah and *maqāṣid al-shari'ah* in the development of digital Islamic financial innovation and to highlight its conceptual implications for strengthening sharia compliance and ensuring sustainable growth in the Islamic financial sector.

## LITERATUR REVIEW

### 1. Fiqh Muamalah in Islamic Financial Transactions

Fiqh muamalah constitutes the normative foundation governing economic and financial transactions in Islam. It regulates interactions among individuals in matters related to property, contracts, and economic exchanges, aiming to ensure justice, transparency, and mutual benefit. Classical Islamic scholars emphasize that the basic principle of muamalah is permissibility (*al-āṣl fi al-mu'āmalāt al-ibāhah*), unless there is clear evidence that prohibits a particular transaction (Al-Zuhaili, 2011).

In the context of Islamic finance, fiqh muamalah provides guidance on the legitimacy of contracts ('*uqūd*) such as *murābahah*, *mushārakah*, *mudārabah*, and *ijārah*, which form the backbone of sharia-compliant financial products.

However, the rapid development of digital financial technology has introduced new transaction models and contractual mechanisms that were not explicitly discussed in classical fiqh literature. This condition requires a contextual interpretation of fiqh muamalah principles to ensure that contemporary financial innovations remain aligned with sharia norms (Hassan & Aliyu, 2018).

## 2. Maqāṣid al-Shari'ah as a Framework for Financial Innovation

Maqāṣid al-shari'ah refers to the objectives of Islamic law, which aim to preserve essential human interests, including religion (*hifz al-dīn*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-māl*). Among these objectives, the protection of wealth plays a central role in Islamic economic activities, particularly in the development of financial systems and products (Al-Shatibi, 2003).

The maqāṣid framework has increasingly been used as an analytical tool to assess the legitimacy and effectiveness of Islamic financial innovations. It allows scholars and practitioners to move beyond formalistic compliance toward a more substantive evaluation of whether financial products contribute to social welfare (*maṣlahah*) and prevent harm (*mafsadah*). In the context of digital Islamic finance, maqāṣid al-shari'ah provides a flexible yet principled approach to evaluating emerging technologies such as fintech, digital payments, and smart contracts, ensuring that innovation does not compromise ethical and social objectives (Dusuki & Bouheraoua, 2011).

## 3. Digital Innovation in Islamic Finance

Digital innovation has become a key driver of growth in the Islamic financial industry. The integration of digital technology into financial services has enabled Islamic financial institutions to expand market reach, improve operational efficiency, and enhance customer experience. Innovations such as Islamic fintech platforms, peer-to-peer lending, crowdfunding, and digital banking have played a significant role in promoting financial inclusion, particularly in Muslim-majority countries like Indonesia (OJK, 2020).

Nevertheless, digital financial innovation also raises critical issues related to sharia compliance, including transparency, contractual clarity, risk sharing, and consumer protection. Several studies highlight that while regulatory frameworks and fatwas have been issued to address these challenges, the rapid pace of technological change often outpaces normative guidance (IFSB, 2021). This situation underscores the need for a comprehensive paradigm that integrates fiqh muamalah principles with the maqāṣid al-shari'ah approach to guide the sustainable development of digital Islamic financial innovation.

## 4. Research Gap and Conceptual Framework

Previous studies on Islamic financial innovation have largely focused on regulatory aspects, technological adoption, and market performance. Although some research has examined sharia compliance from a legal or institutional perspective, limited attention has been given to the conceptual integration of fiqh muamalah and maqāṣid al-shari'ah in analyzing digital financial innovation. As a result, there is a need for a holistic framework that not only ensures formal compliance with sharia contracts but also evaluates the substantive objectives and societal impacts of innovation in Islamic finance.

Based on this gap, this article proposes a conceptual analysis that positions fiqh muamalah as the normative foundation and maqāṣid al-shari'ah as the evaluative framework for the development of digital Islamic financial innovation. This approach is expected to contribute to strengthening sharia compliance while promoting sustainable and inclusive growth in the Islamic financial industry.

## METHOD

This study employs a qualitative research design using a normative-conceptual approach. The research is conducted through library research by examining classical and contemporary Islamic legal sources, scholarly works on fiqh muamalah, maqāṣid al-shari'ah, and relevant literature on digital Islamic financial innovation. This approach is chosen to provide a comprehensive understanding of how Islamic legal principles can be applied to contemporary financial innovations within the digital economy.

The primary data sources consist of classical fiqh literature, the Qur'an and Hadith, as well as authoritative works of Islamic jurisprudence that discuss contractual principles and ethical foundations of economic transactions. Secondary data sources include academic journals, books, policy documents, and regulatory frameworks issued by relevant institutions such as the Financial Services Authority (OJK) and the National Sharia Council-Indonesian Ulema Council (DSN-MUI). These sources are analyzed to identify normative principles and regulatory guidelines governing digital Islamic financial practices (OJK, 2020).

Data analysis is carried out using descriptive-analytical methods by systematically reviewing, classifying, and interpreting the collected literature. The analysis focuses on identifying key principles of fiqh muamalah and maqāṣid al-shari'ah and examining their relevance and applicability in the development of digital Islamic financial innovation. Through this analytical process, the study aims to construct a conceptual framework that bridges normative Islamic legal principles with contemporary digital financial practices.

## RESULT AND DISCUSSION

The results of this study indicate that the development of digital Islamic financial innovation requires a comprehensive paradigm that integrates the principles of fiqh muamalah with the objectives of maqāṣid al-shari'ah. From the perspective of fiqh muamalah, digital financial products and services must adhere to fundamental contractual principles, including clarity of contract (*taḥqīq al-‘aqd*), mutual consent (*tarādī*), and the avoidance of prohibited elements such as *riba*, *gharar*, and *maysir*. These principles remain applicable regardless of changes in transaction mechanisms brought about by digital technology (Al-Zuhaili, 2011).

The analysis further reveals that many forms of digital Islamic financial innovation, such as Islamic fintech platforms, digital payment systems, and peer-to-peer lending, essentially represent new technical modalities rather than fundamentally new types of contracts. Therefore, the permissibility of such innovations can be assessed using established fiqh muamalah frameworks,

provided that their operational mechanisms do not violate sharia principles. This finding supports the application of the legal maxim *al-aṣl fī al-mu'āmalāt al-ibāhah*, which allows flexibility in economic transactions as long as there is no explicit prohibition (Hassan & Aliyu, 2018).

الأصل في المعاملات الإباحة إلا أن يدل على التحريم (*Al-aṣlu fī al-mu'āmalāt al-ibāhah illā an yadulla dalilun 'alā al-taḥrīm*) which emphasizes that all forms of economic transactions are fundamentally permissible unless there is explicit evidence indicating their prohibition. This principle provides a normative foundation for the development of digital Islamic financial innovations, allowing flexibility and creativity in financial products while maintaining compliance with sharia objectives. Therefore, digital financial innovation in the Islamic economic system can be accepted as long as it does not contradict the principles of justice, transparency, and the prohibition of *riba*, *gharar*, and *maysir* (Al-Zuhaili, 2011).

From the *maqāsid al-shari'ah* perspective, the analysis demonstrates that digital Islamic financial innovation has the potential to significantly contribute to the protection of wealth (*hifz al-māl*) and the promotion of public welfare (*maṣlahah*). Digital financial services can enhance financial inclusion, reduce transaction costs, and increase accessibility to sharia-compliant financial products, particularly for underserved communities. However, these benefits can only be realized if innovation is guided by ethical considerations, transparency, and effective risk management to prevent harm (*mafsadah*) to users (Dusuki & Bouheraoua, 2011).

Furthermore, the findings highlight the importance of regulatory and institutional support in ensuring that digital Islamic financial innovation remains aligned with both *fiqh muamalah* and *maqāṣid al-shari'ah*. Regulatory frameworks issued by authorities such as OJK and fatwas by DSN-MUI play a crucial role in translating normative principles into operational guidelines for Islamic financial institutions (OJK, 2020). Nevertheless, rapid technological developments require continuous *ijtihad* and adaptive interpretation to address emerging issues that are not explicitly covered by existing regulations.

Overall, the analysis suggests that the integration of *fiqh muamalah* and *maqāṣid al-shari'ah* provides a robust conceptual foundation for evaluating and guiding the development of digital Islamic financial innovation. This integrated paradigm not only ensures formal sharia compliance but also emphasizes the substantive objectives of Islamic law, thereby supporting sustainable and ethical growth in the Islamic financial industry.

## CONCLUSION

This study concludes that the development of digital Islamic financial innovation requires a comprehensive paradigm grounded in *fiqh muamalah* and *maqāṣid al-shari'ah*. The findings indicate that digital financial products and services, despite their technological novelty, can be assessed and guided using established principles of Islamic commercial jurisprudence, provided that their operational mechanisms adhere to sharia requirements and avoid prohibited elements such as *riba*, *gharar*, and *maysir*.

Furthermore, the *maqāṣid al-shari'ah* framework plays a crucial role in ensuring that digital Islamic financial innovation not only fulfills formal sharia compliance but also achieves the substantive objectives of Islamic law, particularly the protection of wealth (*hifz al-māl*) and the promotion of public welfare (*maṣlahah*). When properly implemented, digital financial innovation has the potential to enhance financial inclusion, improve efficiency, and support sustainable growth within the Islamic financial industry.

Overall, the integration of fiqh muamalah and *maqāṣid al-shari'ah* provides a normative and evaluative foundation for the development of ethical, inclusive, and sustainable digital Islamic financial innovation. This conceptual approach is expected to contribute to strengthening sharia governance and guiding policymakers, regulators, and Islamic financial institutions in responding to the challenges and opportunities presented by digital transformation.

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