AL-ISRA
Vol.:3, Issue: 2, Jul - Dec 2024 PP: 24-40

OPEN ACCESS
AL-ISRA
﴾ International Journal of Islamic Thought ﴿
ISSN: 2959-3603
www.israir.com

Reframing Islamic Banking through Maqasid al-Shari'ah: Financial Inclusion and Sustainable Finance in the Pakistani Context

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Abstract

Background: Pakistan's Islamic banking sector has entered a period of unprecedented regulatory and structural transformation, driven by the Federal Shariat Court's April 2022 judgment declaring all forms of interest (riba) repugnant to the injunctions of Islam and mandating a fully Shariah-compliant financial system by December 2027. Simultaneously, Islamic banking institutions have achieved record market share, while the State Bank of Pakistan pursues ambitious national financial inclusion and green banking agendas. These parallel developments have not, however, been systematically evaluated against the classical juristic framework that is meant to give Islamic finance its ethical and legal legitimacy: maqasid al-Shari'ah, the higher objectives of Islamic law. Purpose: This article reframes the evaluation of Pakistan's Islamic banking transformation through a maqasid al-Shari'ah lens, moving beyond narrow contractual (fiqhi form) compliance to assess the sector's contribution to two objectives of growing global and national salience: financial inclusion and environmentally sustainable finance. Method: The study employs qualitative, library-based conceptual and policy analysis, integrating classical and contemporary maqasid al-Shari'ah literature with current regulatory documentation and sector *data from the State Bank of Pakistan and related sources. Findings: The analysis shows that while Pakistan's Islamic banking sector has achieved substantial quantitative growth and a historic regulatory mandate for full transformation, its institutional practice remains oriented predominantly toward contractual form-compliance rather than the substantive objectives of wealth circulation, protection of the vulnerable, and environmental stewardship that maqasid al-Shari'ah is meant to secure. Financial inclusion and green finance initiatives, though significant, remain only loosely integrated with the Shariah-governance architecture of Islamic banks. Implications: The article proposes an integrated Maqasid-Based Evaluative Framework (MBEF) for assessing Pakistani Islamic banking performance and offers specific policy recommendations for the State Bank of Pakistan, Shariah advisory boards, and Islamic banking institutions as the sector approaches the 2027 transformation deadline.*

Keywords*: Maqasid al-Shari'ah; Islamic banking; financial inclusion; sustainable finance; green banking; Pakistan; Federal Shariat Court; riba*

1. Introduction

Pakistan's Islamic banking sector closed 2025 at a historic milestone: Islamic Banking Institutions (IBIs) held 22.9 percent of the overall banking industry's assets, amounting to Rs14.467 trillion, up from Rs11.070 trillion a year earlier — a 30.7 percent annual increase that outperformed conventional banking for the second consecutive year. [1] The sector's share of total industry financing reached 38.1 percent, deposits reached 27.8 percent of the industry total, and asset quality strengthened as the non-performing financing ratio declined from 3.5 to 2.4 percent.[2]

This growth trajectory has coincided with an unprecedented legal and constitutional mandate for complete transformation. On 28 April 2022, the Federal Shariat Court (FSC), in a long-pending case first initiated in 1991, declared that the prohibition of riba is "complete and absolute in all its forms and manifestations," and directed federal and provincial governments to eliminate interest-based banking entirely by 31 December 2027.[3] Following an initial appeal by the State Bank of Pakistan (SBP) and several commercial banks, the federal government announced in November 2022 that the SBP and National Bank of Pakistan would withdraw their appeals, a withdrawal formally accepted by the Supreme Court in March 2023, leaving only a small number of private commercial bank appeals pending.[4] Pakistan thereby became the first Muslim-majority country to formally and judicially commit its entire banking system to a complete, time-bound transformation away from conventional interest-based finance.[5]

This convergence of rapid market growth and an existential regulatory mandate creates an urgent need for a framework capable of evaluating not merely whether Islamic banking products are contractually Shariah-compliant in form, but whether the sector as a whole is fulfilling the substantive ethical and social objectives — the maqasid al-Shari'ah — that are held to justify Islamic finance's claim to moral and legal distinctiveness from conventional banking. This article develops such a framework, applying it specifically to two objectives of pressing national and global significance: financial inclusion and environmentally sustainable finance.

2. Statement of the Problem and Research Gap

A substantial and influential body of scholarship has criticized contemporary Islamic finance for privileging contractual form over substantive economic and ethical function. Mahmoud El-Gamal's widely cited critique argues that the industry has largely replicated conventional financial instruments using classical contract nomenclature, thereby achieving nominal Shariah compliance while arguably failing to serve the deeper objectives of Islamic law, and describes the role of Shariah advisory boards in this process in sharply critical terms.[6] Within this context, the maqasid al-Shari'ah literature has developed as a corrective, proposing that Islamic financial institutions be evaluated against the higher objectives of Islamic law rather than contractual form alone.[7] However, three gaps remain. First, existing maqasid-based evaluative frameworks have been developed and tested primarily in Malaysian, Gulf, and Indonesian contexts, with comparatively little application to Pakistan, despite Pakistan's now-singular position as the only country under a binding judicial mandate for complete systemic transformation. Second, existing maqasid frameworks address financial inclusion and environmental sustainability, where addressed at all, as separate literatures rather than as jointly integrated components of a single evaluative model. Third, no existing framework has been developed specifically to evaluate the adequacy of Pakistan's current transformation trajectory — its financial inclusion strategy and green banking regulations — against maqasid criteria, at the specific historical juncture created by the FSC judgment and the approaching 2027 deadline. This article addresses these three gaps.

3. Objectives of the Study

This study pursues the following objectives:

1. To trace the classical and contemporary theoretical foundations of maqasid al-Shari'ah, with particular attention to Ibn Ashur's reformulation and its application to Islamic finance.
2. To critically examine the 'form versus substance' critique of contemporary Islamic banking practice and its relevance to the Pakistani context.
3. To document Pakistan's current Islamic banking landscape, regulatory transformation trajectory, financial inclusion strategy, and green banking regulatory architecture.
4. To evaluate these developments against a maqasid al-Shari'ah framework extended to include financial inclusion and environmental preservation (hifz al-bi'ah).
5. To propose an integrated Maqasid-Based Evaluative Framework (MBEF) and derive policy recommendations for Pakistani regulators and Islamic banking institutions.

4. Significance of the Study

This study's significance is threefold. Academically, it extends the maqasid al-Shari'ah literature in Islamic finance — developed substantially in Malaysian and Gulf contexts — to the distinctive Pakistani case of judicially mandated, economy-wide transformation, and integrates the hitherto largely separate literatures on financial inclusion and environmental maqasid (hifz al-bi'ah) into a single evaluative model. Regulatorily, it offers the State Bank of Pakistan, the Federal Shariat Court's implementation bodies, and Shariah advisory boards a structured framework for assessing whether the ongoing transformation is achieving substantive maqasid objectives rather than contractual re-labelling alone, at a moment when such evaluation is of direct and pressing policy relevance. Practically, given Pakistan's persistent financial exclusion — the State Bank's own Financial Inclusion Index stood at only 58.1 out of 100 in 2024 — and its acute vulnerability to climate-related economic disruption, the study offers a religiously grounded rationale for Islamic banks to treat inclusion and sustainability as central rather than peripheral to their institutional mission.

5. Research Methodology

This is a qualitative, library-based study employing conceptual and policy-document analysis. Primary theoretical sources consist of classical and contemporary maqasid al-Shari'ah literature, principally Ibn Ashur's Treatise on Maqasid al-Shari'ah,[8] Jasser Auda's systems approach to maqasid theory,[9] and the Islamic finance-specific maqasid frameworks developed by Chapra and by Dusuki and colleagues. Primary empirical and regulatory sources consist of the State Bank of Pakistan's Islamic Banking Bulletin (December 2025), the National Financial Inclusion Strategy 2024–28, SBP Green Banking Guidelines and associated regulatory documentation, and contemporaneous news reporting on the Federal Shariat Court judgment and its implementation, all retrieved and verified as of August 2026. The analytical method integrates these two source streams through a structured mapping exercise, evaluating specific regulatory and market developments against specific maqasid criteria, following established approaches to maqasid-based institutional evaluation in the Islamic finance literature.[10]

6. Literature Review

6.1 Maqasid al-Shari'ah: Classical Foundations and the Ibn Ashur Reformulation

The classical theory of maqasid al-Shari'ah, most systematically developed by al-Shatibi, identifies five essential objectives (al-daruriyyat al-khamsah) that Islamic law is designed to protect: religion (din), life (nafs), intellect ('aql), lineage (nasl), and wealth (mal).[11] Writing in the mid-twentieth century, the Tunisian jurist Muhammad al-Tahir Ibn Ashur substantially reformulated and expanded this framework, introducing objectives such as the preservation of the family system, freedom of belief, orderliness (nizam), natural disposition (fitrah), freedom, rights, civility, and equality, thereby transforming maqasid from a relatively narrow juristic taxonomy into a comprehensive methodology for the renewal of Islamic legal reasoning capable of engaging modern social and economic conditions.[12]

6.2 Contemporary Maqasid-Based Frameworks in Islamic Finance

M. Umer Chapra's influential application of maqasid theory to Islamic economics emphasizes the objective of a just and equitable distribution of wealth as central to the Islamic economic vision of development, situating Islamic finance within a broader project of socio-economic justice rather than treating it as a narrowly contractual or ritual exercise.[13] Dusuki and Abdullah extend this into a specific account of corporate social responsibility in Islamic finance grounded in maslahah (public interest) and maqasid, arguing that Islamic financial institutions bear an affirmative obligation to pursue social welfare outcomes beyond mere profitability and contractual compliance.[14] Empirically, Asutay and Harningtyas, and separately Bedoui and Mansour, have developed quantitative maqasid-based indices for measuring Islamic banks' social performance, moving the discourse from purely theoretical argument toward operationalizable measurement — an important methodological precedent for the evaluative framework proposed in Section 12 of this article.[15]

6.3 The Form-Versus-Substance Critique

El-Gamal's critique, though contested and at points polemical, has proven durably influential in the academic literature. He argues that the industry's reliance on classical contract nomenclature (murabaha, ijarah, tawarruq) to replicate the economic substance of conventional lending, often through the use of special purpose vehicles and multiple sale documentation, represents "rent-seeking legal arbitrage" that preserves form at the expense of the economic and ethical substance that maqasid al-Shari'ah is meant to secure.[16] This critique frames the central analytical question of the present article: whether Pakistan's court-mandated, economy-wide transformation represents an opportunity to address this substance gap directly, or risks reproducing it at greater scale if transformation proceeds primarily through contractual reformatting of existing conventional products.

6.4 Islamic Finance, Financial Inclusion, and Sustainable Development

A growing empirical literature examines Islamic finance's relationship to financial inclusion and inclusive growth. Hasan, Paltrinieri, Dreassi, Miani, and Migliavacca, analyzing cross-country data, find that Islamic banking development is positively associated with financial inclusion outcomes, lending empirical support to the theoretical claim that risk-sharing, asset-backed Islamic financial structures are inherently more inclusion-compatible than conventional debt-based finance, particularly for populations excluded on religious grounds.[17] On the environmental dimension, a smaller but rapidly growing literature has argued for the recognition of environmental preservation (hifz al-bi'ah) as a contemporary extension of the classical maqasid, grounded in Qur'anic principles of khilafah (stewardship), mizan (balance), and the prohibition of fasad fi'l-ard (corruption/destruction on earth).[18] Yusuf al-Qaradawi's earlier treatment of environmental jurisprudence similarly argues that environmental protection is not a peripheral modern concern grafted onto Islamic law but an implication of its foundational objectives, properly understood.[19]

7. Pakistan's Islamic Banking Sector: Current Landscape

Table 1 summarizes key indicators of Pakistan's Islamic banking sector as of the close of 2025, drawn from the State Bank of Pakistan's Islamic Banking Bulletin and contemporaneous reporting. The data reveal a sector in a period of exceptionally rapid consolidation and growth, substantially outperforming the conventional banking sector on both asset growth and asset quality metrics.

Indicator	December 2025 Value	Year-on-Year Change
Islamic banking assets	Rs14.467 trillion (22.9% of industry)	+30.7%
Islamic banking deposits	Rs11.037 trillion (27.8% of industry)	+Rs3.132 trillion
Share of total industry financing	38.1%	Financing portfolio +40% (to Rs5.654 trillion)
Net investments	Rs6.605 trillion	+32.4%
Non-Performing Financing (NPF) ratio	2.4%	Down from 3.5%

Source: Compiled from SBP Islamic Banking Bulletin (December 2025) and Business Recorder / Profit by Pakistan Today reporting, cited above.

This growth has been accompanied by continued expansion of physical and deposit-based outreach, with Islamic Banking Institutions recording their largest-ever expansion in branch networks during 2025, reflecting accelerating consumer demand for Shariah-compliant financial services across the country.[20]

8. The Legal and Regulatory Transformation: The Federal Shariat Court Judgment and the Riba-Free Mandate

The Federal Shariat Court's judgment of 28 April 2022, delivered by a bench comprising Chief Justice Muhammad Noor Meskanzai, Justice Dr. Syed Muhammad Anwer, and Justice Khadim Hussain M. Shaikh, held that the prohibition of riba is the cornerstone of the Islamic economic system and is absolute in all its forms and manifestations, including modern commercial bank interest. The court directed federal and provincial governments to complete the necessary legislative amendments and to eliminate interest-based transactions from the banking system entirely by 31 December 2027, characterizing this five-year timeframe as reasonable for converting Pakistan's economy into an equitable, asset-based, risk-sharing, interest-free system.

The State Bank of Pakistan initially sought modification of the judgment through an appeal to the Supreme Court's Shariat Appellate

Bench, citing the demonstrated success of the parallel conventional-Islamic banking model in place since the early 2000s, under which Islamic banks then held approximately 19.4 percent of system assets and 20 percent of deposits.[21] Following the federal government's political decision to withdraw its challenge, announced by Finance Minister Ishaq Dar in November 2022, the SBP and National Bank of Pakistan withdrew their appeals; the Supreme Court formally disposed of these withdrawn appeals in March 2023, though appeals by several private commercial banks (including MCB Bank, United Bank Limited, and Allied Bank Limited) remained pending at that time.[22] The judgment further directed that Pakistan's future financial engagements with international financial institutions and other bilateral and multilateral lenders be conducted on Shariah-compliant bases, such as sukuk issuance — a directive with substantial implications for sovereign debt management extending well beyond the domestic banking sector.[23]

This judicial and political consensus in favor of complete transformation creates the distinctive Pakistani context for the maqasid-based evaluation undertaken in this article: unlike jurisdictions where Islamic banking operates as a voluntary, market-driven alternative alongside conventional banking indefinitely, Pakistan's transformation is time-bound, comprehensive, and judicially mandated, raising the analytical stakes of ensuring that the resulting system achieves substantive rather than merely formal Shariah compliance.

9. Maqasid al-Shari'ah as an Evaluative Framework

Applying Ibn Ashur's expanded maqasid framework to Islamic banking evaluation requires moving beyond the classical daruriyyat's near-exclusive focus on protecting wealth (hifz al-mal) — often narrowly operationalized in Islamic finance practice as ensuring the contractual absence of interest — toward the fuller range of objectives Ibn Ashur identifies: orderliness of the financial system, protection of rights (including the rights of the economically marginalized), civility, equality of access, and, on the environmental extension discussed in Section 6.4, preservation of the environment. This article organizes the evaluation around two objectives selected for their national and global policy salience: financial inclusion, corresponding most directly to Ibn Ashur's objectives of equality, rights, and orderliness applied to economic participation; and environmental sustainability, corresponding to the hifz al-bi'ah extension of the classical framework.

10. Financial Inclusion through a Maqasid Lens

Pakistan's financial inclusion trajectory has shown marked improvement over the past decade, with overall financial inclusion rising from 47 percent in 2018 to 67 percent by June 2025, and the gender gap in financial access narrowing from 47 to 30 percentage points over the same period, according to SBP Governor Jameel Ahmad.[24] The SBP's National Financial Inclusion Strategy (NFIS) 2024–28 sets a target of 75 percent overall inclusion and a reduced gender gap of 25 percentage points by 2028, to be pursued through digital infrastructure (including the Raast instant payment system, Asaan Mobile Accounts, and Roshan Digital Accounts), geo-spatial mapping of underserved areas, and — notably — explicit awareness campaigns on Islamic finance targeting underserved areas, youth, and women.[25] More granularly, the SBP's newly launched Pakistan Financial Inclusion Index (P-FII), a 69-indicator composite measure spanning Access, Usage, and Quality dimensions, recorded an overall score of 58.1 in 2024, up from 54.8 in 2023, with the Quality sub-index — at 43.9 — lagging notably behind Access (72.3) and Usage (62.5), indicating that formal account access has outpaced meaningful, high-quality financial engagement.[26]

Evaluated through a maqasid lens, this trajectory presents a genuine, though qualified, achievement. The explicit inclusion of Islamic finance literacy within the NFIS is consistent with the maqasid objective of removing barriers (haraj) to financial participation for the substantial population that avoids conventional interest-based banking on religious grounds — a population for whom Islamic banking's expansion is not a matter of product preference but of removing a genuine barrier to formal financial participation, directly serving hifz al-mal and the broader objective of economic justice. However, the P-FII's persistently lagging Quality sub-index suggests that the maqasid objective of substantive wealth circulation and productive economic participation — as distinct from mere formal account-holding — remains only partially realized, a gap with direct relevance to the form-versus-substance critique discussed in Section 6.3: an Islamic bank account that replicates the functional experience of a low-engagement conventional account achieves nominal but not substantive maqasid fulfilment.

11. Sustainable and Green Finance through a Maqasid Lens

Pakistan's green finance regulatory architecture has developed progressively since the SBP joined the IFC's Sustainable Banking and

Finance Network in 2015 and issued its pioneering Green Banking Guidelines (GBG) in 2017, establishing an initial roadmap for environmental and social risk management across the banking sector.[27] This framework was substantially deepened through the SBP's Environmental and Social Risk Management (ESRM) Implementation Manual, launched in November 2022 in partnership with the IFC, and further through the more recent Pakistan Green Taxonomy (PGT), which defines specific, sector-level criteria for classifying financial activity as 'green,' explicitly incorporating a Do-No-Significant-Harm principle and social safeguards modeled on international frameworks such as the EU Taxonomy.[28] Since 2009, the SBP has additionally operated conventional and Islamic refinance schemes supporting renewable energy financing, with cumulative disbursements of approximately Rs79.7 billion recorded as of early 2022.[29]

Notwithstanding this regulatory architecture, independent commentary has identified persistent implementation gaps, including limited institutional awareness, inconsistent enforcement, and uneven integration of green policy commitments across the banking sector, with adoption depending substantially on individual banks' voluntary initiative — exemplified by measures such as Habib Bank Limited's 'No New Coal' policy — rather than uniform regulatory requirement.

Evaluated through the hifz al-bi'ah extension of maqasid al-Shari'ah, Pakistan's green banking architecture represents a substantively significant, if still incompletely enforced, alignment with an Islamic legal objective grounded directly in Qur'anic principles of khilafah (stewardship of the earth), mizan (cosmic and ecological balance), and the prohibition of fasad fi'l-ard (corruption or destruction on the earth).[30] What is presently absent from Pakistan's regulatory architecture, however, is any explicit integration of green banking requirements into the Shariah-governance framework specifically applicable to Islamic Banking Institutions: the GBG, ESRM Manual, and PGT apply uniformly to conventional and Islamic banks alike, without any distinct articulation of environmental stewardship as a component of Shariah compliance for IBIs specifically — a structural gap the framework proposed in Section 12 seeks to address.

12. Reframing: Toward an Integrated Maqasid-Based Evaluative Framework

Synthesizing the preceding analysis, this article proposes a Maqasid-Based Evaluative Framework (MBEF) for Pakistani Islamic banking, organized around four evaluative dimensions, summarized in Table 2.

MBEF Dimension	Maqasid Grounding	Illustrative Pakistani Indicator
Contractual Substance	Hifz al-mal (protection of wealth); avoidance of gharar and riba in substance, not form alone	Proportion of IBI financing structured as genuine risk-sharing (musharakah/mudarabah) versus murabaha/tawarruq-based debt-like structures
Inclusive Access	Equality, removal of haraj (hardship), rights (Ibn Ashur)	P-FII sub-indices (Access, Usage, Quality); IBI-specific financial inclusion penetration by income decile and gender
Environmental Stewardship	Hifz al-bi'ah; khilafah, mizan, prohibition of fasad fi'l-ard	Proportion of IBI financing directed to PGT-classified green activities; IBI-specific ESRM compliance and disclosure
Institutional Accountability	Orderliness (nizam); civility; Shariah governance integrity	Shariah Board disclosure quality; independence and disclosure of maqasid-related performance reporting by IBIs

Table 2: The proposed Maqasid-Based Evaluative Framework (MBEF).

This framework is offered as a conceptual and diagnostic tool rather than a finished measurement instrument; its operationalization into a scored index, following the methodological precedent of Asutay and Harningtyas and of Bedoui and Mansour, would require dedicated empirical data collection from individual Islamic banking institutions — including disaggregated financing-mode data, branch-level inclusion metrics, and green-financing disclosure — that lies beyond the scope of the present conceptual analysis and is proposed as a direction for future research in Section 15.

13. Discussion

Three points merit particular emphasis. First, Pakistan's Islamic banking sector's remarkable quantitative growth and the FSC's transformation mandate together create a rare and potentially fleeting opportunity: because the entire banking system must be restructured by 2027 regardless of market preference, this transformation could be designed from the outset to prioritize the risk-sharing, asset-backed modes (musharakah, mudarabah) that most directly fulfil maqasid objectives of substantive economic justice, rather than defaulting to the murabaha- and tawarruq-dominated product mix that has characterized much of global Islamic banking practice and that draws the sharpest form-versus-substance criticism from scholars such as El-

Gamal. Whether this opportunity is realized is a matter of regulatory design choice over the coming transformation period, not an automatic consequence of the FSC mandate itself.

Second, the analysis in Sections 10 and 11 suggests that Pakistan's financial inclusion and green banking policy architectures, while individually substantial, remain structurally disconnected from the Shariah-governance framework that defines Islamic banking institutions' distinctive regulatory identity. Financial inclusion and green banking requirements currently apply to Islamic and conventional banks alike, through the same generic instruments (NFIS, GBG, ESRM, PGT), without any distinct articulation of how inclusion and environmental stewardship specifically constitute — rather than merely accompany — Shariah compliance for Islamic banking institutions. The MBEF proposed in Section 12 is intended to help close this gap by giving Shariah advisory boards an explicit, maqasid-grounded basis for treating inclusion and environmental performance as part of their supervisory mandate, rather than as matters exclusively for prudential or environmental regulators.

Third, the persistent lag in the P-FII's Quality sub-index relative to Access and Usage should be read as a caution against treating quantitative sector growth — such as the 22.9 percent asset share and 30.7 percent annual growth documented in Section 7 — as self-evidently indicative of maqasid fulfilment. Rapid balance-sheet growth is compatible with, and in the global Islamic finance literature has frequently coincided with, continued reliance on debt-like, form-compliant structures that fall short of the substantive risk-sharing and inclusive-access objectives maqasid theory is meant to secure. Growth and substantive maqasid achievement are therefore related but analytically distinct, and the evaluative framework proposed here is designed specifically to track the latter rather than inferring it from the former.

14. Policy Implications for Pakistan

1. Building on the preceding analysis, this article offers the following specific recommendations as Pakistan approaches the FSC's December 2027 transformation deadline:
2. The State Bank of Pakistan and the Shariah Appellate framework overseeing the transformation should establish explicit, sector-wide targets for the proportion of Islamic banking financing structured through genuine risk-sharing modes (musharakah, mudarabah, and equity-based instruments), rather than allowing

the transformed system to default to debt-like murabaha and tawarruq structures by administrative convenience.

3. Islamic Banking Institutions' Shariah advisory boards should be formally mandated to review and report on inclusion and environmental performance as an explicit component of the annual Shariah compliance audit, integrating the currently separate NFIS and green banking (GBG/ESRM/PGT) reporting streams into Shariah governance disclosure.
4. The SBP's Pakistan Financial Inclusion Index should be disaggregated by IBI versus conventional institution, enabling direct empirical tracking of whether Islamic banking's growth is translating into genuine inclusion gains among previously excluded, religiously motivated non-participants, consistent with the maqasid rationale for prioritizing Islamic finance's inclusion role.
5. A Pakistan-specific, empirically operationalized Maqasid-Based Evaluative Framework, building on the conceptual model proposed in Section 12, should be developed collaboratively by the SBP, the Federal Shariat Court's implementation bodies, and academic Islamic finance researchers, to provide a standing diagnostic tool for monitoring the 2027 transformation's substantive, and not merely formal, success.

15. Limitations and Directions for Future Research

This article is conceptual and policy-analytical in nature, drawing on published regulatory documentation, sector-level aggregate data, and secondary reporting rather than primary institution-level data collection. It does not report a validated, scored maqasid index for individual Pakistani Islamic banks, and no claims are made regarding the maqasid performance of any specific named institution. The proposed MBEF requires further development into an empirically operationalized instrument, including the collection of disaggregated, institution-level data on financing-mode composition, inclusion penetration, and green-financing disclosure — data that, at the time of writing, is not uniformly published by individual Pakistani Islamic banking institutions. Future research should pursue this operationalization, ideally through collaboration with the SBP's Islamic Banking Department, and should further examine how the transformation process unfolds between the time of writing and the December 2027 deadline, including tracking whether the risk-sharing-oriented recommendations of Section 14 are adopted in the eventual transformed system's regulatory design.

16. Conclusion

Pakistan's Islamic banking sector stands at a genuinely distinctive historical juncture: record market growth, a judicially mandated and time-bound transformation to a fully Shariah-compliant banking system by December 2027, and parallel national commitments to expanded financial inclusion and environmentally sustainable finance. This article has argued that evaluating this juncture requires moving beyond an exclusive focus on contractual, form-based Shariah compliance toward the substantive higher objectives of Islamic law — maqasid al-Shari'ah — extended, following Ibn Ashur's reformulation and its contemporary environmental extension, to encompass inclusive economic access and ecological stewardship (hifz al-bi'ah) alongside the classical protection of wealth. The Maqasid-Based Evaluative Framework proposed here offers Pakistani regulators, Shariah advisory boards, and Islamic banking institutions a structured basis for ensuring that the transformation now underway achieves substantive, rather than merely nominal, fulfilment of the objectives that are meant to distinguish Islamic banking from the conventional system it is replacing.

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