



ISLAMIC ETHICS, PRACTICES, AND OPPORTUNITIES IN THE PERSPECTIVE OF ISLAMIC FINANCIAL MORTGAGE: A QUALITATIVE RESEARCH STUDY

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Abstract:

Islamic financial mortgages offer Sharī'ah-friendly alternatives to conventional interest-based home financing. It is a crucial part of the contemporary Islamic financial market. Islamic mortgages seek to balance economic activities and moral obligations. They rely on Islamic ethics such as forbearance, justice, societal responsibility, and mutual risk (Askari et al., 2010). Using an interpretivist research methodology, this study examines operational mechanisms, ethical foundations, and new opportunities in Islamic financial mortgages. It highlights how Islamic ethical foundations are applied to mortgage schemes through qualitative approaches, Islamic texts, and contemporary scholarship. The results show that Islamic mortgages have significant potential for sustainable development, ethical finance, and financial inclusion, regulatory, institutional and perceptual obstacles ('Usmānī, 2002).

Keywords: *Islamic mortgage, Islamic ethics, Islamic finance, Sharī'ah compliance, qualitative research, ethical housing finance and risk sharing*

Introduction:

Home financing is a crucial cornerstone of modern economic solutions, directly affecting family well-being, economic development, and social stability. The international home finance industry is dominated by conventional mortgage schemes, which are based on interest (riba). Interest is explicitly prohibited in Islam because it is considered unjust and exploitative (Siddiqi, 1983). Therefore, Muslim societies and individuals seeking moral integrity look for alternative financial solutions that are religiously and ethically justifiable (Vogel & Hayes, 1998). To address this ethical issue, Islamic financial mortgages offer Sharī'ah-compliant arrangements that use asset-backed, partnership-oriented, and risk-sharing contracts instead of interest-based loans. (Islamic Finance: Key Principles & Insights, n.d.) These mortgage systems are part of the broader ethical



structure of Islam, law, economics, and merging morality, rather than serving as mere financial solutions (Auda, 2018).

The ethical foundations of Islamic finance are grounded in the Qur'ān, Sunnah, analogical reasoning (qiyās), and consensus (ijmā'). These sources emphasize social welfare (maṣlaḥah) as well as the principles of fairness ('adl) and justice, alongside transparency (bayān) and trust (amānah) (Chapra, 1992). They stipulate that profits should only be derived from trade and lawful partnerships, that risks must be shared justly, and that exploitation should be avoided in all circumstances, particularly in the housing finance sector (Uusmani & Taqī 'Uṣmānī, 2002). Despite the rapid growth and acceptance of financial systems and Islamic banking in the Middle East, Southeast Asia, the subcontinent, and Western countries, there are still operational challenges and concerns regarding Islamic mortgage financing systems (Khan, 2010).

From an economic point of view, Islamic mortgage systems, like conventional ones, face ethical questions. Literature stresses the need for qualitative research that looks at both the terms and ethical goals, as well as real-world practices and stakeholder views. This proposal uses a qualitative approach to examine the ethical and practical aspects of Islamic financial mortgage systems, as explained in the next chapter. The essay has three main chapters: the first covers the theory and ethics of Islamic mortgage systems, the second looks at modern systems and their institutions, and the third discusses prospects and related issues.

Research Methodology

This qualitative research design explores the nuances of Islamic ethics, practices, and opportunities in Islamic financial mortgages. The study highlights the importance of stakeholder views and the ethical considerations involved (Cresswell, 2013).

This research is based on interpretivist paradigms. This approach acknowledges that people's perceptions of reality are shaped by unique experiences, values, and beliefs. The interpretivist framework suits this study, as Islamic mortgage practices are shaped by ethical reasoning and religious interpretations (Denzin, 2008).

Data Sources

Data collected from three main sources:

1. Conduct semi-structured interviews among professionals of Islamic finance.
2. The scholarly literature about Islamic finance and ethics.
3. Institutional documents such as the Resolutions of Shariat committees and mortgage agreements (Bryman, 2016).

This study used purposive sampling to select participants with expertise in Islamic mortgage financing, such as clients, bankers, and Sharī'ah experts. This method yielded more detailed results.

The study adhered to the ethical guidelines of research. These include the matters of informed consent and confidentiality. Among the ethical principles in Islam that assisted the research are sincerity (ṣidq) and trustworthiness (amānah) (Israel et al., 2011).



Islamic Moral Underpinnings of Mortgages

Islamic Morality and Financial Accountability

“Islam’s ethics in finance are concerned with the entire life of human beings. Economic activity is not ethically neutral in Islam. Instead, there are ethical norms governing it, and these are attempting to instill social harmony and balance into economic activity. “The prohibition against unfair enrichment, the keeping of contracts, and the conduct of trade with honesty are promoted in the Qurān (Jones, 2007).”

One of the foremost ethical principles of Islamic economy is the prohibition on ribā. The criticism leveled against ribā is that its practice does not honor the equity criterion because it allows one party to earn profits without contributing the least risk or effort (Chapter).

"Ribā," according to traditional Islamic thinkers such as al-Ghazālī, damages the social fabric and encourages the concentration of riches. René Ibn Taymiyyah, on the other hand, emphasized, "Risk and constructive work must be joined to valid profit.

"Further, gharar (excessive uncertainty), which causes fraud and injustice in trade, is prohibited under the code of conduct in Islam...". Accordingly, the mortgage contract must be transparent. The development of Islamic mortgage instruments is directly affected by the above-mentioned moral requirements (Bori, 2018).

The Ownership and Trusteeship Concept

“In the Islamic view, men are only trustees, and the actual ownership of wealth resides with Allah.” When it comes to the idea of trusteeship, financial agents are obligated to manage wealth ethically. In the context of mortgage loans, the idea promotes direct ownership and inhibits the growth of gambling-like activities (Chapra, 1992).

The Islamic mortgage system, which deals with material values like homes or property, is an example of this strategy. In contrast to the traditional system, which views money as a commodity, the Islamic mortgage system views money only as a means of facilitating exchange, whereby finance must be linked to economic activity. This strategy is crucial from an ethical perspective since it guarantees that financial transactions contribute to the creation of real value.

Maqāṣid al-Sharī‘ah and Finance for Housing

An extensive ethic for the financing industry in the Islamic culture is found in the concept of maqāṣid al-sharī‘ah, which refers to the objectives of the Islamic law. The prime objectives, “maintained by scholars, include the conservation of wealth, religion, life, mind, and lineage.” Since the need for decent housing has a direct relationship with the conservation of wealth and life, the financing associated with the provision of such needs is relevant to the objectives. By “facilitating the attainment of ownership while preserving the moral virtues” associated with the needs for decent housing, Islamic mortgages aim to accomplish such objectives. Because Islamic mortgage arrangements and schemes encourage affordability, equity, and mutual accountability, they promote economic justice and societal well-being (Askari et al., 2010).



Practices of Islamic Financial Mortgage

Islamic Mortgage Model Overview

To finance housing, Islamic financial institutions employ a range of Shari'ah-compliant strategies. Ijarah, Diminishing Musharakah, and Murabahah are the most popular models. Every model is made to achieve the practical objectives of mortgage financing without creating riba. Murabahah-based mortgages include cost-plus sales, where the bank buys the property and sells it to the client at a predetermined profit margin. Cost and profit transparency are one of this model's primary ethical requirements. However, some contend that reliance on Murabahah will turn Islamic finance into a debt-based economy if that moral goal is disregarded (Obaidullah, 2005).

Ijarah-based mortgages are based on a lease agreement in which the bank retains ownership of the home while renting it out to the customer (Vogel, 1995). Another sale agreement is used to gradually transfer ownership (Uusmani & Taqi 'Usmāni, 2002) This strategy is more in line with Islamic ethical values and places an emphasis on sharing risks. Most people concur that diminishing musharakah is the most ethically sound Islamic mortgage model. In this arrangement, the client eventually buys the bank's share of the property after the bank and client jointly purchase it. This partnership-based strategy embodies the Islamic values of justice, cooperation, and shared risk (Iqbal & Mirakhor, 2011).

Institutional Practices and Shari'ah Governance

Shari'ah monitoring boards are responsible for monitoring the processes of mortgage transactions within the Islamic sector. AAOIFI, Shari'ah Standards, 2017.

Such monitoring boards are important for moral compliance in the sector. These monitoring boards comprise learned scholars who monitor transactions and give Ijtihadi Shari'ah decisions (fatāwā). "Variations in practice can sometimes arise due to variations in interpretation at the regional level (Wilson, 2007)."

Such variation shows the importance of standard moral practices and poses a challenge to the globally integrated Islamic mortgage market.

Ethical Perception and Customer Experience

When assessing the Islamic mortgage system's ethical performance from a qualitative standpoint, customer perception is crucial. These clients are drawn to a business not just for financial gain but also to satisfy their ethical and religious obligations. This moral stimulus is motivated by customer trust in the institution's integrity and adherence to Shari'ah. Notably, the discrepancy between the intended ethics and client understanding emphasizes how crucial ethics are to the functioning of the Islamic mortgage system.

Practices for Regulation and Operations

"The Shari'ah law and the financial laws of the nation are the frameworks in which the Islamic mortgage banks are operating." Partnership-based Islamic financial transactions have some operational difficulties due to the existing frameworks in most countries being designed for conventional Shari'ah-defying financial programs like mortgages." To comply with the laws while adhering to the principles of Shari'ah, the Islamic financial centers have made certain adjustments through structuring, tax, and documentation strategies (Rashid et al., 2022).

Opportunities and Difficulties in Islamic Financial Mortgages



Practical and Ethical Difficulties

The belief that “Islamic products are simply the Islamic equivalent of conventional mortgages” has been recognized to be “one of the main challenges” for Islamic mortgage financing. Academics argue that “adherence to legal form rather than moral substance compromises the legitimacy of Islamic banking.” The “lack of global standardization in the application of Shari’ah rulings” is also considered to pose a major challenge to Islamic mortgage financing. The “uncertainties created by conflicting rulings on the viability of different forms of mortgage financing due to schools of thought” pose a major challenge to the development of Islamic mortgage financing practices.

There are also operational expenses to consider. As Islamic financial services require more documentation and Shari’ah audits and compliance, they tend to be more expensive than their conventional counterparts.

Opportunities in Socioeconomics

Islamic financial mortgages offer great socioeconomic opportunities despite the above challenges. Financial inclusion is one of the most crucial socioeconomic advantages of the mortgage scheme. With the aid of Islamic financial mortgages, Muslims who steer clear of traditional lending practices can now rely on moral home financing. Furthermore, the increasing global adoption of ethical finance is drawing even more non-Muslim clients to the ideas of the Islamic financial industry. The goals of sustainability in today's world align well with the ideas of risk-sharing, finance, and moral investing.

Technological Innovation and Future Growth

Technological innovation, especially in financial technology (fintech), offers various opportunities in the realm of Islamic mortgage finance. These platforms can increase transparency and decrease costs, as well as increase customer participation (Iqbal & Mirakhor, 2011).

Future Development and Technological Innovation

The options available in Islamic mortgage financing have improved due to technological advancements, particularly in financial technology, or “fintech.” Online applications may reduce costs for transactions, enhance customer engagement, and encourage transparency in business activities (Iqbal & Mirakhor, 2011). The application of “blockchain,” “smart contracts,” and “artificial intelligence” has the potential to significantly improve Shari’ah compliance by guaranteeing the accuracy of documentation and instant audit trails. These technologies could help Islamic mortgage companies compete internationally while upholding their moral principles Boatright, Ethics in Finance, 64. (Boatright, 2010).

Conclusion:

Islamic financial mortgages offer a truly ethical alternative to traditional home financing methods. Mortgage financing arrangements based on Shari’ah and Islamic ethics aim to promote welfare and justice, making it open (Mohamed & Otake, 2025).

The future seems promising because ethical finance is becoming increasingly popular worldwide, despite the difficulties Islamic mortgage financing faces in terms of legislation, perception, and standardization. Islamic mortgage institutions will be crucial to the long-term expansion of the economy (Iqbal & Mirakhor, 2011).



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