From Compliance to Authenticity and Impact

Developing an Integrated Integrity Framework for Islamic Finance and Islamic Social Finance

Ibrahim Abdul Mugis

President, Awqaf Africa

Journalist & Islamic Social Finance Researcher

Malaysia

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Scholarly status: conceptual manuscript for academic review. The framework, operational domains and diagnostic architecture require subsequent expert and empirical validation.

Abstract

Islamic finance has developed increasingly sophisticated mechanisms for establishing Shariah compliance through governance, supervision, review and audit. Compliance, however, does not by itself establish that the substantive economic and institutional behaviour of an Islamic financial arrangement corresponds with the Islamic character it represents, nor does it demonstrate that meaningful socioeconomic outcomes have been achieved. Parallel literatures have therefore developed around form and substance, Shariah arbitrage and replication, Islamic moral economy, Maqasid al-Shariah, Value-Based Intermediation, social performance and impact measurement. Yet these literatures often address different evaluative questions without a common architecture that distinguishes validity, substantive coherence and demonstrated outcomes. This article develops the Compliance–Authenticity–Impact (CAI) Framework as an integrative conceptual model for Islamic finance and Islamic social finance. CAI defines Compliance as the foundational question of Shariah validity and institutional conformity; Substantive Authenticity as the degree of economic and institutional coherence between the Islamic structure and purpose represented and the reality produced; and Impact as the evidence-based assessment of outcomes in relation to legitimate institutional objectives and relevant Maqasid. The framework advances six propositions, including a Representation–Reality Principle and an Asymmetric Non-Substitution Principle: favourable outcomes cannot independently cure a fundamental Shariah-validity defect, while poor outcomes do not automatically invalidate an otherwise valid arrangement. Applications to liquidity management, sukuk and Islamic banking, waqf and zakat demonstrate the diagnostic value of separating the three dimensions. The article positions CAI as a complement to Shariah governance, Maqasid-performance models, Value-Based Intermediation and impact measurement, and proposes a research agenda for systematic evidence synthesis, Delphi validation and empirical operationalisation.

Keywords: Shariah compliance; Islamic finance; Islamic social finance; Maqasid al-Shariah; substantive authenticity; economic substance; impact measurement; waqf; zakat; institutional integrity.

1. Introduction

The institutional development of Islamic finance has produced a sophisticated architecture of contracts, products, governance processes and regulatory mechanisms intended to ensure conformity with Shariah. Shariah supervisory boards, internal compliance functions, audit mechanisms and increasingly detailed standards have made compliance an organisational capability rather than an isolated act of product approval. The work of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board (IFSB), national regulators and institutional Shariah bodies reflects this maturation. In many jurisdictions, the central policy problem is no longer whether Shariah governance should exist, but how it should be structured, supervised, disclosed and integrated with risk management, fiduciary responsibility and institutional accountability (IFSB, 2015; Wasim & Zafar, 2024).

This achievement, however, gives rise to a second-order evaluative question: what exactly does compliance establish, and what does it not establish? A transaction may satisfy recognised contractual requirements while scholars continue to debate the relationship between its legal form and economic substance. A sukuk may be structured according to accepted contracts while questions remain about the economic role of the underlying asset or the distribution of risk. A liquidity-management facility may be approved by competent Shariah authorities while critics question the degree to which its economic behaviour replicates conventional financing. An Islamic institution may also possess a sophisticated Shariah-governance system while providing limited evidence that its activities realise the social, distributive or developmental aspirations invoked through Maqasid al-Shariah or Islamic moral economy.

These situations need not be treated as contradictions. They involve different questions asked at different analytical levels. The first concerns validity: is the arrangement permissible and properly constituted? The second concerns substantive coherence: does the actual economic and institutional operation correspond materially with the Islamic structure, purpose and institutional character represented? The third concerns consequences: what demonstrable beneficial or harmful outcomes are produced, for whom, and over what horizon? Conflating these questions produces two opposite errors. One is to assume that a compliant form necessarily proves authentic economic substance and desirable social performance. The other is to treat poor social performance or conventional similarity as if it automatically renders an arrangement Shariah-invalid.

Contemporary scholarship already addresses each concern. A substantial literature examines Shariah governance, supervision, audit and compliance. Critical work considers Shariah arbitrage, convergence, form–substance divergence and the relationship between Islamic moral-economy aspirations and actual industry practice (El-Gamal, 2007; Asutay, 2012; Al-Jarhi, 2018). A parallel performance literature develops Maqasid-oriented indices and social-performance measures (Asutay & Harningtyas, 2015). Islamic social-finance research increasingly calls for explicit outcome and impact measurement, particularly in waqf and zakat institutions (Noordin et al., 2017; Syed Azman & Engku Ali, 2019; Zain et al., 2023). Malaysia's Value-Based Intermediation (VBI) initiative likewise institutionalises the concern that Islamic finance should create positive and sustainable value for the economy, community and environment (Bank Negara Malaysia [BNM], 2018).

The problem, therefore, is not an absence of concern with compliance, substance or impact. It is conceptual fragmentation. Each discourse has developed its own terminology, assumptions, measurement preferences and institutional applications. This paper develops the Compliance–Authenticity–Impact (CAI) Framework as an integrative diagnostic architecture for distinguishing these dimensions while explaining how they interact. The central claim is deliberately modest: Shariah compliance, substantive authenticity and Maqasid-oriented impact are analytically distinct but cumulatively relevant dimensions of Islamic institutional integrity. Their relationships are also asymmetric. A failure of fundamental Shariah validity cannot be compensated merely by favourable outcomes, whereas weak impact does not automatically invalidate an otherwise compliant arrangement.

The article makes four contributions. Conceptually, it distinguishes validity, substantive economic and institutional coherence, and demonstrated outcomes. Theoretically, it introduces a Representation–Reality Principle and an Asymmetric Non-Substitution Principle. Methodologically, it recommends multidimensional integrity profiles rather than prematurely aggregating the framework into a single compensatory score. Institutionally, it proposes a common diagnostic language capable of travelling, with sector-specific indicators, across commercial Islamic finance and Islamic social finance. The framework is not presented as an alternative to Shariah governance, qualified juristic judgement, VBI or impact measurement. Rather, it is intended to clarify what each form of evidence can and cannot establish.

2. Literature and Theoretical Background

2.1 Shariah compliance and governance

Shariah compliance is the indispensable foundation of Islamic financial legitimacy. At the transaction level it concerns the validity of contracts, parties, subject matter, consideration and the avoidance of prohibited elements. At the institutional level it increasingly encompasses governance arrangements, Shariah-board oversight, compliance functions, review, internal audit, disclosure and fiduciary responsibilities. AAOIFI's governance standards and the IFSB's regulatory principles exemplify this movement from product certification to institutional architecture. IFSB-17, for example, frames Shariah compliance alongside the soundness of claims made to customers, fiduciary responsibilities and preservation of linkages between finance and the real economy (IFSB, 2015).

The scholarly literature mirrors this institutional development. Wasim and Zafar's (2024) systematic review retained 93 studies from Scopus and Web of Science and identified research streams involving Shariah-board characteristics, governance measurement, disclosure, performance, risk management and institutional outcomes. The size and maturity of this literature matter for the present paper. CAI does not seek to reinvent Shariah compliance or to reduce the authority of Shariah boards. Rather, it takes the maturity of compliance architecture as a starting point and asks whether other evaluative claims should be inferred from compliance alone.

This distinction is important because the phrase 'beyond compliance' is sometimes read as if compliance were an elementary stage to be left behind once institutions become sufficiently sophisticated. That is not the position taken here. Compliance remains foundational. A more accurate formulation is that integrated institutional evaluation builds upon compliance while recognising that additional evidence may be required to assess economic substance, institutional coherence and realised outcomes. In other words, CAI is additive in the sense of breadth, but not compensatory in the sense that strengths in later dimensions can legalise a fundamentally invalid structure.

2.2 Form, substance and economic replication

One of the longest-running debates in modern Islamic finance concerns the relationship between contractual form and economic substance. El-Gamal (2007) uses the concept of Shariah arbitrage to criticise practices in which classical nominate contracts are combined in ways that can reproduce conventional economic payoffs while adding transaction costs and legal complexity. Khan (2010) similarly questions how distinct Islamic banking is from conventional banking in actual practice. Al-Jarhi (2018) examines the industry at a crossroads between a distinctive Islamic economic paradigm and convergence with conventional financial structures. These critiques differ in method and normative emphasis, but they share a concern that formal contractual validity and substantive economic reality should not be treated as identical categories.

The literature also warns against the opposite simplification. Conventional similarity, by itself, is not sufficient evidence of inauthenticity. Financial institutions operating in similar markets face similar liquidity, maturity, risk-management and customer-demand constraints. A financing arrangement may legitimately produce an economic result that resembles a conventional benchmark without being a mere disguise for a prohibited transaction. The more defensible analytical question is therefore not whether an Islamic product looks different enough from conventional finance, but whether its actual rights, obligations, asset relationships, risks, liabilities and institutional conduct remain materially coherent with the Shariah structure represented.

This formulation is consistent with Soualhi's (2015) Maqasid-oriented examination of contemporary Shariah contracts, which recognises the legitimacy of contractual forms while also interrogating how market application can affect their economic role and broader objectives. Hamour and colleagues' discussion of form and substance similarly helps explain why neither form nor intended substance should simply erase the other. For CAI, this body of scholarship provides the principal conceptual foundation for a middle layer between legal validity and social impact: substantive authenticity.

2.3 Islamic moral economy, Maqasid and institutional purpose

Islamic moral-economy scholarship widens the evaluative horizon from individual contracts to the institutional and socioeconomic purposes associated with an Islamic economic order. Asutay (2012) argues that the commercial evolution of Islamic finance has not always realised the developmental and distributive aspirations associated with Islamic moral economy. His critique is not principally a claim that every disputed financial structure is legally invalid. Rather, it points to a possible divergence between institutional identity, represented purpose and actual contribution to human wellbeing and socioeconomic justice. Haniffa and Hudaib (2007) similarly identify gaps between ideal and communicated ethical identities in Islamic banks, illustrating that institutional Islamic identity can itself become an empirical object of evaluation.

Maqasid al-Shariah is central to this discussion because it supplies a vocabulary for purpose, welfare, justice and preservation of essential human interests. Yet Maqasid reasoning is not a licence to treat beneficial consequences as overriding clear requirements of validity. Dusuki and Abozaid (2007) caution against loose or selective applications of Maqasid that could be used to justify transactions conflicting with established Shariah rules. This caution is theoretically decisive for CAI. It supports a distinction between evaluating whether an arrangement is valid and evaluating whether it advances a desirable objective. Both questions matter, but they are not interchangeable.

A disciplined Maqasid perspective therefore requires both normative ambition and legal constraint. Islamic finance cannot be reduced to mechanically correct contractual form, yet neither can higher objectives be invoked as a universal cure for invalid means. CAI translates this tension into an asymmetric relationship: positive impact can strengthen the overall institutional-integrity case, but it cannot independently establish Shariah validity. Conversely, an otherwise valid transaction can perform poorly against a developmental objective without becoming retrospectively invalid for that reason alone.

2.4 From Maqasid aspiration to performance and impact measurement

A separate literature has attempted to translate normative aspirations into measurable performance. Mohammed, Tarique and Islam and related Maqasid-performance work seek to assess Islamic banks against objectives broader than conventional profitability. Asutay and Harningtyas (2015) develop a Maqasid al-Shariah index to evaluate the social performance of Islamic banks, reinforcing the argument that Islamic institutional performance should not be inferred solely from financial ratios or product-level Shariah certification. The contribution of such models is important, but it also demonstrates why CAI's novelty cannot lie simply in calling for Maqasid measurement: that project already has a substantial scholarly history.

Islamic social finance has pushed the impact question even further. Syed Azman and Engku Ali (2019) argue that social-impact measurement is increasingly necessary for Islamic social-finance institutions because inputs, disbursements and activity counts do not establish whether meaningful change has occurred. In waqf, Noordin et al. (2017) show the limitations of narrow performance systems and propose a more comprehensive approach suited to the institutional character of waqf. Zain et al. (2023) connect social-impact measurement with governance and accountability in waqf organisations. Together, these studies support a basic but often neglected distinction: correctly administered resources and successfully delivered activities are not the same as demonstrated outcomes.

The measurement problem is especially important because the term 'impact' is frequently used loosely. Institutions may describe the number of beneficiaries reached, the value of financing disbursed, or the volume of waqf assets under management as impact. These are often outputs or scale indicators rather than evidence of change. A rigorous impact layer must distinguish inputs, activities, outputs, outcomes and, where feasible, attributable longer-term impact. CAI adopts this hierarchy while allowing proportionality: a small zakat programme should not be expected to undertake the same causal evaluation as a national financing programme, but it should still avoid claiming more than its evidence demonstrates.

2.5 Value-Based Intermediation as a major comparator

Bank Negara Malaysia's VBI framework is the closest major institutional comparator to CAI. VBI seeks to strengthen the roles and impact of Islamic banking institutions by orienting business practices toward positive and sustainable value for the economy, community and environment, while remaining rooted in Shariah (BNM, 2018). The subsequent Value-Based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) provides a structured approach to evaluating positive and negative impacts associated with financing and investment activities (BNM, 2019). The existence of VBI is important for two reasons. First, it demonstrates that contemporary Islamic-finance regulation already recognises that legal compliance alone does not exhaust the institution's value proposition. Second, it prevents CAI from making the inaccurate claim that no integrated value framework currently exists.

CAI is therefore best positioned as complementary rather than competitive. VBI is primarily an institutional strategy and intermediation framework designed to orient banking activities toward sustainable value creation. CAI addresses a narrower analytical question: how should validity, substantive economic and institutional coherence, and demonstrated outcomes be distinguished when evaluating Islamic institutional integrity? VBI can provide evidence relevant to Authenticity and Impact, but CAI retains an explicit validity layer and develops a non-substitution rule governing the relationship among the three dimensions.

3. Research Gap and Research Questions

The literature review suggests substantial scholarship within each of the three broad domains but less explicit theorisation of their boundaries and relationships. Shariah-governance studies investigate compliance and institutional oversight; form–substance and replication studies interrogate economic coherence; Maqasid, ethical-identity and Islamic moral-economy scholarship evaluate broader normative purpose; and impact-measurement studies examine realised outcomes. The gap is therefore an interface problem. Without an explicit architecture, scholars and practitioners can inadvertently infer substance from compliance, impact from intention, or invalidity from weak performance.

The proposed framework addresses this interface problem through five research questions: (RQ1) How does existing literature conceptualise the relationship among Shariah compliance, economic substance, Maqasid al-Shariah and institutional outcomes? (RQ2) Can substantive authenticity be distinguished conceptually from both Shariah compliance and impact? (RQ3) What dimensions can reasonably constitute substantive authenticity in Islamic finance and Islamic social finance? (RQ4) To what extent are Compliance, Authenticity and Impact cumulative yet asymmetrically non-substitutable? (RQ5) Can the CAI architecture operate across commercial Islamic finance and Islamic social finance while remaining sensitive to their different institutional purposes?

4. Methodology

This article adopts an integrative conceptual-review design aimed at theory development rather than statistical meta-analysis. The analytical unit is not a single financial instrument or jurisdiction, but the relationship among three recurring evaluative constructs: Shariah compliance, substantive economic and institutional coherence, and impact. Peer-reviewed literature is combined with authoritative institutional standards and regulatory frameworks where these are necessary to understand how Shariah governance, VBI, waqf governance and impact assessment operate in practice.

The literature was organised into five evidence streams: (1) Shariah compliance and governance; (2) form, substance, replication and convergence; (3) Islamic moral economy and Maqasid; (4) social performance and impact measurement; and (5) institutional frameworks such as VBI, IFSB principles and AAOIFI governance standards. Sources were then read comparatively at the interfaces C–A, A–I and C–I. The conceptual synthesis asked four questions of the evidence: Does a source imply that the dimensions are distinct? Does it imply a hierarchy among them? Does it permit one dimension to compensate for another? Does it challenge the need for CAI by showing that one dimension already incorporates the others?

A formal PRISMA-based systematic review is planned as the next evidence-consolidation stage rather than being falsely claimed as completed here. The intended systematic search will use Scopus and Web of Science as core databases for 2000–2026, supplemented by backward citation tracing for foundational earlier sources and a separate institutional evidence stream for regulators and standard setters. Search blocks will combine Shariah compliance/governance terms with economic-substance, Maqasid, impact and institutional terms. This distinction is methodologically important: an integrative conceptual article can legitimately develop theory from a purposive and transparent body of scholarship, but it should not present itself as a completed systematic review until screening, deduplication and PRISMA reporting have actually been performed.

5. The Compliance–Authenticity–Impact Framework

CAI proposes three evaluative dimensions that answer different questions. They are not isolated silos. Shariah and Maqasid provide the normative foundations of the whole architecture, while governance, evidence and accountability support credible assessment across the dimensions. Nevertheless, analytical separation is necessary because evidence that is sufficient to answer one question may be insufficient to answer another.

Dimension	Core question	Working definition
Compliance (C)	Is it valid and Shariah-compliant?	Shariah validity, structure, governance and operation.
Substantive Authenticity (A)	Is it genuine in economic and institutional substance?	Coherence between represented Islamic structure/purpose and actual economic/institutional reality.
Impact (I)	What demonstrable outcomes does it produce?	Evidence of beneficial or harmful outcomes relative to legitimate objectives and relevant Maqasid.

Table 1. Core dimensions of the CAI Framework.

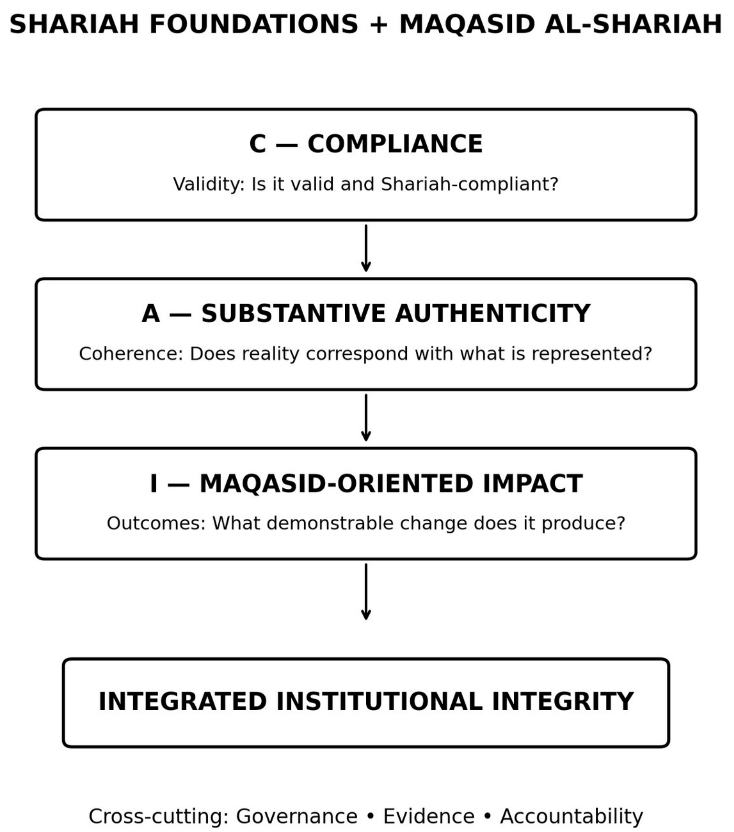

Figure 1. Compliance–Authenticity–Impact conceptual architecture.

5.1 Compliance: the foundational validity layer

Compliance is defined as the extent to which an institution, instrument, transaction or programme satisfies applicable Shariah requirements relating to validity, structure, governance and operation. It includes the relevant contractual and procedural requirements as determined by competent Shariah authority and the institutional governance requirements applicable in the relevant jurisdiction or standard-setting environment. CAI does not attempt to resolve jurisprudential disagreements by creating its own universal rulebook. Where legitimate differences of Shariah interpretation exist, the Compliance layer must record the applicable authority, standard or school rather than hiding disagreement behind a single numerical score.

The conceptual consequence is a Validity Gate. Where a fundamental Shariah defect is established by competent authority, favourable evidence in Authenticity or Impact cannot independently convert the arrangement into a valid one. This does not mean that every compliance breach is equally fundamental. Operational non-conformities, disclosure weaknesses and remediable governance failures may differ from defects affecting the validity of the underlying transaction. Operationalisation therefore requires a hierarchy of compliance findings rather than a simplistic pass/fail approach.

6. Substantive Authenticity: the Missing Middle Layer

The conceptual centre of CAI is the distinction between Shariah validity and substantive authenticity. The term authenticity is used in a technical rather than devotional sense. It does not purport to measure piety, sincerity or whether an institution is 'Islamic enough'. It refers to economic and institutional coherence: the degree to which substantive economic behaviour, rights and obligations, risk relationships, resource allocation, institutional conduct and purpose remain materially coherent with the Islamic structure and institutional character represented.

Substantive Authenticity performs a bridging function. A compliance analysis can establish that an arrangement uses recognised contracts and follows applicable Shariah requirements. An impact analysis can establish whether desired outcomes occurred. Neither necessarily answers whether the economic and institutional substance of the arrangement corresponds with the identity and purpose represented. The Authenticity layer therefore asks what actually happens after legal form is constituted but before outcome claims are made.

This layer deliberately avoids four conceptual errors. First, authenticity is not measured by distance from conventional finance. Similarity alone neither proves nor disproves authenticity. Second, authenticity does not require every Islamic financial arrangement to maximise profit-and-loss sharing. Different contracts allocate risk, ownership, usufruct, debt and agency in different ways. Third, authenticity is not a substitute for fiqh or Shariah-board judgement. The validity of a murabahah, ijarah, wakalah, musharakah or waqf arrangement remains a Shariah question. Fourth, authenticity is not identical with impact. A genuinely constituted and economically coherent structure can still perform poorly against its intended objective.

6.1 Six provisional domains of Substantive Authenticity

Six provisional domains emerge from the literature and the conceptual synthesis. They are proposed as a research agenda rather than a validated measurement scale.

A1. Substance–Representation Consistency Whether the actual operation of the arrangement materially corresponds with the structure and claims represented to stakeholders. A nominal asset transfer that carries no meaningful legal or economic role, for example, raises a different question from whether the contract was formally documented.

A2. Risk–Return and Responsibility Integrity Whether returns, risks, liabilities, ownership responsibilities and decision rights are allocated in a manner coherent with the represented structure. The concept is broader than risk sharing and does not assume that all Islamic finance must use equity-like arrangements.

A3. Asset, Activity and Real-Economy Coherence Whether the degree and form of asset, service or real-economic linkage appropriate to the instrument is genuine rather than purely cosmetic. The qualification "appropriate to the instrument" prevents this domain from becoming a blanket requirement that every liquidity or payment facility directly finance productive enterprise.

A4. Purpose Preservation Whether implementation preserves the distinctive purpose and beneficiary orientation of the institution or instrument. This domain is particularly important for waqf, zakat and other forms of Islamic social finance, where legal validity can coexist with long-term underutilisation or mission drift.

A5. Fairness and Stakeholder Integrity Whether legitimate stakeholder rights, transparency, burden allocation, avoidance of exploitation and fiduciary expectations are substantively protected rather than merely stated.

A6. Institutional Coherence Whether strategy, product mix, capital allocation, governance practices, communications and organisational conduct are reasonably coherent with the Islamic identity and purpose represented by the institution as a whole.

These domains also suggest that Authenticity may operate at more than one level. Product-level authenticity concerns the substantive operation of a particular contract or instrument. Institutional authenticity concerns the coherence of the organisation's wider strategy, conduct and resource allocation with the Islamic identity it represents. Future validation should determine whether these levels should be scored separately, nested, or retained as qualitative analytical categories.

6.2 The Representation–Reality Principle

The central principle of the Authenticity layer is the Representation–Reality Principle: substantive integrity increases where actual economic and institutional behaviour remains materially coherent with the Islamic structure and purpose represented. The principle draws together concerns found in Shariah-arbitrage critiques, ethical-identity studies, Maqasid scholarship and form–substance analysis without adopting the strongest claims of any single literature. It does not require Islamic finance to be economically unfamiliar. It requires the institution to be able to explain and evidence the substantive meaning of the Islamic structure it represents.

7. Maqasid-Oriented Impact: from Aspiration to Evidence

Impact asks what changed. It therefore begins where claims of intention, activity and output end. A zakat institution may accurately report the amount distributed, a waqf institution may report the market value of endowed assets, and an Islamic bank may report financing channelled to a priority sector. These figures may be important, but they do not by themselves demonstrate what changed in the lives of beneficiaries, the resilience of enterprises, the productivity of assets, the fairness of markets or the quality of the environment.

CAI defines Maqasid-Oriented Impact as the extent to which demonstrable beneficial or harmful outcomes are produced for relevant stakeholders, institutions, society or the real economy in relation to legitimate institutional objectives and relevant Maqasid al-Shariah. The phrase 'in relation to legitimate objectives' prevents overgeneralisation. Not every zakat intervention should be expected to graduate recipients from poverty; emergency relief can legitimately aim at short-term protection. Not every waqf exists to maximise financial returns; some preserve religious, educational, cultural or ecological goods. Impact must therefore be purpose-sensitive.

The Impact layer is also evidence-sensitive. It distinguishes inputs, activities, outputs, outcomes and, where feasible, attributable impact. Attribution requirements should be proportionate to scale, decision importance and available data. A small waqf may reasonably use contribution analysis and beneficiary evidence, while a national programme may require comparison groups, longitudinal data or quasi-experimental methods. The crucial norm is epistemic discipline: institutions should not claim impact beyond what their evidence supports.

This position aligns CAI with, but does not duplicate, Maqasid-based performance models, Islamic social-finance impact measurement and VBI/VBIAF. CAI's contribution is to clarify that such evidence belongs principally to the Impact dimension. It may inform Authenticity when outcomes reveal a persistent representation–reality gap, but it does not retroactively determine the Shariah validity of the underlying structure.

8. Asymmetric Non-Substitution

The principal theoretical refinement of CAI is that the relationships among Compliance, Authenticity and Impact are not symmetrical. The dimensions are cumulatively relevant, but weakness in one dimension does not compensate for weakness in another in the same way. In particular, Shariah validity has a gate-like character that impact does not possess. Favourable social outcomes cannot independently legalise a fundamentally invalid structure, while weak outcomes do not automatically invalidate an otherwise valid arrangement.

This can be expressed conceptually as C does not imply A; C does not imply I; and A does not imply I. Most importantly, positive I does not imply valid C, while negative I does not imply invalid C. These are not mathematical equations in the psychometric sense. They are logical statements clarifying the evidential relationship among constructs. The asymmetry prevents CAI from becoming a compensatory scorecard in which a severe validity failure could be offset by excellent social outcomes.

8.1 Six core propositions

P1 — Compliance Necessity: Shariah validity and compliance are necessary but insufficient conditions for integrated Islamic institutional integrity.

P2 — Analytical Distinction: Compliance, substantive authenticity and impact address analytically distinct dimensions of institutional assessment.

P3 — Representation–Reality Principle: Substantive authenticity depends upon material coherence between the Islamic structure and purpose represented and the economic and institutional reality produced.

P4 — Impact Evidence Principle: Maqasid-oriented outcomes should not be inferred solely from compliant structure, Islamic identity or stated institutional intention.

P5 — Asymmetric Non-Substitution Principle: Positive performance in another CAI dimension cannot independently cure a fundamental Shariah-validity defect, while weakness in authenticity or impact does not necessarily invalidate an otherwise Shariah-valid arrangement.

P6 — Integrated Integrity Principle: The strongest evidence of Islamic institutional integrity exists where satisfactory evidence of Compliance, Authenticity and Impact is present together.

9. Illustrative Applications

9.1 Islamic liquidity management

Islamic liquidity management provides a useful test because the relevant instruments operate under strong market constraints and frequently attract debate over replication. An arrangement may use recognised Shariah contracts and receive competent approval while critics argue that its economic effect closely resembles conventional short-term funding. CAI does not resolve this debate by treating resemblance itself as evidence of failure. Compliance asks whether the structure is valid under the applicable Shariah framework. Authenticity asks whether the actual rights, obligations, asset relationships, sequencing, risks and responsibilities are substantive rather than nominal. Impact asks a different question again: whether the instrument supports liquidity resilience, market stability or other legitimate objectives without generating material harm. This separation permits criticism of economic substance without casually converting an authenticity concern into a declaration of invalidity.

9.2 Islamic banking and sukuk

In Islamic banking and sukuk, CAI is useful where legal form, asset relationships, fiduciary responsibility and economic outcomes interact. A sukuk may be validly structured while questions remain about whether ownership rights, asset exposure or recourse arrangements correspond with what investors are led to understand. An Islamic bank may meet governance requirements while its strategic allocation of financing remains concentrated in activities with limited developmental contribution. CAI treats these as potentially different diagnoses. A product-level Shariah defect belongs to Compliance. A material mismatch between represented asset-based characteristics and actual economic relationships belongs primarily to Authenticity. Weak evidence of social or real-economy contribution belongs to Impact unless the institution has explicitly represented such contribution as part of its substantive identity.

This distinction is especially useful for regulators and Shariah boards because it reduces the temptation to make every institutional criticism a Shariah-validity claim. It also strengthens accountability. Institutions cannot respond to impact criticism merely by pointing to product approval, and critics cannot infer non-compliance merely because an approved structure resembles a conventional economic outcome.

9.3 Waqf: legally alive, institutionally dormant

Waqf demonstrates the diagnostic value of CAI particularly clearly. Consider a commercial property validly constituted as waqf. The waqf deed is sound, governance arrangements are in place and the corpus is preserved. Yet a large portion of the property remains unused or chronically underproductive for years despite feasible opportunities for utilisation, while intended beneficiaries receive negligible recurring benefit. A one-dimensional compliance assessment may conclude that the waqf remains legally intact. A one-dimensional impact assessment may conclude that it performs poorly. CAI makes the institutional diagnosis more precise.

Compliance may remain strong if the waqf is validly constituted and managed within applicable Shariah rules. Authenticity may reveal a purpose-preservation or stewardship gap if the asset is not being managed in a manner coherent with the purpose represented by the waqf. Impact may reveal weak beneficiary outcomes. The institution can therefore be described as legally alive yet institutionally dormant without implying that poor performance automatically voids the waqf. This distinction is consistent with the growing waqf-governance and performance literature, which treats governance, accountability, productivity and social value as matters requiring assessment beyond legal existence alone (Noordin et al., 2017; Zain et al., 2023).

9.4 Zakat: compliant but ineffective

A zakat livelihood programme can likewise score differently across the three dimensions. Suppose eligible recipients are correctly identified, funds are distributed through permissible channels and the programme meets applicable Shariah requirements. Its stated purpose, however, is not merely immediate relief but sustainable livelihood improvement. If longitudinal evidence shows little improvement in income stability, enterprise survival or household resilience, the correct diagnosis is not necessarily that the zakat distribution was invalid. Compliance may remain strong. Authenticity may be strong or moderate depending on whether programme design genuinely reflects the stated livelihood purpose. Impact may be weak because the intended outcome has not been achieved.

This distinction has practical consequences. The remedy for a Compliance failure may require Shariah correction or legal restructuring. The remedy for an Authenticity gap may require redesign of incentive structures, resource allocation, governance or purpose alignment. The remedy for weak Impact may require better targeting, programme design, implementation or monitoring. A framework that conflates these dimensions risks prescribing the wrong institutional remedy.

10. Diagnostic Profiles Rather Than Premature Composite Scores

CAI should not initially be collapsed into a single score such as 78/100, nor should C, A and I be multiplied. Such aggregation would imply measurement properties, interval scales and compensatory relationships that have not been established. It could also conceal critical weaknesses. An institution with extremely strong impact but a fundamental validity defect should not receive an apparently respectable overall score simply because the numbers average out.

A profile-based diagnostic is methodologically safer. At an early stage, descriptive categories such as Compliance Established, Authenticity Gap, Performance Gap, Integrated Integrity and Validity Failure are sufficient. Later empirical work may develop ordinal ratings such as C4–A2–I1, but only after construct validity, reliability and sector-specific indicators have been established. Profiles have the additional advantage of directing remediation: they show where the weakness is located instead of compressing different problems into a single number.

Diagnostic state	Indicative profile	Interpretive meaning
Compliance Established	C satisfactory; A and/or I not yet established	Do not infer wider integrity from compliance alone.
Authenticity Gap	C satisfactory; material coherence concerns in A	Investigate representation–reality mismatch.
Performance Gap	C/A satisfactory; I weak against stated objective	Redesign implementation and measurement.
Integrated Integrity	C/A/I satisfactorily evidenced	Strongest CAI condition.
Validity Failure	Fundamental C requirement absent	Positive A/I evidence cannot independently cure the defect.

Table 2. Illustrative CAI diagnostic profiles.

11. Relationship to Existing Frameworks

CAI is intended as a diagnostic complement, not a replacement for established systems. Traditional Shariah governance is strongest on validity, supervision and institutional compliance. Maqasid-performance models and social-impact measurement concentrate more heavily on outcomes, value creation and social performance. ESG and sustainability frameworks provide extensive environmental and social metrics but do not possess an Islamic-validity gate. VBI is broader than a conventional impact scorecard and is explicitly Shariah-rooted, making it the closest comparator. CAI's proposed addition is the explicit separation of validity, substantive coherence and demonstrated outcomes together with a non-substitution rule.

Framework	Compliance	Authenticity/ substance	Impact	Primary contribution
Shariah governance	Very strong	Variable	Usually indirect	Validity, oversight, compliance systems
Maqasid performance indices	Variable/implicit	Moderate	Strong	Purpose-oriented performance
VBI/VBIAF	Shariah-rooted	Strong	Strong	Value creation and impact-oriented intermediation
Social impact measurement	Usually external to method	Limited	Very strong	Outcomes and attribution
CAI	Explicit foundational layer	Explicit middle layer	Explicit outcome layer	Diagnostic distinction and asymmetric non-substitution

Table 3. Conceptual positioning of CAI relative to selected frameworks.

The comparison should not be read as a claim that every existing framework lacks the other dimensions. Shariah governance can incorporate considerations of substance and fiduciary responsibility. Maqasid models may incorporate compliance assumptions. VBI is explicitly rooted in Shariah and concerned with impact. The purpose of the table is analytical emphasis rather than categorical exclusion. CAI will add value only if its distinctions help institutions diagnose problems that would otherwise be obscured.

12. Discussion

The CAI framework reframes a familiar debate. Much Islamic-finance criticism is organised around the question of whether the industry has become too formalistic, too similar to conventional finance or insufficiently developmental. These critiques often carry genuine insight but can produce analytical overreach when they move directly from one type of evidence to another. A product may be criticised for replication even though the relevant Shariah authority regards its contract as valid. An institution may be praised for social impact despite uncertainty about the permissibility of the underlying means. A waqf may be described as successful because its corpus is preserved even though beneficiary outcomes are negligible. CAI attempts to preserve the insight in each criticism while placing it in the correct analytical dimension.

The most significant conceptual contribution is the middle layer. If Authenticity cannot be distinguished from Compliance, the framework becomes redundant because all substantive concerns would already belong to Shariah validity. If Authenticity cannot be distinguished from Impact, it becomes an unnecessary label for good outcomes. The proposed definition avoids both collapses. Authenticity concerns whether the economic and institutional reality is coherent with the Islamic structure and purpose represented; Impact concerns what happens as a consequence. This allows, for example, a well-designed and substantively coherent zakat livelihood programme to fail because of external shocks or implementation weaknesses, and a poorly designed programme to produce temporary positive outcomes through favourable circumstances. Substance and outcome are related but not identical.

The framework also clarifies the role of governance. Governance is partly constitutive of Compliance where Shariah-governance requirements are mandatory. At the same time, governance functions cross-cuttingly because credible Authenticity and Impact assessment require data, oversight, accountability and institutional responsibility. Governance should therefore not be treated as a fourth outcome layer parallel to C, A and I. It is better understood as both embedded and enabling: embedded in Compliance where required for validity and conformity, and enabling across the framework as the infrastructure through which claims are verified and corrected.

A further implication concerns conventional similarity. CAI's Conventional Similarity Neutrality principle holds that similarity between an Islamic and conventional financial outcome neither establishes nor disproves authenticity by itself. This position is necessary if the framework is to avoid becoming ideologically predetermined. Authenticity must be evidenced through actual rights, obligations, risks, asset relationships, purpose and conduct. If the structure is substantively real and valid, the fact that pricing or cash-flow patterns resemble conventional benchmarks may be economically unsurprising. Conversely, superficial difference in terminology or documentation cannot by itself prove substantive distinctiveness.

The framework also provides a disciplined way to integrate Maqasid without allowing Maqasid to absorb all other categories. Maqasid informs the normative purposes against which Impact can be interpreted and can also illuminate the institutional purpose relevant to Authenticity. But the Validity Gate prevents beneficial outcomes from functioning as an independent source of legality. This architecture therefore seeks a middle position between legal formalism and unconstrained consequentialism.

13. Institutional Implications

13.1 Shariah boards and Shariah governance functions

For Shariah boards, CAI can strengthen rather than displace juristic authority. It clarifies which findings concern legal validity and which require economic, governance or impact evidence. A Shariah board may determine that a structure is valid while still recommending further review of whether implementation remains substantively coherent with its represented structure. Conversely, an impact evaluator should not declare a structure Shariah-invalid merely because its social outcomes are disappointing.

13.2 Regulators and standard setters

For regulators, CAI provides a language for separating compliance supervision, conduct and economic-substance concerns, and outcome-oriented policy objectives. This may be particularly valuable in jurisdictions where Islamic finance is developing and regulatory institutions need to avoid conflating legal permissibility with developmental success. The framework also aligns with existing regulatory directions that increasingly connect Islamic finance with fiduciary responsibility, the real economy, sustainability and impact.

13.3 Islamic financial institutions

For Islamic banks, takaful operators, funds and sukuk issuers, CAI can support internal diagnosis. A compliance problem calls for Shariah and legal remediation. An authenticity problem may call for restructuring economic relationships, product design, communication or institutional strategy. An impact problem may call for changes in portfolio allocation, implementation or measurement. Distinguishing the location of the problem reduces reputational overreaction and supports more precise governance responses.

13.4 Waqf and zakat institutions

For waqf and zakat organisations, CAI is potentially especially useful because legal validity, stewardship, purpose preservation and beneficiary outcomes are often discussed together. The framework allows trustees and managers to say that an institution is validly constituted yet underperforming, or that a programme is compliant yet ineffective against a stated developmental objective. Such language makes institutional reform possible without careless claims of religious invalidity.

14. Limitations and Research Agenda

CAI is presently a conceptual framework and should not be represented as empirically validated. Its most difficult construct is Substantive Authenticity. Although form–substance, ethical-identity, Islamic moral-economy and Maqasid literatures provide strong conceptual support for the underlying problem, the boundaries and measurement properties of Authenticity remain open. Expert validation may conclude that the preferred term should be 'substantive coherence', 'economic and institutional coherence' or another construct. The six proposed domains may also require revision, merger or sector-specific adaptation.

A second limitation concerns variation in Shariah interpretation. Islamic financial law is not a single undifferentiated rule set, and legitimate differences exist across jurisdictions, standards and scholarly authorities. CAI must therefore be applied with explicit reference to the relevant Shariah authority rather than pretending that a global numerical compliance score can erase jurisprudential diversity. A third limitation concerns impact attribution. Maqasid-oriented outcomes can be difficult to measure, and causal claims require evidence proportionate to the intervention and decision context.

A fourth limitation is cross-sector portability. Banking, sukuk, takaful, waqf and zakat share an Islamic normative environment but have different legal forms, purposes, stakeholders and success conditions. CAI's three-dimensional architecture may be portable, but the indicators cannot simply be identical. Purpose Preservation, for example, may be central in waqf, while liquidity resilience may be more relevant to a treasury instrument. The framework should therefore be treated as a common architecture with sector-specific operational modules.

Future research should proceed in three stages. First, a formal systematic review should consolidate the C–A, A–I and C–I interfaces and actively seek scholarship that could defeat the framework, including arguments that substance is already fully incorporated within Shariah compliance or that Maqasid assessment should not be separated from juristic evaluation. Second, a modified Delphi study should test construct distinctiveness, terminology, the six Authenticity domains and the acceptability of asymmetric non-substitution. Third, empirical case studies should test profile-based diagnosis across mature and emerging Islamic-finance environments and across commercial and social-finance institutions. Only after these stages should researchers consider numerical scoring or certification.

15. Conclusion

The development of Islamic finance has made Shariah compliance an increasingly sophisticated institutional capability. At the same time, the field has become more self-critical about economic substance and increasingly serious about Maqasid, value creation and social impact. These developments should not be collapsed into a single evaluative question. Validity, substantive coherence and demonstrated outcomes require different evidence and may call for different institutional remedies.

The CAI Framework proposes three distinct but interacting questions: Is the arrangement valid and Shariah-compliant? Is its substantive economic and institutional reality coherent with what it represents? What demonstrable outcomes does it produce? Compliance remains foundational. Substantive Authenticity provides the analytical bridge between form and consequence. Impact requires evidence of what actually changes relative to legitimate objectives and relevant Maqasid.

The framework's central theoretical claim is asymmetric non-substitution. Beneficial outcomes cannot independently cure a fundamental Shariah-validity defect, while poor impact does not automatically invalidate a valid arrangement. Compliance does not prove authenticity, and authenticity does not prove impact. The strongest condition is therefore not a high aggregate score but convergent evidence across all three dimensions.

CAI should ultimately be judged not by the attractiveness of its terminology but by whether it survives systematic evidence, expert criticism and empirical application. If validated, it may provide Islamic finance and Islamic social finance with a common diagnostic language for moving from isolated claims of compliance, authenticity and purpose toward a more disciplined account of integrated institutional integrity.

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Author Note

This manuscript presents CAI Version 1.0 as a conceptual framework. Any subsequent scoring scale, validation claim, institutional certification system or comparative ranking should be developed only after systematic evidence consolidation, qualified Shariah review, expert validation and empirical testing. Correspondence: Ibrahim Abdul Mugis, President, Awqaf Africa; Journalist & Islamic Social Finance Researcher, Malaysia.