

IQZATH Theory: Reconstructing Islamic Economics toward a Moral-Spiritual and Sustainable Paradigm

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Abstract

The rapid growth of Islamic economics has strengthened Sharia-compliant finance, halal industries, and Islamic social finance. However, its theoretical development remains constrained by the absence of an integrated framework explaining how spiritual consciousness generates ethical governance and sustainable economic outcomes. Existing paradigms largely emphasize legal compliance, institutional governance, and normative objectives while offering limited explanation of the causal mechanisms linking individual moral transformation to organizational governance and long-term sustainability. This study develops IQZATH Theory (*Iqtishādiyyah az-Zakiyyah ath-Tāhirah*) as a novel middle-range theoretical framework for reconstructing Islamic economics from a moral-spiritual perspective. Employing a qualitative conceptual design with a theory-building approach, the study synthesizes interdisciplinary literature on Islamic economics, governance, business ethics, sustainability, and Islamic philosophy through ontological, epistemological, and axiological analyses. The proposed framework identifies *tazkiyah* (spiritual purification) as the foundational causal mechanism that fosters *Nazahah* (ethical integrity), *Syaffafah* (institutional transparency), public trust, and ultimately *Istidamah* (sustainable governance). Unlike existing approaches that primarily prescribe normative ideals, IQZATH explains how spiritual values are transformed into institutional behavior through an integrated causal process connecting the individual, organizational, and societal levels. The theory contributes to Islamic economic scholarship by repositioning spirituality as an endogenous explanatory construct rather than merely a normative principle, thereby extending international discussions on ethical governance and sustainable development. Future empirical research is encouraged to operationalize and validate the proposed constructs across diverse institutional and cross-cultural settings.

Keywords: *IQZATH Theory; Islamic Economics; Moral-Spiritual Governance; Sustainability; Theory Building*

INTRODUCTION

The twenty-first century has witnessed profound transformations in the global economic landscape, driven by rapid advances in digital technologies, artificial intelligence, financial innovation, and the increasing integration of international markets. While these

developments have significantly enhanced economic productivity, market efficiency, and financial accessibility, they have simultaneously generated increasingly complex ethical, social, and environmental challenges (Johnson & Acemoglu, 2023). Persistent income inequality, ecological degradation, speculative financial practices, declining institutional trust, excessive consumerism, and the weakening of moral responsibility have become defining characteristics of contemporary economic systems (Sachs, J, 2015). These multidimensional crises demonstrate that economic development can no longer be understood solely as the expansion of production, investment, or market performance. Rather, sustainable prosperity increasingly depends upon the integration of economic efficiency, ethical governance, environmental responsibility, and human well-being within a coherent developmental framework (E et al., 2018; Raworth, 2018). Consequently, scholars across economics, business ethics, and sustainability studies have increasingly questioned whether existing economic paradigms remain theoretically adequate for addressing the moral complexities of contemporary global capitalism.

These concerns have become even more urgent with the emergence of digital capitalism. The widespread adoption of artificial intelligence, financial technology, algorithmic decision-making, blockchain systems, and digital commerce has fundamentally reshaped the architecture of economic interaction (Pazouki et al., 2025). Although these innovations have expanded financial inclusion and reduced transaction costs, they have also intensified ethical risks, including algorithmic discrimination, information asymmetry, speculative investment, deceptive digital marketing, cyber fraud, and irresponsible consumption (Brynjolfsson & McAfee, 2014). Existing governance mechanisms—including regulatory compliance, consumer protection laws, technological safeguards, and corporate governance standards—remain essential for maintaining market order (Chumpitaz Caceres & Paparoidamis, 2007). Nevertheless, these mechanisms primarily regulate external behaviour while often failing to cultivate the internal ethical consciousness necessary for sustaining responsible economic conduct. As a result, contemporary governance increasingly faces a fundamental dilemma: sophisticated institutions cannot guarantee ethical outcomes when moral responsibility is absent from individual economic actors.

Within this broader intellectual context, Islamic economics has emerged as one of the most significant alternative paradigms seeking to reconcile economic development with ethical and spiritual values. Unlike conventional economic theories that primarily emphasize efficiency and utility maximization, Islamic economics conceptualizes economic activities as integral components of moral responsibility (*amanah*), justice (*'adl*), public welfare (*maṣlaḥah*), and human prosperity (*falāḥ*) (Chapra, 2016; Mirakhor & Askari, 2017). The remarkable global expansion of Islamic banking, halal industries, zakat institutions, waqf management, Islamic social finance, and Sharia-compliant investment demonstrates the increasing acceptance of Islamic economic principles across diverse socio-economic contexts (Abdullah & binti Pg, 2025; Alfian et al., 2025). Nevertheless, the impressive institutional growth of Islamic finance has not been accompanied by an equally substantial advancement in its theoretical foundations.

A growing body of literature argues that contemporary Islamic economics remains heavily influenced by the legalistic orientation of Sharia compliance. Much of the existing scholarship continues to evaluate Islamic financial institutions primarily through their conformity to contractual legitimacy while devoting comparatively limited attention to the ethical and spiritual transformation that originally constituted the normative essence of Islamic economics (Dusuki, 2008; Dusuki & Bouheraoua, 2011). Consequently, Islamic

financial institutions are frequently criticized for reproducing the operational characteristics of conventional financial systems through alternative contractual structures rather than developing an authentically distinct economic paradigm grounded in Islamic moral philosophy (Asutay, 2007). This criticism has gradually shifted scholarly attention from institutional engineering toward the reconstruction of the philosophical foundations of Islamic economics itself.

Among the most influential reconstructive approaches is the framework of *Maqāṣid al-Sharī'ah*. Contemporary scholars have successfully expanded the classical objectives of Islamic law beyond the preservation of religion, life, intellect, lineage, and wealth by incorporating broader concerns such as human dignity, institutional justice, environmental sustainability, inclusive development, and social resilience (Auda, 2022; Kamali, 1999). Likewise, the literature on Islamic Moral Economy has significantly enriched discussions concerning ethical governance, distributive justice, responsible markets, and social solidarity (Furqani, 2015; Cattelan, 2013). These contributions have substantially strengthened the normative architecture of Islamic economics by demonstrating that economic activities should ultimately serve comprehensive human welfare rather than merely maximize financial returns.

Despite these important developments, a significant theoretical limitation remains unresolved. Existing paradigms successfully explain the normative objectives of Islamic economics and provide valuable guidance for institutional governance, legal compliance, and distributive justice. However, they offer comparatively limited explanation regarding the causal processes through which spiritual consciousness is transformed into ethical decision-making, organizational integrity, institutional transparency, and sustainable economic governance. In most existing theories, spirituality functions primarily as a normative aspiration or moral recommendation rather than as an endogenous explanatory variable capable of accounting for variations in organizational behaviour and institutional performance. Consequently, contemporary Islamic economics still lacks an integrative theoretical framework capable of systematically explaining how individual moral transformation generates sustainable governance across multiple institutional levels.

This theoretical limitation becomes increasingly problematic within the context of contemporary digital economies, where technological sophistication often exceeds ethical development. External governance mechanisms—including regulatory compliance, auditing systems, transparency standards, and technological monitoring—remain indispensable for preventing misconduct. Nevertheless, institutional regulations alone cannot fully explain why organizations operating under identical regulatory frameworks frequently display remarkably different levels of ethical integrity, transparency, accountability, and public trust. Such variations suggest that sustainable governance depends not only upon institutional design but also upon the moral quality of the individuals who construct, manage, and sustain those institutions. Consequently, internal spiritual transformation deserves greater theoretical attention as a fundamental determinant of sustainable economic behaviour.

Responding to this conceptual deficiency, this article proposes IQZATH Theory (*Iqtishādiyyah az-Zakiyyah ath-Tāhirah*) as a new theoretical framework for reconstructing Islamic economics within a moral-spiritual paradigm of sustainable development. The urgency of this theory arises from the growing disconnect between the rapid expansion of Islamic economic institutions and persistent ethical challenges affecting contemporary societies. Despite significant progress in Islamic banking, halal industries, and Islamic social finance, many societies continue to experience

corruption, financial misconduct, declining public trust, environmental degradation, and widening social inequality. These realities indicate that institutional growth and regulatory compliance alone are insufficient to produce ethical and sustainable economic outcomes. Without a coherent theoretical explanation of how spiritual values shape individual behavior and organizational governance, Islamic economics risks becoming a system of legal compliance rather than a transformative moral paradigm. IQZATH Theory addresses this challenge by conceptualizing *tazkiyah* (spiritual purification) as the central explanatory mechanism through which individual moral consciousness is translated into ethical conduct, institutional transparency, governance quality, and long-term socio-economic sustainability. Its philosophical foundation is derived from the Qur'anic principle articulated in QS. At-Taubah (9:103), particularly the expression *tutahhiruhum wa tuzakkīhim bihā*, which emphasizes purification and moral refinement as inseparable dimensions of social and economic responsibility. Although originally revealed in the context of zakat, this principle provides a broader epistemological basis for understanding economic activity as a continuous process of moral transformation rather than merely material exchange.

Building upon this Qur'anic foundation, IQZATH Theory develops an integrated conceptual architecture consisting of three mutually reinforcing constructs: *Nazahah*, representing ethical integrity, honesty, and justice; *Syaffafah*, referring to transparency and institutional accountability; and *Istidamah*, denoting sustainability encompassing economic resilience, environmental stewardship, social justice, and intergenerational welfare. These constructs are not conceptualized as isolated ethical ideals but as interdependent causal mechanisms operating through the transformative process of *tazkiyah*. Accordingly, sustainable governance emerges not solely from effective institutional regulation but from the interaction between spiritually refined individuals, ethically responsible organizations, and socially accountable economic systems.

The principal contribution of IQZATH Theory lies not simply in integrating Islamic ethics, sustainability, and governance into a unified conceptual model. Rather, it introduces a new explanatory architecture that positions spiritual purification as the endogenous mechanism linking micro-level moral transformation, meso-level organizational governance, and macro-level sustainable development. By repositioning spirituality from a normative principle to an explanatory construct, IQZATH Theory offers a novel perspective for understanding ethical governance within Islamic economics while simultaneously contributing to broader interdisciplinary discussions concerning sustainability, organizational ethics, and institutional theory.

Accordingly, this article aims to formulate the ontological, epistemological, and axiological foundations of IQZATH Theory and to demonstrate its theoretical contribution to reconstructing Islamic economics toward a moral-spiritual and sustainable paradigm. Furthermore, the article seeks to establish a coherent conceptual framework capable of guiding future empirical investigations concerning the relationships among spiritual purification, ethical governance, institutional legitimacy, and sustainable economic development.

METHOD

This study employed a qualitative conceptual research design using a theory-building methodology to develop IQZATH Theory (*Iqtishādiyyah az-Zakiyyah ath-Tāhirah*) as a moral-spiritual framework for reconstructing Islamic economics toward sustainable development. Unlike empirical research, which seeks to test predefined hypotheses through observable data, theory-building research aims to generate new explanatory frameworks by systematically integrating existing knowledge into a coherent theoretical architecture capable of addressing unresolved conceptual problems (Jaakkola, 2020; Lynham, 2002). This methodological approach was selected because contemporary Islamic economics provides extensive normative guidance but lacks an integrated explanatory mechanism linking spiritual consciousness with ethical governance and sustainable institutional performance. Accordingly, this study sought to formulate the ontological, epistemological, and axiological foundations of IQZATH Theory, define its principal constructs, establish their causal relationships, and formulate theoretical propositions for future empirical validation.

The research followed the conceptual article framework proposed by Jaakkola (2020), which emphasizes theory construction through critical synthesis, conceptual abstraction, philosophical reasoning, and theoretical integration. Rather than merely reviewing previous literature, conceptual research aims to identify theoretical fragmentation, reconcile divergent perspectives, and construct novel explanatory models that extend existing scholarship (Jaakkola, 2020). Consequently, the present study focused on generating theoretical novelty instead of evaluating empirical effectiveness.

The theory-building process comprised four interrelated analytical stages. The first stage involved problematization, in which interdisciplinary literature on Islamic economics, *Maqāṣid al-Sharī'ah*, Islamic Moral Economy, governance, organizational ethics, sustainability, and institutional theory was critically analyzed to identify unresolved conceptual gaps. Particular attention was directed toward the limited capacity of existing paradigms to explain how spiritual consciousness is transformed into ethical organizational behaviour, institutional transparency, public trust, and sustainable economic governance. This stage established the theoretical justification for proposing a new explanatory framework.

The second stage consisted of philosophical foundation building through integrated ontological, epistemological, and axiological analyses. Ontologically, economic activity was conceptualized as a multidimensional reality encompassing material, ethical, social, and spiritual dimensions. Epistemologically, the proposed theory synthesized multiple sources of knowledge, including Qur'anic principles, Prophetic traditions, classical Islamic scholarship, contemporary Islamic economics, governance studies, sustainability science, and organizational ethics. Axiologically, the theory was constructed around justice, ethical integrity, transparency, sustainability, and public welfare as inseparable objectives of Islamic economic development. The integration of these philosophical dimensions established the intellectual coherence necessary for developing a comprehensive explanatory framework.

The third stage involved conceptual abstraction and theoretical integration. Through iterative comparison across the reviewed literature, recurring ethical concepts were refined into three principal constructs—*Nazahah* (ethical integrity), *Syaffafah* (transparency and accountability), and *Istidamah* (economic, social, and environmental sustainability). These constructs were subsequently integrated into a multilevel causal architecture in which *tazkiyah* (spiritual purification) functions as the endogenous mechanism initiating ethical awareness, strengthening integrity, fostering institutional transparency, generating public trust, and

ultimately producing sustainable governance. This analytical process resulted in a theoretical model linking individual moral transformation (micro level), organizational governance (meso level), and sustainable socio-economic development (macro level).

The final stage focused on theoretical evaluation. The proposed framework was assessed against established criteria for theory construction, including conceptual clarity, logical coherence, internal consistency, explanatory adequacy, theoretical originality, and interdisciplinary relevance (Lynham, 2002; Whetten, 1989). To enhance conceptual robustness, theoretical triangulation was employed by integrating perspectives from Islamic economics, moral philosophy, governance theory, sustainability studies, and organizational ethics. Consequently, IQZATH Theory is presented as a nascent middle-range theory that provides a coherent explanatory mechanism connecting spiritual purification with ethical governance and sustainable development. Although conceptual in nature, the theory offers a systematic foundation for future empirical studies to operationalize its constructs, develop valid measurement instruments, and examine its explanatory power across diverse organizational and socio-cultural contexts.

RESULTS

The Philosophical Foundations of IQZATH Theory: Toward a Moral-Spiritual Paradigm of Islamic Economics

The remarkable development of contemporary Islamic economics has substantially strengthened the institutional presence of Sharia-compliant financial systems through the expansion of Islamic banking, halal industries, zakat management, waqf institutions, Islamic capital markets, and Islamic social finance (Awang et al., 2025). These achievements demonstrate that Islamic economic principles have gained increasing international recognition as credible alternatives to conventional financial systems (Chapra, 2016). Nevertheless, despite this institutional success, the philosophical development of Islamic economics has not progressed at an equivalent pace. Much of the contemporary discourse remains primarily concerned with legal conformity, contractual innovation, and institutional governance (Asutay, 2012; Cassim Mahomedy, 2013), whereas comparatively less attention has been devoted to reconstructing the philosophical assumptions that determine why economic actors behave ethically and how ethical behaviour ultimately shapes sustainable institutions (Furqani, 2015). Consequently, Islamic economics has become increasingly sophisticated at institutional design while remaining relatively underdeveloped in explaining the moral and spiritual foundations that sustain institutional integrity over time.

This philosophical limitation becomes increasingly significant within the contemporary global economy, where rapid technological innovation has intensified ethical challenges extending beyond the capacity of conventional governance mechanisms. Artificial intelligence, financial technology, digital platforms, and algorithmic decision-making have transformed economic interactions (Nguyen et al., 2023), yet they have also contributed to growing concerns regarding speculative behaviour, excessive consumerism, corruption, declining institutional trust, environmental degradation, and widening socio-economic inequality (Kadioglu & Soydan, 2024). Existing governance frameworks undoubtedly improve regulatory compliance and organizational accountability; however, they primarily regulate external behaviour without adequately addressing the internal moral consciousness that motivates ethical decision-making. Consequently, contemporary economic crises increasingly reveal that institutional effectiveness depends not only upon legal regulation but

also upon the moral quality of the individuals who establish, manage, and sustain economic institutions.

Contemporary Islamic scholarship has attempted to overcome these challenges through several influential theoretical approaches. The *Maqāṣid al-Sharī'ah* framework has significantly expanded Islamic economics beyond legal formalism by emphasizing *maṣlaḥah*, justice, human dignity, and comprehensive welfare as the normative objectives of economic activity (Auda, 2025; Chapra, 2016). Likewise, Islamic Moral Economy has emphasized distributive justice, ethical governance, and social responsibility as fundamental principles distinguishing Islamic economics from conventional market-oriented paradigms (Chapra, 2014). More recently, sustainability-oriented scholarship has incorporated environmental stewardship, intergenerational justice, and inclusive development into Islamic economic discourse (Prabowo & Saenong, 2026). Collectively, these approaches have substantially strengthened the normative foundations of Islamic economics and demonstrated that economic development should ultimately serve holistic human flourishing rather than financial prosperity alone.

Despite these valuable contributions, an important theoretical limitation remains unresolved. Existing paradigms successfully define the normative objectives of Islamic economics but provide comparatively limited explanation regarding the causal mechanism through which spiritual consciousness is transformed into ethical behaviour, organizational integrity, institutional transparency, and sustainable governance (Mohaiyadin et al., 2022). In most existing frameworks, morality functions primarily as a normative aspiration rather than as an endogenous explanatory mechanism capable of explaining why organizations operating under similar regulatory environments frequently exhibit different levels of integrity, accountability, and public legitimacy. Consequently, contemporary Islamic economics still lacks a comprehensive philosophical framework capable of integrating individual moral transformation with organizational governance and long-term sustainability.

IQZATH Theory (*Iqtishādiyyah az-Zakiyyah ath-Tāhirah*) is proposed to address this conceptual deficiency through a philosophical reconstruction of Islamic economics grounded in the integration of ontology, epistemology, and axiology. Rather than positioning spirituality as a complementary ethical value, IQZATH identifies *tazkiyah* (spiritual purification) as the primary ontological reality underlying ethical economic behaviour. The theory assumes that sustainable institutions cannot emerge independently from morally transformed individuals because institutions ultimately reflect the collective ethical consciousness of the people who create and govern them (Ghoni, 2026). Accordingly, transparency, accountability, justice, and sustainability are understood not merely as organizational attributes but as institutional manifestations of an earlier process of spiritual and moral transformation.

Ontologically, IQZATH Theory reconceptualizes economic reality as a multidimensional system consisting of material, ethical, social, and spiritual dimensions operating simultaneously. Unlike conventional economic paradigms that primarily interpret economic activity through rational utility maximization, IQZATH argues that every economic decision simultaneously represents a material transaction and a moral act for which individuals remain accountable before society and God. Human beings therefore constitute the primary ontological agents of economic systems, while organizations and markets represent collective expressions of individual moral consciousness (Vanberg, 2004). This

perspective fundamentally repositions spirituality from an external ethical constraint to an intrinsic component of economic reality itself.

Epistemologically, IQZATH adopts an integrative understanding of knowledge by synthesizing divine revelation, Prophetic traditions, classical Islamic scholarship, rational inquiry, empirical observation, and contemporary interdisciplinary research. Revelation provides the ultimate normative foundation that defines ethical principles and the objectives of economic life, whereas rational inquiry and empirical investigation facilitate contextual interpretation and practical application within changing socio-economic environments (Kamali, 1999). Through this epistemological integration, Islamic economics is understood as a dynamic and evolving intellectual discipline capable of engaging contemporary scientific developments without compromising its normative foundations.

Axiologically, IQZATH Theory redefines the purpose of economic development by integrating material prosperity with ethical integrity, social justice, environmental responsibility, and spiritual well-being. Within this value structure, *tazkiyah* functions as the highest moral orientation that generates three interconnected ethical constructs: *Nazahah* (ethical integrity and justice), *Syaffafah* (transparency and accountability), and *Istidamah* (economic, social, and environmental sustainability). Rather than functioning as isolated ethical principles, these constructs form a hierarchical value system in which spiritual purification strengthens integrity, integrity promotes transparent governance, and transparent governance ultimately produces sustainable institutions capable of advancing comprehensive human welfare.

The integration of these ontological, epistemological, and axiological dimensions constitutes the philosophical architecture of IQZATH Theory. Ontology explains the nature of economic reality by recognizing spirituality as the foundational dimension of economic behaviour. Epistemology establishes the sources and validation of knowledge through the integration of revelation, reason, and empirical inquiry. Axiology defines the ultimate objectives of economic activity by orienting development toward justice, integrity, transparency, sustainability, and public welfare. Collectively, these philosophical foundations transform *tazkiyah* from a purely theological concept into a comprehensive explanatory mechanism linking individual moral consciousness with institutional legitimacy, ethical governance, and sustainable economic development. Consequently, IQZATH Theory extends existing Islamic economic scholarship by providing a coherent philosophical framework that bridges the long-standing gap between spiritual transformation and institutional sustainability, thereby offering a new paradigm for reconstructing Islamic economics in response to the ethical challenges of the twenty-first century.

Developing IQZATH Theory: A Moral-Spiritual Mechanism toward Sustainable Islamic Economic Governance

The preceding philosophical discussion demonstrates that the principal weakness of contemporary Islamic economics does not stem from the absence of ethical values but from the absence of a comprehensive explanatory mechanism capable of connecting those values with observable institutional outcomes. Existing paradigms—including *Maqāṣid al-Sharī'ah*, Islamic Moral Economy, Sharia governance, and Islamic social finance—have substantially enriched the normative architecture of Islamic economics by defining the ethical objectives of economic activities and promoting justice, welfare (*maṣlahah*), and social responsibility (Asutay, 2012; Auda, 2022). Nevertheless, these approaches predominantly explain what Islamic economics ought to achieve rather than how moral values are transformed into ethical

behaviour, organizational integrity, institutional legitimacy, and sustainable economic governance. Consequently, Islamic economics remains normatively robust yet theoretically underdeveloped in explaining the causal relationship between spiritual transformation and institutional sustainability.

IQZATH Theory addresses this conceptual deficiency by proposing an integrated causal architecture in which *tazkiyah* (spiritual purification) functions as the endogenous mechanism initiating ethical economic behaviour (Choudhury, 2025). Unlike conventional economic theories that generally interpret human behaviour through the assumptions of rational choice, utility maximization, or self-interest (Friedman, 1975; Nalle & Ismail, 2024), IQZATH begins with the assumption that economic action is fundamentally shaped by the moral and spiritual quality of human consciousness. Economic decisions are therefore not merely responses to market incentives but manifestations of ethical intentionality (*niyyah*), spiritual accountability (*taqwā*), and moral responsibility (*amānah*) (Kadioglu & Soydan, 2024). This ontological shift repositions the individual not simply as an economic actor but as a moral agent whose internal consciousness fundamentally determines organizational behaviour and institutional performance.

Within this theoretical architecture, the process of institutional transformation begins with *tazkiyah*, understood as the continuous purification of the human soul through the cultivation of faith, self-discipline, sincerity, and moral awareness (Chapra, 2016). Rather than functioning solely as a theological doctrine, *tazkiyah* is conceptualized as the primary explanatory mechanism through which spiritual consciousness influences economic decision-making. Individuals who internalize spiritual values develop stronger ethical self-regulation, reducing dependence upon external monitoring while increasing voluntary compliance with moral principles (Alerai & Asutay, 2021). Accordingly, ethical governance originates not primarily from legal coercion but from the internalization of values that shape economic behaviour before institutional regulations become necessary. This proposition extends behavioural perspectives in economics by emphasizing that moral consciousness precedes rational calculation in determining ethical organizational conduct.

The first institutional manifestation of *tazkiyah* is *Nazahah*, which represents ethical integrity expressed through honesty, justice, consistency, trustworthiness, and professional responsibility. Although integrity has long been recognized as an essential component of good governance (Kaptein, 2023), IQZATH Theory advances this discussion by positioning integrity not merely as an organizational value but as the direct consequence of spiritual purification. Ethical integrity therefore emerges as a stable moral disposition rather than a situational response to institutional incentives. Individuals possessing high levels of *Nazahah* reject corruption, fraud, opportunistic behaviour, manipulation, and abuse of authority because such actions fundamentally contradict their spiritually informed moral identity (Ramli et al., 2021). Consequently, organizational integrity is interpreted as the cumulative expression of individual ethical consciousness rather than simply the outcome of effective governance systems.

The second construct, *Syaffafah*, represents the institutionalization of transparency and accountability. Contemporary governance literature frequently conceptualizes transparency as an administrative mechanism designed to reduce information asymmetry and strengthen stakeholder confidence (Turnbull et al., 2023). IQZATH Theory extends this perspective by arguing that authentic transparency cannot be sustained solely through regulatory enforcement or technological monitoring. Instead, transparency becomes a natural

organizational characteristic when ethical integrity has become deeply embedded within institutional culture. Accountability is therefore understood simultaneously as legal responsibility, social responsibility, and spiritual accountability before Allah. This multidimensional understanding transforms transparency from a procedural governance requirement into an ethical manifestation of moral consciousness. Organizations characterized by strong *Nazahah* consequently develop higher levels of *Syaffafah* because morally responsible leaders possess fewer incentives to conceal information, manipulate financial reporting, or compromise institutional credibility.

The interaction between *Nazahah* and *Syaffafah* subsequently generates institutional trust, which occupies a pivotal position within the causal architecture of IQZATH Theory. Trust is conceptualized as an emergent organizational outcome arising from sustained ethical consistency rather than as an independent managerial resource. Stakeholders—including investors, employees, regulators, consumers, and local communities—evaluate organizational legitimacy based upon repeated observations of integrity and transparency (Turnbull et al., 2023). As ethical governance becomes institutionalized, organizations gradually accumulate reputational capital that strengthens stakeholder commitment, reduces transaction costs, minimizes opportunistic behaviour, and enhances long-term organizational resilience. Institutional trust therefore functions as the mediating mechanism through which moral consciousness is translated into sustainable organizational performance.

The culmination of this causal process is *Istidamah*, representing sustainability as the highest institutional expression of spiritually grounded governance (Hasriadi, 2026). Unlike many contemporary sustainability frameworks that primarily emphasize environmental performance or ESG reporting indicators (Tan et al., 2025), IQZATH conceptualizes sustainability as the comprehensive outcome of moral transformation. Sustainable institutions are those capable of simultaneously maintaining economic resilience, social justice, environmental stewardship, ethical legitimacy, and intergenerational responsibility. Within this framework, sustainability is not merely a managerial objective but the cumulative consequence of an integrated moral process in which *tazkiyah* generates *Nazahah*, *Nazahah* strengthens *Syaffafah*, *Syaffafah* cultivates institutional trust, and institutional trust reinforces long-term organizational sustainability.

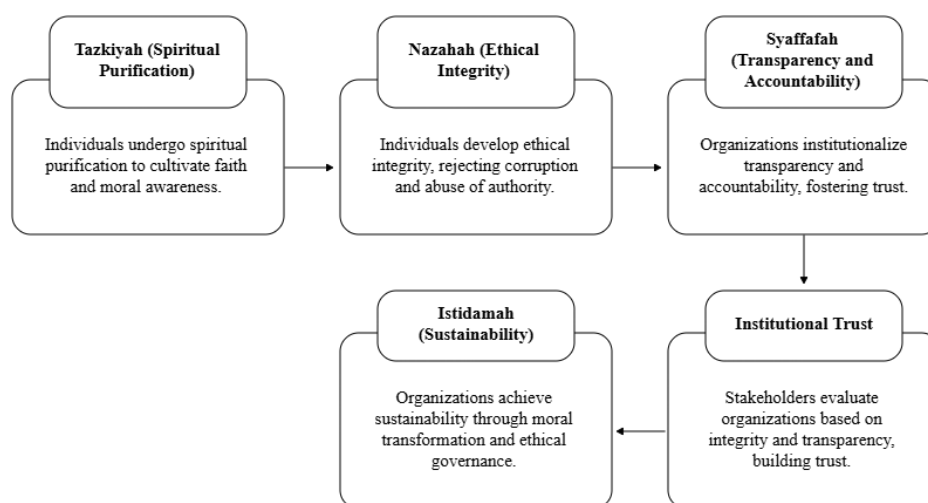


Figure 1 IQZATH Theory: A Moral-Spiritual Mechanism for Sustainable Islamic Economic Governance

The originality of IQZATH Theory therefore lies in its capacity to integrate spirituality, ethics, governance, and sustainability into a coherent multilevel explanatory framework. Whereas Stakeholder Theory explains organizational responsibility toward multiple stakeholder groups, Stewardship Theory emphasizes managerial commitment (Davis, 1989), Institutional Theory examines organizational legitimacy (Scott, 2014), and Islamic Moral Economy promotes distributive justice (Asutay, 2007), none explicitly conceptualizes *tazkiyah* as the initial causal mechanism through which moral consciousness generates sustainable governance. IQZATH Theory fills this theoretical gap by repositioning spirituality from a normative aspiration into an endogenous explanatory construct capable of linking micro-level moral transformation, meso-level organizational governance, and macro-level sustainable development. Consequently, the theory contributes not only to the reconstruction of Islamic economics but also to broader interdisciplinary discussions concerning ethical governance, institutional theory, and sustainable development by demonstrating that enduring institutional excellence ultimately originates from the moral architecture of human consciousness rather than from institutional regulation alone.

DISCUSSION

IQZATH Theory as a New Theoretical Foundation for Islamic Economics

The development of IQZATH Theory represents an important conceptual advancement within contemporary Islamic economics by addressing a longstanding gap between normative Islamic values and explanatory economic theory. Although Islamic economics has evolved considerably over recent decades through the expansion of Islamic finance, halal industries, zakat institutions, and waqf governance, much of this progress has concentrated on institutional compliance with Islamic legal principles rather than on developing an integrated theoretical framework capable of explaining how moral and spiritual values influence economic behavior (Ahyani & Figueiredo, 2024). Consequently, Islamic economics has often been perceived as a legal-economic system emphasizing Sharia compliance without sufficiently explaining the internal mechanisms through which ethical consciousness shapes individual decision-making, organizational governance, and sustainable economic development (Ceyhan & Barca, 2021). IQZATH Theory contributes to this discussion by repositioning spirituality not as a complementary ethical value but as the primary explanatory variable underlying economic governance.

The principal theoretical contribution of IQZATH Theory lies in its reconstruction of the relationship between morality and economic behavior. Conventional economic theories generally interpret ethical behavior as the outcome of rational incentives, institutional arrangements, or regulatory constraints (Mannan, 1986). Likewise, many contemporary approaches within Islamic economics predominantly emphasize compliance with Islamic legal norms while assuming that adherence to these principles will naturally generate ethical outcomes (Kholik et al., 2026; Benhalim, 2018). IQZATH challenges this assumption by arguing that ethical governance cannot be sustained exclusively through institutional regulation or legal conformity. Instead, governance quality originates from the moral and spiritual condition of the individuals who establish, manage, and maintain economic institutions. Consequently, ethical institutions should be understood as the collective manifestation of ethically transformed individuals rather than merely the product of effective governance systems.

This perspective distinguishes IQZATH Theory from the dominant discourse of Islamic Moral Economy. Islamic Moral Economy has successfully emphasized distributive justice, social solidarity, equitable wealth distribution, and human well-being as central objectives of Islamic economic development (Noorzai, 2024). Its contribution has been instrumental in demonstrating that economic activities should serve broader civilizational purposes rather than narrow financial interests. Nevertheless, Islamic Moral Economy primarily defines the normative objectives that Islamic economic institutions should pursue and pays comparatively less attention to the internal causal process through which these objectives become embedded within organizational behavior (Yilmaz, 2024). IQZATH complements this literature by introducing a sequential mechanism in which spiritual purification cultivates ethical integrity, ethical integrity strengthens transparency, transparency generates institutional trust, and trust ultimately reinforces sustainable governance. In doing so, the theory shifts attention from normative aspiration toward explanatory causality.

Similarly, IQZATH extends the intellectual contribution of the *Maqāṣid al-Sharī'ah* framework. The *Maqāṣid* paradigm has profoundly influenced Islamic economic scholarship by emphasizing the preservation of religion, life, intellect, lineage, and wealth as fundamental objectives of Islamic law. Contemporary interpretations have further expanded these objectives to include justice, human dignity, environmental stewardship, and sustainable development (Asman & Muchsin, 2021). However, *Maqāṣid* primarily answers the question of what Islamic economics should accomplish rather than how ethical transformation systematically produces those outcomes. IQZATH does not replace *Maqāṣid* ; instead, it operationalizes its ethical aspirations by proposing a theoretical mechanism through which spiritual consciousness influences organizational conduct and institutional performance (Habib, 2025). Accordingly, IQZATH may be understood as a complementary explanatory framework that strengthens the practical realization of *Maqāṣid* within modern economic institutions.

The theoretical novelty of IQZATH also becomes evident when compared with prominent governance theories outside Islamic economics. Stakeholder Theory emphasizes balancing the interests of multiple stakeholder groups to achieve organizational legitimacy and long-term performance. Stewardship Theory assumes that managers naturally act as responsible stewards pursuing organizational rather than purely personal interests. Institutional Theory explains how organizations adapt to prevailing social norms and institutional pressures in order to obtain legitimacy (Khoiriyah et al., 2026). Although each theory contributes valuable insights into organizational governance, none explicitly incorporates spiritual purification as the antecedent mechanism influencing ethical organizational behavior. IQZATH therefore expands existing governance literature by introducing moral-spiritual consciousness as the foundational driver from which integrity, transparency, accountability, stakeholder trust, and sustainable governance emerge. This contribution enriches governance studies by integrating ethical formation into institutional analysis rather than treating ethics merely as an external normative constraint.

Another significant contribution of IQZATH Theory lies in its integration of Islamic economics with the broader sustainability discourse. Contemporary sustainability frameworks generally conceptualize sustainable development through the interaction of economic prosperity, environmental protection, and social inclusion (Hariram et al., 2023). While these dimensions remain essential, IQZATH argues that sustainability ultimately depends upon the ethical quality of economic actors responsible for organizational decisions.

Without moral integrity, sustainability initiatives risk becoming symbolic compliance, reputational strategies, or regulatory obligations lacking substantive ethical commitment. By locating sustainability within a process of spiritual and moral transformation, IQZATH introduces an additional analytical dimension that complements environmental, economic, and social considerations. Sustainable development is therefore interpreted not solely as a managerial objective but as the institutional consequence of ethically responsible human behavior.

Collectively, these contributions position IQZATH Theory as an emerging middle-range theory capable of bridging several previously disconnected streams of scholarship, including Islamic economics, business ethics, governance studies, and sustainability science. Rather than proposing an entirely separate paradigm, IQZATH synthesizes these intellectual traditions into a coherent explanatory framework centered upon the transformative role of moral-spiritual consciousness (Abasimel, 2023). Such integration significantly strengthens the theoretical architecture of Islamic economics by moving beyond descriptive ethical discourse toward a systematic explanation of how spiritual values become institutional realities.

Nevertheless, the present formulation of IQZATH Theory should be understood as the beginning rather than the culmination of theoretical development. As a nascent theory, its conceptual propositions require rigorous empirical examination across diverse organizational settings, cultural environments, and institutional contexts. Future quantitative, qualitative, and mixed-method studies are therefore essential to evaluate the explanatory capacity of its proposed causal relationships and to refine its theoretical boundaries. Such cumulative empirical validation will determine the extent to which IQZATH evolves from a promising conceptual framework into a mature middle-range theory capable of making a sustained contribution to international scholarship. Even at its current stage, however, IQZATH provides an original theoretical foundation by demonstrating that the reconstruction of Islamic economics cannot be achieved through institutional reform alone but must begin with the reconstruction of the moral and spiritual consciousness that ultimately shapes every dimension of economic life.

IQZATH Theory as a New Theoretical Foundation for Islamic Economics

The development of IQZATH Theory represents an important conceptual advancement within contemporary Islamic economics by addressing a longstanding gap between normative Islamic values and explanatory economic theory. Although Islamic economics has evolved considerably over recent decades through the expansion of Islamic finance, halal industries, zakat institutions, and waqf governance, much of this progress has concentrated on institutional compliance with Islamic legal principles rather than on developing an integrated theoretical framework capable of explaining how moral and spiritual values influence economic behavior (Mukhlisin et al., 2022). Consequently, Islamic economics has often been perceived as a legal-economic system emphasizing Sharia compliance without sufficiently explaining the internal mechanisms through which ethical consciousness shapes individual decision-making, organizational governance, and sustainable economic development. IQZATH Theory contributes to this discussion by repositioning spirituality not as a complementary ethical value but as the primary explanatory variable underlying economic governance.

The principal theoretical contribution of IQZATH Theory lies in its reconstruction of the relationship between morality and economic behavior. Conventional economic theories

generally interpret ethical behavior as the outcome of rational incentives, institutional arrangements, or regulatory constraints (Syahriani et al., 2023). Likewise, many contemporary approaches within Islamic economics predominantly emphasize compliance with Islamic legal norms while assuming that adherence to these principles will naturally generate ethical outcomes (Ramli et al., 2021). IQZATH challenges this assumption by arguing that ethical governance cannot be sustained exclusively through institutional regulation or legal conformity. Instead, governance quality originates from the moral and spiritual condition of the individuals who establish, manage, and maintain economic institutions. Consequently, ethical institutions should be understood as the collective manifestation of ethically transformed individuals rather than merely the product of effective governance systems.

This perspective distinguishes IQZATH Theory from the dominant discourse of Islamic Moral Economy. Islamic Moral Economy has successfully emphasized distributive justice, social solidarity, equitable wealth distribution, and human well-being as central objectives of Islamic economic development. Its contribution has been instrumental in demonstrating that economic activities should serve broader civilizational purposes rather than narrow financial interests (Asutay, 2012). Nevertheless, Islamic Moral Economy primarily defines the normative objectives that Islamic economic institutions should pursue and pays comparatively less attention to the internal causal process through which these objectives become embedded within organizational behavior. IQZATH complements this literature by introducing a sequential mechanism in which spiritual purification cultivates ethical integrity, ethical integrity strengthens transparency, transparency generates institutional trust, and trust ultimately reinforces sustainable governance (Yilmaz, 2024). In doing so, the theory shifts attention from normative aspiration toward explanatory causality.

Similarly, IQZATH extends the intellectual contribution of the *Maqāṣid al-Sharī'ah* framework. The *Maqāṣid* paradigm has profoundly influenced Islamic economic scholarship by emphasizing the preservation of religion, life, intellect, lineage, and wealth as fundamental objectives of Islamic law. Contemporary interpretations have further expanded these objectives to include justice, human dignity, environmental stewardship, and sustainable development. However, *Maqāṣid* primarily answers the question of what Islamic economics should accomplish rather than how ethical transformation systematically produces those outcomes. IQZATH does not replace *Maqāṣid*; instead, it operationalizes its ethical aspirations by proposing a theoretical mechanism through which spiritual consciousness influences organizational conduct and institutional performance (Kamali, 1999). Accordingly, IQZATH may be understood as a complementary explanatory framework that strengthens the practical realization of *Maqāṣid* within modern economic institutions.

The theoretical novelty of IQZATH also becomes evident when compared with prominent governance theories outside Islamic economics. Stakeholder Theory emphasizes balancing the interests of multiple stakeholder groups to achieve organizational legitimacy and long-term performance. Stewardship Theory assumes that managers naturally act as responsible stewards pursuing organizational rather than purely personal interests. Institutional Theory explains how organizations adapt to prevailing social norms and institutional pressures in order to obtain legitimacy (Al-Turabi & Auda, 2025). Although each theory contributes valuable insights into organizational governance, none explicitly incorporates spiritual purification as the antecedent mechanism influencing ethical organizational behavior. IQZATH therefore expands existing governance literature by introducing moral-spiritual consciousness as the foundational driver from which integrity, transparency, accountability, stakeholder trust, and sustainable governance emerge (Asutay,

2012). This contribution enriches governance studies by integrating ethical formation into institutional analysis rather than treating ethics merely as an external normative constraint.

Another significant contribution of IQZATH Theory lies in its integration of Islamic economics with the broader sustainability discourse. Contemporary sustainability frameworks generally conceptualize sustainable development through the interaction of economic prosperity, environmental protection, and social inclusion (Johnson & Acemoglu, 2023). While these dimensions remain essential, IQZATH argues that sustainability ultimately depends upon the ethical quality of economic actors responsible for organizational decisions. Without moral integrity, sustainability initiatives risk becoming symbolic compliance, reputational strategies, or regulatory obligations lacking substantive ethical commitment. By locating sustainability within a process of spiritual and moral transformation, IQZATH introduces an additional analytical dimension that complements environmental, economic, and social considerations. Sustainable development is therefore interpreted not solely as a managerial objective but as the institutional consequence of ethically responsible human behavior (Abdullah & binti Pg, 2025).

Collectively, these contributions position IQZATH Theory as an emerging middle-range theory capable of bridging several previously disconnected streams of scholarship, including Islamic economics, business ethics, governance studies, and sustainability science. Rather than proposing an entirely separate paradigm, IQZATH synthesizes these intellectual traditions into a coherent explanatory framework centered upon the transformative role of moral-spiritual consciousness (Choudhury, 2025). Such integration significantly strengthens the theoretical architecture of Islamic economics by moving beyond descriptive ethical discourse toward a systematic explanation of how spiritual values become institutional realities.

Nevertheless, the present formulation of IQZATH Theory should be understood as the beginning rather than the culmination of theoretical development. As a nascent theory, its conceptual propositions require rigorous empirical examination across diverse organizational settings, cultural environments, and institutional contexts. Future quantitative, qualitative, and mixed-method studies are therefore essential to evaluate the explanatory capacity of its proposed causal relationships and to refine its theoretical boundaries. Such cumulative empirical validation will determine the extent to which IQZATH evolves from a promising conceptual framework into a mature middle-range theory capable of making a sustained contribution to international scholarship. Even at its current stage, however, IQZATH provides an original theoretical foundation by demonstrating that the reconstruction of Islamic economics cannot be achieved through institutional reform alone but must begin with the reconstruction of the moral and spiritual consciousness that ultimately shapes every dimension of economic life.

CONCLUSION

This study has proposed IQZATH Theory (*Iqtishādiyyah az-Zakiyyah ath-Tāhirah*) as a new moral-spiritual theoretical framework for reconstructing Islamic economics in response to the conceptual limitations of existing paradigms. While contemporary Islamic economics has made substantial progress in institutionalizing Sharia-compliant financial systems and promoting ethical economic principles, it has yet to provide a comprehensive explanatory mechanism linking spiritual consciousness with sustainable economic governance. IQZATH Theory addresses this gap by positioning spiritual purification (*tazkiyah*) as the fundamental

catalyst that generates ethical integrity (*Nazahah*), institutional transparency (*Syaffafah*), public trust, and ultimately sustainable development (*Istidamah*). Through this sequential mechanism, the theory extends Islamic economics beyond normative prescriptions toward a coherent explanatory model that integrates spirituality, ethics, governance, and sustainability within a unified conceptual framework.

The principal contribution of IQZATH Theory lies in its ability to bridge several intellectual traditions that have previously developed in parallel, including Islamic Moral Economy, *Maqāṣid al-Sharī'ah*, sustainability studies, and governance theory. Rather than replacing these perspectives, IQZATH complements them by introducing a moral-spiritual causal mechanism capable of explaining how internal ethical transformation is translated into institutional behavior and long-term organizational sustainability. Consequently, the theory contributes not only to the advancement of Islamic economic thought but also to broader international discussions on ethical governance, responsible management, and sustainable development, where the role of spirituality has often remained conceptually underdeveloped.

Despite its theoretical originality, this study should be regarded as an initial stage in the development of IQZATH Theory. The conceptual relationships proposed in this article require systematic empirical validation across diverse institutional settings, including Islamic financial institutions, zakat and waqf organizations, halal industries, Islamic cooperatives, and other value-based organizations. Future research should focus on operationalizing the proposed constructs, developing reliable measurement instruments such as an IQZATH Scale, and testing the theoretical propositions through quantitative, qualitative, and mixed-method approaches across different cultural and national contexts. Such cumulative empirical investigations will strengthen the explanatory power, external validity, and international relevance of IQZATH Theory.

Ultimately, the reconstruction of Islamic economics cannot be achieved solely through legal compliance, institutional reform, or technological innovation. It requires a more fundamental transformation rooted in the moral and spiritual consciousness of economic actors. By placing ethical purification at the center of economic analysis, IQZATH Theory offers a new theoretical direction for understanding how sustainable, just, and trustworthy economic systems can be cultivated. In doing so, it provides a promising foundation for the future evolution of Islamic economics as a discipline that is not only legally compliant and economically efficient but also morally transformative, socially responsible, and globally sustainable.

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