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Toward sustainable Islamic banking: linking Maqasid al-Shariah and financial performance through the Quadruple Bottom Line

Masoodul Hassan and Imtiaz Ahmad Nasir
Faculty of Commerce Banking and Business Administration, Bahauddin Zakariya University, Multan, Pakistan

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Abstract

Purpose – This study extends the triple bottom line (TBL) framework by incorporating the Prophetic Ethics (Din) to advance the quadruple bottom line (QBL) perspective within Islamic banking. It examines how Prophet-inspired ethics, alongside the TBL dimensions of Prosperity, People and Planet, influence financial performance and explores the mediating roles of these dimensions in translating Shariah-based values into measurable sustainability outcomes.

Design/methodology/approach – Anchored in a positivist paradigm, the study adopts a deductive, quantitative approach to test an extended QBL framework incorporating Prophetic Ethics (Din). Cross-sectional data were collected via a structured online survey from stakeholders in Pakistan's Islamic banking sector. Partial least squares structural equation modeling (PLS-SEM) was used for analysis.

Findings – Prophetic Ethics (Din) positively affect the financial performance of Islamic banks, both directly and indirectly through the mediating roles of the TBL components – Prosperity, People and Planet. These findings confirm that TBL dimensions effectively translate Prophetic ethical values into measurable financial and sustainability outcomes.

Research limitations/implications – Theoretically, the study advances Prophetic Ethics (Din) as operationalizable constructs within performance modeling, offering a novel empirical pathway for integrating Islamic ethical principles into mainstream organizational research.

Practical implications – The results call for aligning strategic actions with Prophetic Ethics (Din) through stronger Shariah governance, inclusive finance, green investment and ethical talent development – positioning Islamic banks as both ethically grounded and financially competitive.

Originality/value – To the best of the authors' knowledge, this study is the first to examine how TBL components mediate the link between the Prophetic Ethics (Din) and financial performance in Islamic Banking. It operationalizes Prophetic values and integrates Maqa-id al-Shari-ah into sustainability models, offering a robust framework for ethical performance assessment in Islamic banking.

Keywords Quadruple Bottom Line, Sustainable development goals, Islamic banking, Islamic finance, Prophetic ethics (dīn), Maqāṣid al-Sharīʿah, Triple bottom line, Financial performance, PLS-SEM

Paper type Research article

1. Introduction

Global Islamic banking is undergoing a profound transformation, with assets projected to exceed USD 7.5tn by 2028 (Standard Chartered, 2025). In Pakistan, Islamic banking continues its rapid expansion, with first-quarter 2025 figures showing assets of PKR 11,510 billion and deposits of PKR 8,419bn, reflecting growth rates of 24.6% and 22.5%, respectively. The sector now accounts for 21.1% of total banking assets and 25.4% of deposits, supported by 6,093 branches and 2,651 Islamic banking windows (State Bank of Pakistan, 2025). This growth

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signifies not only the increasing demand for Shariah-compliant finance but also a structural shift toward ethical, inclusive and sustainability-oriented financial systems. Islamic financial institutions are progressively integrating Environmental, Social and Governance (ESG) principles into their Shariah governance, product innovation and risk management frameworks (IFSB, 2025; SBP, 2025), signaling a move toward value-based intermediation that aligns financial performance with social welfare, environmental responsibility and moral accountability (Manta *et al.*, 2020).

At the center of this transformation lies Prophetic Ethics (Dīn) – a set of moral and spiritual principles derived from the teachings of Prophet Muhammad (PBUH) – which emphasize justice (ʿadl), trust (amānah), compassion (raḥmah), stewardship (khalīfah) and public welfare (maṣlaḥah) (Hassan and Aliyu, 2023; Moghul, 2017; Ali, 2019; Diallo and Gundogdu, 2021; Khaliq, 2025). These principles underpin both the theoretical and practical foundations of Islamic finance and resonate with Elkington's (1997) triple bottom line (TBL) framework, which conceptualizes sustainability in economic, social and environmental dimensions (Hamidi *et al.*, 2024). However, unlike conventional ESG or TBL models, Prophetic Ethics (Dīn) adds a transcendental dimension of accountability, elevating sustainability from a strategic objective to a spiritual and moral obligation (Khaliq, 2025; Hassan and Aliyu, 2023).

The ethical foundations of Islamic finance have been well established in theoretical discourse. Scholars such as Iqbal and Mirakhor (2017), Mohammed *et al.* (2015) and Hamidi and Worthington (2021, 2023) have linked Maqāṣid al-Sharīʿah – the preservation of religion, life, intellect, lineage and wealth (Chapra, 2008; Akram and Furqani, 2013) – to the sustainable performance of Islamic financial institutions. Yet, this literature remains largely normative and conceptual. Despite the recognition that ethical and spiritual values guide Islamic financial operations, empirical research testing their measurable impact on financial performance is scarce. This gap limits understanding of how faith-based ethics translate into tangible sustainability outcomes and performance metrics.

Recent work by Hamidi and Worthington (2023) and Hamidi *et al.* (2024, 2025) has proposed extending the TBL into a quadruple bottom line (QBL) model by incorporating a spiritual dimension rooted in Prophetic Ethics (Dīn). This emerging framework integrates the Prophet-inspired moral dimension with economic (Prosperity), social (People) and environmental (Planet) pillars, thus offering a holistic model of sustainability in Islamic finance. However, a close reading of this literature reveals two major gaps. First, the causal mechanisms through which Prophetic Ethics (Dīn) influence financial outcomes via TBL dimensions remain underexplored. For instance, while Hamidi *et al.* (2024) demonstrated that spirituality enhances sustainability orientation in Islamic banking, they did not empirically test whether Prosperity, People and Planet act as mediators in this relationship. Similarly, Hamidi and Worthington (2023) conceptually established spirituality as a driver of sustainable banking, but without identifying the behavioral or organizational pathways linking spirituality to performance. Second, measurement limitations persist. Prior models often suffered from limited item retention and moderate explanatory power ($R^2 < 0.60$), raising questions about the operational robustness of spirituality-driven constructs in empirical testing. Addressing these two gaps – theoretical clarity and empirical validation – is crucial to advancing the literature.

The recent knowledge gap, therefore, lies in the limited empirical understanding of how Prophetic Ethics (Dīn) function as an antecedent of financial performance through the mediating roles of the TBL dimensions. While studies such as Masud *et al.* (2019) and Gallardo-Vázquez (2025) demonstrated that the TBL can mediate relationships between corporate strategy and performance in conventional contexts, no study has yet tested this mediation empirically within a spiritually anchored Islamic framework. Furthermore, the integration of faith-based ethics with global sustainability standards such as ESG and the UN's SDGs remains fragmented (Al Adawiyah *et al.*, 2025; Raimi and Bamiro, 2025; Mohd Zain *et al.*, 2025; Chafai and Alsulami, 2025). As a result, Islamic financial institutions continue to lack a unified, Shariah-compliant sustainability measurement model that reflects both ethical and financial imperatives.

Grounded in these theoretical and empirical gaps, this study is guided by the following research question:

How do Prophetic Ethics (Dīn), as a moral and spiritual foundation, influence the financial performance of Islamic banks – both directly and indirectly – through the mediating roles of the Prosperity, People and Planet dimensions?

The aim of this research is to empirically examine the influence of Prophetic Ethics (Dīn) on financial performance within Islamic banking, while testing the mediating mechanisms of the TBL components – Prosperity, People and Planet. This approach seeks to determine not only the direct effect of spiritual-ethical values on financial performance but also how these values shape the economic, social and environmental pillars of sustainability that, in turn, drive performance outcomes. To address this aim, the study employs a quantitative, deductive approach using partial least squares structural equation modeling (PLS-SEM). This technique enables simultaneous testing of complex causal relationships among latent constructs and is particularly suitable for emerging theoretical extensions like the QBL.

This research makes several key contributions. Theoretically, it extends Elkington's (1997) TBL into an empirically validated QBL framework tailored for Islamic banking, thereby bridging the divide between spirituality and sustainability. It also contributes to the ongoing debate initiated by Hamidi and Worthington (2023) and Hamidi *et al.* (2024, 2025) by identifying and testing the mechanistic pathways through which Prophetic Ethics (Dīn) affect financial outcomes. Methodologically, it advances the operationalization of Prophetic Ethics (Dīn) as a measurable construct encompassing righteousness-oriented culture, barakah-driven motivation, ethical transparency, qard al-ḥasan and Shariah governance. This operationalization allows the abstract ethical dimension to be empirically quantified and linked to financial performance. Practically, the study enhances the Islamic banking sector's capacity to align Shariah principles with global sustainability benchmarks such as the ESG and SDG frameworks, offering a faith-consistent approach to ethical accountability, stakeholder trust and long-term competitiveness.

In summary, this paper contributes to the growing literature on sustainability in Islamic finance by empirically validating how Prophetic Ethics (Dīn) shape financial performance through social, environmental and economic pathways. By integrating Maqāṣid al-Sharīʿah with the QBL, the study not only extends current theory but also provides a robust, Shariah-compliant model for sustainable financial performance evaluation in Islamic banking.

The remainder of the paper is structured as follows: Section 2 presents the theoretical background, literature review and hypotheses development. Section 3 details the methodology, Section 4 discusses the results, and Section 5 concludes with the discussion, implications, limitations and directions for future research.

2. Theoretical background, literature review and hypotheses development

2.1 Maqasid al-Shariah and sustainable development

Maqasid al-Shariah forms the ethical and theological bedrock of Islamic banking and finance, encompassing five core objectives: preservation of religion (dīn), life (nafs), intellect (ʿaql), progeny (nasl) and wealth (māl). Classical scholars like Al-Ghazali emphasized these goals as instruments for human well-being in both temporal and spiritual realms, embedding Islamic ethics with a holistic and purposive orientation (Kamali, 2008). This framework offers a moral compass that harmonizes material advancement with spiritual accountability (Riswanti *et al.*, 2025).

These objectives intersect meaningfully with the United Nations Sustainable Development Goals (SDGs-2015), presenting a spiritually grounded alternative to secular sustainability paradigms. For instance, safeguarding nafs and māl aligns with SDG 1 (No Poverty), SDG 3 (Good Health and Well-being) and SDG 8 (Decent Work and Economic Growth); ʿaql corresponds to SDG 4 (Quality Education); nasl supports SDG 5 (Gender Equality); and dīn underpins SDG 16 (Peace, Justice and Strong Institutions), reinforcing ethical governance (Kim, 2025; Rusydiana, 2025; UNDP, 2022).

Environmental stewardship is also central to Maqasid al-Shariah, echoing SDG 13 (Climate Action) and SDG 15 (Life on Land). Concepts like mīzān (balance) and khalīfah (trusteeship) articulate a vision of ecological harmony, aligning Islamic finance with green economics and sustainability discourses (Nasr, 1968; Kamali, 2010; Kim, 2025; Rusydiana, 2025).

Recent scholarship by Hamidi and Worthington (2021, 2023) and Hamidi *et al*. (2024, 2025) advances this foundation by integrating Prophetic Ethics (Dīn) into the conceptual models of Islamic banking, non-profit organizations and faith-based entities. This addition strengthens the spiritual imperatives of Maqasid al-Shariah and offers a value-driven pathway for aligning Islamic finance with the SDGs.

2.2 Integrating the Prophetic Ethics (din) with the Triple Bottom Line in Islamic banking

The teachings of Prophet Muhammad (PBUH) – centered on justice, compassion, environmental care and social equity – form the moral core of Islamic finance (Iqbal and Mirakhor, 2017). These values resonate with modern sustainability principles and enhance the operationalization of frameworks like the SDGs (Ahmad and Berghout, 2025).

Building on this, Hamidi and Worthington (2021, 2023) extended Elkington's (1997) TBL – People, Planet and Prosperity – into the QBL by introducing the Prophetic Ethics (Dīn), which embeds spirituality and ethical consciousness into organizational performance. Their empirical research (Hamidi and Worthington, 2023; Hamidi *et al*., 2024, 2025) demonstrates that Prophet-inspired ethics not only strengthen the effectiveness of the TBL components but also serve as a unifying spiritual force that aligns institutional outcomes with the objectives of *Maqasid al-Shariah*. Similarly, Hartanto *et al*. (2024) developed a comprehensive *Maqasid al-Shariah*-based QBL framework for Islamic banking, emphasizing its potential to embed sustainability and spirituality at the core of institutional performance. Recent developments further indicate that the QBL framework is being applied beyond Islamic banking – to the non-profit sector and Islamic social finance – highlighting its growing relevance in integrating ethical, social, environmental and spiritual performance measures (Hamidi *et al*., 2025).

Supporting research further validates this integration. Diallo and Gundogdu (2021) highlight Islamic social finance tools – zakat, waqf, qard al-ḥasan – as mechanisms for achieving SDG-related goals like poverty reduction and inclusion. Harahap *et al*. (2023) advocate embedding Islamic ethics into ESG strategies to address the limitations of secular models. Rusydiana's (2025) bibliometric review of 79 studies identifies recurring themes – economic development, social inclusion and environmental protection – that mirror both TBL and SDG objectives.

Nonetheless, many Islamic banks continue to rely on conventional metrics, often neglecting the faith-based dimensions of sustainability (Muneer *et al*., 2025; Rouf *et al*., 2024; Syarifah, 2024). This gap underscores the need to embed the Prophetic Ethics (Dīn) to ensure that sustainability assessments reflect Shariah-aligned ethical and spiritual accountability.

2.3 Hypotheses development

2.3.1 Direct impact of the Prophetic Ethics (Dīn) on financial performance. Islamic tradition presents a holistic ethical framework rooted in the Qur'an and Sunnah, envisioning a just and compassionate society where humans act as Allah's vicegerents – responsible for the welfare of people, resources and the environment (Al-Nahl:90; Al-Zumar:10; Al-A'raf:56; Al-Māʾidah:32; Al-Nisā':29) (UNDP, 2022). Practices such as zakat, economic justice and environmental care reflect this paradigm. When embedded into financial governance, these prophetic values yield tangible outcomes. Faith-driven mechanisms – zakat-based profit models, transparent contracts and green financing – align moral obligations with sustainable development goals. Empirical evidence shows (see Table 1) that institutions guided by ethical and Shariah-based principles outperform conventional peers in stakeholder trust and financial metrics (Hamidi *et al*., 2024, 2025; Hamidi and Worthington, 2023; Farooq *et al*., 2025; Harahap *et al*., 2023), with additional support from Islamic banking contexts indicating that Shariah compliance enhances customer satisfaction and performance outcomes (Ahmed *et al*., 2022), financial and non-financial practices jointly improve firm performance in Pakistan's banking sector (Asghar *et al*., 2020), sustainability-oriented management practices strengthen performance in Islamic banks in Saudi Arabia (Oladapo, 2024) and corporate ethical identity and governance significantly contribute to the sustainability of Islamic banking in Indonesia (Sukardi *et al*., 2022).

Hence the current study initially proposes:

H1. Prophetic Ethics (Dīn) positively influence the financial performance of Islamic banks.

2.3.2 Direct effects of the Triple Bottom Line on financial performance. Islamic finance promotes equitable wealth distribution, socio-economic justice and financial stability through participatory instruments such as *musharakah* and *mudarabah* (Dusuki and Bouheraoua, 2011). By aligning profit generation with ethical and risk-sharing principles, Islamic banks enhance investor confidence and foster sustainable economic resilience (Widiyanti *et al*., 2025; Kateb *et al*., 2025). Empirical evidence further indicates that financial and non-financial practices jointly strengthen firm performance in banking sectors, particularly in developing economies such as Pakistan (Asghar *et al*., 2020), reinforcing the role of prosperity-driven mechanisms in improving financial outcomes.

The People dimension represents the social responsibility of Islamic banks, encompassing financial inclusion, equitable treatment of employees and engagement with diverse stakeholders (Asutay, 2012). By integrating principles of justice (ʿadl) and benevolence (iḥsān), Islamic banks foster trust, enhance their social reputation and deepen customer loyalty, all of which contribute to improved financial outcomes (Durre and Kulmie, 2025; Belal *et al*., 2021). Supporting this, evidence from Islamic banking contexts shows that adherence to Shariah principles enhances customer satisfaction and service-related outcomes, thereby strengthening overall performance (Ahmed *et al*., 2022), while ethical identity and governance structures further reinforce sustainability outcomes in Islamic banking systems (Sukardi *et al*., 2022).

Grounded in the Qur'anic principles of stewardship (*khalīfah*) and balance (*mīzān*), the Planet dimension reflects Islamic banks' commitment to environmental preservation and ecological responsibility. Initiatives such as green *sukuk*, renewable energy financing and sustainable operations exemplify this ethical stance (Sairally, 2021; Shahzad *et al*., 2024). Empirical evidence (see Table 1) from Islamic banks in Pakistan shows that green banking practices significantly enhance bank reputation, with environmental awareness strengthening this relationship (Khan *et al*., 2024). In addition, evidence from Bangladesh indicates that Islamic bankers' ethical intentions (*Niyyah*) and green innovation orientation significantly drive the adoption of green sukuk, contributing to environmental sustainability and sustainable finance outcomes (Ashraf *et al*., 2026). Similarly, evidence from Saudi Arabia shows that sustainability-oriented management practices improve environmental performance and overall organizational effectiveness (Oladapo, 2024). Collectively, these findings suggest that environmental responsibility enhances legitimacy, innovation capacity and long-term financial sustainability.

Collectively, the literature highlights that the Prosperity, People and Planet dimensions of the TBL framework reinforce financial performance by embedding ethical, social and ecological considerations within Islamic banking operations. This multidimensional approach integrates moral accountability with profitability, aligning economic outcomes with the broader objectives of Maqāṣid al-Sharīʿah.

Hence the current study further proposes:

Table 1. Empirical evidence supporting study hypotheses: a synthesis of PLS-SEM studies in Islamic banking

Author(s) and year	Independent variable(s)	Mediating variable(s)	Moderating variable(s)	Dependent variable(s)	Significance	+/−
Hamidi and Worthington (2023)	Prosperity	–	–	Financial Performance	0.000	Positive
	People	–	–	Financial Performance	0.003	Positive
	Planet	–	–	Financial Performance	0.000	Positive
	Prophet	–	–	Financial Performance	0.000	positive
Hamidi *et al*. (2024)	Prosperity	–	–	Financial Performance	0.000	Positive
	People	–	–	Financial Performance	0.000	Positive
	Planet	–	–	Financial Performance	0.000	Positive
	Prophet	–	–	Financial Performance	0.000	positive
	Prophet	–	–	Prosperity	0.000	Positive
	Prophet	–	–	People	0.000	Positive
	Prophet	–	–	Planet	0.000	Positive
Hamidi *et al*. (2025)	Prosperity	–	–	Sustainability	0.000	Positive
	People	–	–	Sustainability	0.003	Positive
	Planet	–	–	Sustainability	0.000	Positive
	Prophet	–	–	Sustainability	0.018	Positive
Oladapo (2024)	Management Support	–	–	Environment Performance	0.000	Positive
	Environment Innovation	–	–	Environment Performance	0.004	Positive
	Management Support	Environmental Innovation	–	Environment Performance	0.006	Positive
	Management Support	–	–	Environmental Innovation	0.000	Positive
Fahamsyah *et al*. (2026)	SDGs	–	–	ROI	0.003	Positive
	Market Share	–	–	ROI	0.000	Positive
	SDGs	–	–	Market Share	0.000	Positive
	SDGs	–	Digitization	ROI	0.021	Positive

(continued)

Table 1. Continued

Author(s) and year	Independent variable(s)	Mediating variable(s)	Moderating variable(s)	Dependent variable(s)	Significance	+/−
Asghar *et al*. (2020)	Financial and economic performance	–	–	Sustainable performance	0.000	Positive
	Financial and economic performance	Social and environmental performance	–	Sustainable performance	0.019	Positive
Sukardi *et al*. (2022)	Corporate Ethical Identity	–	–	Corporate Sustainability	0.028	Positive
	Corporate governance	–	–	Corporate Sustainability	0.267	Positive
Khan *et al*. (2024)	Employees Practices	–	–	Bank Reputation	0.000	Positive
	Daily Operations Practices	–	–	Bank Reputation	0.000	Positive
	Customers Practices	–	–	Bank Reputation	0.000	Positive
	Bank Policy Practices	–	–	Bank Reputation	0.000	Positive
	Employees Practices	–	Management Environmental Awareness	Bank Reputation	0.000	Positive
	Daily Operations Practices	–	Management Environmental Awareness	Bank Reputation	0.000	Positive
	Customers Practices	–	Management Environmental Awareness	Bank Reputation	0.000	Positive
	Bank Policy Practices	–	Management Environmental Awareness	Bank Reputation	0.000	Positive
Rahman *et al*. (2025)	Sustainable Innovativeness	–	–	Green Banking Operation	0.000	Positive
	Green Investment	–	–	Green Banking Operation	0.000	Positive
	Green Banking Policy	–	–	Green Banking Operation	0.000	Positive
Ahmed *et al*. (2022)	Islamic Shariah compliance	–	–	Service Quality	0.000	Positive
	Islamic Shariah compliance	–	–	Customer satisfaction	0.000	Positive
	Service quality	–	–	Customer satisfaction	0.000\	Positive
	Islamic Shariah compliance	Service quality!	–	Customer satisfaction	0.035	Positive

(*continued*)

Table 1. Continued

Author(s) and year	Independent variable(s)	Mediating variable(s)	Moderating variable(s)	Dependent variable(s)	Significance	+/−
Ashraf *et al*. (2026)	Environmental Awareness	–	–	Empathy	0.000\	Positive
	Empathy	–	–	Niyyah	0.000\	Positive
	Environmental Awareness	–	–	Moral and Ethical Obligation	0.000\	Positive
	Perceived Social Support	–	–	Moral and Ethical Obligation	0.000\	Positive
	Moral and Ethical Obligation	–	–	Niyyah	0.000\	Positive
	Greentech Innovation	–	–	Moral and Ethical Obligation	0.000\	Positive
	Greentech Innovation	–	–	Self-Efficacy	0.000\	Positive
	Self-Efficacy	–	–	Niyyah	0.000\	Positive

H2a. The Prosperity dimension positively influences the financial performance of Islamic banks.

H2b. The People dimension positively influences the financial performance of Islamic banks.

H2c. The Planet dimension positively influences the financial performance of Islamic banks.

2.3.3 Impact of the Prophetic Ethics (Dīn) on TBL components. Prophetic ethics – justice (ʿadl), benevolence (*ihsan*) and trustworthiness (*amanah*) – guide Islamic banking's economic, social and environmental conduct (Iqbal and Mirakhor, 2017; Hamidi and Worthington, 2023). These values enhance the TBL framework by embedding spiritual accountability into prosperity, welfare and stewardship (Jaiyeoba *et al*., 2025; Hartanto *et al*., 2024; Utami *et al*., 2024; Faizulayev, 2025; Al-Khazaleh *et al*., 2025).

Qur'anic injunctions and Prophetic teachings advocate financial integrity, equitable distribution and environmental care (Qur'an 4:29; Sahih Muslim; Qur'an 42:38, 42:37, 7:31, 30:41), reinforcing zakat, consultation and sustainable finance as ethical imperatives (UNDP, 2022; Hassan *et al*., 2025b). These principles are further institutionalized through ethical identity and Shariah governance mechanisms that strengthen sustainability-oriented outcomes in Islamic banking systems (Sukardi *et al*., 2022).

Recent literature (see Table 1) reinforces the behavioral and organizational pathways through which Prophetic Ethics (Dīn) influence the TBL components. Prophetic leadership, rooted in spiritual consciousness and ethical foresight, fosters inclusive organizational cultures, stakeholder empathy and employee empowerment (Raza *et al*., 2023). These traits align with the Maturidi creed's emphasis on justice and moral responsibility, encouraging institutions to prioritize human dignity, equitable treatment and enhanced stakeholder-oriented outcomes, including service quality and customer satisfaction (Khandakar *et al*., 2025; Ahmed *et al*., 2022). Extending this perspective, the QBL framework positions the "Prophet" dimension as the ethical-spiritual driver that activates the Prosperity, People and Planet dimensions, highlighting the foundational role of Prophetic values in shaping sustainability performance in faith-based and Islamic financial institutions (Hamidi *et al*., 2025).

In terms of environmental stewardship, Prophetic Ethics (Dīn) promote *taqwa* (God-consciousness) and ecological accountability, which resonate with Islamic finance's commitment to sustainability and ethical governance (Hasnat *et al*., 2025). Empirical evidence further indicates that green banking practices and environmental awareness significantly enhance organizational reputation and sustainability performance in Islamic banks, particularly in developing economies such as Pakistan (Khan *et al*., 2024). Moreover, ethical intention (*niyyah*) and green innovation orientation have been shown to drive the adoption of green sukuk and sustainable finance initiatives (Ashraf *et al*., 2026). Complementing this, sustainable innovativeness, green investment and policy frameworks significantly drive green banking operations, reinforcing environmental sustainability within Islamic financial systems (Rahman *et al*., 2025).

Furthermore, Prophetic Ethics (Dīn) support inclusive prosperity by integrating business acumen with spiritual ethics. Mechanisms such as zakat, socially responsible investment and Maqasid al-Shariah contribute to long-term value creation and equitable wealth distribution (Hasnat *et al*., 2025; Raza *et al*., 2023). Supporting this, empirical evidence from developing banking contexts indicates that financial and non-financial practices jointly enhance firm performance, reflecting the role of ethical and strategic alignment in strengthening the prosperity dimension (Asghar *et al*., 2020). In addition, stakeholder-oriented strategies aligned with SDGs significantly enhance profitability and market performance in Islamic banks, highlighting the role of sustainability-driven and stakeholder-centric approaches in strengthening economic outcomes (Fahamsyah *et al*., 2026). Additionally, sustainability-oriented management practices further reinforce environmental and organizational performance within Islamic banking systems (Oladapo, 2024).

These pathways collectively illustrate how Prophetic Ethics (Dīn) serve as a normative and behavioral catalyst, shaping organizational practices across economic (Prosperity), social (People) and environmental (Planet) domains.

Hence, the current study further hypothesizes:

H3a. Prophetic Ethics (Dīn) exert a positive influence on the Prosperity dimension.

H3b. Prophetic Ethics (Dīn) exert a positive influence on the People dimension.

H3c. Prophetic Ethics (Dīn) exert a positive influence on the Planet dimension

2.3.4 Mediating role of the Triple Bottom Line. The TBL framework serves as a conduit through which Prophetic Ethics (Dīn) are translated into measurable institutional outcomes. The Prophetic Ethics (Dīn) function as a spiritual and ethical foundation, while the three pillars – Prosperity, People and Planet – operationalize these values into tangible social, environmental and financial practices. In this sense, the 3Ps mediate the influence of Prophetic Ethics (Dīn) by embedding moral intent within performance structures, thereby transforming spirituality into actionable sustainability outcomes (Gallardo-Vázquez, 2025; Hamidi and Worthington, 2023; Hassan *et al*., 2022, 2025a; Masud *et al*., 2019). Through this integrated mechanism, Islamic banks can align faith-based mandates with financial performance, achieving both ethical legitimacy and sustainable competitiveness.

Empirical evidence reinforces (see Table 1) this mediating interpretation. Gallardo-Vázquez (2025) demonstrated that the economic, social and environmental dimensions within Corporate Social Responsibility interact dynamically, mediating one another to enhance organizational performance and sustainability outcomes. Masud *et al*. (2019) found that while economic responsibility did not exert a significant mediating effect, social and environmental responsibilities significantly mediated the relationship between organizational strategic performance and CSR outcomes – validating the operational power of TBL as a bridge between strategic intent and sustainable impact. Supporting this within a developing country context, Asghar *et al*. (2020) show, based on evidence from Pakistan's banking sector, that social and environmental performance significantly mediates the relationship between financial and economic performance and sustainable firm performance. Similarly, within Islamic banking, Ahmed *et al*. (2022) demonstrate that Shariah compliance enhances customer satisfaction both directly and indirectly through service quality, confirming the broader role of mediating mechanisms in translating ethical and institutional principles into performance outcomes. Extending this evidence, Oladapo (2024) further shows that, in Saudi Arabia, management support enhances environmental performance both directly and indirectly through environmental innovation, reinforcing the role of sustainability-oriented practices as mediating pathways linking strategic intent to performance outcomes.

Complementary findings from Hassan *et al*. (2022, 2025a) also substantiate the mediating strength of the 3Ps. Their structural analyses revealed significant indirect effects between sustainability concerns and sustainable development through environmental (VAF = 44.20%), economic (VAF = 7.05%) and social (VAF = 8.60%) aspects. The total indirect effect (VAF = 59.85%) confirmed partial mediation, underscoring that these dimensions collectively translate sustainability values into institutional performance (Hassan *et al*., 2022). Moreover, subsequent model demonstrated that social (β = 0.160, t = 2.747, p = 0.030), economic (β = 0.113, t = 1.475, p = 0.070) and environmental (β = 0.072, t = 1.599, p = 0.055) dimensions significantly mediated the relationship between stakeholder concerns and sustainable outcomes (Hassan *et al*., 2025a).

Building on this, Hamidi and Worthington (2021, 2023) and Hamidi *et al*. (2024, 2025) extended Elkington's (1997) model by introducing the Prophet dimension as the fourth pillar of the QBL, emphasizing the ethical and spiritual accountability inherent in Islamic banking and non-profit faith-based institutions. This idea is reinforced by Hartanto *et al*. (2024), who developed a Maqasid al-Shariah-based sustainability framework, arguing that the Prophet dimension integrates economic, social and environmental pillars through spiritual intent and moral governance.

Within the QBL perspective, these insights indicate that the TBL components act as mediating mechanisms – not moderators – between Prophetic Ethics (Dīn) and financial outcomes. Mediation is conceptually appropriate because the TBL represents internal organizational processes that translate ethical-spiritual intent into sustainable and financial results. Moderation, by contrast, would imply that TBL merely conditions the strength of the relationship rather than channels it. Accordingly, the mediating role is a theoretically expected outcome derived from prior sustainability research, to be empirically verified through the present study.

Hence, the current study finally hypothesizes:

H4a. Prosperity mediates the relationship between Prophetic Ethics (Dīn) and financial performance.

H4b. People mediates the relationship between Prophetic Ethics (Dīn) and financial performance.

H4c. Planet mediates the relationship between Prophetic Ethics (Dīn) and financial performance.

2.4 Research model

Grounded in the Maqasid al-Shariah and QBL perspectives, the research model (Figure 1) is adapted from established QBL and Islamic ethical–performance frameworks (e.g. Hamidi and Worthington, 2023; Hamidi *et al*., 2024) to clarify how Prophetic Ethics (Dīn) functions as the core normative driver of sustainability in Islamic banking. In this adapted model, Dīn directs and strengthens the Prosperity, People and Planet dimensions, demonstrating how ethical–spiritual intent is operationalized through organizational practices and stakeholder-oriented outcomes. By integrating these dimensions, the model illustrates a coherent pathway through

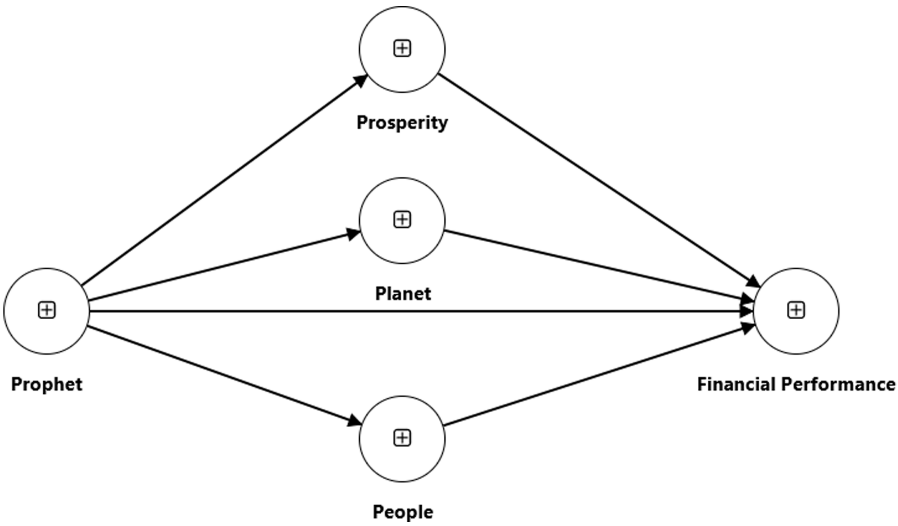

Figure 1. Research model. **Source:** Authors' own creation

which Islamic ethical values translate into enhanced financial performance, thereby aligning moral responsibility with sustainable value creation.

3. Research methodology

This study adopts a positivist research paradigm and employs a deductive, quantitative approach to test the proposed conceptual model, which integrates Prophetic Ethics (Dīn) into the QBL to evaluate the sustainable financial performance of Islamic banks. The quantitative design enables empirical testing of theoretically derived hypotheses, allowing objective validation of relationships among latent constructs.

3.1 Measurement scales and constructs

All scales – including Prophetic Ethics (Dīn) (see Appendix) – were adopted from Hamidi *et al.* (2024), who defined the QBL framework using a seven-point Likert scale and were further validated in the current study through consultation with scholars trained in Islamic theology and ethics, including two Shariah advisors. As shown in Appendix, each construct was modeled as a first-order reflective construct, consistent with the original conceptualization. However, to ensure clarity, ease of interpretation and consistent responses within the local context, a five-point Likert scale was employed through an online Google Form. For most constructs, the scale ranged from 1 (Strongly Disagree) to 5 (Strongly Agree), while for the Planet construct, it captured perceived importance, ranging from 1 (Not at all important) to 5 (Extremely important). The decision to use a five-point scale was based on its proven reliability and respondent-friendly format in self-administered surveys (Dawes, 2008; Revilla *et al.*, 2014). Research also suggests that five-point scales reduce cognitive load and central tendency bias without compromising data quality (Joshi *et al.*, 2015). This adjustment did not alter the conceptual meaning of the indicators and was made solely to enhance response accuracy and engagement.

The Prosperity dimension, based on Chapra's (2008) ideas of Self (Nafs) and Wealth (Mal), includes eleven indicators that reflect financial justice, inclusion and social equity. These indicators are fair returns, zakat collection and distribution, equal job opportunities, good governance and psychological relief from riba-free banking. Other indicators involve deposit protection, rural outreach, job creation, use of social collateral, community grants or interest-free financing and efforts to reduce poverty. Together, these highlight the contribution of Islamic banking to inclusive growth and moral economic empowerment.

The People construct includes eight items drawn from Chapra's Intellect (Aql) and Posterity (Nasal) dimensions. It looks at staff training, client education, scholarship support, recognition of creativity, inclusion of marginalized groups, employee health and welfare benefits, assistance during financial hardship and access to banking services in disaster-hit or remote areas. These reflect Islamic banking's role in promoting human dignity, fairness for future generations and social responsibility.

The Planet dimension has six items based on Allet's (2012) sustainability framework, which looks at environmental responsibility. Indicators include the existence of formal environmental policies, efforts to lower institutional carbon footprints, funding for eco-friendly projects, client education on environmental risks and the use of environmental risk-assessment tools. This dimension embodies the Islamic principle of khalifah (stewardship of the Earth) and connects Islamic banking practices with global sustainability goals.

Prophetic Ethics (Din) comprise six faith-based indicators derived from Chapra's (2008) conceptualization of Din (Faith). These indicators include the availability of prayer facilities, support for religious and charitable initiatives, encouragement for clients to seek barakah (divine blessings), transparency in disclosing prohibited (haram) transactions, provision of qard al-hasan (benevolent loans) and adherence to Shariah governance. This dimension underscores spiritual accountability and Prophetic ethics as integral components of Islamic financial practices.

The dependent variable, Financial Performance, is made up of six items inspired by the Balanced Scorecard approach (Kaplan and Norton, 1996) and Islamic ethical performance metrics (Zakaria, 2014). These items evaluate financing adequacy, support for entrepreneurial efforts, continuity of business operations, provision of financial aid through qard al-hasan, reliability of officers and actions to ethically maximize returns. Together, they provide a complete measure of performance that integrates profitability with ethical and stakeholder-focused outcomes.

3.2 Sampling and data collection

Currently, 22 Islamic Banking Institutions (IBIs) operate in Pakistan, comprising six fully fledged Islamic banks and sixteen conventional banks with Islamic windows (SBP, 2025). Purposive sampling identified 400 potential respondents, including bank practitioners, regulators, Shariah scholars, academicians, depositors, borrowers and community representatives. Snowball referrals were used to ensure diversity and representation across Pakistan's Islamic banking landscape. Data were collected between January and May 2025, coinciding with the implementation of the State Bank of Pakistan's Shariah Governance Framework for Islamic Banking Institutions, which emphasizes Shariah governance, social responsibility and environmental stewardship (SBP, 2024). Data collection employed a structured online questionnaire developed in Google Forms, ensuring voluntary, anonymous and confidential participation.

The sample size was determined using Cochran's formula with a 95% confidence level, 5% precision and a 50% assumed population proportion, yielding a theoretical size of 385 respondents (Cochran, 1963). In structural equation modeling, a minimum of 200 observations is generally adequate (Anderson and Gerbing, 1988). Using the inverse square root method for minimum path coefficients (P_min = 0.20) following Hair *et al*. (2021), the required sample sizes were 252 at 1% significance, 155 at 5% and 113 at 10%. A total of 400 questionnaires were distributed, and the final dataset included 197 valid responses, representing a 49.25% response rate. As shown in Table 2, the demographic composition of respondents indicates that 87.82% were male, most aged 26–45 years (73.1%), with postgraduate qualifications (Master's: 64.97%; MS/MPhil: 9.64%). Approximately 75.13% were depositors, employees or borrowers associated with Islamic or conventional banks. This highly educated and professionally engaged sample provides credible insights into the integration of Prophetic Ethics and sustainability principles in Islamic banking.

4. Data analysis and results

PLS-SEM was employed as the primary analytical technique, given its suitability for theory development and prediction-oriented research involving complex models with multiple latent constructs (Hair *et al*., 2021). Unlike covariance-based SEM, PLS-SEM is more appropriate for studies with moderate sample sizes, non-normal data distributions and exploratory model testing. This makes it particularly well-suited for extending the TBL framework by incorporating the emerging Prophetic Ethics (Dīn) dimension.

4.1 Measurement model evaluation

Following the recommended two-step approach by Hair *et al*. (2021), the measurement model was first assessed for item reliability, internal consistency, convergent validity and discriminant validity. After the initial evaluation, six items – three from Prosperity (SE2, WE10, WE11) and three from People (IN12, IN15, PO17) – were removed due to low and high cross-loadings. For the remaining 31 items, most standardized loadings exceeded the threshold value of 0.708, confirming acceptable item reliability (Table 3).

All constructs demonstrated satisfactory internal consistency, with both composite reliability (CR) and Cronbach's alpha values exceeding 0.70 (Table 3). Convergent validity

Table 2. Descriptive statistics of respondents

Characteristics		*N*	%
Gender	Male	173	87.82
	Female	24	12.18
Age	18–25	22	11.16
	26–35	73	37.06
	36–45	71	36.04
	Above-45	30	15.22
Education	Matriculation	3	1.52
	Intermediate	4	2.03
	Bachelor	39	19.80
	Master	128	64.97
	MS/Phil	19	9.64
	PhD	3	1.52
Professional Role	Depositor, Bank Employee and Borrower	148	75.13
	Depositor and Borrower	27	13.70
	Depositor, Borrower and Academician	4	2.03
	Depositor and Technology Expert	4	2.03
	Depositor and Sharia Adviser	2	1.02
	Community (none of the above)	12	5.08

Source(s): Authors' own creation

was also established, as the average variance extracted (AVE) for each construct was greater than 0.50 (Table 3).

Furthermore, discriminant validity was confirmed using the Fornell–Larcker criterion (where the square root of AVE for each construct exceeds its inter-construct correlations) and the Heterotrait–Monotrait (HTMT) ratio (HTMT <0.90), as shown in Tables 4 and 5.

4.2 Structural model evaluation

Once the measurement model satisfied the reliability and validity requirements, the structural model was assessed to test the hypotheses and evaluate the model's predictive accuracy and explanatory power. The evaluation included tests for collinearity (VIF <3.30), path coefficients, R^2 values, effect sizes (f^2), predictive relevance (Q^2_predict) and endogeneity robustness (Hair *et al.*, 2021; Sarstedt *et al.*, 2020).

Prior to hypotheses testing, multicollinearity among the constructs was examined, and all variance inflation factor (VIF) values were below 3.30, confirming the absence of multicollinearity. Table 6 presents the direct effects of Planet, People, Prophet and Prosperity on Financial Performance, as well as Prophetic Ethics' (Dīn) direct influence on Planet, People and Prosperity. The results indicate that the Prophetic Ethics (Dīn) has a strong and significant positive effect on Financial Performance ($\beta = 0.425$, $t = 6.074$, $p < 0.01$), thereby supporting H1. Prosperity also positively influences Financial Performance ($\beta = 0.190$, $t = 2.820$, $p < 0.01$), supporting H2a, while People ($\beta = 0.129$, $t = 1.697$, $p < 0.10$) and Planet ($\beta = 0.197$, $t = 2.639$, $p < 0.01$) show positive and significant effects, supporting H2b and H2c, respectively.

Further, the Prophetic Ethics (Dīn) significantly predict each of the TBL components: Prosperity ($\beta = 0.691$, $t = 11.691$, $p < 0.01$, H3a supported), People ($\beta = 0.684$, $t = 11.499$, $p < 0.01$, H3b supported) and Planet ($\beta = 0.718$, $t = 12.028$, $p < 0.01$, H3c supported). These results affirm the critical role of Prophetic Ethics (Dīn) in shaping economic, social and environmental dimensions of Islamic banking.

As shown in Table 6, mediation analysis indicates that the TBL constructs partially mediate the relationship between the Prophetic Ethics (Dīn) and Financial Performance. Specifically,

Table 3. Reliability and validity of constructs

Construct, code and items	FL	CA	CR	AVE
Planet		0.918	0.936	0.709
EN20	0.836			
EN21	0.788			
EN22	0.850			
EN23	0.885			
EN24	0.886			
EN25	0.803			
Financial Performance		0.886	0.913	0.637
FIN38	0.763			
FIN39	0.828			
FIN40	0.835			
FIN41	0.759			
FIN42	0.817			
FIN43	0.784			
People		0.851	0.893	0.625
IN13	0.774			
IN14	0.812			
PO16	0.734			
PO18	0.815			
PO19	0.817			
Prophet		0.825	0.872	0.535
PR26	0.766			
PR27	0.822			
PR28	0.804			
PR29	0.623			
PR30	0.684			
PR31	0.666			
Prosperity		0.857	0.889	0.504
SE1	0.781			
SE3	0.720			
SE4	0.561			
SE5	0.712			
WE6	0.647			
WE7	0.743			
WE8	0.833			
WE9	0.647			

Source: Authors' own creation

Table 4. Fornell–Larcker criteria

	Financial performance	People	Planet	Prophet	Prosperity
Financial Performance	0.798				
People	0.702	0.791			
Planet	0.719	0.680	0.842		
Prophet	0.786	0.684	0.718	0.731	
Prosperity	0.717	0.778	0.676	0.691	0.710

Source(s): Authors' own creation

Table 5. HTMT ratio

	Financial performance	People	Planet	Prophet	Prosperity
Financial Performance					
People	0.787				
Planet	0.796	0.756			
Prophet	0.899	0.801	0.807		
Prosperity	0.814	0.896	0.749	0.799	

Source(s): Authors' own creation

Planet (β = 0.142, t = 2.506, p < 0.05), Prosperity (β = 0.131, t = 2.662, p < 0.01) and People (β = 0.088, t = 1.698, p < 0.10) significantly transmit the effect of the Prophetic Ethics (Dīn) on Financial Performance, supporting H4a–H4c. These results suggest that Prophetic Ethics (Dīn) enhance financial outcomes both directly and indirectly through improvements in social, environmental and economic practices.

To evaluate the strength of these indirect effects, the variance accounted for (VAF) was computed following Iacobucci *et al.* (2007): $VAF(\%) = \frac{\text{Indirect Effect}}{\text{Total Effect}} \times 100$

As shown in Table 7, the analysis revealed that 45.92% of the total effect of Prophetic Ethics (Dīn) on financial performance is mediated through the TBL dimensions – of which Planet contributes the most (18%), followed by Prosperity (16.6%) and People (11%). Since the total VAF value (45.92%) falls between 20% and 80%, this thereby confirms a partial mediation effect (Hair *et al*., 2021). Hence, the findings substantiate that the Prophetic Ethics (Dīn) influence financial performance through integrated economic, social and environmental pathways represented by the TBL (see Table 7). The combined direct and mediating effects are provided in Tables 6, 7 and Figure 2.

The explanatory power of the model was further examined. As shown in Table 8, the results indicated that the Prophetic Ethics (Dīn) accounted for 51.6% of the variance in Planet, 47.7% in Prosperity and 46.8% in People, while the combined influence of Prophetic Ethics (Dīn), Planet, People and Prosperity explained 70.3% of the variance in Financial Performance (Table 8). Regarding effect sizes (f^2), the Prophetic Ethics (Dīn) demonstrated a large effect on Planet (1.067), Prosperity (0.913) and People (0.878) and a moderate effect on Financial Performance (0.237). In contrast, the effects of Planet (0.053), People (0.019) and Prosperity (0.041) on Financial Performance were small, suggesting that while the Prophetic Ethics (Dīn) is the dominant driver in the model, the other constructs contribute incrementally to explaining financial outcomes.

Goodness-of-Fit (GoF) serves as a global index to evaluate the adequacy of the proposed model in capturing the observed data within the PLS-SEM framework (Tenenhaus *et al*., 2005). In this context, GoF is computed as the geometric mean of the average communality (equivalent to AVE) and the average R^2 values (Wetzels *et al*., 2009). A communality threshold of ≥0.4 is recommended (Henseler *et al*., 2009), while R^2 effect sizes follow Cohen's (1988) guidelines: 0.02 (small), 0.13 (medium) and 0.26 (large). Benchmark GoF values are 0.10 (small), 0.25 (medium) and 0.36 (large), with higher values indicating superior global model fit and a parsimonious structural framework (Hassan *et al*., 2022). In the present study, as shown in Table 9, the calculated GoF of 0.571 exceeds the threshold for a large effect, confirming that the model demonstrates strong global fit and that its structural relationships adequately represent the data.

Furthermore, model fit was assessed using the standardized root mean square residual (SRMR), which reflects the discrepancy between observed and predicted correlations. As shown in Table 10, the SRMR value for the saturated model was 0.074, indicating a good fit, while the estimated model yielded an SRMR of 0.100. Although slightly above the

Table 6. Direct and mediating effects

Hypotheses and paths	VIF values	Std. Beta	STDEV	T values	p values	Confidence interval bias corrected 2.5%	97.5%	Decision
Direct Effects								
Planet → Financial Performance	2.486	0.197	0.075	2.639	0.008	0.054	0.346	Accept
People → Financial Performance	2.970	0.129	0.076	1.697	0.090	−0.026	0.275	Accept
Prophet → Planet	1.000	0.718	0.060	12.028	0.000	0.571	0.808	Accept
Prophet → Financial Performance	2.561	0.425	0.070	6.074	0.000	0.292	0.565	Accept
Prophet → People	1.000	0.684	0.059	11.499	0.000	0.545	0.780	Accept
Prophet → Prosperity	1.000	0.691	0.059	11.691	0.000	0.553	0.786	Accept
Prosperity → Financial Performance	2.989	0.190	0.067	2.820	0.005	0.062	0.324	Accept
Indirect/Mediating Effects								
Prophet → Planet → Financial Performance		0.142	0.057	2.506	0.012	0.041	0.263	Accept
Prophet → Prosperity → Financial Performance		0.131	0.049	2.662	0.008	0.042	0.234	Accept
Prophet → People → Financial Performance		0.088	0.052	1.698	0.090	−0.017	0.191	Accept

Source(s): Authors' own creation

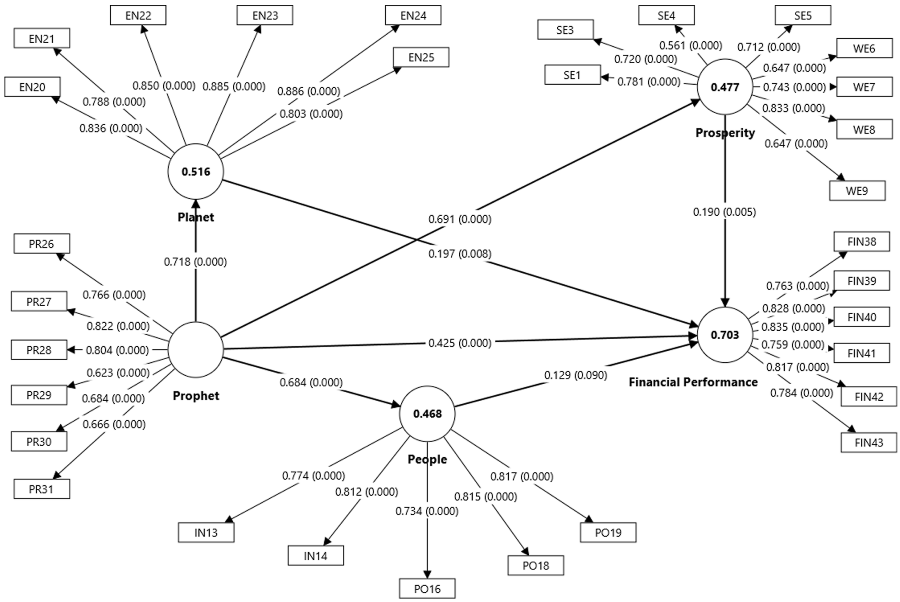

Figure 2. Structural model results. **Source:** Authors' own creation

conventional threshold of 0.08, this value remains within an acceptable range for complex models in PLS-SEM, supporting the robustness of the proposed structural framework.

To ensure that the estimated structural relationships were not biased by potential endogeneity, the Gaussian Copula (GC) approach was employed (Sarstedt *et al.*, 2020). As shown in Table 11, the results revealed that none of the GC terms were statistically significant ($p > 0.05$) for any of the QBL dimensions – People ($\beta = 0.027$, $t = 0.184$, $p = 0.854$), Planet ($\beta = -0.110$, $t = 0.685$, $p = 0.494$), Prophet ($\beta = 0.033$, $t = 0.222$, $p = 0.825$) and Prosperity ($\beta = -0.009$, $t = 0.065$, $p = 0.948$). The corresponding 95% bias-corrected confidence intervals also included zero for all constructs, confirming the absence of endogeneity effects. Therefore, the structural relationships among the Prophet dimension, the TBL dimensions and Financial Performance can be considered robust, consistent and unbiased by potential endogeneity concerns.

As shown in Table 12, The PLS-Predict assessment revealed positive Q^2_predict values ranging from 0.068 to 0.442, confirming the model's predictive relevance. Most indicators exhibited lower RMSE and MAE values under the PLS-SEM approach than the linear benchmark model, indicating medium to strong predictive power. Notably, financial and environmental indicators (e.g. FIN39, FIN42, EN22, EN24) showed the strongest predictive performance, whereas stakeholder engagement and well-being items demonstrated weaker accuracy.

Furthermore, the multi-group analysis (Tables 13–16) indicates that the structural relationships remain largely consistent across gender and age groups, as most differences are statistically non-significant ($p > 0.05$), confirming the robustness and generalizability of the model across demographic segments.

Finally, to outline managerial implications, the IPMA results in Figures 3 and 4 indicated that, at both the construct and item levels, the Prophet dimension is the most important and high-performing predictor of Financial Performance.

Table 7. Mediation through variance accounted for (VAF)

Total effect of prophetic ethics on financial performance			Direct effect of prophetic-ethics on financial performance			Indirect effects of prophetic ethics on financial performance				
	95% CI			95% CI			Point	95% CI		VAF
β	Lower	Upper	β	Lower	Upper	Specific indirect effects	Estimate	Lower	Upper	(%)
0.786	0.690	0.850	0.425	0.292	0.565	Prophet → Planet → FP	0.142	0.041	0.263	18%
						Prophet → People → FP	0.088	−0.017	0.191	11%
						Prophet → Prosperity → FP	0.131	0.042	0.234	16.6%
						Total Indirect Effect	0.361	0.230	0.495	45.92%

Source(s): Authors’ own creation

Table 8. Explanatory, predictive and significant power of model

	R square	f-square
Planet	0.516	
Financial Performance	0.703	
People	0.468	
Prosperity	0.477	
Planet → Financial Performance		0.053
People → Financial Performance		0.019
Prosperity → Financial Performance		0.041
Prophet → Planet		1.067
Prophet → Financial Performance		0.237
Prophet → People		0.878
Prophet → Prosperity		0.913

Source(s): Prepared by authors

Table 9. Goodness-of-fit index

The GoF index calculation

GoF index calculation is as follows

$\text{GoF} = \sqrt{\overline{AVE} \times \overline{R^2}}$ Eq. (1)

For calculation of the AVE average value, Eq. (2) is employed

$\mu_{AVE} = \frac{1}{n} \sum_{i=1}^{n} x_i$ Eq. (2)

$\mu_{AVE} = \frac{AVE_{Prophet} + AVE_{Financial\ Performance} + AVE_{People} + AVE_{Planet} + AVE_{Prosperity}}{5}$

$\mu_{AVE} = \frac{0.535 + 0.637 + 0.625 + 0.709 + 0.504}{5}$

$\mu_{AVE} = 0.602$

For calculation of the R^2 average value, Eq. (3) is employed

$\mu_{R^2} = \frac{1}{n} \sum_{i=1}^{n} x_i$ Eq. (3)

$\mu_{R^2} = \frac{R^2_{Financial\ Performance} + R^2_{Planet} + R^2_{People} + R^2_{Prosperity}}{5}$

$\mu_{R^2} = \frac{0.703 + 0.516 + 0.468 + 0.477}{4}$

$\mu_{R^2} = 0.541$

Substituting Eq. (2) and (3) into Eq. (1), the GoF value will be

$\text{GoF} = \sqrt{0.602 \times 0.541} = 0.571$

Source(s): Authors' own creation

Table 10. SRMR value

	Saturated model	Estimated model
SRMR	0.074	0.100

Source(s): Prepared by authors

5. Discussion, implications, limitations and direction for future research

5.1 Discussion

The findings of this study provide robust empirical support for the QBL framework in Islamic banking, demonstrating that Prophetic Ethics (Dīn) are not merely symbolic but act as a decisive driver of sustainable financial outcomes. Unlike conventional sustainability models

Table 11. Assessment of endogeneity test using the Gaussian copula approach

	Std. Beta	S. dev.	*T* values	*p* values	95% CI 2.5%	97.5%
GC (People → Financial Performance) → Financial Performance	0.027	0.149	0.184	0.854	−0.209	0.386
GC (Planet → Financial Performance) → Financial Performance	−0.110	0.161	0.685	0.494	−0.450	0.178
GC (Prophet → Financial Performance) → Financial Performance	0.033	0.147	0.222	0.825	−0.256	0.338
GC (Prosperity → Financial Performance) → Financial Performance	−0.009	0.138	0.065	0.948	−0.290	0.257

Source(s): Prepared by authors

Table 12. PLS predict

	Q^2predict	PLS-SEM_RMSE	PLS-SEM_MAE	LM_RMSE	LM_MAE
FIN38	0.345	*0.698*	0.495	0.668	0.472
FIN39	*0.413*	*0.671*	0.486	0.652	0.466
FIN40	0.368	*0.683*	0.479	0.664	0.467
FIN41	*0.409*	0.772	0.556	*0.802*	0.565
FIN42	*0.442*	0.729	0.525	*0.746*	0.525
FIN43	0.345	0.817	0.624	*0.820*	0.619
IN13	0.375	*0.673*	0.502	0.603	0.413
IN14	0.309	0.876	0.666	*0.893*	0.680
PO16	0.199	0.935	0.751	*0.940*	0.739
PO18	0.250	0.824	0.621	*0.844*	0.633
PO19	0.241	0.853	0.644	*0.882*	0.670
EN20	*0.372*	0.674	0.488	*0.694*	0.498
EN21	0.276	0.771	0.571	*0.778*	0.575
EN22	*0.376*	0.694	0.478	*0.714*	0.491
EN23	0.355	0.669	0.493	*0.678*	0.497
EN24	*0.386*	0.628	0.474	*0.639*	0.484
EN25	0.362	0.750	0.543	*0.770*	0.555
SE1	0.347	0.844	0.634	*0.865*	0.636
SE3	0.254	0.837	0.591	*0.853*	0.581
SE4	0.068	0.794	0.538	*0.799*	0.540
SE5	0.213	*0.882*	0.623	0.857	0.620
WE6	0.191	0.906	0.664	*0.911*	0.661
WE7	0.255	0.812	0.588	*0.824*	0.592
WE8	0.281	*0.769*	0.549	0.740	0.507
WE9	0.216	0.914	0.735	*0.921*	0.729

Source(s): Prepared by authors

that emphasize only economic, social and environmental dimensions, QBL introduces a faith-based ethical layer that anchors organizational behavior in prophetic values such as justice (ʿadl), benevolence (ihsan) and trustworthiness (amanah). These values activate the TBL dimensions – Prosperity, People and Planet – and channel them toward improved financial performance.

The structural model confirms that Prophetic Ethics (Dīn) exert a strong direct effect on financial performance ($\beta = 0.425$, $p < 0.01$), while also positively influencing each of the TBL pillars – Prosperity ($\beta = 0.691$), People ($\beta = 0.684$) and Planet ($\beta = 0.718$). Mediation

Table 13. Direct effects – bootstrap multigroup analysis – gender

	Difference (female − male)	1-tailed (female vs male) *p* value	2-tailed (female vs male) *p* value
People → Financial Performance	0.329	0.146	0.291
Planet → Financial Performance	−0.589	0.946	0.109
Prophet → Financial Performance	−0.328	0.816	0.368
Prophet → People	−0.001	0.352	0.703
Prophet → Planet	−0.477	0.877	0.245
Prophet → Prosperity	−0.051	0.431	0.863
Prosperity → Financial Performance	0.400	0.093	0.187

Source(s): Authors' own creation

Table 14. Indirect effects – bootstrap multigroup analysis – gender

	Difference (female - male)	1-tailed (female vs male) *p* value	2-tailed (female vs male) *p* value
Prophet → Planet → Financial Performance	−0.281	0.922	0.155
Prophet → People → Financial Performance	0.235	0.181	0.362
Prophet → Prosperity → Financial Performance	0.257	0.127	0.254

Source(s): Authors' own creation

Table 15. Direct effects – bootstrap multigroup analysis – age

	Difference (Group_26–35 - Group_36–45)	1-tailed (Group_26–35 vs Group_36–45) *p* value	2-tailed (Group_26–35 vs Group_36–45) *p* value
People → Financial Performance	0.261	0.069	0.138
Planet → Financial Performance	0.003	0.503	0.994
Prophet → Financial Performance	−0.260	0.935	0.131
Prophet → People	0.193	0.029	0.058
Prophet → Planet	0.141	0.133	0.266
Prophet → Prosperity	0.172	0.086	0.172
Prosperity → Financial Performance	0.034	0.411	0.822

Source(s): Authors' own creation

analysis reveals that 45.9% of the total effect of Dīn on financial performance is transmitted through the TBL dimensions, with ecological stewardship (Planet) emerging as the strongest mediator (18%), followed by Prosperity (16.6%) and People (11%). This pattern suggests that ethics-driven sustainability is not uniform across dimensions: ecological responsibility is increasingly salient in Islamic banking, distributive justice contributes moderately and stakeholder trust remains comparatively weaker. These nuanced findings highlight where Islamic banks should prioritize interventions to maximize both ethical and financial outcomes.

Previous studies have highlighted the importance of sustainability in Islamic banking but often treated ethics as normative ideals rather than operational drivers. Dusuki and Bouheraoua (2011) conceptualized Maqasid al-Shariah as a guiding framework for justice,

Table 16. Indirect effects – bootstrap multi group analysis – age

	Difference (Group_26–35 - Group_36–45)	1-tailed (Group_26–35 vs Group_36–45) *p* value	2-tailed (Group_26–35 vs Group_36–45) *p* value
Prophet → Planet → Financial Performance	0.044	0.385	0.771
Prophet → People → Financial Performance	0.215	0.057	0.114
Prophet → Prosperity → Financial Performance	0.057	0.321	0.641

Source(s): Authors' own creation

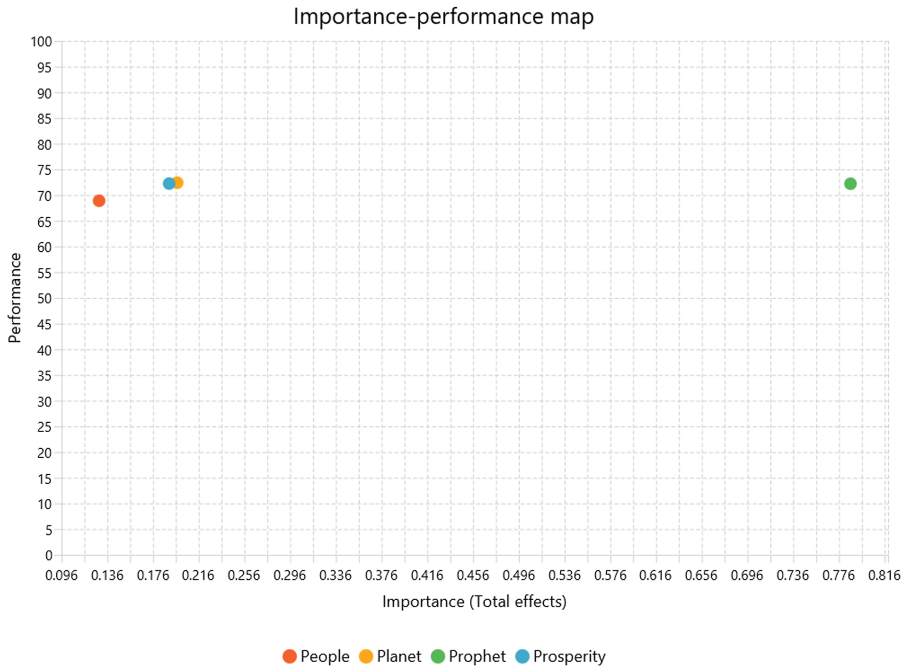

Figure 3. Importance-performance map analysis at construct level. **Source:** Authors' own creation

wealth preservation, human dignity and ecological stewardship, but empirical operationalization remained limited. Hamidi *et al.* (2024) advanced the QBL framework with 20 items, explaining 42.3% of financial performance, whereas our expanded construct coverage (31 items) and methodological rigor yielded higher explanatory power ($R^2 = 0.720$). Prayoga and Siswantoro (2025) confirmed that sustainable activities enhance financial performance in Asian Islamic banks, though the moderating role of Shariah Supervisory Boards was weak. Riswanti *et al.* (2025) revealed declining Maqasid Shariah Index scores in Bank Syariah Indonesia, underscoring gaps in education, justice and welfare despite profitability gains. Hartanto *et al.* (2024) showed exponential growth in Islamic banking sustainability research after 2018, clustered around measurement, governance, CSR and theory, but noted fragmentation and lack of integration. Harahap *et al.* (2023) examined the intersection of Islamic law, Islamic finance and the UN SDGs, finding that Islamic finance

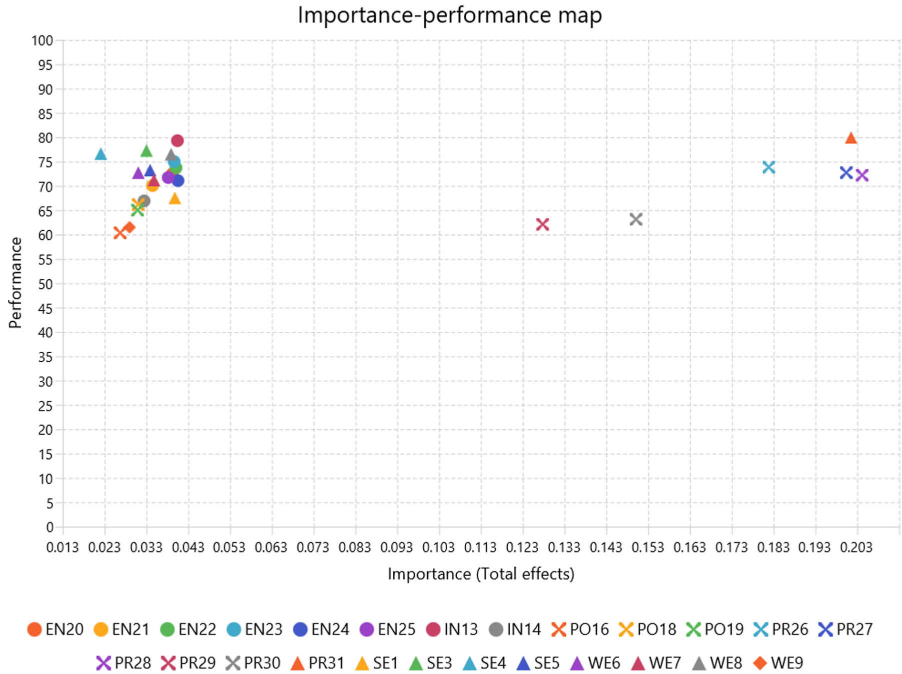

Figure 4. Importance-performance map analysis at item level. **Source:** Authors' own creation

contributes most strongly to humanity-focused SDGs but remains dependent on regulatory support. Together, these studies reveal the absence of integrated models that embed ethics into sustainability frameworks – a gap addressed by our QBL approach.

Evidence from CSR and sustainability research reinforces the mediating interpretation. Gallardo-Vázquez (2025) demonstrated that economic, social and environmental dimensions interact dynamically, mediating one another to enhance organizational performance. Masud *et al*. (2019) found that social and environmental responsibilities significantly mediated the relationship between organizational strategy and CSR outcomes, while economic responsibility played no significant role. Hassan *et al*. (2022) confirmed partial mediation between sustainability concerns and development outcomes, with environmental pathways contributing the largest share. Extending this again to mega-projects, Hassan *et al*. (2025a) showed that stakeholder concerns and attitudes toward the China–Pakistan Economic Corridor (CPEC) significantly influenced its economic, social and environmental aspects, which mediated sustainable development outcomes, with the social dimension emerging as the strongest conduit.

Against this backdrop, our findings contribute a novel perspective by embedding Prophetic Ethics (Dīn) as a spiritual driver that activates all three mediation pathways simultaneously. Unlike CSR-focused studies (Masud *et al*., 2019; Gallardo-Vázquez, 2025), which emphasize social and environmental mediation, the QBL framework demonstrates that faith-based ethics amplify economic, social and environmental pathways together, with ecological stewardship emerging as the most salient mediator in Islamic banking. This contrast enriches the literature by revealing sectoral variation in mediation strength: social mediation dominates in mega-projects (Hassan *et al*., 2022, 2025a), while ecological mediation is most prominent in ethics-driven Islamic banking. Theoretically, this positions Dīn not as a symbolic alignment with Maqasid al-Shariah but as a strategic enabler that restructures the performance architecture of

Islamic banks, advancing sustainability research beyond confirmation toward conceptual innovation.

Compared to Hamidi *et al.* (2024), our expanded construct coverage and rigorous validation yielded higher explanatory power. The model demonstrated strong global fit, absence of endogeneity bias and medium to strong predictive relevance, confirming that the observed explanatory gains reflect substantive theoretical and practical insights rather than statistical inflation.

In sum, the QBL framework – anchored in Prophetic Ethics (Dīn) – offers a robust and ethically grounded model for Islamic banking. It not only enhances financial performance but also provides a behavioral translation of Maqasid al-Shariah principles into organizational strategy. For a knowledgeable reader, the surprising insight is that ethics are not merely complementary to sustainability – they are the dominant driver that restructure the performance architecture of Islamic banks. By reframing Dīn as a strategic enabler, this study advances theory, strengthens methodology and provides practical guidance for values-driven financial systems.

5.2 Theoretical implications

This study contributes to the theoretical advancement of Islamic finance by empirically modeling Prophetic Ethics (Dīn) as a foundational construct within the QBL framework. It challenges the prevailing assumption that spiritual ethics are too abstract for empirical modeling and instead demonstrates that such values – rooted in Qur'anic injunctions and Prophetic traditions – can be systematically embedded into performance evaluation systems. All scales used in the current study, including Prophetic Ethics (Dīn), were adopted from Hamidi *et al*. (2024) and validated through consultation with scholars trained in Islamic theology and ethics, including two Shariah advisors.

The study's claim to "reconfigure ethical theory" in Islamic finance is not merely rhetorical – it reflects a substantive shift in how Prophetic Ethics (Dīn) are conceptualized and operationalized. Traditionally, ethical theory in Islamic finance has been framed normatively, emphasizing compliance with Shariah principles and avoidance of prohibited elements such as *riba* and *gharar.* This study extends that foundation by reframing ethics as a strategic and behavioral driver of performance. Specifically, it reinterprets Prophetic Ethics (Dīn) not as external constraints but as internal enablers that activate social equity, environmental stewardship and inclusive prosperity. Thus, the reconfiguration involves both a reinterpretation of ethical agency and an extension of its role from jurisprudential compliance to multidimensional value creation.

Moreover, the integration of *Maqāṣid al-Sharīʿah* into the QBL framework offers a conceptual advancement beyond prior literature (e.g. Dusuki and Bouheraoua, 2011). While earlier studies positioned *Maqāṣid* as a normative reference point, this research operationalizes its objectives – faith, life, intellect, lineage and wealth – as evaluative pillars within a structural model. The Prophetic dimension serves as the ethical engine that activates these objectives across the TBL domains, thereby transforming *Maqāṣid* from a static checklist into a dynamic lens for assessing institutional impact. This shift represents a paradigm extension, where theological ethics are not only compatible with performance metrics but essential to achieving them.

The mediation model proposed in this study adds further theoretical depth. By situating the TBL dimensions as mediators, it introduces a layered understanding of how ethical constructs influence financial outcomes. It suggests that profitability, social equity and environmental stewardship are not isolated goals but are interlinked through ethical pathways, thereby enhancing the explanatory power of the QBL framework.

Methodologically, the use of PLS-SEM to quantify ethical constructs introduces a new epistemic approach to Islamic finance. It validates the potential of combining Islamic ontologies with advanced statistical techniques, offering a replicable model for future research that seeks to bridge faith-based paradigms with empirical rigor. This approach demonstrates that theological constructs, when carefully operationalized, can meet the standards of psychometric robustness and statistical validity.

Finally, the study's alignment with ESG and SDG standards implies a theoretical convergence between Islamic ethics and global sustainability frameworks. This convergence suggests that Islamic finance can serve as a transformative model for ethical intermediation – not by mimicking conventional standards, but by offering a spiritually grounded alternative that redefines value creation in financial systems. The Prophetic dimension, in this context, becomes a strategic resource for embedding moral accountability into institutional design, contributing to both faith-based and universal development goals.

5.3 Practical and managerial implications

The IPMA results identify Prophetic Ethics (Dīn) as the strongest and highest-performing driver of financial performance, indicating that institutional strategies grounded in Prophetic values can simultaneously enhance ethical legitimacy and financial success. In contexts where resources are limited, strategic governance reform and human capital development should be prioritized, as these foundational levers influence downstream outcomes such as product innovation, environmental responsibility and stakeholder engagement.

In Pakistan, Shariah governance – typically led by Shariah Supervisory Boards – remains procedural rather than strategic, limiting its capacity to embed Prophetic values such as justice, transparency, accountability and social welfare (Baloch and Chimenya, 2023). While integrating Prophet-centric ethics into governance offers substantive benefits, implementation should remain context-sensitive. Variations in jurisprudential interpretations, institutional capacities and cost–benefit considerations necessitate flexible and locally adaptable frameworks rather than uniform doctrinal prescriptions.

The design of inclusive and socially responsive financial products remains critical for addressing socioeconomic disparities. Although aligned with Islamic mandates, such products must be grounded in market realities and supported by enabling mechanisms, including digital access, financial literacy and community outreach. Environmental sustainability also demands strategic attention; while Pakistan's Islamic banks participate in green financing initiatives (Rafique *et al.*, 2025), investment levels remain modest. Expanding renewable energy financing, eco-friendly entrepreneurship support and resource-efficient operations would strengthen the Planet dimension, but these require long-term investment, technical capacity and coordinated policy support.

Human capital development cuts across all dimensions of the QBL. Targeted training in ethical leadership, sustainability, and Islamic finance can embed Prophet-oriented values within organizational culture and operational practice, enhancing resilience and stakeholder trust. Finally, proposals to integrate Prophet-based indicators into regulatory assessments must navigate potential tensions between faith-based benchmarks and secular regulatory frameworks. A modular approach – where Islamic banks voluntarily disclose ethical performance within ESG-aligned reporting systems – can maintain regulatory neutrality while enabling banks to highlight their ethical distinctiveness.

Overall, these strategic and managerial priorities provide Islamic banks with a pathway to competitive differentiation. By integrating ethical mandates with performance drivers – and prioritizing governance and human capital as core enablers – Islamic banks can fulfill religious obligations while advancing sustainable value creation in the broader financial ecosystem.

5.4 Policy implications

For regulators and policymakers, this study highlights several imperatives for strengthening ethical and sustainable finance within Islamic banking. First, regulatory frameworks should integrate Prophet-oriented sustainability indicators into performance assessment regimes.

Such measures will ensure that Islamic banks are evaluated not only on financial metrics but also on their adherence to ethical and spiritual values.

Second, aligning the QBL with global ESG reporting standards is essential for bridging faith-based ethics with mainstream sustainability frameworks. This alignment enhances comparability, improves reporting transparency and positions Islamic finance to contribute more effectively to global sustainability dialogues.

Third, policymakers should foster enabling environments that support ethical financing and socially responsible investment. By promoting incentive structures, facilitating green and socially responsible instruments and strengthening disclosure requirements, regulators can broaden the impact of Islamic banks on social equity and environmental stewardship.

Collectively, these actions strengthen the credibility and global visibility of Islamic banking as an ethical finance model. They reposition Islamic financial institutions as proactive contributors to sustainable development, grounded in spiritual integrity and responsible governance.

5.5 Conclusion

This study demonstrates that integrating Prophetic Ethics (Dīn) into performance assessment can meaningfully enhance the financial, social and environmental outcomes of Islamic banks. By empirically testing the QBL model, the research shows that the traditional TBL components – Prosperity, People and Planet – serve as mediating pathways through which Prophet-inspired ethics translate into improved financial performance. This provides a structured and operational approach for embedding faith-based sustainability into contemporary financial institutions.

The QBL framework marks a significant conceptual shift in Islamic finance: it reconceptualizes profit not as an isolated objective but as one harmonized with the Maqasid al-Shariah. It offers a principled foundation for integrating ethical and spiritual values into sustainability practices, helping align moral responsibility with long-term value creation. However, these findings are grounded in data from Pakistan's Islamic banking sector. Institutional diversity, regulatory variation and differing theological interpretations across jurisdictions mean that the transformative potential of QBL cannot yet be generalized globally.

The study also highlights deeper tensions inherent in integrating faith-based ethics into performance-driven systems. Balancing spiritual ideals with market imperatives remains a challenge, particularly when ethical mandates may conflict with short-term profitability. Additionally, translating abstract theological values into measurable constructs risks diluting their normative richness. Varying interpretations across Islamic legal traditions further complicate efforts to standardize ethical metrics.

Future scholarship should explore how Islamic financial institutions navigate these tensions, especially in jurisdictions where faith-based metrics interact with secular regulatory regimes. Investigating hybrid governance models, stakeholder perceptions and the cross-cultural translation of ethical constructs will be crucial for enhancing the theoretical robustness and practical application of the QBL framework.

Overall, this study contributes to the growing discourse on values-driven finance by offering an empirically validated model linking Prophetic ethics to multidimensional performance. While not universally prescriptive, the QBL approach provides a compelling foundation for reimagining Islamic finance as a spiritually anchored yet strategically adaptive system.

5.6 Limitations and future research

Despite its contributions, this study has several limitations that provide promising directions for future research:

First, the cross-sectional design limits causal inference. Longitudinal studies could better capture how Prophet-inspired sustainability strategies evolve over time and influence financial and non-financial performance trajectories.

Second, the scope of the research is confined to Islamic banks in a single national setting. Comparative studies involving both Islamic and conventional banks – or cross-country comparisons – could reveal how institutional, regulatory and cultural variations shape the applicability and outcomes of the QBL framework.

Third, this study relies exclusively on quantitative survey data. Incorporating qualitative insights from Shariah boards, regulators, managers and customers would deepen understanding of how Prophetic ethics are interpreted, operationalized and enforced within organizational structures. Such insights could illuminate the mechanisms linking ethical intention to institutional behavior.

Lastly, testing the QBL framework across diverse Islamic finance ecosystems – particularly in regions with differing regulatory regimes, governance standards and theological traditions – would strengthen its global applicability. This line of inquiry could help position the QBL as a versatile and context-sensitive model for embedding sustainability within financial institutions worldwide.

Appendix

Table A1. Measurement instrument (QBL and financial performance)

Construct/ dimension	Measurement items
Prosperity (Self and wealth)	
SE1	Islamic banks offer viable and competitive return
SE2	Islamic banks collect and distribute zakat
SE3	Islamic banks offer equal working opportunity
SE4	Islamic banks provide written statements for financing
SE5	Islamic banking reduces stress by avoiding riba
WE6	Deposits are guaranteed by regulator
WE7	Islamic banks reach rural areas
WE8	Islamic banks create employment opportunities
WE9	Islamic banks accept social collateral
WE10	Islamic banks support community projects
WE11	Islamic banks contribute to poverty alleviation
People (Intellect and posterity)	
IN12	Islamic banks provide education and training
IN13	Islamic banks spread awareness of products
IN14	Islamic banks support community education
IN15	Islamic banks reward creative work
PO16	Islamic banks finance excluded groups
PO17	Islamic banks support employee health
PO18	Islamic banks offer hardship financing
PO19	Islamic banks support deprived areas
Planet (Environmental)	
EN20	Islamic banks have environmental policies
EN21	Islamic banks reduce ecological footprint
EN22	Islamic banks promote green financing
EN23	Islamic banks raise environmental awareness
EN24	Islamic banks assess environmental risks
EN25	Islamic banks finance eco-friendly firms

(*continued*)

Table A1. Continued

Construct/ dimension	Measurement items
Prophet (Faith/dīn)	
PR26	Islamic banks provide facilities for worship
PR27	Islamic banks promote religious/social activities
PR28	Motivation is barakah not profit
PR29	Islamic banks disclose haram transactions
PR30	Islamic banks provide qard al-hasan
PR31	Islamic banks operate under Shariah supervision
Financial performance	
FIN38	Islamic banks have sufficient funds
FIN39	Financing supports businesses
FIN40	Financing improves operations
FIN41	Qard al-hasan reduces burden
FIN42	Bank officers are trustworthy
FIN43	Banks increase profit-sharing

Note(s): Scale: 1 = Strongly disagree | 5 = Strongly agree
Source(s): Hamidi *et al.* (2024)

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Corresponding author
Masoodul Hassan can be contacted at: masood@bzu.edu.pk