



Growth Without Transformation? Structural Concentration and Alignment of Maqasid in Global Islamic Finance

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Article Info	Abstract
Article history: Received March 10, 2026 Revised April 13, 2026 Accepted June 27, 2026 Available online August 15, 2026 *Corresponding author email: I000230058@student.ums.ac.id Keywords: Islamic Banking, Islamic Finance, Maqasid Al-Shariah, Natural Language Processing, Structural Imbalance Index.	Introduction/Main Objectives: This study evaluates whether the rapid growth of global Islamic finance has been accompanied by structural transformation and stronger alignment with <i>maqasid al-shariah</i>, focusing on sectoral concentration, development determinants, and industry narratives. Research Methods: Data from major Islamic finance jurisdictions during 2012–2022 were analysed using descriptive analysis, regression modelling, and Natural Language Processing (NLP). A Structural Imbalance Index and Maqasid Index were also developed. Finding/Results: Islamic banking remained dominant, accounting for over 70% of total assets. Banking dominance supported industry growth but was negatively associated with maqasid alignment, while greater diversification strengthened maqasid performance. NLP findings showed stronger emphasis on asset growth than on social justice, redistribution, and financial inclusion. Conclusion: Sustainable Islamic finance requires greater diversification and stronger maqasid al-shariah alignment.
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INTRODUCTION

The global Islamic financial system has experienced significant growth over the past two decades, reaching an estimated USD 4.5 trillion in 2022, with projections indicating it will grow to USD 6.67 trillion by 2027. This expansion is driven by the development of Islamic banking, sukuk, takaful, and various sharia-compliant investment instruments, as well as the increasing integration of Islamic financial markets into the global financial system (Hussein et al., 2024; Tuqan et al., 2024). This development positions Islamic finance as one of the fastest-growing segments in the international financial industry (Obeid & Slimene, 2024; Yakubu et al., 2025). However, asset growth is not always accompanied by structural transformation in line with Islamic economic principles. Various studies show that contemporary Islamic financial practices remain dominated by debt-like instruments and bank-based intermediation, resembling conventional financial structures within a Sharia-compliant framework (Obeid & Slimene, 2024; Saleem et al., 2024). This condition raises questions about the extent to which the expansion of Islamic finance truly reflects a system grounded in risk sharing, linkages with the real sector, and distributive justice, as emphasized in Islamic economic thought (Ramli et al., 2024; Sultan et al., 2024).

Within the framework of *maqasid al-shariah*, the Islamic financial system should ideally be oriented not only towards asset growth but also towards institutional diversification, a more balanced distribution of risk, and more inclusive socio-economic welfare. (El Ashfahany et al., 2025; Tuqan et al., 2024). However, empirical observations show that the global Islamic financial system remains highly concentrated in the Islamic banking sector. At the same time, the development of sukuk, takaful, and sharia investment instruments is relatively slow. (Apriantoro et al., 2025). The persistence of the banking sector's dominance indicates a structural imbalance that could limit the strengthening of risk-sharing mechanisms and the substantive achievement of *maqasid al-shariah*. (Mateev et al., 2024). Previous literature generally explains the development of Islamic finance in terms of macroeconomic factors such as economic growth, financial depth, and regulatory quality. (Rashid et al., 2024). However, most research still focuses on asset expansion and industrial growth quantitatively, while the evaluation of growth structure, sectoral diversification, and alignment with *maqasid al-shariah* remains relatively limited. (Meskovic et al., 2024; Obeid & Slimene, 2024). On the other hand, the fragmentation of cross-country data and the limitations of computational approaches also limit the development of more comprehensive empirical evaluations in Islamic finance studies. (Shi et al., 2025).

Based on these gaps, this study aims to evaluate the global Islamic financial system through an integrated empirical and computational approach. (Ali et al., 2024; Hussein et al., 2024). This study argues that the main challenge of Islamic finance does not lie in the lack of growth, but rather in the growth structure, which is still concentrated and does not fully support the transformation based on *maqasid al-shariah* (Apriantoro et al., 2023; Saleem et al., 2024). This research is designed to answer five main Research Questions:

1. How has the structural composition of the global Islamic financial system evolved?
2. Does the global Islamic financial system exhibit persistent structural imbalances and sectoral concentration?
3. What factors determine the development of global Islamic finance?
4. To what extent is the current structure of global Islamic finance aligned with the principles of maqasid al-Shariah?
5. How does the industry narrative reflect the priorities and orientation of global Islamic financial development?

To answer these questions, this study integrates structural index analysis, exploratory econometric analysis, and NLP-assisted text analysis into one integrated analytical framework (Ling et al., 2024; Shi et al., 2025). This study makes three main contributions to the literature. First, it introduces the Structural Imbalance Index (SII) to measure sectoral dominance in the Islamic financial system (Mateev et al., 2024; Peón et al., 2024). Second, this study develops the Maqasid Index as an empirical proxy for evaluating the alignment of Islamic financial structures with the principles of maqasid al-shariah (Mohd Zain et al., 2025). Third, this study integrates computational text analysis to identify dominant narrative patterns in reports from the global Islamic finance industry (Ling et al., 2024). Collectively, these three approaches enable a more comprehensive analysis of the interrelationships among Islamic financial growth, structural transformation, and maqasid alignment within the global Islamic financial system.

METHOD

Data Sources and Research Design

This study adopts a mixed-methods approach that integrates structural analysis, econometrics, and Natural Language Processing (NLP) to evaluate the development, sectoral concentration, and alignment of maqasid (obligations) in the global Islamic financial system. (Ling et al., 2024; Meskovic et al., 2024). The research framework is designed to answer five research questions concerning structural composition, sectoral concentration, determinants of development, maqasid alignment, and industrial narrative orientation. (Hussein et al., 2024; Meskovic et al., 2024). Data were obtained from four primary sources. Annual Islamic finance sectoral asset data for the 2012–2022 observation period were extracted from the Islamic Finance Development Reports (2013–2023 editions), originally developed by Thomson Reuters and currently published by ICD-LSEG. Financial stability and industry structure indicators were obtained from the Islamic Financial Services Industry Stability Reports published annually by the Islamic Financial Services Board (IFSB). Macroeconomic variables were collected from the World Bank and International Monetary Fund (IMF) databases.

All data were collected and accessed between January and March 2026. Islamic finance indicators were integrated with macroeconomic and institutional variables to construct a unified analytical database for evaluating the development, structural composition, and alignment of

Islamic finance with the objectives of maqasid al-shariah. For the NLP analysis, textual data were extracted from relevant sections of the annual Islamic Finance Development Reports and IFSB Stability Reports that discuss industry development, market trends, and sectoral performance. The extracted textual data were converted into a machine-readable corpus. They underwent preprocessing, including text cleaning and tokenization, before TF-IDF weighting and keyword co-occurrence analysis were applied to identify dominant industry narratives. The dataset includes Islamic finance sectoral indicators, macroeconomic variables, and derived indices used in descriptive, econometric, and NLP analyses. (Dadaboev et al., 2025).

Table 1. Research Framework: Mapping of Research Questions and Methods

Research Question	Analytical Objective	Method/Indicator
RQ 1	Examine the evolution of the global Islamic financial structure	Descriptive statistics, asset composition analysis, and trend analysis
RQ 2	Assess the degree of structural concentration and diversification	Structural Imbalance Index (SII), Herfindahl–Hirschman Index (HHI), Diversification Index
RQ 3	Identify factors associated with Islamic finance development	Multiple regression analysis
RQ 4	Evaluate the relationship between financial structure and the alignment with maqasid.	Maqasid Index and regression analysis
RQ 5	Explore dominant narratives in the Islamic finance industry	NLP-based TF-IDF analysis and keyword co-occurrence analysis

Automated Extraction Flow

To address the fragmentation of Islamic finance data, this study develops an automated extraction workflow to transform semi-structured institutional reports into a machine-readable dataset. (Ling et al., 2024; Shi et al., 2025). Descriptive statistics were employed to summarize the main characteristics of the research variables and illustrate the evolution of Islamic finance asset composition over the observation period. The extracted information was categorized into four main sectors: Islamic banking, sukuk, takaful, and sharia-compliant investment funds. (Millo et al., 2024; Shi et al., 2025). This approach enables the systematic reconstruction of cross-country Islamic finance data and supports the evaluation of structural developments in the

industry. (Delle Foglie & Keshminder, 2024; Shi et al., 2025). For the NLP analysis, the extracted textual data were converted into a machine-readable corpus. Subsequently, they underwent preprocessing, including text cleaning and tokenization, before TF-IDF weighting and keyword co-occurrence analysis were applied to identify dominant industry narratives.

Structural Imbalance Index and Concentration Measure

To evaluate the level of concentration and diversification in the Islamic financial system, this study introduces the Structural Imbalance Index (SII) and uses the Herfindahl–Hirschman Index (HHI) as a measure of sectoral concentration (Mateev et al., 2024; Peón et al., 2024; Xiang & Ma, 2025). These two indicators are used to identify changes in industrial structure and the relative level of dominance of each sector during the observation period. The Structural Imbalance Index is adapted from the concentration ratio approach, commonly used in studies of financial structure and market concentration, to capture the relative dominance of Islamic banking within the Islamic financial system (Mateev et al., 2024). The index is defined as:

$$SII = \frac{\text{Islamic Banking Assets}}{\text{Total Islamic Finance Assets}}$$

where SII represents the level of structural imbalance, Islamic Banking Assets are the total assets of the Islamic banking sector, and Total Islamic Finance Assets include the total assets of Islamic banking, sukuk, takaful, and Islamic investments. A higher SII value indicates a stronger reliance on Islamic banking and lower sectoral diversification. (Hussein et al., 2024). Sectoral concentration is measured using the Herfindahl–Hirschman Index (HHI):

$$HHI = \sum_{i=1}^n s_i^2$$

where s_i indicates the share of each sector in the Islamic financial system, and n represents the number of sectors analyzed, namely Islamic banking, sukuk, takaful, and Islamic investment. A higher HHI value indicates greater sectoral concentration, while a lower value reflects stronger diversification. (Xiang & Ma, 2025). The complementary use of SII and HHI enables the identification of banking dominance and the evaluation of the overall level of sectoral diversification in the Islamic financial system.

Maqasid Index Construction

To evaluate the normative alignment of Islamic finance, this study developed the Maqasid Index (MI), which integrates four main dimensions, namely risk sharing, wealth protection, diversification, and systemic stability. (Suliswanto et al., 2025). The Maqasid Index is designed as a composite measure to evaluate the degree of alignment of Islamic financial development with the normative objectives of maqasid al-shariah:

$$MI = \alpha RS + \beta PR + \gamma DV + \delta ST$$

where RS represents risk sharing, proxied by the share of sukuk and participatory financing instruments; PR represents wealth protection, proxied by the share of takaful; DV measures system diversification as $1-HHI$; and ST represents stability, proxied by inflation

indicators and growth consistency. The index components were selected based on the maqasid-oriented Islamic finance literature, which emphasizes distributive justice, financial inclusion, risk sharing, and systemic stability. (Mohd Zain, 2025; Suliswanto et al., 2025). Each dimension is given equal weight because there is no theoretical or empirical consensus on the relative importance of the maqasid (objectives) in measuring Islamic financial development. This approach reduces subjectivity in weighting and allows for a balanced contribution from each dimension. Equal weighting is also commonly used in constructing composite indices when the theoretical basis for differential weighting is limited. To ensure the robustness of the results, a sensitivity analysis was conducted using alternative weighting schemes. (Mohd Zain, 2025).

Panel and Cross-Sectoral Regression Analysis

This study employs cross-sectional regression analysis to examine the relationships among macroeconomic conditions, sectoral structure, Islamic financial development, and maqasid alignment. (Rashid et al., 2024). Regression analysis is used to evaluate the relationship between macroeconomic factors, sectoral composition, Islamic financial development, and maqasid alignment. Regression analysis was conducted using cross-sectional data covering 15 major Islamic finance jurisdictions in 2022. The sample was selected based on the availability of data on Islamic finance assets, sectoral composition, and relevant macroeconomic indicators. Given the relatively limited number of observations, the regression results are interpreted as associations between variables and are not intended to support broad causal inferences.

The first model is used to identify factors associated with Islamic finance development:

$$Y_{it} = \alpha + \beta_1 GDP_{it} + \beta_2 Inflation_{it} + \beta_3 FinancialDepth_{it} + \epsilon_{it}$$

where Y_{it} represents the Islamic financial development indicator in country i , GDP_{it} is the gross domestic product, $Inflation_{it}$ indicates the inflation rate, $FinancialDepth_{it}$ represents the depth of the financial sector, α is a constant, β_1 , β_2 , and β_3 are the regression coefficients, and ϵ_{it} is the error term.

These macroeconomic variables were selected based on the literature that places economic conditions and financial sector development as the main determinants of Islamic financial development. (Obeid & Slimene, 2024).

To evaluate the relationship between sectoral structure and maqasid al-shariah alignment, the second model is formulated as follows:

$$MI_{it} = \alpha + \beta_1 BankingShare_{it} + \beta_2 SukukShare_{it} + \beta_3 TakafulShare_{it} + \beta_4 GDP_{it} + \epsilon_{it}$$

where MI_{it} is the country's Maqasid Index, $BankingShare_{it}$ shows the share of Islamic banking assets to total Islamic financial assets, $SukukShare_{it}$ represents the share of sukuk, $TakafulShare_{it}$ shows the share of takaful assets, GDP_{it} is gross domestic product, the coefficients $\beta_1\beta_2\beta_3\beta_4$ Measure the relationship between each independent variable and the maqasid index.

Both models are used to identify the relationship between the structural characteristics of the Islamic financial system, macroeconomic conditions, and the level of maqasid alignment in each jurisdiction. (Mohd Zain, 2025; Saleem et al., 2024).

Natural Language Processing Analysis

To complement the quantitative analysis, this study applies NLP techniques to examine the narrative orientation of the Islamic finance industry (Ling et al., 2024; Ranjan et al., 2025). A TF-IDF-based Natural Language Processing (NLP) approach is used to identify dominant themes and narratives in the development of the global Islamic finance industry. Textual data extracted from institutional reports was processed using tokenization, TF-IDF weighting, topic modeling, and semantic clustering to identify dominant themes and recurring narratives (Ling et al., 2024). This approach enables an evaluation of how industry discourse prioritizes themes of growth, asset expansion, risk sharing, and maqasid-oriented development within the global Islamic financial system (Ranjan et al., 2025).

RESULT AND DISCUSSION

Descriptive Findings (Table 1, Figures 1–2)

This section evaluates the structural composition and asset development of the global Islamic financial system to answer Research Question 1 (RQ1) regarding the evolution of the Islamic financial structure.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	25%	Median	75%	Max
Log_If	15	4.256	1.458	2.079	3.310	3.689	5.387	6.583
Banking_Share	15	0.710	0.125	0.420	0.660	0.700	0.750	1.000
Sukuk_Share	15	0.143	0.074	0.000	0.100	0.120	0.190	0.300
Takaful_Share	15	0.071	0.034	0.000	0.055	0.070	0.085	0.150
Maqasid_Idx	15	0.291	0.074	0.100	0.268	0.301	0.318	0.446
Log_GDP	15	26.719	1.122	24.508	26.407	26.855	27.242	28.759

Source: Data Processed By Researcher/2026

Table 1 presents descriptive statistics for key variables for the period 2012–2022. Islamic banking accounts for an average of 71% of total Islamic financial assets, far exceeding the share of sukuk (14.3%) and takaful (7.1%). This dominance indicates that the global Islamic financial system remains heavily reliant on banking-based intermediation. (Hussein et al., 2024; Obeid & Slimene, 2024). The average Maqasid Index value of 0.291 indicates moderate variation in maqasid alignment across countries and observation periods. (Suliswanto et al., 2025). On the other hand, the relatively high standard deviation of banking shares indicates that differences in sectoral concentration remain quite large across Islamic financial jurisdictions. (Mateev et al., 2024).

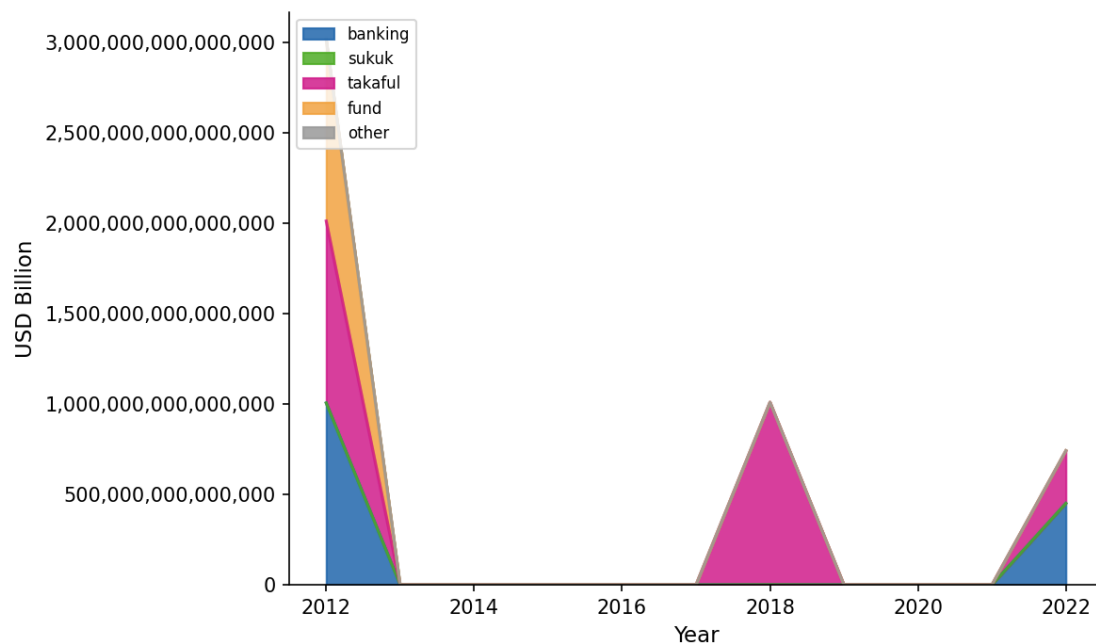


Fig 1: Global Islamic Finance Assets by Sector (USD Billion)

Figure 1 illustrates the evolution of global Islamic finance assets by sector during the 2012–2022 observation period. The figure shows that asset growth remains highly concentrated in the Islamic banking sector, while sukuk, takaful, and sharia-compliant investment funds have expanded at a considerably slower pace. This pattern suggests that the Islamic finance industry remains structurally concentrated, with sectoral diversification progressing unevenly across non-banking segments (Obeid & Slimene, 2024). The apparent empty spaces observed in the middle of the area chart do not indicate missing observations. Rather, they reflect the comparatively small asset values of non-banking sectors relative to Islamic banking, causing these sectors to

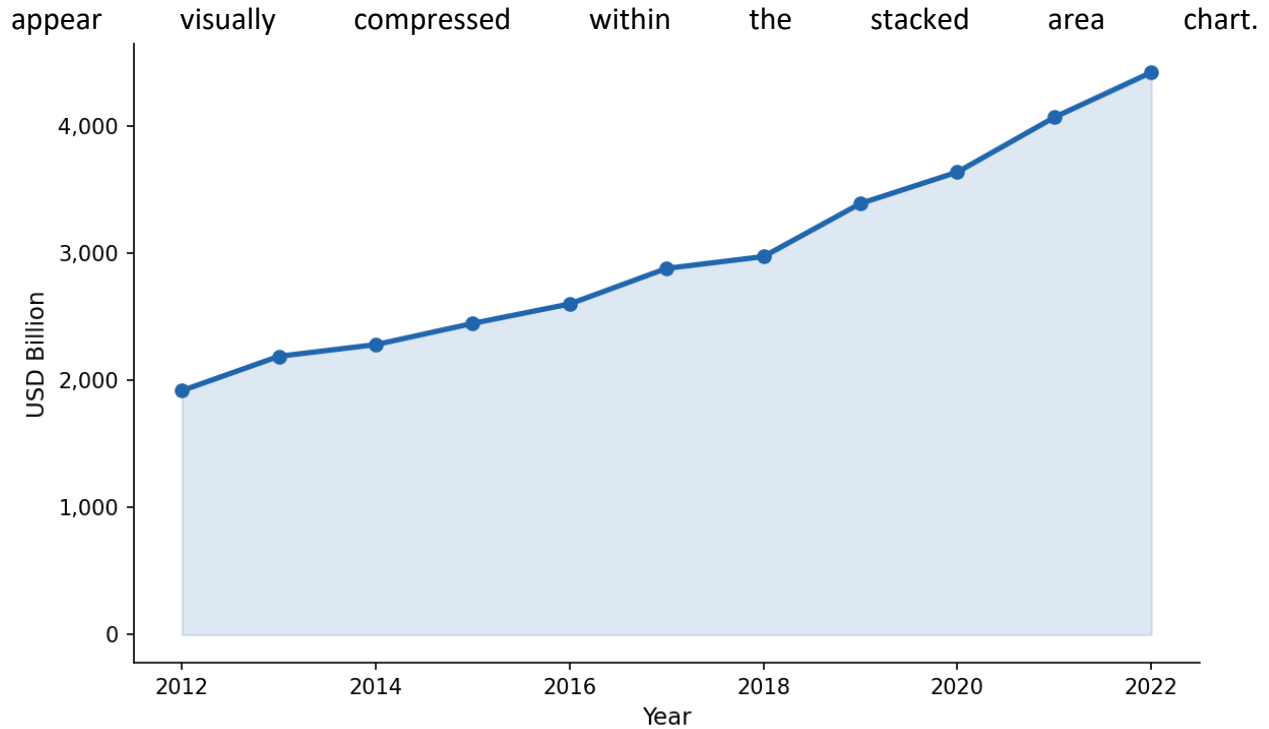


Fig 2: Total Islamic Finance Assets Growth

Figure 2 shows a consistent increase in total Islamic financial assets during the observation period. (Tuqan et al., 2024). Despite the industry's continued growth, its sectoral structure remains dominated by Islamic banking, the primary contributor to asset growth. This dominance of Islamic banking indicates that industry expansion remains reliant on bank-based intermediation. At the same time, the development of the non-bank sector has not been strong enough to drive structural diversification. (Mateev et al., 2024).

Structural Imbalance Findings (Figure 3, Table 2)

This section evaluates whether the global Islamic financial system exhibits persistent structural imbalance and sectoral concentration to address Research Question 2 (RQ2) (Hussein et al., 2024).

Table 2 Structural Imbalance and Diversification Indicators

Year	Banking Share	Sukuk Share	Takaful Share	SII	HHI	Diversification	Maqasid Index
2012	0.800	0.139	0.061	0.800	0.660	0.340	0.450
2013	0.797	0.123	0.015	0.797	0.651	0.348	0.450
2014	0.784	0.129	0.017	0.784	0.633	0.367	0.450
2015	0.770	0.140	0.019	0.770	0.614	0.386	0.257
2016	0.769	0.138	0.020	0.769	0.612	0.388	0.385
2017	0.759	0.141	0.021	0.759	0.597	0.403	0.334
2018	0.739	0.160	0.021	0.739	0.583	0.417	0.409

Year	Banking Share	Sukuk Share	Takaful Share	SII	HHI	Diversification	Maqasid Index
2019	0.744	0.159	0.021	0.744	0.580	0.420	0.250
2020	0.737	0.164	0.020	0.737	0.571	0.429	0.251
2021	0.732	0.176	0.020	0.732	0.568	0.432	0.291
2022	0.710	0.200	0.090	0.710	0.540	0.460	0.362

Table 2 presents the evolution of the sectoral composition, Structural Imbalance Index (SII), Herfindahl–Hirschman Index (HHI), diversification index, and Maqasid Index during the period 2012–2022. The banking share and SII value were consistently above 70% throughout the observation period, reflecting the continued dominance of the banking sector in the global Islamic financial system (Hussein et al., 2024; Mateev et al., 2024). Although the SII decreased from 0.800 in 2012 to 0.710 in 2022, this decline was gradual and did not indicate a significant structural change. At the same time, the increase in the share of sukuk and takaful remained relatively limited.

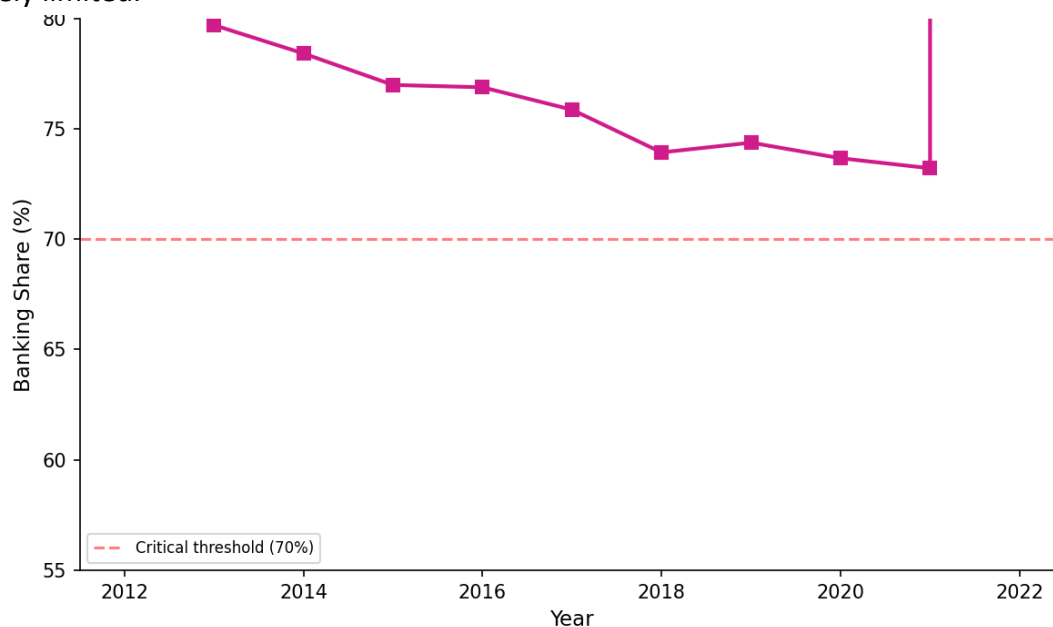


Fig 3: Structural Imbalance Index (SII)

Figure 3 illustrates the evolution of the Structural Imbalance Index over the observation period. The findings indicate that Islamic banking continues to dominate the industry despite a gradual decline in concentration levels towards the end of the sample period. (Mateev et al., 2024).

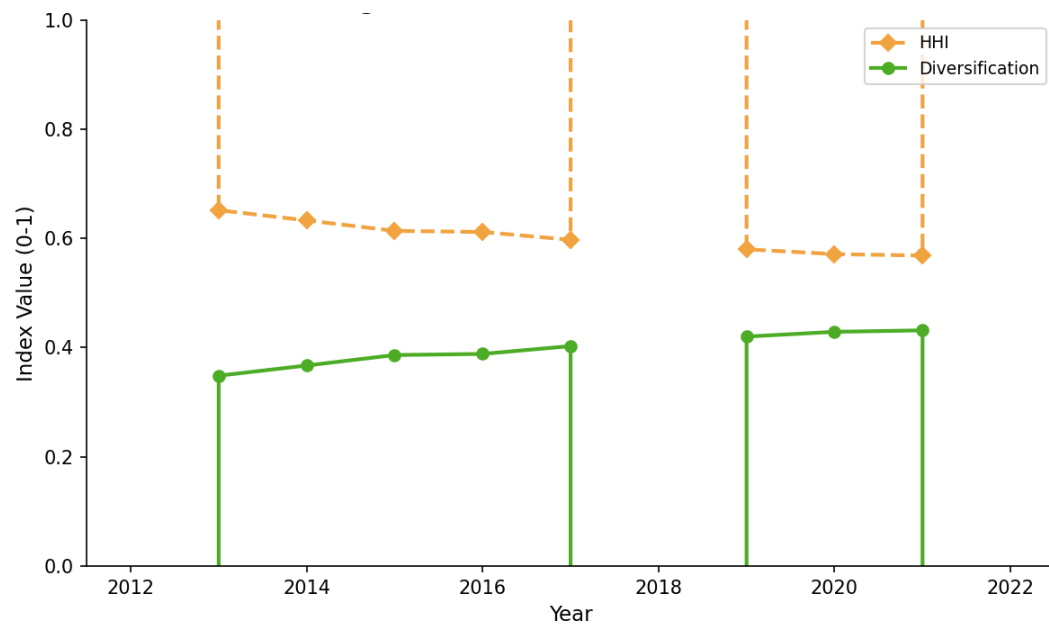


Fig 4: HHI & Diversification Index

Figure 4 shows that the concentration level, as measured by the HHI, remained high throughout the observation period. The diversification index increased from 0.340 to 0.460, but this increase was insufficient to reduce the system's dependence on bank-based intermediation. (Peón et al., 2024; Xiang & Ma, 2025). The results suggest that asset growth during the observation period was driven more by the expansion of already dominant sectors than by a more balanced transformation of the industry structure. (Hussein et al., 2024).

Regional Inequality (Figure 5)

This section complements the analysis of Research Question 2 (RQ2) on the persistence of structural concentration in the global Islamic financial system. It provides initial context for Research Question 3 (RQ3) on institutional and regional factors associated with the development of Islamic finance. (Rashid et al., 2024).

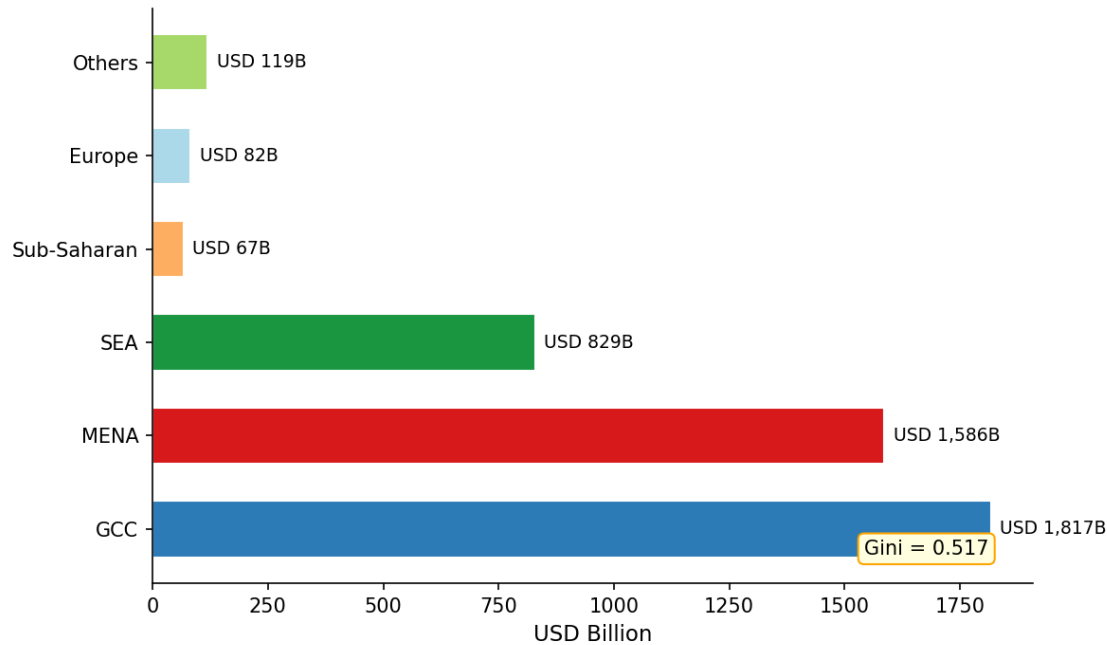


Fig 5: Islamic Finance Assets by Region (2022, USD Billion)

Figure 5 shows that global Islamic financial assets are still concentrated in the GCC and MENA regions, which control the majority of total industrial assets (Yakubu et al., 2025). This distribution indicates that the development of Islamic finance is uneven across regions. The dominance of these two regions reflects the important role of regulatory quality, institutional capacity, and the maturity of Islamic financial infrastructure in supporting industry growth. (Obeid & Slimene, 2024). High asset concentration, on the other hand, does not always correlate with higher levels of maqasid alignment in each jurisdiction. (Suliswanto et al., 2025). This pattern shows that the quality of Islamic financial institutions and infrastructure plays an important role in explaining regional differences in industrial development. (Hussein et al., 2024).

Regression Results (Table 3)

This section analyzes the relationship between macroeconomic factors, sectoral structure, and maqasid alignment to answer Research Question 3 (RQ3) and support the evaluation of Research Question 4 (RQ4) (Obeid & Slimene, 2024).

Table 3. Regretion

Variables	Model (1) Islamic Finance Development	Model (2) Maqasid Alignment
Log_GDP	0.182 (0.143)	0.021 (0.018)
Banking_Share	1.254*** (0.421)	-0.312** (0.128)
Sukuk_Share	0.846* (0.462)	0.215* (0.112)
Takaful_Share	0.532 (0.398)	0.174 (0.141)
Diversification	—	0.287** (0.119)

Variables	Model (1) Islamic Finance Development	Model (2) Maqasid Alignment
Constant	-1.842 (3.211)	0.112 (0.087)
Observations	15	15
R ²	0.62	0.58

Table 3 presents the regression results for Islamic financial development and maqasid alignment. Model (1) evaluates factors related to Islamic financial development, while Model (2) examines the relationship between sectoral structure and maqasid alignment. (Mamat et al., 2024). The results of the study show that GDP does not have a statistically significant influence on the development of Islamic finance, while structural variables provide a stronger explanatory contribution. (Rashid et al., 2024). In Model (1), the banking share is positively and significantly related to the development of Islamic finance ($\beta = 1.254$; $p < 0.01$), indicating that industrial expansion is still strongly supported by the Islamic banking sector. Sukuk shares also show a positive relationship, although with lower strength.

In Model (2), banking share shows a negative and significant relationship with maqasid alignment, while diversification shows a positive and significant relationship ($\beta=0.287$, $p<0.05$) (Saleem et al., 2024). These results indicate that a more diversified industrial structure tends to be more supportive of achieving maqasid goals than a system dominated by one main sector. Sectoral composition appears to be more influential than economic size in explaining both Islamic finance development and maqasid achievement. (Obeid & Slimene, 2024).

Maqasid Findings (Figures 6, 7)

This section evaluates the extent to which the global Islamic financial system aligns with the principles of maqasid al-shariah to answer Research Question 4 (RQ4) (Mohd Zain et al., 2024).

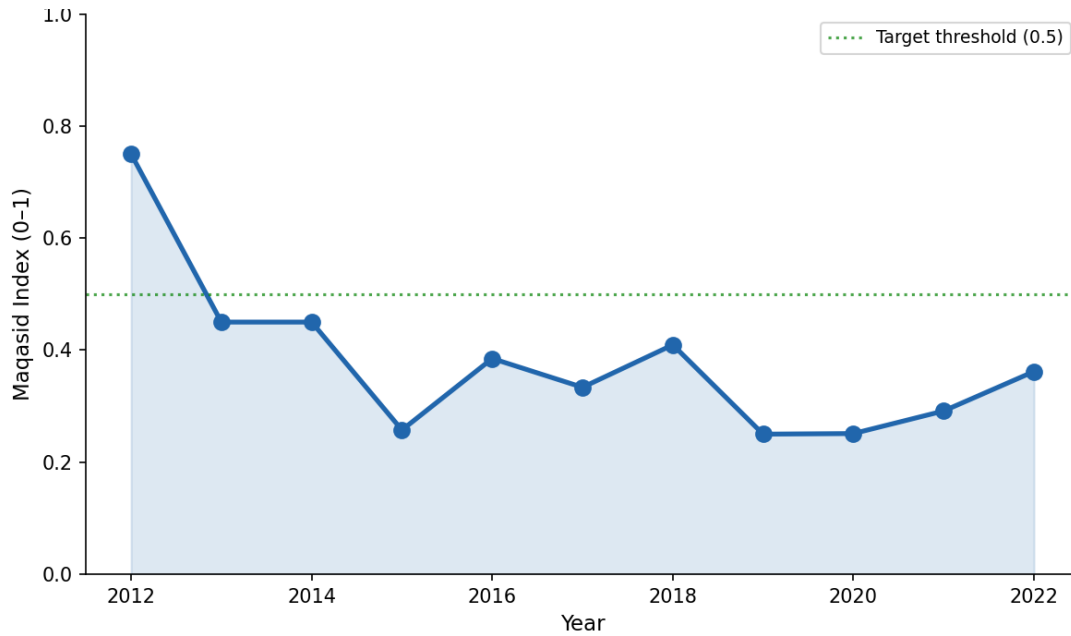


Fig 6: Maqasid Index Tren 2012-2022

Figure 6 shows that the Maqasid Index value fluctuated during the observation period, but generally remained below the threshold of 0.5 (Suliswanto et al., 2025). This condition indicates that increases have not fully matched the growth of Islamic financial assets across indicators representing the objectives of maqasid.

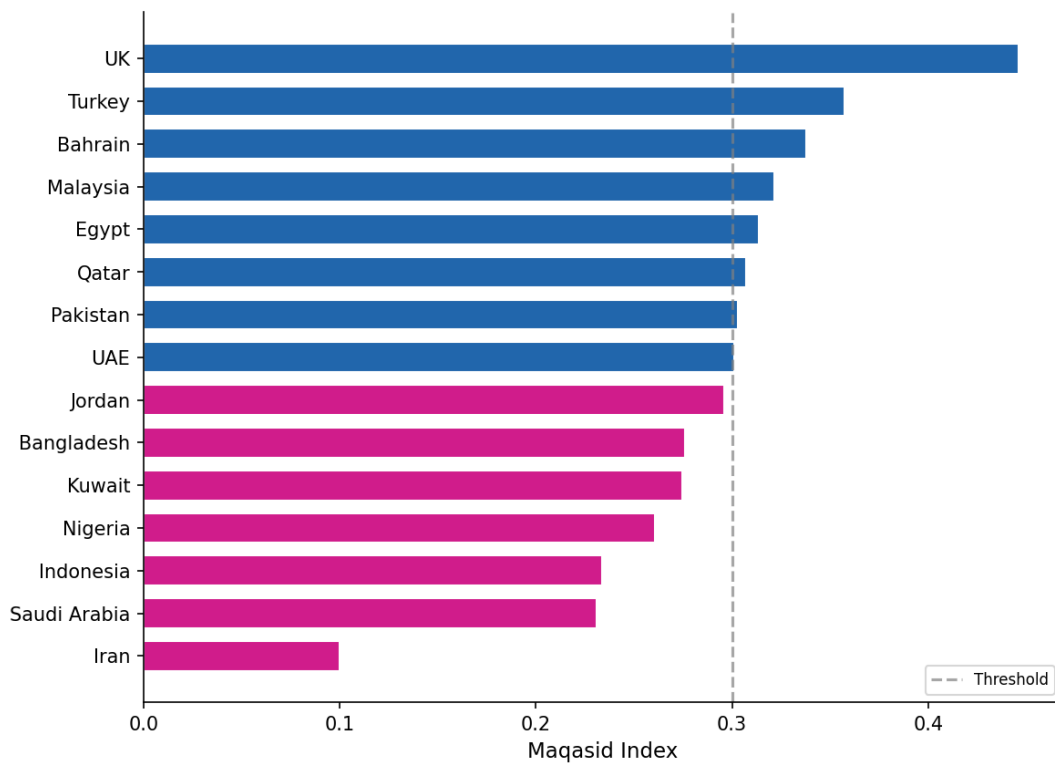


Fig 7: Maqasid Index by Country (2022)

Figure 7 shows considerable variation between countries in the level of maqasid alignment. Countries with lower dependence on Islamic banking and higher levels of sectoral diversification tend to show better maqasid scores. (Obeid & Slimene, 2024). These findings indicate that the quality and structure of industrial development may be more relevant factors than simply growth in asset size for achieving maqasid objectives. (Hussein et al., 2024). This relationship shows that an increase in assets is not always accompanied by greater achievement of maqasid. Hence, the characteristics of the industrial structure become an important aspect in the development of Islamic finance.

NLP Themes (Figure 8)

To answer Research Question 5 (RQ5), this study applies a TF-IDF-based Natural Language Processing (NLP) approach to evaluate dominant narratives in the global Islamic finance industry. (Ling et al., 2024).

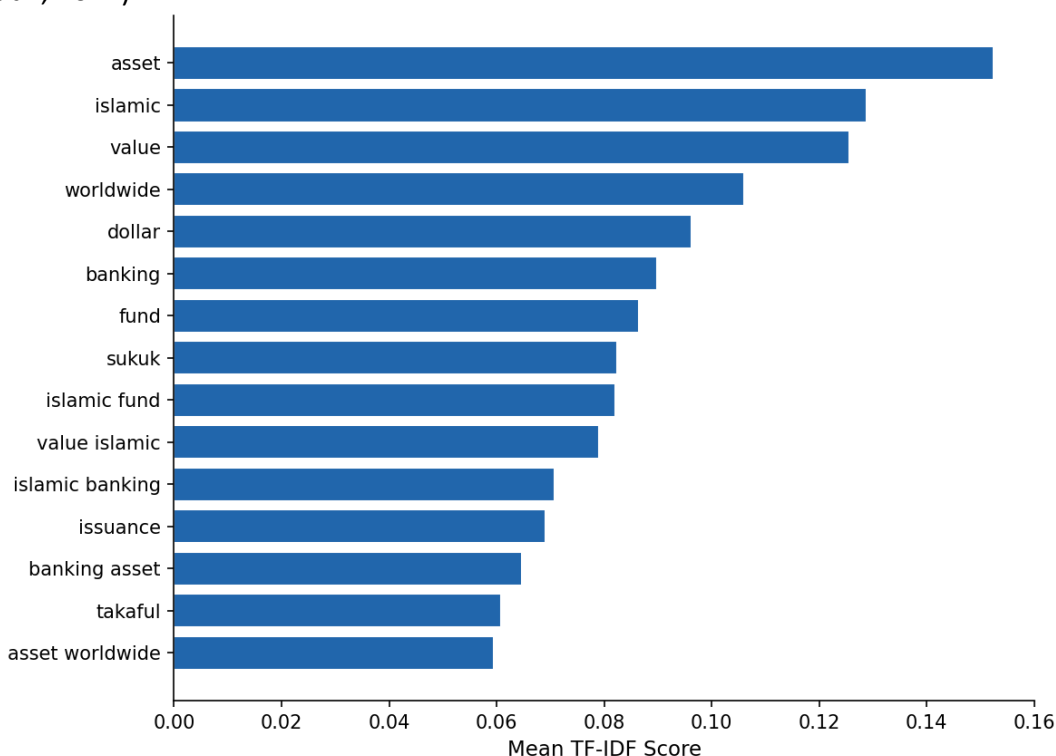


Fig 8: Top Keywords (TF-IDF)

Figure 8 shows that keywords such as assets, global, and value dominate the industry discourse, indicating a dominant focus on asset expansion and market growth in the Islamic finance narrative. (Sultan et al., 2024). In contrast, terms related to social justice, redistribution, and financial inclusion appeared less frequently. (Suliswanto et al., 2025). Further keyword co-occurrence analysis shows that industry narratives remain concentrated on growth-oriented themes rather than maqasid-oriented goals. (Rashid et al., 2024). The findings indicate that a

commensurate structural transformation within the industry has not necessarily accompanied the rapid expansion of Islamic finance. Despite significant asset growth, the global Islamic financial system remains heavily concentrated in Islamic banking, while sukuk, takaful, and other risk-sharing sectors continue to play a relatively limited role. This pattern indicates the persistence of bank-centric intermediation. It supports concerns that Islamic financial development continues to rely heavily on structures that resemble the conventional financial system within a Sharia-compliant framework. (Hussein et al., 2024; Obeid & Slimene, 2024).

From a maqasid al-shariah perspective, these findings imply that asset expansion alone is insufficient to achieve broader socio-economic goals such as risk sharing, financial inclusion, and distributive justice. The negative relationship between banking dominance and maqasid alignment, along with the positive relationship between diversification and maqasid performance, suggests that structural diversification may play a more important role in maqasid-oriented financial development than aggregate industry size alone. (Saleem et al., 2024). The results of this study further highlight the importance of institutional capacity, regulatory quality, and financial infrastructure in shaping the direction of Islamic financial development across jurisdictions. (Rashid et al., 2024). The regional concentration in the GCC and MENA countries, combined with the dominance of growth-oriented narratives identified through the NLP analysis, suggests that the industry continues to prioritize asset expansion over broader maqasid-oriented transformation. (Ling et al., 2024; Suliswanto et al., 2025). These findings suggest that industry size does not necessarily reflect the level of transformation of the Islamic financial system. The sustainability of the industry's development appears to be more influenced by the system's ability to expand risk-sharing mechanisms, strengthen sectoral diversification, and more substantially integrate the objectives of maqasid into the financial structure. (Hussein et al., 2024; Mohd Zain et al., 2025).

CONCLUSION

This study shows that the expansion of Islamic finance is not always accompanied by proportional structural transformation or stronger alignment with the maqasid al-Shariah (Islamic principles). Although the industry has experienced significant asset growth, the global Islamic financial system remains highly concentrated in Islamic banking, with relatively limited sectoral diversification and risk-sharing development. The findings further suggest that structural and institutional factors play a more important role in the development of Islamic finance than macroeconomic factors alone. While banking dominance positively contributes to industry expansion, it is negatively associated with maqasid alignment. Conversely, greater sectoral diversification is associated with a stronger relationship with maqasid-oriented financial development. Methodologically, this study contributes to the literature by integrating the Structural Imbalance Index (SII), the Maqasid Index, and NLP-based narrative analysis within a unified empirical framework. The NLP findings also indicate that industry discourse remains

largely focused on asset growth and market expansion rather than broader maqasid-oriented objectives.

The findings of this study have policy implications: Islamic financial development should be directed not only at increasing the industry's size but also at strengthening sectoral diversification and the quality of development in line with the maqasid al-shariah (objectives of sharia). Future research could expand country coverage, extend the observation period, and develop a more comprehensive maqasid measure to capture the socio-economic contributions of Islamic finance better.

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