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ISLAMIC BANKING PRACTICES AND CUSTOMERS' MORAL VALUES (AKHLAQ) IN ZANZIBAR: AN INTEGRATIVE REVIEW AND CONCEPTUAL FRAMEWORK

***[1]Ali K. Anami, [2]Hafidh Moh'd Hafid**

[1]Department of Economics, Muslim University of Morogoro.

[2]Department of Islamic studies, Muslim University of Morogoro, Tanzania.

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***Corresponding Author: Ali K. Anami**
Department of Economics, Muslim University of Morogoro.

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ABSTRACT

Islamic banking is founded on principles that extend beyond the prohibition of interest (riba) to include justice, fairness, transparency, trustworthiness, accountability and social responsibility. These principles imply that Islamic financial institutions should contribute not only to customers' financial needs but also to the promotion of ethical conduct and moral values (*Akhlaq*). Nevertheless, the extent to which Islamic banking practices translate into improved moral behaviour among customers remains an important question, particularly in emerging Islamic finance markets. This paper examines the relationship between Islamic banking practices and customers' moral values in the context of Zanzibar, with particular reference to the institutional setting of People's Bank of Zanzibar (PBZ) Islamic Banking and Amana Bank. The paper adopts an integrative literature-review approach, drawing on Islamic moral economy, Maqasid al-Shariah theory, previous empirical studies and relevant Tanzanian regulatory developments. The review identifies six interrelated dimensions through which Islamic banking may contribute to the promotion of Akhlaq: Shariah compliance, fairness and justice, transparency, ethical financing and investment, accountability, and ethical customer service and social responsibility. It also identifies potential constraints, including the gap between formal Shariah compliance and substantive ethical performance, commercial pressures, limited customer understanding, weaknesses in ethical communication and institutional governance challenges. The paper develops a conceptual framework linking institutional banking practices with customers' honesty, trustworthiness, fairness, responsibility, integrity and ethical financial behaviour. It argues

that the ethical contribution of Islamic banking should be evaluated through both institutional conduct and customer outcomes rather than through product compliance alone. The paper contributes a context-sensitive framework for future empirical research and offers implications for Islamic banks, regulators and researchers in Tanzania.

KEYWORDS: Islamic banking; Akhlaq; Islamic business ethics; Maqasid al-Shariah; ethical finance; Zanzibar; PBZ; Amana Bank.

1. INTRODUCTION

The development of Islamic banking represents an important attempt to organise financial activities according to the ethical and legal principles of Islam. Unlike conventional banking systems that generally operate through interest-based financial intermediation, Islamic banking is structured around the prohibition of riba, excessive uncertainty (gharar), gambling (maysir) and exploitative transactions. Its normative foundations also emphasise justice, transparency, trustworthiness, accountability, risk-sharing and social welfare. Consequently, Islamic banking is expected to represent more than an alternative method of financial intermediation: it is expected to embody an ethical approach to economic activity.

The moral foundations of Islamic financial activities are derived from the Qur'an and Sunnah. The Qur'an commands justice and excellence and prohibits wrongdoing and oppression (Qur'an 16:90). These principles establish a broad ethical foundation for commercial and financial transactions. Similarly, the prophetic tradition emphasises honesty and trustworthiness in commercial dealings. Islamic commercial ethics therefore require individuals and institutions to fulfil contractual obligations, avoid deception, disclose relevant information and treat other parties fairly.

The concept of *Akhlaq* is central to this ethical orientation. It refers to moral qualities and dispositions that shape human conduct. In Islamic thought, these qualities include honesty (*sidq*), trustworthiness (*amanah*), justice (*adl*), responsibility, integrity and benevolence. In financial relationships, these values are reflected in truthful disclosure, responsible borrowing, repayment of legitimate obligations, fair treatment of counterparties and avoidance of fraudulent conduct.

Islamic banking institutions are consequently expected to promote ethical financial relationships through their products, contractual arrangements, governance structures and interactions with customers. However, the existence of Shariah-compliant products does not automatically demonstrate that the broader moral objectives of Islamic finance have been

achieved. An institution may comply with the formal requirements of a financial contract while still facing questions concerning transparency, fairness, customer treatment, accountability and its contribution to social welfare.

This distinction between formal compliance and substantive ethical performance is important. Mergaliyev et al. (2021), in their study of 33 full-fledged Islamic banks across 12 countries, developed a Maqasid-based framework for assessing ethical, social, environmental and financial performance. Their analysis highlighted the importance of evaluating Islamic banks beyond conventional financial indicators and formal compliance. They also observed that the disclosure of Maqasid-related performance had improved but remained below best-practice expectations. This reinforces the argument that Islamic banking should be evaluated according to the wider objectives it claims to serve.

The issue is particularly relevant in Tanzania, where Islamic banking services operate within a financial system in which conventional banking remains significant. The research proposal underlying this paper identifies the introduction of Islamic banking services through the People's Bank of Zanzibar (PBZ) Islamic banking window and the subsequent development of other providers, including Amana Bank. It identifies PBZ Islamic Banking and Amana Bank's Zanzibar operations as the institutional setting for examining the relationship between banking practices and customers' moral values.

The Tanzanian regulatory environment is also developing. The Bank of Tanzania's *Financial Stability Report – December 2025* identifies the Banking and Financial Institutions (Non-Interest Banking Business) Regulations, 2025, as an important development. The report describes requirements concerning approval, governance, risk management, consumer protection, contract transparency and disclosure of profit-sharing or fee-based arrangements. These developments provide an important regulatory context for examining the ethical responsibilities of non-interest banking providers.

Despite the importance of these developments, an essential question remains: to what extent can Islamic banking practices contribute to the moral development of customers? Much of the Islamic banking literature has examined customer satisfaction, adoption, financial performance, Shariah compliance, institutional governance and financial inclusion. These areas are important, but they do not fully explain whether banking practices contribute to customers' honesty, trustworthiness, fairness, accountability and responsible financial behaviour.

This paper addresses this issue by examining the conceptual and theoretical relationship between Islamic banking practices and customers' Akhlaq, with particular attention to the

Zanzibar context. It does not claim to report primary survey or interview findings from PBZ or Amana Bank. Instead, it synthesises existing literature and regulatory information to develop a framework that can guide future empirical assessment.

The paper has four main objectives:

1. To identify Islamic banking practices that may promote moral values (Akhlaq) among customers.
2. To examine institutional, operational and customer-related challenges that may affect the promotion of Akhlaq through Islamic banking.
3. To explain the potential relationship between Islamic banking practices and customers' moral values.
4. To develop a conceptual framework and practical implications for assessing the ethical contribution of Islamic banking in Zanzibar.

2. Conceptual and Theoretical Foundations

2.1 Islamic banking and its ethical foundations

Islamic banking is a financial intermediation system guided by the principles of Shariah. Its operations are expected to avoid prohibited transactions while promoting lawful economic activity, fairness and social welfare. The prohibition of riba is a central feature, but Islamic banking cannot be reduced to the avoidance of interest alone.

The ethical orientation of Islamic banking also concerns the manner in which financial services are designed, marketed, administered and delivered. A bank may offer a formally permissible product, but the ethical quality of its operations also depends on whether customers understand the contractual terms, whether charges are disclosed, whether customers are treated fairly and whether the institution fulfils its responsibilities.

Dusuki and Abdullah (2007) explain the relevance of Maqasid al-Shariah and maslahah to corporate social responsibility. Their discussion supports the view that Islamic financial institutions should consider the welfare of stakeholders and society rather than limiting their objectives to financial returns. Asutay (2007) similarly argues for understanding Islamic economics as an alternative system grounded in ethical and social objectives.

Islamic banking should therefore be understood through two connected dimensions:

- **The legal and contractual dimension:** whether products and transactions comply with the requirements of Shariah.

- **The ethical and social dimension:** whether institutional practices promote justice, trust, transparency, responsibility and social welfare.

Both dimensions are necessary. Formal compliance without ethical conduct may weaken public confidence in Islamic banking, while ethical intentions without proper contractual and Shariah controls may expose customers and institutions to unacceptable risks.

2.2 Understanding Akhlaq in financial relationships

Akhlaq refers to the moral qualities that guide individual behaviour. In the context of financial relationships, it is reflected in how customers and institutions conduct transactions, fulfil obligations, communicate information and respond to the rights of others.

For this paper, customers' Akhlaq is considered through six principal dimensions:

Honesty (Sidq). Honesty involves truthful communication and the avoidance of deception. In banking relationships, it includes providing accurate information when applying for financing, disclosing relevant financial circumstances and avoiding fraudulent transactions.

Trustworthiness (Amanah). Trustworthiness concerns the responsible handling of rights, property, information and obligations. It is reflected in customers' responsible use of financial facilities and institutions' responsible management of customer funds and information.

Justice and fairness (Adl). Justice requires that parties are treated fairly and that neither party exploits the other. In banking, it includes fair contractual arrangements, clear pricing, reasonable treatment of customers and equitable handling of disputes.

Accountability and responsibility. Accountability requires individuals and institutions to accept responsibility for their decisions and obligations. Customers are expected to honour legitimate commitments, while banks should be answerable for their products, decisions and service delivery.

Integrity. Integrity concerns consistency between professed values and actual conduct. In Islamic banking, it requires institutions and customers to demonstrate ethical behaviour beyond merely claiming to follow Islamic principles.

Social responsibility. Social responsibility involves considering the welfare of others and avoiding financial conduct that causes harm. It includes responsible financing, support for productive economic activity and concern for vulnerable members of society.

These dimensions are interrelated. For example, transparency can support trustworthiness, fair treatment can strengthen perceptions of justice, and effective customer education can encourage responsible financial decision-making. Nevertheless, the relationship should not be assumed to be automatic: customers' moral behaviour is influenced by family, education,

religious understanding, social environment and personal circumstances in addition to banking experiences.

2.3 Maqasid al-Shariah theory

This paper is grounded in Maqasid al-Shariah theory. The theory explains the higher objectives of Islamic law and provides a framework for assessing whether economic and financial activities contribute to human welfare and prevent harm.

Classical Islamic scholarship identifies five essential objectives: the protection of religion (din), life (nafs), intellect (aql), lineage (nasl) and wealth (mal). These objectives provide a broad framework for evaluating the ethical and social implications of financial activities.

The protection of wealth is particularly relevant to Islamic banking. It requires financial transactions to be lawful, transparent and fair, and discourages fraud, exploitation and unjust enrichment. The protection of intellect is also relevant because customers need adequate information and understanding to make informed financial decisions. Financial education, transparent contracts and clear communication can support this objective.

Auda (2008) presents Maqasid al-Shariah through a systems-oriented approach, emphasising the interconnectedness and wider purposes of Islamic law. This perspective is useful because the ethical performance of a bank cannot be assessed through one isolated product or contractual feature. It requires consideration of the wider institutional system and its consequences for customers and society.

Mergaliyev et al. (2021) extend this discussion by developing a Maqasid-based framework for evaluating Islamic banks' ethical, social, environmental and financial performance. Their work demonstrates the importance of assessing institutional performance beyond financial indicators. It also supports the need for stronger attention to governance, disclosure and the social consequences of banking activities.

For the present paper, Maqasid al-Shariah provides the theoretical explanation for how Islamic banking practices may support customers' moral values. The theory does not imply that the use of an Islamic banking product necessarily transforms a customer's character. Rather, it suggests that institutions can create an ethical environment that encourages responsible financial conduct through fair contracts, transparent information, accountability and ethical service delivery.

3. METHODOLOGY

3.1 Research design

This paper adopts an integrative literature-review design. An integrative review is appropriate where the purpose is to bring together theoretical discussions, empirical research and policy developments to develop a conceptual understanding of a research problem.

The paper draws on three categories of material:

1. The research proposal on Islamic banking practices and customers' moral values in Zanzibar, including its objectives, conceptual framework and identified institutional setting.
2. Published academic literature concerning Islamic banking ethics, Maqasid al-Shariah, social responsibility, customer behaviour, Shariah compliance and ethical performance.
3. Relevant institutional and regulatory material concerning non-interest banking and financial consumer protection in Tanzania.

The literature was identified through the references contained in the research proposal and supplementary targeted searches for relevant academic publications and official regulatory documents. Particular attention was given to studies that examine the ethical objectives of Islamic banking, the relationship between institutional practices and customer behaviour, and the assessment of Islamic banks through Maqasid al-Shariah.

3.2 Scope and limitations of the review method

The paper is an integrative review rather than a systematic review or meta-analysis. It does not claim that every publication on Islamic banking and Akhlaq has been identified or screened through a comprehensive database protocol. Nor does it claim to have independently audited the internal operations of PBZ Islamic Banking or Amana Bank.

The review therefore synthesises available literature and policy material to develop a context-sensitive conceptual framework. The discussion of PBZ and Amana Bank is contextual and does not constitute an institutional performance assessment.

No original questionnaire responses, interview transcripts or customer-level datasets were available for this paper. Consequently, no survey statistics, regression coefficients, response rates or interview findings are reported. This distinction is important to ensure that the paper's conclusions remain consistent with the evidence actually examined.

3.3 Analytical approach

The literature was organised around the three substantive questions derived from the research proposal:

- Which Islamic banking practices may promote customers' Akhlaq?
- What challenges may limit the promotion of Akhlaq through Islamic banking?
- Through what mechanisms may banking practices relate to customers' moral values?

The analysis was organised thematically around Shariah compliance, fairness, transparency, ethical financing, accountability, customer service and social responsibility. The themes were then considered in relation to the objectives of Maqasid al-Shariah and the moral dimensions of Akhlaq.

4. Islamic Banking Practices That May Promote Customers' Akhlaq

4.1 Shariah compliance and ethical financial conduct

Shariah compliance is a foundational requirement of Islamic banking. It involves ensuring that financial products and transactions are consistent with Islamic legal principles, including the prohibition of riba, gharar and maysir.

However, the ethical contribution of Shariah compliance extends beyond the legal classification of a product. Customers should be able to understand the nature of the financial arrangement, the responsibilities of each party and the conditions under which the contract operates.

Effective Shariah governance can strengthen institutional accountability and public confidence. Mukhibad et al. (2023), in their study of open innovation in Shariah compliance, draw attention to the relevance of Shariah supervisory board attributes and institutional arrangements in supporting compliance processes.

From an Akhlaq perspective, Shariah compliance may encourage customers to consider the moral dimensions of financial decisions. It can reinforce awareness that financial transactions involve responsibilities towards other parties and that lawful income should be pursued through honest and fair conduct.

Nevertheless, compliance should not be treated as proof that customers have become more honest or responsible. It provides an institutional and normative foundation that may encourage ethical behaviour, but the actual behavioural outcome requires separate assessment.

4.2 Fairness and justice in financial transactions

Justice is one of the central values of Islamic economic thought. It requires the protection of legitimate rights and the prevention of exploitation. In banking relationships, fairness is reflected in contractual clarity, appropriate treatment of customers, fair dispute resolution and the avoidance of misleading practices.

Islamic banking products should be structured and administered in ways that respect the interests and obligations of all parties. Customers should understand the conditions of financing, the risks involved and the consequences of failing to meet contractual obligations.

Dusuki and Abdullah (2007) connect Maqasid al-Shariah and maslahah with corporate social responsibility, reinforcing the importance of stakeholder welfare in Islamic institutional conduct.

Fair treatment can also influence customers' attitudes towards financial institutions. When customers perceive that an institution treats them fairly, they may develop stronger confidence in the institution and greater willingness to fulfil their own obligations. This is a plausible behavioural mechanism, not proof that fairness automatically changes personal character.

4.3 Transparency and disclosure

Transparency is essential to ethical financial relationships. It requires banks to provide customers with accurate and understandable information concerning products, prices, charges, contractual obligations, risks and procedures.

A lack of transparency can create information asymmetry, misunderstandings and distrust. Customers may enter into financial arrangements without fully understanding their responsibilities or the consequences of particular contractual provisions.

The Bank of Tanzania's December 2025 Financial Stability Report identifies transparency in contracts, avoidance of hidden charges and clear disclosure of profit-sharing or fee-based arrangements as relevant expectations under the Non-Interest Banking Business Regulations, 2025.

Transparency can promote Akhlaq in two directions. First, the bank demonstrates institutional honesty by communicating openly with customers. Second, customers are better positioned to make informed and responsible financial decisions. Clear disclosure can therefore support trustworthiness, accountability and responsible behaviour.

4.4 Ethical financing and investment

Islamic banking is expected to direct financial resources towards lawful and socially beneficial economic activities. The ethical orientation of financing involves avoiding prohibited sectors and discouraging transactions that create unjust harm.

The use of ethical financing principles can support responsible economic behaviour by encouraging customers to consider the source, purpose and consequences of financial resources. It may also encourage productive investment and discourage excessive indebtedness or irresponsible use of financing.

Risk-sharing arrangements are often discussed as an important feature of Islamic finance. In principle, arrangements involving the sharing of risk and returns can promote a greater awareness of commercial responsibility between the parties. However, the actual ethical implications depend on the contractual structure, disclosure, implementation and treatment of customers.

It would therefore be inappropriate to assume that every product marketed as Islamic necessarily achieves the same level of risk-sharing or social benefit. Ethical assessment should examine the actual product structure and its implementation.

4.5 Accountability and ethical governance

Accountability is necessary for maintaining the credibility of Islamic financial institutions. Banks should be answerable for the accuracy of their information, the fairness of their procedures, the conduct of their employees and the effectiveness of their governance systems. Shariah governance is particularly relevant because it provides institutional mechanisms for monitoring compliance with Islamic principles. However, governance should also consider whether the institution's broader conduct is consistent with the ethical objectives of Islamic finance.

Farook et al. (2011) examine determinants of corporate social responsibility disclosure in Islamic banks, highlighting the relevance of institutional accountability and disclosure. Mergaliyev et al. (2021) similarly demonstrate the importance of governance and disclosure in evaluating Maqasid-related performance.

Accountability can encourage customers to act responsibly when they understand that contractual obligations are mutual and that institutions are also expected to fulfil their responsibilities. This reciprocity is consistent with the ethical foundations of Islamic commercial relationships.

4.6 Ethical customer service

Customer service is an important area through which Islamic ethical principles become visible in everyday banking relationships. Employees interact directly with customers and communicate information concerning financial products, transactions, charges and complaints.

Ethical customer service should be characterised by honesty, respect, patience, confidentiality, fairness and professionalism. Employees should avoid misleading explanations, discriminatory treatment, unnecessary delays and the concealment of relevant information.

The behaviour of bank employees may influence customers' perceptions of the institution's ethical identity. When service delivery reflects the values promoted by Islamic banking, customers may develop greater confidence in the institution and a stronger appreciation of ethical financial conduct.

This relationship is not limited to customer satisfaction. Ethical service can also provide an example of how moral values are applied in practical economic relationships.

4.7 Social responsibility and community welfare

Islamic banking is expected to contribute to the welfare of society. Its ethical responsibilities should therefore extend beyond the immediate relationship between the bank and an individual customer.

Social responsibility may be reflected in responsible financing, financial inclusion, support for productive economic activity, appropriate treatment of vulnerable customers and participation in socially beneficial initiatives.

The Maqasid-based approach developed by Mergaliyev et al. (2021) is relevant because it evaluates ethical, social, environmental and financial performance together. This approach reinforces the argument that Islamic banks should be assessed according to their contribution to wider social objectives.

Social responsibility may influence customers' moral awareness by demonstrating that financial activities have consequences for the wider community. However, institutional social responsibility should be assessed through verifiable activities and outcomes rather than general claims of ethical commitment.

5. Challenges Affecting the Promotion of Akhlaq through Islamic Banking

5.1 The gap between formal compliance and substantive ethical performance

One of the major challenges facing Islamic banking is the possibility of a gap between formal Shariah compliance and the broader ethical objectives of Islamic finance.

A financial product may satisfy formal contractual requirements without necessarily producing wider improvements in justice, social welfare or customer responsibility. This creates a risk that Islamic banking is evaluated mainly through the permissibility of its products rather than through the ethical consequences of its activities.

Mergaliyev et al. (2021) argue for assessing Islamic banks through a wider Maqasid-based framework. Their findings indicate that disclosure of Maqasid performance improved during the period studied but remained below best-practice expectations.

This challenge demonstrates why Islamic banking institutions should integrate ethical performance into their governance and reporting systems.

5.2 Commercial pressures and institutional priorities

Islamic banks operate in competitive financial markets. They must maintain profitability, manage risks, comply with regulatory requirements and respond to customer expectations.

These commercial pressures may create tensions between financial objectives and the broader social and ethical purposes of Islamic finance. Asutay (2007) discusses the importance of understanding Islamic economics as a system with wider ethical and social objectives.

Where institutional priorities are concentrated mainly on profitability and market competition, ethical objectives may receive insufficient attention. The challenge is therefore to ensure that financial sustainability and ethical responsibility reinforce rather than undermine each other.

5.3 Limited customer understanding of Islamic financial products

Customers may use Islamic banking services without fully understanding the contractual structures, the differences between Islamic and conventional products, or the ethical principles underlying the transactions.

Limited financial literacy can reduce customers' ability to assess financial information and fulfil their contractual responsibilities. It may also lead to misconceptions about the nature of Islamic banking.

Customer education is therefore important. Banks should explain product structures in clear language and provide information that enables customers to understand their rights and responsibilities.

The importance of customer understanding is consistent with the wider objective of protecting intellect under Maqasid al-Shariah.

5.4 Weak ethical communication

Institutions may promote their Shariah-compliant products without communicating the wider ethical responsibilities associated with Islamic finance.

Where communication focuses mainly on product availability, pricing and convenience, customers may not appreciate the relationship between Islamic banking and values such as honesty, fairness, accountability and social responsibility.

Ethical communication should therefore form part of customer education. It should explain not only what a product does but also the contractual responsibilities and ethical considerations associated with its use.

5.5 Governance and regulatory implementation challenges

Effective Islamic banking requires appropriate governance arrangements, qualified personnel, clear regulatory expectations and consistent supervision.

The Bank of Tanzania's December 2025 Financial Stability Report identifies the Non-Interest Banking Business Regulations, 2025, as a development intended to strengthen the governance, risk management and consumer protection arrangements for non-interest banking services.

The existence of regulations, however, does not by itself establish the quality of implementation in individual institutions. Effective implementation requires appropriate institutional systems, staff capacity, monitoring and accountability.

5.6 The difficulty of measuring moral behaviour

Akhlaq is a complex construct. Moral values are not always directly observable, and self-reported measures may not accurately reflect actual behaviour.

For example, a customer may report that honesty is important while engaging in conduct that does not fully reflect that value. Respondents may also provide socially desirable answers, particularly when the research concerns religious or moral behaviour.

Consequently, future empirical research should distinguish between moral attitudes, self-reported behaviour and observable financial conduct. It should also recognise that customer morality is influenced by many factors beyond banking services.

6. The Relationship between Islamic Banking Practices and Customers' Akhlaq

The literature reviewed in this paper suggests that Islamic banking practices may contribute to customers' moral values through several interconnected mechanisms.

First, Shariah compliance provides a normative foundation that identifies lawful and unlawful financial conduct. Second, transparency and disclosure improve customers' understanding of contractual arrangements and support informed decisions. Third, fairness and justice can strengthen confidence in financial relationships. Fourth, ethical customer service provides practical examples of honesty, respect and responsibility. Finally, social responsibility can reinforce awareness of the wider consequences of financial decisions.

These mechanisms suggest that Islamic banking may create an environment that encourages ethical financial behaviour. However, the relationship should not be interpreted as automatic or exclusively causal.

Customers' moral values are shaped by personal beliefs, religious education, family upbringing, social relationships, economic circumstances and individual experiences. Islamic banking is one possible influence within this wider environment.

The relationship is therefore better understood as a potential contribution of institutional practices to customers' ethical awareness and financial conduct.

6.1 A proposed conceptual framework

Based on the literature, this paper proposes the following conceptual relationship:

Independent variable: Islamic banking practices

1. Shariah compliance and governance.
2. Fairness and justice.
3. Transparency and disclosure.
4. Ethical financing and investment.
5. Accountability.
6. Ethical customer service.
7. Social responsibility.

Dependent variable: Customers' Akhlaq

1. Honesty.
2. Trustworthiness.
3. Justice and fairness.
4. Accountability and responsibility.
5. Integrity.
6. Social responsibility and ethical financial behaviour.

Contextual and intervening factors

- Customer financial literacy.
- Religious and ethical awareness.
- Institutional governance.
- Quality of customer education.
- Regulatory environment.
- Socio-economic circumstances.

The framework proposes that Islamic banking practices may contribute to customers' Akhlaq, while the strength of this relationship may depend on the institutional and customer-related conditions under which banking services are delivered and used.

7. Implications for Islamic Banking in Zanzibar

7.1 Implications for PBZ Islamic Banking and Amana Bank

The conceptual discussion has several implications for Islamic banking providers operating in Zanzibar, including PBZ Islamic Banking and Amana Bank.

First, institutions should strengthen customer education concerning the principles and contractual structures of Islamic financial products. Customers should understand the rights and responsibilities associated with each product.

Second, banks should ensure that product information, charges, profit-sharing arrangements and contractual conditions are communicated clearly. Transparency should be treated as an ethical responsibility rather than merely a regulatory requirement.

Third, institutions should strengthen ethical customer service through staff training, professional standards and effective complaint-handling procedures.

Fourth, banks should incorporate broader ethical and social indicators into their performance assessments. These indicators may include customer understanding, complaint resolution, fairness, disclosure quality and evidence of social responsibility.

These are recommendations arising from the literature. They should not be interpreted as findings that either PBZ or Amana Bank currently fails to meet these standards.

7.2 Implications for regulators and policymakers

The regulatory environment is important in ensuring that Islamic and other non-interest banking services operate responsibly.

The Bank of Tanzania's December 2025 Financial Stability Report highlights the Non-Interest Banking Business Regulations, 2025, and their emphasis on governance, risk management, consumer protection and transparency. These requirements provide a foundation for strengthening the ethical quality of non-interest banking services.

Regulatory attention should also consider the effectiveness of customer disclosure, the accessibility of complaint procedures and the quality of institutional accountability.

In Zanzibar, cooperation between relevant financial authorities, banking institutions and academic researchers could help develop a stronger evidence base concerning Islamic banking practices and customer protection.

7.3 Implications for Islamic banking customers

Customers also have responsibilities within Islamic financial relationships. They should seek to understand contractual arrangements, provide accurate information, use financial facilities responsibly and fulfil legitimate obligations.

Customer education should therefore emphasise that Islamic banking is not simply a method of obtaining financial services without interest. It is part of a wider ethical framework that encourages honesty, fairness, trustworthiness and responsibility.

7.4 Implications for academic research

The proposed framework provides a basis for future empirical investigation in Zanzibar and Tanzania more broadly.

Future research should examine whether customers who report stronger exposure to ethical Islamic banking practices also report stronger ethical financial attitudes and behaviour. Such research should distinguish between customers' perceptions of institutional conduct and their own moral behaviour.

It should also examine whether the relationship differs between institutions, customer groups, product types and levels of financial literacy.

8. DISCUSSION

The central argument of this paper is that the ethical contribution of Islamic banking should be assessed through both institutional practices and their potential implications for customer behaviour.

The discussion of Shariah compliance demonstrates that Islamic banking requires a sound legal and contractual foundation. However, the wider objectives of Islamic finance require attention to transparency, justice, accountability and social welfare. This is consistent with the Maqasid-based approach advanced by Mergaliyev et al. (2021), which evaluates Islamic banks beyond conventional financial performance.

The discussion also highlights the importance of customer-facing practices. Transparency, fair treatment and ethical customer service are important because they shape the daily experiences through which customers interact with financial institutions. These practices can support trust and responsible decision-making, although they cannot independently determine a person's moral character.

The Tanzanian regulatory context adds further relevance to this discussion. The Bank of Tanzania's 2025 regulatory developments indicate increased formal attention to non-interest banking governance and consumer protection. The emphasis on transparent contracts and disclosure is consistent with the ethical requirements identified in this paper.

Nevertheless, regulatory compliance and ethical performance should not be treated as identical. Regulations establish minimum institutional expectations, while the wider

objectives of Maqasid al-Shariah require continuous attention to fairness, welfare and accountability.

The paper therefore contributes to the Islamic banking literature by connecting three levels of analysis: institutional Shariah and governance practices, customer-facing service and disclosure practices, and customers' moral values. This integrated perspective is particularly relevant for future research in Zanzibar, where the institutional setting identified in the research proposal offers an opportunity to examine the relationship empirically.

9. CONCLUSION

This paper examined the potential relationship between Islamic banking practices and customers' moral values (Akhlaq) in the context of Zanzibar. Drawing on Maqasid al-Shariah theory, previous academic literature and Tanzanian regulatory developments, it argued that Islamic banking should be evaluated not only through the formal compliance of its financial products but also through its wider ethical and social contribution.

The review identified Shariah compliance, fairness, transparency, ethical financing, accountability, ethical customer service and social responsibility as important practices that may support customers' moral values. These practices can create an institutional environment that encourages honesty, trustworthiness, justice, responsibility, integrity and ethical financial behaviour.

However, the promotion of Akhlaq through Islamic banking faces several challenges. These include the gap between formal compliance and substantive ethical performance, commercial pressures, limited customer understanding, weak ethical communication, governance challenges and difficulties in measuring moral behaviour.

The paper concludes that Islamic banking can contribute to the promotion of Akhlaq, but such a contribution should not be assumed merely because customers use Islamic financial products. It requires institutions to demonstrate ethical conduct in their operations and customers to understand and fulfil their responsibilities.

For Zanzibar, the discussion provides a conceptual foundation for future research involving PBZ Islamic Banking and Amana Bank. Empirical investigation is necessary to establish how customers perceive these institutions' practices and whether such practices are associated with measurable differences in customers' ethical financial attitudes and behaviour.

Ultimately, the credibility of Islamic banking depends not only on the Shariah permissibility of its products but also on its commitment to justice, transparency, trustworthiness,

accountability and human welfare. These values represent the ethical substance of Islamic finance and provide an important basis for evaluating its contribution to society.

10. Limitations and Directions for Future Research

This paper has several limitations. First, it is based on an integrative review of existing literature and regulatory material rather than original customer-level data. It therefore cannot establish the actual influence of PBZ Islamic Banking or Amana Bank on customers' moral values.

Second, the paper does not present an institutional audit of either bank. Its discussion of the Zanzibar setting is based on the research proposal and publicly available contextual material, not direct verification of internal banking procedures.

Third, Akhlaq is a multidimensional and complex construct. Future studies should develop and validate measurement instruments that distinguish between moral awareness, attitudes, self-reported behaviour and actual financial conduct.

Future research should collect primary data from customers of PBZ Islamic Banking and Amana Bank in Zanzibar. A mixed-methods design combining customer questionnaires with interviews involving relevant bank personnel would help establish how Islamic banking practices are understood and experienced.

Quantitative analysis could examine the relationships between Shariah compliance, fairness, transparency, ethical financing, accountability, customer service and customers' Akhlaq. Qualitative interviews could explore how institutional practices are implemented and what challenges affect their ethical objectives.

Longitudinal research would also be valuable because it could examine whether changes in customers' exposure to Islamic banking education and services are associated with changes in their ethical financial behaviour over time.

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