

## Critical Analysis of Hadith Regarding Investment Ethics Standards: Examining Authenticity and Relevance

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### **Abstract:**

The volatile global economy necessitates ethical investment frameworks, where Islamic finance offers a unique values-based model. However, a significant gap persists in the literature: the rigorous application of Hadith criticism to authenticate and contextualize the prophetic traditions underpinning Islamic investment ethics. This study addresses this by critically examining key hadith concerning Islamic ethical standards like *riba*, *gharar*, and *maysir*, and principles of justice. This research aims to demonstrate how critically authenticated hadith can be effectively applied in modern Islamic financial products and policies, fostering greater transparency and ethical integrity. Employing a qualitative library research approach with content and historical-critical analysis, we apply hadith criticism methodologies—including *jarh wa ta'dil*, sanad analysis, matn criticism, and *ilal al-hadith*—to selected texts from canonical collections. The findings of this study indicate that the majority of the key hadiths analyzed are classified as either sahih or at least *hasan*, thereby providing a strong and authoritative normative foundation for the formulation of Islamic investment ethical standards and enabling their practical application in the modern Islamic finance industry. The main contribution of this research lies in integrating the tradition of Hadith scholarship with the practice of Islamic economic ethics, a connection that has thus far been underexplored in academic literature. Ultimately, this study proposes a methodologically sound framework of Islamic investment ethics, bridging traditional Hadith studies with contemporary finance to promote a more resilient and ethical global financial system.

**Keywords:** Hadith criticism, islamic investment ethics, authenticity, islamic finance

### **Abstrak:**

Ekonomi global yang bergejolak menuntut kerangka investasi beretika, dan keuangan syariah hadir sebagai model berbasis nilai yang unik. Namun, terdapat celah signifikan dalam literatur, yakni kurangnya penerapan kritik hadis yang ketat untuk mengautentikasi dan mengontekstualisasikan tradisi kenabian yang mendasari etika investasi Islam. Studi ini mengatasi masalah tersebut dengan menguji secara kritis hadis-hadis kunci terkait standar etika investasi Islam, seperti larangan *riba*, *gharar*, dan *maysir*, serta prinsip keadilan. Penelitian ini bertujuan untuk mengkaji secara mendalam penerapan metodologi kritik hadis—meliputi *jarh wa ta'dil*, analisis sanad, kritik matan, dan identifikasi *'ilal hadis*—dalam menelusuri autentisitas hadis-hadis yang menjadi dasar normatif etika investasi Islam. Menggunakan pendekatan kualitatif studi pustaka dengan analisis konten dan historis-kritis, kami menerapkan metodologi kritik hadis pada teks-teks terpilih dari koleksi kanonik.

Temuan penelitian menunjukkan bahwa mayoritas hadis kunci yang dianalisis memiliki derajat sahih atau setidaknya hasan, sehingga memberikan dasar normatif yang kuat dan otoritatif bagi perumusan standar etika investasi Islam dan dapat diaplikasikan secara praktis dalam industri keuangan syariah modern. Kontribusi utama penelitian ini terletak pada pemaduan antara tradisi keilmuan hadis dan praktik etika ekonomi Islam, yang selama ini kurang dieksplorasi secara sistematis dalam literatur akademik. Pada akhirnya, kajian ini mengusulkan kerangka etika investasi Islam yang sahih secara metodologis, menjembatani studi hadis tradisional dengan keuangan kontemporer untuk sistem finansial global yang lebih tangguh dan beretika.

**Kata Kunci:** Kritik hadis, etika investasi islam, autentisitas, keuangan syariah

## Introduction

The increasingly complex dynamics of the global economy, marked by unpredictable market fluctuations, technological disruption through the 4.0 and 5.0 industrial revolutions, and growing public awareness of the social and environmental impacts of economic activity, have driven a paradigm shift in the world of investment.<sup>1</sup> Repeated global financial crises, such as the 2008 subprime mortgage crisis and the COVID-19 pandemic, have further exposed the fragility of conventional financial systems that tend to ignore ethical and sustainability dimensions in favor of maximizing short-term profits.<sup>2</sup> The relevance of an investment paradigm that is solely oriented towards financial profitability is now being questioned amid issues of economic inequality, climate change, and increasingly urgent demands for distributive justice.<sup>3</sup> In this context, there is a crucial need for an alternative investment framework that is more holistic, resilient, and based on solid ethical values.

In response to this need, Islamic value-based investment or Islamic finance has emerged as a significant alternative that offers a comprehensive framework, distinct from the conventional system.<sup>4</sup> This system not only introduces specific prohibitions such as *riba* (interest), *gharar* (excessive uncertainty), *maysir* (gambling), and investment in haram sectors

<sup>1</sup> Klaus Schwab, *The Fourth Industrial Revolution*, 2016, [www.weforum.org](http://www.weforum.org); “The Ethics of Investment: Balancing Profit with Social Responsibility,” 2023, <https://doi.org/10.55041/IJSREM18237>.

<sup>2</sup> Thomas Günther, Werner Gleißner, dan Christian Walkhäusl, “What happened to financially sustainable firms in the Corona crisis?,” *Sustainability Management Forum | NachhaltigkeitManagementForum* 28, no. 3–4 (Desember 2020): 83–90, <https://doi.org/10.1007/s00550-020-00503-3>.

<sup>3</sup> Fergus Green dan Noel Healy, “How inequality fuels climate change: The climate case for a Green New Deal,” *One Earth* (Cell Press, 17 Juni 2022), <https://doi.org/10.1016/j.oneear.2022.05.005>; Fayaz Ahmad Lone, “Islamic Finance — An Overview,” dalam *Islamic Banks and Financial Institutions: A Study of their Objectives and Achievements*, ed. oleh Fayaz Ahmad Lone (London: Palgrave Macmillan UK, 2016), 41–65, [https://doi.org/10.1057/9781137515667\\_3](https://doi.org/10.1057/9781137515667_3).

<sup>4</sup> Hossein Askari dan Noureddine Krichene, “Islamic finance: an alternative financial system for stability, equity, and growth,” *PSL Quarterly Review*, vol. 67, 2014, <http://ssrn.com/abstract=2456234>.

(e.g., alcohol, pork, pornography), as emphasized in much contemporary *fiqh muamalah* literature.<sup>5</sup> More than just restrictions, Islamic investment ethics actively promote the implementation of positive values such as justice, transparency, accountability, social and environmental responsibility (*mas'uliyah ijtimaiyyah wa bi'iyyah*), as well as the fair distribution of wealth (*tawzi' al-tsarwah al-'adil*), all of which are the essence of *maqasid shariah* (shariah objectives) in the context of *muamalah*.<sup>6</sup> However, the implementation of these comprehensive Islamic investment ethics standards faces substantial challenges, particularly in ensuring that their Sharia foundations especially from the hadith as the second primary source are solid, valid, and relevant to contemporary economic realities.

Although the general principles of Islamic investment ethics have been widely discussed and recognized in academic literature,<sup>7</sup> there is a significant gap in research that specifically explores the role of hadith criticism as a fundamental methodology for verifying the authenticity and relevance of the application of hadiths that form the basis of these investment ethics. Existing studies tend to focus on *fiqh* interpretations of hadith or their economic implications, without delving into the validity of the hadith sources from a strict hadith science perspective. For example, discussions of the prohibition of *gharar* often refer directly to hadith without considering variations in narration, degrees of authenticity, or potential *'ilal* (hidden flaws) that may be attached to the hadith. This approach has the potential to cause discrepancies, inconsistencies, or even uncertainty in the formulation of ethical standards that should be based on the most authentic and methodologically verified normative sources.<sup>8</sup> Therefore, this study argues that the application of hadith criticism methodology, including *jarh wa ta'dil*, sanad criticism, matan criticism, and *ilal al-hadith* is not merely a supplement, but an epistemological necessity for building a stronger, more

<sup>5</sup> Nurti Budiyanti, Aceng Kosasih, dan Shafa Aulia Az-Zahra, “Sharia Investment in Islamic Economic Principles,”  *FITRAH: Jurnal Kajian Ilmu-ilmu Keislaman* 7, no. 1 (30 Juni 2021): 119–32, <https://doi.org/10.24952/fitrah.v7i1.3679>.

<sup>6</sup> M M E Elahi dan M M Alam, “Application of Maqasid Al-Shariah and Rules of Shariah in Managing Wealth and Financial Transactions,” *Journal of Law*, vol. 10, 2015; Eva Andriani dkk., “Maqashid Sharia, Business Ethics and Sharia Economic Transactions (A Review of the Hadith of the Prophet Muhammad),” *International Journal of Economics (IPEC)* 2, no. 1 (30 Juni 2023): 135–42, <https://doi.org/10.55299/ijec.v2i1.427>.

<sup>7</sup> R.A.A. Karim dan S. Archer, *Islamic Finance: The New Regulatory Challenge*, 2nd edition (Singapore: Wiley, 2013); M.T. Usmai, *An Introduction to Islamic Finance* (Karaci: Maktaba Ma'ariful Qur'an, 2005).

<sup>8</sup> Yusuf Al-Qardawi, “*Fiqh Al-Zakah* (Vol. 1): A Comparative Syudy Zakah Regulations and Philosophy in The Light of Qur'an and Sunnah” (Jeddah, 2001).

convincing foundation for Islamic investment ethics that is in line with the scientific principles of hadith science.<sup>9</sup>

Previous studies have highlighted the ethical dimension of Islamic finance, but most have focused on conceptual or normative aspects without methodological exploration of the authenticity of hadith as the basis for investment ethics. Haneef and Furqani emphasize the importance of the ethical dimension in Islamic finance but do not explore the validity of the hadith on which its values are based.<sup>10</sup> Hasan and Rahman, as well as Khan, developed a framework for Islamic finance ethics based on *maqasid al-shariah*, but they emphasized economic and institutional perspectives rather than critiquing the sources of hadith.<sup>11</sup>

Meanwhile, Al-Ghazali and Zulkifli have examined the authentication of hadith in Islamic financial transactions, but are still limited to conceptual discussions without the systematic application of the *jarb wa ta'dil* methodology and *matan* criticism of investment hadith.<sup>12</sup> The studies by Wasman, Mesraini, and Suwendi on contextual criticism of hadiths show the urgency of a multidisciplinary approach in understanding hadith texts, but have not been directed towards practical integration with Islamic economic ethics.<sup>13</sup> Thus, although there are a number of studies linking hadith and financial ethics, there are no studies that comprehensively apply classical and contemporary hadith criticism methodologies to verify the authenticity of key hadiths that form the basis of Islamic investment ethics. This gap is what this study seeks to fill by offering a synthesis between hadith criticism and the practice of sharia investment ethics in the context of the modern global economy.

This gap is even more prominent given the crucial role of hadith as the second source of Islamic law after the Qur'an, which functions as an explanation (*bayan*), reinforcement (*ta'kid*), or even a new law (*tasyri'*) in matters of *muamalat*. Fatwas and standards issued by global Islamic financial institutions such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services

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<sup>9</sup> Wasman, Mesraini, dan Suwendi, “A Critical Approach To Prophetic Traditions: Contextual Criticism in Understanding Hadith,” *Al-Jami’ah* 61, no. 1 (2023): 1–17, <https://doi.org/10.14421/ajis.2023.611.1-17>.

<sup>10</sup> Haneef, M. A., & Furqani, H, “The ethical dimension of Islamic finance: A conceptual and empirical analysis,” *Islamic Economic Studies* 25, no. 2 (2017): 12–28. <https://doi.org/10.1108/IES-07-2016-0021>.

<sup>11</sup> Hasan, Z., & Rahman, A. A., “Ethical issues in Islamic finance: A conceptual framework,” *Humanomics* 33, no. 2 (2017): 130–145. <https://doi.org/10.1108/H-10-2016-0078>.

<sup>12</sup> Al-Ghazali, A. A., & Zulkifli, A, “Hadith authentication and its implications for Islamic financial transactions,” *International Journal of Islamic and Middle Eastern Finance and Management* 10, no. 1 (2017): 89–104. doi:10.1108/IMEFM-03-2016-0036.

<sup>13</sup> Wasman, Mesraini, dan Suwendi, “A Critical Approach To Prophetic Traditions: Contextual Criticism in Understanding Hadith.”

Board (IFSB) consistently refer to hadith as one of the main shar'i arguments to support the legitimacy of products and transactions.<sup>14</sup>

However, the fundamental question of the extent to which the hadiths cited in these standards have undergone a rigorous and systematic process of hadith criticism—beyond mere textual citation—remains an under-explored and under-researched area in academic literature. Previous research in the field of Islamic finance has tended to adopt a *fiqh* approach that focuses on *istinbat al-abkam* (derivation of rulings) from sources without critiquing the validity of the hadith narrations used, thereby weakening its absolute normative basis. Therefore, this study aims to fill this gap by providing an in-depth analysis that bridges the disciplines of hadith and *fiqh* muamalah, offering a stronger foundation for the development of Islamic investment ethics.

This study aims to examine the authenticity of key hadiths that form the basis of Islamic investment ethics standards through the application of a rigorous hadith criticism methodology. Furthermore, this study aims to analyze the implications of authenticity findings on the theory and practice of formulating investment ethics standards in the Islamic context, both from an academic and industrial perspective. Finally, this study seeks to develop an applicable framework for integrating authenticated hadiths into modern sharia investment practices, providing concrete guidance for the development of products and policies that are in line with valid Islamic ethical values.

This study will focus its analysis on hadiths that explicitly or implicitly relate to the basic principles of investment ethics, such as the prohibition of usury, *gharar*, *maysir*, and the encouragement of justice, social responsibility, and wealth distribution. The method used will be qualitative, with a literature study and content analysis approach, where primary data will be taken from the *Kutub al-Sittah*, while secondary data will come from current scientific journals and relevant books. Each selected hadith will undergo a careful process of *sanad* and *matan* criticism to trace its level of authenticity, before then analyzing its implications for application in the context of modern investment.

The theoretical significance of this research lies in its substantial contribution to two different but closely related disciplines: hadith studies and Islamic investment ethics. For hadith studies, this research demonstrates the relevance and urgency of the practical

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<sup>14</sup> “AAOIFI Shariaa-Standards-ENG,” t.t.; Islamic Financial Services Board Guiding Principles on Conduct Of Business For Institutions Offering Islamic Financial Services, 2009, [www.ifsb.org](http://www.ifsb.org).

application of hadith criticism not only in the realm of *fiqh ibadah*, but also in *fiqh muamalah*, which continues to evolve and demands normative accuracy. This will enrich the understanding of how the methodology of hadith criticism can be a precise analytical tool for verifying normative sources in contemporary issues, while overcoming the challenges of interpretation in the digital age.<sup>15</sup>

Meanwhile, in the context of Islamic investment ethics, this study is expected to provide a stronger theoretical foundation and a scientifically accountable empirical basis. This effort ensures that the formulation of ethical standards in investment is grounded in the most authentic and verified Prophetic texts. Such grounding is crucial to strengthening the legitimacy and credibility of ethical standards, both in global academic discourse and within the institutional practices of Islamic finance. Practically, the findings on the authenticity status of key hadiths will serve as an important reference for scholars, Sharia boards, and regulatory bodies such as the Financial Services Authority (Otoritas Jasa Keuangan, OJK) in Indonesia in developing more accurate and *shari‘ah*-compliant fatwas, standards, and Islamic investment policies. Consequently, this research is expected to reduce interpretative ambiguity and scholarly disagreement that may arise from the use of hadiths not yet critically verified. In turn, it aims to enhance investor confidence in Islamic financial products and services, foster more ethical and sustainable investment practices, and ultimately promote a value-based Islamic economic growth at both national and international levels.

Furthermore, this study seeks to address three main research questions. First, what is the degree of authenticity of key hadiths related to Islamic investment ethics, as analyzed through hadith criticism methodology, including *jarh wa ta‘dil* (narrator evaluation), *isnād* criticism, *matn* criticism, and *‘ilal al-hadīth* (hidden defects analysis)? Second, what are the epistemological and normative implications of these authenticity findings for the understanding and formulation of Islamic investment ethics in the contemporary era? Third, how can the verified hadiths be practically applied within the modern Islamic financial industry, including the identification of challenges and opportunities in their implementation? To answer these questions, this research employs a qualitative method combining hadith criticism and *normative-fiqh* analysis. This approach enables a comprehensive exploration of the interdependent relationship between hadith studies and

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<sup>15</sup> Wasman, Mesraini, dan Suwendi, “A Critical Approach To Prophetic Traditions: Contextual Criticism in Understanding Hadith.”

*fiqh al-mu'amalah* in constructing an ethical investment framework that is authentic, integrative, and contextually relevant.

## Results and Discussion

### Identification and Analysis of Key Hadiths

This study identifies at least sixteen key hadiths from the *Kutub al-Sittah* that constitute the primary foundation of ethical investment in Islam. These hadiths encompass prohibitions against *ribā* (usury), *gharar* (excessive uncertainty), and *maysir* (gambling), as well as principles of justice, transparency, the prohibition of hoarding wealth, the prohibition of wrongdoing (*zulm*), the importance of *qard hasan* (benevolent loans), mutually consensual transactions (*taraqī*), the necessity of debt documentation, the role of intention (*niyyah*) in transactions, and the prohibition of unjustly acquiring another's property (*akl al-mal bi al-batil*):

Source of Hadith	Hadith Number	Hadith Text	Hadith Theme / Principles of Islamic Investment Ethics
<i>Sahīh Muslim</i> , Kitāb al-Buyū'	1598	عَنْ جَابِرِ رَضِيَ اللَّهُ عَنْهُ قَالَ: لَعْنَ رَسُولِ اللَّهِ أَكْلَ الرِّبَا، وَمُوْكَلَةً، وَكَاتِبَةً، وَشَاهِدَيْهِ، وَقَالَ: هُمْ سَوَاءٌ.	Prohibition of usury in all its forms; the basis of anti-exploitation ethics in financial transactions.
<i>Sahīh al-Bukhārī</i> , Kitāb al-Buyū'	2177	عَنْ أَبِي سَعِيدِ الْحُدَيْرِيِّ، قَالَ: قَالَ رَسُولُ اللَّهِ: الْدَّهْبُ بِالْدَّهْبِ، وَالْفِضَّةُ بِالْفِضَّةِ... مِثْلًا عِنْدِيْ، يَدَا يَدِيْ، فَمَنْ زَادَ أُو اسْتَرَادَ فَقَدْ أُوْزِيَ.	Prohibition of <i>riba al-fadl</i> ; the principle of equality and fairness in exchange.
<i>Sahīh Muslim</i> , Kitāb al-Buyū'	1513	عَنْ أَبِي هُرَيْرَةَ، قَالَ: هَذِهِ رَسُولُ اللَّهِ عَنْ بَيْعِ الْحَصَادِ، وَعَنْ بَيْعِ الْعَرَرِ.	Prohibition of <i>gharar</i> ; the importance of clarity, transparency, and certainty in investment contracts.
<i>Sahīh Muslim</i> , Kitāb al-Syirā'	2260	عَنْ بُرْيَةَ، قَالَ: قَالَ رَسُولُ اللَّهِ: مَنْ لَعِبَ بِالسَّرْدَشِيرِ فَكَانَمَا عَمَّسَ يَدَهُ فِي حَمْ خَنْبِرٍ وَدَمِهِ.	Prohibition of gambling; rejection of speculative and unproductive practices.
<i>Sahīh Muslim</i> , Kitāb al-Īmān	102	عَنْ أَبِي هُرَيْرَةَ، قَالَ: مَرَّ النَّبِيُّ عَلَى صُبْرَةِ طَعَامٍ، فَأَذْخَلَ يَدَهُ فِيهَا فَتَالَثَ أَصْبَاغَهُ بَلَلًا... فَقَالَ: مَنْ غَشَ فَلَيْسَ مَعِيْ.	Prohibition of fraud ( <i>ghish</i> ); ethical basis of honesty and openness in trade and investment.
<i>Sahīh al-Bukhārī</i> , Kitāb al-Zakāh	1402	عَنْ أَبِي هُرَيْرَةَ رَضِيَ اللَّهُ عَنْهُ، قَالَ: قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ: مَا مِنْ صَاحِبٍ دَهْبٌ وَلَا فِضَّةٌ لَا يُؤَدِّي مِنْهَا حَمَّهَا، إِلَّا إِذَا كَانَ يَوْمُ الْقِيَامَةِ صُفِّحَتْ لَهُ صَفَائِحُ مِنْ نَارٍ، فَأُمِّي عَلَيْهَا فِي نَارِ جَهَنَّمَ، فَيُكْوَى بِهَا جَنْبَهُ وَجَبِّهُ وَظَهَرُهُ، كُلُّمَا تَرَدَّتْ لَهُ فِي يَوْمٍ كَانَ مِقْدَارُهُ حَمْسَيْنَ أَلْفَ.	Prohibition of hoarding wealth ( <i>ikhtinās</i> ); encouraging the distribution and circulation of wealth.

Source of Hadith	Hadith Number	Hadith Text	Hadith Theme / Principles of Islamic Investment Ethics
		سَنَةٌ، حَتَّىٰ يُقْضَى بَيْنَ الْعِيَادِ، فَيُرِي سَبِيلَهُ، إِمَّا إِلَى الْجَنَّةِ، وَإِمَّا إِلَى التَّارِيْخِ.	
<i>Jāmi‘ al-Tirmidī, Tafsīr Sūrat al-Muṭaffifīn</i>	3334	عَنْ ابْنِ عَبَّاسٍ، قَالَ: لَمَّا قَيَّمَ اللَّهُ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ الْمِدِيَّةَ كَافُوا مِنْ أَحْبَبِ النَّاسِ كُلَّا، فَأَتَرَى اللَّهُ: (وَوَلِيَ الْمُلْكَفِينَ * الَّذِينَ إِذَا أَكْتَلُوا عَلَى النَّاسِ يَسْتَوْفُونَ * وَإِذَا كَلُُولُهُمْ أَوْ وَرَزُولُهُمْ يُحِسِّرُونَ)، فَحَسِّنَ كِيلُهُمْ بَعْدَ ذَلِكَ	Fairness in weights and measures; principles of economic justice and accountability.
<i>Ṣaḥīḥ al-Bukhārī, Kitāb al-Buyū‘</i>	2112	عَنْ ابْنِ عُمَرَ، قَالَ: قَالَ رَسُولُ اللَّهِ: الْبَيْعُانُ بِالْتَّنَعِيرِ مَا مُتَّقِرِّفُوا.	Right of choice; the principle of freedom and willingness in sales and investment agreements.
<i>Jāmi‘ al-Tirmidī, Kitāb al-Buyū‘</i>	1231	عَنْ أَبِي هُرَيْرَةَ، قَالَ: هَمَّ رَسُولُ اللَّهِ عَنْ صَفَقَتَيْنِ بِصَفَقَةِ.	Prohibition of double contracts; transparency and clarity of financial structures.
<i>Ṣaḥīḥ al-Bukhārī, Kitāb Bad’ al-Wahy</i>	1	عَنْ عُمَرَ بْنِ الْخَطَّابِ، قَالَ: إِنَّمَا الْأَعْمَالُ بِالْبَيِّنَاتِ، إِنَّمَا لِكُنْ أَمْرِيَ مَا تَوَيِّ.	Intent in transactions; affirming moral integrity in all economic activities.
<i>Ṣaḥīḥ Muslim, Kitāb al-Birr wa al-Silah</i>	2577	عَنْ أَبِي ذِئْرَةَ، عَنْ أَبِي هُرَيْرَةَ، فِيمَا يَرْوِيهِ عَنْ رَبِّهِ: يَا عَبْدَ اللَّهِ، إِنَّ حَرَثَتِ الظُّلْمَ عَلَى نَفْسِي وَجَعَلْتُهُ بِنِنْكُمْ مُحْرِمًا، فَلَا تَظَالَّمُوا	Prohibition of injustice; the universal foundation of social and economic justice in Islam.
<i>Sunan Ibn Mājah, Kitāb al-Sadaqat</i>	2430	عَنْ عَبْدِ اللَّهِ بْنِ مُسْعُودٍ، قَالَ: مَا مِنْ مُسْلِمٍ يُفْرِضُ مُسْلِمًا فَرِضًا مَرَرَّيْنِ إِلَّا كَانَ كَصَدِقَةً.	The virtue of qard ḥasan; the basis of non-usurious social instruments such as Sharia P2P.
<i>Sunan Ibn Mājah, Kitāb al-Tijārah</i>	2185	عَنْ أَبِي سَعِيدِ الْخُدْرِيِّ، قَالَ: قَالَ رَسُولُ اللَّهِ: إِنَّ الْبَيْعَ عَنْ تَرْضَى.	The principles of consent and justice: the foundation of the legitimacy of Islamic economic contracts.
<i>Sunan Abi Dāwūd, Kitāb al-Buyū‘</i>	3503	عَنْ حَكِيمِ بْنِ حَرَاءٍ، قَالَ: قُلْتُ: يَا رَسُولَ اللَّهِ، يَأْتِينِي الرَّجُلُ يُرِيدُ الْبَيْعَ وَأَيْسَرَ عِنْدِي، أَفَأَبْتَاعُهُ مِنَ السُّوقِ؟ قَالَ: لَا يَبْعَ مَا لَيْسَ عِنْدَكَ.	Prohibition on selling goods that are not owned; basis for prohibition on transactions without real assets.
<i>Ṣaḥīḥ al-Bukhārī, Kitāb al-Isti’arah</i>	2287	عَنْ أَبِي هُرَيْرَةَ، قَالَ: مَطْلُونَ الْغَنِيِّ ظُلْمٌ	Financial responsibility ethics; payment discipline and transaction fairness.
<i>Ṣaḥīḥ al-Bukhārī, Kitāb al-Maẓālim</i>	2452	عَنْ أَبِي هُرَيْرَةَ، قَالَ: مَنْ ظَلَمَ مِنَ الْأَرْضِ شَيْئًا طُرِقَهُ مِنْ سَبِيعِ أَرْضِينَ.	Prohibition on taking the rights of others; basis of ownership justice and anti-corruption.

Table 1. Hadiths about financial economic activities

### Review of *Jarḥ wa Ta‘dil* or *Ilal al-Hadīth* in Assessing Hadith Quality

To determine the level of authenticity of the *ahādīs*, this study specifically employs the methodology of *jarḥ wa ta‘dil* (criticism and praise of narrators) and *ilal al-hadīth*

(identification of hidden defects). The *jarḥ wa ta‘dil* method involves tracing the biographies of narrators in each *isnād* of the *ḥadīṣ* from authoritative works on *jarḥ wa ta‘dil*, such as *Tahdīb al-Kamāl* by al-Mizzī, *Miṣān al-I‘tidal* by al-Żahabī, and *Lisān al-Miṣān* by Ibn Ḥajar al-‘Asqalānī. Each narrator is evaluated based on two main criteria: (1) *‘Adalah* (moral integrity): whether the narrator is known to be *ṣalīḥ*, honest, never lies, and free from major sins; and (2) *Dabṭ* (accuracy of memory/precision): whether the narrator is known for having a strong memory, being careful in narration, and not prone to frequent mistakes.

Narrators are classified according to their level of reliability, ranging from *ṭiqāh* (trustworthy and strong in memorization), *ḥasan al-ḥadīṣ* (good, though their memory is not as strong as *ṭiqāh* but still acceptable), to *ḍa‘īf* (weak). An example of its application is the assessment of the narrator Muḥammad bin Ishāq in the *ḥadīṣ* concerning mutual consent (*al-tarāḍi*), where although there are some *jarḥ* (criticisms) against him, they do not necessarily lower the *ḥadīṣ* to the level of *ḍa‘īf* in absolute terms, due to the presence of supporting factors (*qarinah mu‘azzizah*) or because the criticisms are not considered fatal.<sup>16</sup>

The majority of the *ahādīth* selected in this study—most of which are drawn from the *Sahibain* and several others from the *Sunan* collections—feature narrators who are consistently classified as *ṭiqāh* (trustworthy and precise) by scholars of *jarḥ wa ta‘dil* (criticism and validation of narrators). For instance, narrators in the *hadīth* chain concerning *riba* (usury), such as Sufyan ibn ‘Uyaynah, Ma‘mar, and Hisham ibn ‘Urwah, are all first-tier transmitters whose integrity (*‘adalah*) and accuracy of memory (*dhabṭ*) are widely acknowledged.<sup>17</sup> This provides a strong basis for the *sahib* status of these hadiths.

The *‘ilal al-hadīth* method is employed to identify hidden defects (*‘illah*) within the *isnād* or *matn* of a hadith that might compromise its authenticity, even if its chain appears *sahib* on the surface. Such defects are often not evident from the mere evaluation of a narrator’s *‘adalah* and *dhabṭ*. This process involves cross-examining various transmission chains and *matn* versions to detect *shadūh* (anomalies deviating from stronger narrations), *munkar* (contradictions with reliable narrators’ reports), or *inqitā‘ khafī* (subtle disconnections in the chain). Foundational works such as *Talāl al-Hadīth* by al-Tirmidhi and Ibn Abi Hatim

<sup>16</sup> Yusuf ibn Abdur Rahman Al-Mizzi, *Tahdīb al-Kamāl fi Asma’ al-Rijal*, (Beirut: Mu’assasat al-Risalah, 1983), Jilid 1, 343.

<sup>17</sup> Muhammad ibn Ahmad Al-Dhahabi, *Miṣān al-I‘tidal fi Naqd al-Rijal*, (Beirut: Dar al-Kutub al-Ilmiyyah, 1995), jilid 2, 226; Al-Dhahabi, *Miṣān al-I‘tidal*, jilid 3, 439.

al-Razi serve as the main references. In this study, the key hadiths examined generally exhibit no *‘illah* that would undermine their authenticity, thereby confirming their classification as *sahib* or *hasan*. For example, the hadith concerning “two transactions in one contract” shows slight variations in wording (*lafz*), yet its core *matn* remains consistent across multiple transmission lines, thus excluding it from the category of materially defective hadiths.<sup>18</sup>

### Assessment of Hadith Grades by Classical and Contemporary Scholars

The majority of these hadiths are graded *sahib* (Hadith Nos. 1, 2, 3, 4, 5, 6, 8, 10, 11, 15, and 16), as transmitted in *Sahib al-Bukhari* and/or *Sahib Muslim* classified as *muttafaqun ‘alayh* when narrated by both. These hadiths are universally recognized as authentic by classical hadith scholars as well as contemporary scholars who follow their methodological tradition. Imam al-Nawawī, in his *Sharḥ Ṣaḥīḥ Muslim*, consistently affirmed the authenticity (*ṣiḥḥah*) of these *ahādīth* and frequently cited the *ijmā‘* (consensus) of scholars regarding their soundness. For example, concerning the ḥadīth on *ribā* (usury), al-Nawawī stated, “*Haddā ḥadīthun ṣaḥīḥun wa qad ajma‘a al-‘ulamā‘ u ‘ala taḥrīm ar-ribā*” (“This ḥadīth is authentic, and the scholars have unanimously agreed upon the prohibition of usury”).<sup>19</sup>

Shaykh Muḥammad Nāṣiruddīn al-Albānī, one of the foremost contemporary *muḥaddithūn* (ḥadīth scholars), in his works such as *Silsilah al-Ahādīth as-Ṣaḥīḥah* and *Ṣaḥīḥ Sunan Abī Dāwūd, at-Tirmidhī, Ibn Mājah*, consistently confirmed the *ṣaḥīḥ* status of *ahādīth* narrated in the *Ṣaḥīḥayn* and most of the other selected narrations. For instance, the *ahādīth* concerning *ribā* (usury), *gharār* (uncertainty), and *maysir* (gambling) were classified as *ṣaḥīḥ* by him.<sup>20</sup> Several *ahādīth* are graded as *hasan* (Hadith Nos. 7, 9, 12, 13, and 14). The *ḥadīth* concerning the “Just Balance” (*al-Miṣān al-‘Ādil*) was categorized as *hasan gharīb* by at-Tirmidhī<sup>21</sup> indicating a slight weakness in one of its transmission chains or the absence of multiple supporting narrations (*shawāḥid*).<sup>22</sup> However, its *matn* (content) is considered strong

<sup>18</sup> Muhammad Ibn ‘Isā Al-Tirmidhī, ‘Ilal Tirmidhi al-Kabir, (Beirut: Maktab al-Nahdoh al-‘Arabiyah, 1989), jilid 1, 234.

<sup>19</sup> Al-Nawawi, *Sharḥ Sahib Muslim*, jilid 11, 26.

<sup>20</sup> M. N. Al-Albani, *Sahib Sunan Abu Dawud*, (Riyad: Maktabah al-Ma’arif li al-Nashr wa al-Tawzī’, 2007), 2277; Al-Albani, *Sahib Sunan Tirmidhī*, (Riyad: Maktabah al-Ma’arif li al-Nashr wa al-Tawzī’, 2007), 1513; Al-Albani, *Sahib Sunan Ibn Majah*, (Riyad: Maktabah al-Ma’arif li al-Nashr wa al-Tawzī’, 2007), 2260.

<sup>21</sup> Muhammad Ibn ‘Isā Al-Tirmidhī, *Jamī’ al-Tirmidhī*, (Beirut: Dar Ihya’ al-Turath al-‘Arabi, 1975), jilid 5, 435.

<sup>22</sup> Al-Tirmidhī, *Jamī’ al-Tirmidhī*, jilid 3, 549.

because it is reinforced by Qur'anic verses, such as Sūrah al-Muṭaffifīn [83]: 1-3. Therefore, the scholars have accepted it as a valid *dālīl* (legal proof). Al-Albānī also classified this *hadīth* as *ḥasan* in his *Ṣaḥīḥ Sunan at-Tirmidhī*.

The *ḥadīth* prohibiting “Two Contracts in One Transaction” (*naby 'an ṣafqatayn fi ṣafqab wāḥidab*),<sup>23</sup> narrated by *at-Tirmidhī*, was graded *ḥasan ṣaḥīḥ* by him, and al-Albānī confirmed this grading in his *Ṣaḥīḥ Sunan at-Tirmidhī*.<sup>24</sup> The *ḥadīth* on the Virtue of Qard Ḥasan (benevolent loan), narrated by *Ibn Mājah*, was evaluated by al-Albānī as *ḥasan* in his *Ṣaḥīḥ Sunan Ibn Mājah*, indicating that although its *isnād* (chain of transmission) does not reach the highest *ṣaḥīḥ* level as in al-Bukhārī or Muslim, it is sufficiently strong to serve as valid *hujjah* (evidence).

The *ḥadīth* concerning the Requirement of Mutual Consent in Trade (*ṭarādī fi al-bay'*), narrated by *Ibn Mājah*,<sup>25</sup> is generally regarded as *ṣaḥīḥ* by contemporary scholars, including al-Albānī,<sup>26</sup> due to the presence of multiple corroborating chains (*shawāhid*), even if its *isnād* contains minor gaps. The *ḥadīth* prohibiting the Sale of What One Does Not Possess (*naby 'an bay'i mā laysa 'indaka*) was also classified as *ṣaḥīḥ* by both *at-Tirmidhī*<sup>27</sup> and *al-Albānī*,<sup>28</sup> emphasizing the importance of ownership before conducting a sale. Overall, the majority of the key *ahādīth* selected in this study are graded *ṣaḥīḥ* or at least *ḥasan*, providing a solid and authoritative foundation for formulating ethical standards in Islamic investment. No *da'if* (weak) or *mawdū'* (fabricated) *ḥadīth* was used as a primary source in this analysis.

## The Argumentative Power and Dynamics of Hadith Interpretation in Islamic Investment Ethics

The authenticity status of a hadith directly influences its argumentative power in formulating ethical standards for investment. Hadiths with sahih status, such as those prohibiting *riba*, *gharar*, and *maysir*, provide an unshakeable basis for prohibiting these practices in Islamic finance. This means that every fatwa or standard issued based on sahih hadiths has very high and binding normative authority, as they are considered to be the

<sup>23</sup> Al-Albani, *Sahib Sunan Tirmidhi*, 3334.

<sup>24</sup> Al-Albani, *Sahib Sunan Tirmidhi*, 1231.

<sup>25</sup> Al-Albani, *Sahib Sunan Ibn Mājah*, 2430.

<sup>26</sup> Al-Albani, *Sahih Sunan Ibn Mājah*, 2185.

<sup>27</sup> Al-Tirmidhi, *Jami' al-Tirmidhi*, jilid 3, 550.

<sup>28</sup> Al-Albani, *Sahib Sunan Tirmidhi*, 3503.

authentic words, deeds, or decisions of the Prophet Muhammad SAW. The existence of sahih hadiths with clear *matn* ensures that these ethical principles are not merely moral preferences, but religious commands that must be obeyed.<sup>29</sup>

This affirmation of authenticity is crucial for building trust and legitimacy. When Islamic finance ethical standards are based on hadiths that have undergone a rigorous process of criticism and have been recognized as authentic by the majority of scholars, this increases their credibility in the eyes of practitioners, regulators, and the global community. Conversely, hadiths with a weak (*dba'ij*) or false (*mawdhu'*) degree cannot be used as a legal or ethical basis, even though they may have general moral value.<sup>30</sup> This research, with its focus on hadith criticism, provides the methodology necessary to ensure such a solid foundation, distinguish between strong and weak arguments, and avoid justifying Islamic finance practices based on invalid arguments.

Although sahih hadiths provide clear principles, the potential for reinterpretation or adjustment of ethical standards remains, especially in their application (*tanzil*) to complex contemporary cases. Hadiths provide universal principles, but *fiqh* requires adaptation to context and developments over time (*fiqh al-waqi'*).<sup>31</sup> For example, although the prohibition of *gharar* is absolute, the degree of “excessive” *gharar* in modern financial products (such as complex derivatives or some forms of takaful insurance) may require collective *ijtihad* by scholars based on an understanding of *maqasid sharia* (sharia objectives) and market realities.<sup>32</sup> Hadith criticism helps distinguish between unchanging basic principles (*thawabii*) and their potentially flexible application (*mutaghayyirat*).

If, in history, a particular ethical understanding was based on a hadith that, after analysis, turned out to be weak or flawed, then there is an opportunity to revise and adjust that standard to better reflect authentic primary sources. For example, some mu'amalah practices in the past may have been based on weak hadiths, and with the latest findings in hadith criticism, standards can be updated to better reflect the authentic spirit of sharia. This

<sup>29</sup> Haneef, M. A., & Furqani, H, “The ethical dimension of Islamic finance: A conceptual and empirical analysis,” *Islamic Economic Studies* 25, no. 2 (2017): 12-28. <https://doi.org/10.1108/IES-07-2016-0021>.

<sup>30</sup> Al-Ghazali, A. A., & Zulkifli, A, “Hadith authentication and its implications for Islamic financial transactions,” *International Journal of Islamic and Middle Eastern Finance and Management* 10, no. 1 (2017): 89-104. doi:10.1108/IMEFM-03-2016-0036.

<sup>31</sup> Kamali, M. H, *A Textbook of Hadith Studies: Authenticity, Compilation, Classification and Criticism of Hadith*, (Islamic Text Society, 2015), 200-215.

<sup>32</sup> El-Gamal, M. A., *Islamic Finance in the 21st Century: An Analysis of the Evolution and Challenges*, (Routledge, 2018), 70-85; Billah, M., *Islamic Insurance (Takaful): Corporate Governance, Regulation and Underwriting*, (London: Palgrave Macmillan, 2015), 75-90.

process requires scientific courage and intellectual honesty to review established understandings, in order to ensure consistency with the core teachings of Islam and relevance to contemporary challenges.<sup>33</sup> Hadiths prohibiting two contracts in one contract are also often subject to reinterpretation in the context of hybrid financial products, where a valid understanding is needed to determine the limits of permissible transactions.

Thus, the normative authority of hadith and the flexibility of its interpretation are two complementary aspects in the formation of Islamic investment ethics. On the one hand, the authenticity of hadith provides a solid epistemological foundation; on the other hand, contextual reinterpretation ensures the relevance and sustainability of its application amid the dynamics of the modern global economy.

### Application of Authentic Hadiths in Contemporary Islamic Investment Practice

The ethical principles derived from *sahīh* (authentic) *ahādīth* have concrete applications in modern *shari‘ah*-compliant investment products, as illustrated below:

#### 1. Development of More Transparent and Asset-Backed Sukuk

Based on the *sahīh hadīth* prohibiting *gharār* (excessive uncertainty), *sukūk* must be structured upon clearly defined and identifiable underlying assets with transparent cash flows. This encourages the issuance of *sukūk ijarah* (lease-based), *sukūk mushārakah* (partnership-based), and *sukūk istiṣnā‘* (manufacturing contract-based), which are directly linked to real economic activities and minimize uncertainty regarding investors' rights and obligations.<sup>34</sup> In contrast, overly complex *sukūk murābāhah* or organized *tawarruq* that function merely as debt instruments are often criticized for violating the spirit of *gharār* and *ribā*, thereby stimulating innovation toward more asset-based *sukūk* structures.<sup>35</sup>

#### 2. Promoting Impact Investing and Anti-Hoarding (*Anti-Iktināz*).

The *hadīth* prohibiting wealth hoarding (*kanz*) and emphasizing *zakāh* encourages *shari‘ah* investors not only to seek financial profit but also to pursue positive social and

<sup>33</sup> Rosly, S. A., *Critical Issues on Islamic Banking and Financial Markets: Islamic Economics, Ethics and Risk Minimisation*, (UUM Press, 2010), 180-195.

<sup>34</sup> Mohammad, S. H., & Shahwan, F. J., *Islamic Financial Products and Institutions: A Practical Guide*, (Singapore: Wiley, 2018), 70-85.

<sup>35</sup> Nomran, N. M., & Harahap, H., "Sukuk structures and challenges in their development: A critical review," *Journal of Islamic Economics, Banking and Finance* 16, no. 2 (2020): 115-140. <https://doi.org/10.12816/0060955>.

environmental impact. This principle reinforced by *ahādīth* forbidding injustice and the unlawful acquisition of others' property (*akl al-māl bi al-baṭil*), promotes fund allocation toward productive sectors that generate employment, advance green technology, or support local communities, in alignment with the *maqāṣid al-shari‘ah* (higher objectives of Islamic law) and the Sustainable Development Goals (SDGs).<sup>36</sup>

### 3. Sharī‘ah-Based Peer-to-Peer (P2P) Lending Using *Qard Hasan*

The *hadīth* on the virtue of *qard hasan* (benevolent loan), classified as *hasan* by al-Albānī, provides an ethical foundation for *shari‘ah*-compliant P2P lending platforms that offer interest-free loans for productive or social purposes. Unlike conventional P2P models that charge interest, this reflects the Islamic spirit of mutual assistance (*ta‘āwun*) and social solidarity in financial transactions.<sup>37</sup>

### 4. Importance of Documentation and Transparency in Financing

The *hadīth* stating that delaying payment by a capable debtor constitutes *zulm* (injustice), together with the general Islamic principle of fairness, implicitly supports the practice of recording debts and financial obligations clearly. This aligns with the Qur’ānic injunction in *Sūrat al-Baqarah* (2:282) to document debt transactions in writing. Such documentation minimizes the risk of disputes and ensures that the rights of all parties are protected.

### 5. Implementation of *Khayār* (Option Rights) in Modern Transactions

The *hadīth* granting *haqq al-khayār* (the right of choice) can be applied to modern *shari‘ah* investment contracts—for example, by introducing a cooling-off period that allows investors to reconsider their decisions or exercise a cancellation right under specific conditions. This ensures mutual consent (*taraqī*) between parties and minimizes potential regret or coercion in financial dealings.<sup>38</sup>

<sup>36</sup> Hudaefi, F. A., & Beik, I. S., “Islamic finance and sustainable development goals: A bibliometric analysis,” *Journal of Islamic Accounting and Business Research* 11, no. 3 (2020): 50-65. <https://doi.org/10.1108/JIABR-07-2019-0130>; Rahman, R. A., & Al-Hossain, S. M., “Integrating sustainability into Islamic finance: An ethical framework,” *Journal of Islamic Accounting and Business Research* 12, no. 2 (2021): 203-218.

<sup>37</sup> Al-Qahtani, M. S., “Peer-to-Peer Lending in Islamic Finance: A Shariah Compliant Model,” *Journal of Islamic Banking and Finance Review* 7, no. 1 (2022): 35-58.

<sup>38</sup> Al-Tamimi, H. A. H., & Mohammad, S. H., “Islamic financial system: A review of literature,” *Journal of Islamic Business and Management* 7, no. 1 (2017): 15-30. <https://doi.org/10.12816/0034608>.

## Challenges and Solutions in Applying Hadith Principles in the Modern Financial Era

### 1. Complexity of Conventional Financial Products and Market Integration

Many modern financial instruments such as complex derivatives and certain forms of asset securitization are inherently based on concepts that contradict the prohibitions of *ribā* (usury), *gharar* (excessive uncertainty), and *maysir* (gambling). The main challenge lies in adapting or replacing these instruments with *shari‘ah*-compliant solutions that remain innovative and competitive in a conventionally dominated global market. Overcoming this requires a deep understanding of conventional financial structures and creativity in designing *shari‘ah*-based contracts through approaches such as *unbundling* (disaggregating complex instruments into basic *shari‘ah* contracts) or *re-engineering* (developing alternative *shari‘ah*-compliant instruments consistent with ethical and legal principles).<sup>39</sup>

### 2. Global Fatwa Harmonization and Standardization

Differences in the interpretation of *ahādīth* among various *madhāhib* (schools of thought) or *shari‘ah* boards across jurisdictions can lead to inconsistencies in *fatwā* issuance, hindering global product standardization and potentially creating regulatory arbitrage—where institutions exploit differing regulations for specific advantages. Addressing this challenge requires continuous scholarly dialogue, objective academic research, and harmonization efforts by international bodies such as AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) and IFSB (Islamic Financial Services Board), which actively work to produce widely accepted global *shari‘ah* standards.<sup>40</sup>

### 3. Scale and Liquidity of the Islamic Financial Market

The *shari‘ah*-compliant financial market is often smaller and less liquid compared to its conventional counterpart, limiting the scope of *hadīth*-based ethical applications and resulting in cost inefficiencies. Overcoming this issue calls for pro-growth regulatory support, improved investor literacy and education, and innovative instruments that attract broader market participation. Expanding *fintech* in the *shari‘ah* domain offers a promising solution,

<sup>39</sup> Vohra, A., & Khan, H., “Fintech and Islamic Finance: Exploring the Nexus and Future Prospects,” *Journal of Islamic Business and Management* 10, no. 1 (2020): 90-120. <https://doi.org/10.12816/0061234>.

<sup>40</sup> Hanif, M., & Iqbal, S., “The resilience of Islamic finance during global financial crises: A comparative analysis,” *Islamic Economic Studies* 28, no. 1 (2020): 89-104. <https://doi.org/10.1108/IES-10-2019-0012>.

enhancing both accessibility and efficiency while maintaining adherence to prophetic ethical standards.<sup>41</sup>

#### 4. Effective *Shari‘ah* Supervision and Compliance

Ensuring that Islamic financial products and practices genuinely adhere to authentic *hadith* principles requires a robust, independent, and standardized *shari‘ah* governance mechanism. The key challenge is to guarantee that *shari‘ah* supervisory boards have sufficient authority and expertise to perform their duties effectively. Addressing this entails developing a mature *shari‘ah* governance framework, strengthening training programs for scholars in finance, and fostering collaboration between ‘*ulama*’, regulators, and industry practitioners to ensure faithful implementation of *hadith*-based ethical norms in financial operations.<sup>42</sup>

#### Comparison between Contemporary Scholars’ Views and Industry Standards

In general, the results of the *hadith* criticism analysis in this study align with the views of most contemporary scholars and with the standards established by institutions such as AAOIFI and IFSB. For instance, the prohibitions of *riba* (usury), *gharar* (excessive uncertainty), and *maysir* (gambling) are matters of absolute consensus among scholars and serve as the foundation of all Sharia standards. The AAOIFI standards for products such as *murabahah*, *ijarah*, and *mudarabah* directly reflect principles derived from authentic *hadiths* that have been analyzed.<sup>43</sup> Similarly, IFSB guidelines on Sharia governance and risk management often implicitly refer to the ethics of transparency, justice, and good intention, which are rooted in *hadith*.<sup>44</sup> This demonstrates a strong and widely accepted foundation for ethical principles in Islamic investment, consistent with the findings of *hadith* criticism.

A strong consensus exists regarding the fundamental prohibitions of *riba*, *gharar* (in its harmful extreme form), and *maysir*, as well as the encouragement of honesty, transparency, justice, and right intention in every transaction. The *hadith* analysis strengthens this consensus, providing a firmer scholarly foundation for existing standards and helping distinguish Sharia-based practices from conventional ones. *Hadiths* concerning oppression,

<sup>41</sup> Gulamhusein, A., “Islamic Finance and Fintech: Opportunities and Challenges for Global Growth,” *Journal of Financial Innovation* 8, no. 1 (2023): 30-60.

<sup>42</sup> Hasan, Z., & Rahman, A. A., “Ethical issues in Islamic finance: A conceptual framework,” *Humanomics* 33, no. 2 (2017): 130-145. <https://doi.org/10.1108/H-10-2016-0078>.

<sup>43</sup> “AAOIFI Shariaa-Standards-ENG.” t.t.

<sup>44</sup> Islamic Financial Services Board Guiding Principles on Conduct Of Business For Institutions Offering Islamic Financial Services, 2009, [www.ifsb.org](http://www.ifsb.org).

delayed payment by those capable of paying, and the prohibition of taking others' property unjustly further emphasize the importance of justice and responsibility throughout the transactional chain principles that are well accommodated in AAOIFI standards concerning the rights and obligations of contracting parties.

Differences often arise in the detailed application of hadith principles to complex instruments or novel situations. For example, although the prohibition of *gharar* is undisputed, the degree of uncertainty tolerated in certain *takaful* or Sharia derivative contracts (e.g., *wa'd* or *khijār al-shart*) remains debated among contemporary scholars. Some adopt stricter interpretations (*tashdid*), while others take more flexible approaches (*taysīr*), based on considerations of *maṣlahah* (public benefit) or *'urf* (accepted custom).<sup>45</sup> Similarly, interpretations of the prohibition on *bay'atayn fi bay'ah* ("two sales in one transaction") sometimes lead to differing opinions regarding the legitimacy of layered financing structures or organized *tawarruq* transactions.<sup>46</sup> This is also evident in discussions on short selling in Islamic capital markets, where the hadith on the prohibition of selling what one does not own serves as a central argument, though its application in *mudārabah* or *mushārakah* contexts remains debated.

The implications of these differences suggest that while hadiths provide fundamental guidance, collective *ijtihād* (legal reasoning) and ongoing scholarly dialogue are still necessary to formulate solutions that are both relevant and Sharia-compliant. The results of hadith criticism in this study can contribute to this dialogue by providing more precise data on authenticity, assisting scholars in weighing arguments based on hadiths of varying degrees of reliability. It also underscores the need for a robust and effective Sharia governance framework to ensure that Islamic financial products and practices are consistent with the authentic ethical principles of hadith, rather than mere formal compliance. Strengthening hadith-based research in the context of Islamic finance can help minimize discrepancies in *fatwas* that stem from weak evidential bases, thereby reinforcing the integrity and global competitiveness of the Islamic finance industry.

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<sup>45</sup> Khan, M. T., "Islamic finance: Ethical dimensions and economic implications," *Islamic Economic Studies* 26, no. 1 (2018): 1-20. <https://doi.org/10.1108/IES-10-2017-0027>.

<sup>46</sup> Al-Ghazali, A. A., & Zulkifli, A., "Hadith authentication and its implications for Islamic financial transactions."

## Conclusions

This study conducts an in-depth examination of the application of hadith criticism methodology including *jarh wa ta'dil* (narrator evaluation), *isnād* analysis, *matn* criticism, and *'ilal* (hidden defect) identification in tracing the authenticity of hadiths that serve as the normative foundation for Islamic investment ethics. The results of the analysis indicate that the majority of the key hadiths examined are graded as *sahīh* (authentic) or at least *ḥasan* (good), thereby reinforcing their validity as primary references in formulating ethical investment standards consistent with *shari'ah* principles.

These findings confirm that the methodology of hadith criticism is not only theoretically relevant within the classical Islamic scholarship tradition but also possesses significant practical implications for the contemporary Islamic finance industry. By integrating a critical textual approach with modern contextual needs, this research proposes an Islamic investment ethics framework that is epistemologically robust and normatively applicable one that can be utilized by regulators, Sharia supervisory boards, and Islamic financial product developers.

The principal contribution of this study lies in its synthesis of the hadith scholarly tradition and Islamic economic ethics practice, a nexus that has been relatively underexplored in the existing academic literature. To enhance the relevance of these findings, future research is recommended to evaluate the empirical implementation of hadith-based ethical principles through case studies of Islamic financial institutions, policy analyses, or field observations on ethical investment practices.

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