ISLAMIC FINANCIAL ETHICS IN MANAGERIAL DECISION-MAKING : A CONCEPTUAL REVIEW OF THE PRUDENTIAL PRINCIPLE IN ISLAMIC FINANCIAL MANAGEMENT

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ABSTRACT. The rapid development of the Islamic financial industry demands managerial decision-making quality that is not only oriented toward financial performance but also toward compliance with Sharia principles and Islamic ethical values. This article aims to conceptually examine the role of Islamic financial ethics in managerial decision-making by emphasizing the prudential principle in Islamic financial management. The research method employed is a literature review of relevant scientific publications from the last five years concerning Islamic financial ethics, risk management, governance, and managerial decision-making in Islamic financial institutions. The findings indicate that the prudential principle functions not only as a technical risk management instrument but also as a manifestation of the values of trust, justice, moral responsibility, and the protection of wealth (Ḥifẓ al-Māl). However, the implementation of the prudential principle still faces various challenges, such as pressure to achieve performance targets, limitations in human resources, and weak internalization of ethics and Sharia supervision. This article asserts that strengthening Islamic financial ethics and integrating the prudential principle into good governance are fundamental needs to improve the quality of managerial decisions, maintain institutional stability, and realize the sustainability of Islamic financial institutions in line with the objectives of maqasid al-shariah.

Keywords: Islamic financial ethics; prudential principle; managerial decision-making; Islamic financial management .

Introduction

The development of the Islamic financial industry in recent years has shown significant growth, both in terms of assets, product innovation, and its contribution to the national and global financial system. This growth demands increasingly complex managerial decision-making, as Islamic financial managers are not only required to achieve optimal financial performance, but also to ensure compliance with Islamic principles and Islamic ethical values. Therefore, financial ethics is an important foundation in directing managerial decision-making to align with the goals of sustainability and welfare.

In the context of Islamic financial management, one of the ethical principles that plays a central role is the prudential principle . This principle emphasizes the importance of vigilance, adequate risk management, and rational consideration in every financial decision, particularly in the management of public funds . Several recent studies have shown that the application of the prudential principle is a key instrument for maintaining the stability of Islamic financial institutions and minimizing the risk of problematic financing.[1]

Unlike conventional financial systems, Islamic financial management has specific characteristics, namely the prohibition of riba (usury) , gharar (gharar), and maysir (gambling), as well as an emphasis on the principles of fairness, transparency, and risk sharing . This makes the principle of prudence not only function as a risk management tool, but also as a manifestation of the values of trust and moral responsibility in managerial decision-making. Prudence in the sharia perspective thus encompasses technical, ethical and spiritual dimensions simultaneously.

However, various studies over the past five years indicate that the implementation of prudential principles in Islamic financial institutions still faces significant challenges. Pressure to achieve performance targets, limited human resource quality, and weak sharia governance and oversight often lead to the prudential principle being understood narrowly as an administrative procedure, rather than as an ethical framework for managerial decision-making. This has the potential to create conflicts of interest and degrade the overall quality of risk management.[2]

Based on this background, this article aims to conceptually examine financial ethics in managerial decision-making , emphasizing the principle of prudence in Islamic financial management . This study uses a literature review method of scientific publications from the last five years to identify the concept, role, and implications of the principle of prudence in the managerial practices of Islamic financial institutions. It is hoped that this article can provide a theoretical contribution to the development of Islamic financial ethics studies and serve as a practical reference for decision-makers in strengthening prudential practices based on Islamic values.

Furthermore, the principle of prudence in Islamic financial management is closely related to the manager's role as a strategic decision-maker who determines the sustainability of the institution. Financing, investment, and risk management decisions that are not based on prudence have the potential to increase the risk of default and undermine public trust. Therefore, prudence serves as an ethical managerial instrument that encourages objective, measured, and responsible decision-making. Furthermore, the prudential principle also serves as a mechanism for protecting public funds (ḥifẓ al-māl) in the Islamic financial system. Funds managed by Islamic financial institutions are essentially a trust that must be protected from speculative practices and high-risk decisions. Research shows that consistent application of prudential principles contributes to the financial stability of institutions and reduces the level of problem financing.[3]

The principle of prudence in Islamic financial management is also closely related to the character and integrity of financial managers as key decision-makers. From an Islamic ethical perspective, financial managers serve not only as technical implementers of fund management but also as morally and spiritually responsible stewards of trust. Therefore, managerial decision-making must be based on the values of honesty, fairness, and responsibility, ensuring that any financial policies adopted do not harm the institution or the wider community.

Furthermore, the application of the principle of prudence in Islamic financial management serves as an ethically grounded risk management instrument. Prudence encourages managers

[1] 'AAOIFI Governance Standard (GS) 1 (Revised 2024) Shari 'Ah Governance Framework', 1.Revised (2024), 1–36.

[2] Hamad Raza and Faculty Economics, 'Islamic Banking and Finance : A Systematic Literature Review And Bibliometric Analysis', 10.2 (2024), 73–86.

[3] At-Tijarah Journal of Research, Islamic Banking, And Vol Vi, 'Sharia Principles in Risk Management in Islamic Banking: A Literature Review Sharia Principles in Risk Management in Islamic Banking: A Literature Review', Vi.

to systematically and transparently plan, budget, and supervise finances. In this context, risk management is not solely aimed at maximizing profits, but also at maintaining institutional stability and protecting managed funds to ensure they remain in accordance with Islamic principles.[4]

From the perspective of Islamic business ethics, prudence is also an integral part of good financial governance . Islamic financial ethics emphasizes the importance of alignment between economic goals and sharia values, ensuring that every managerial decision must consider social and moral impacts. Thus, the prudence principle serves as a bridge between the demands of managerial professionalism and the moral obligation of adhering to Islamic teachings. Furthermore, a literature review indicates that the weak application of the prudence principle is often rooted in a partial understanding of Islamic financial ethics. When prudence is understood solely as an administrative procedure, the ethical and spiritual dimensions of decision-making tend to be overlooked. Therefore, a more comprehensive conceptual approach is needed so that the prudence principle truly functions as an ethical framework for managerial decision-making in Islamic financial institutions.[5]

Literature Review

Financial Ethics from an Islamic Perspective

Islamic financial ethics are rooted in normative values derived from the Quran and Hadith, which serve as primary guidelines for all economic and financial activities. Ethics is understood as a set of values that regulate human behavior in accordance with the principles of goodness, justice, and moral responsibility. In the financial context, Islamic ethics demands that all financial management activities be conducted honestly, fairly, and transparently, and avoid practices that harm others. Thus, financial ethics serves not only as a norm for individual behavior but also as a systemic foundation for Islamic financial management.

Financial ethics from an Islamic perspective is based on the principles of justice, trustworthiness, Islamic financial ethics places financial management as a trust that must be held morally and socially accountable. Abu Ubaid emphasized that rulers or financial managers are not permitted to misuse state treasuries for personal gain, as public assets belong to the people and must be used for the common good. In this context, Islamic financial ethics demands caution, honesty, and responsibility in every financial decision, including in the collection and distribution of taxes, zakat, and other sources of income. Thus, financial ethics in Islam functions as an instrument of moral control that ensures that financial management is in line with the values of justice and social balance.[6]

Islamic financial ethics in managerial decision-making places moral values and sharia principles as the primary foundation for every financial policy-making process. Managerial decisions are assessed not only in terms of efficiency and profit, but also in terms of their compliance with the values of justice, trustworthiness, and social responsibility. From an Islamic perspective, every financial decision is viewed as a form of accountability, not only to the organization's stakeholders but also to Allah SWT. Therefore, Islamic financial managers are required to possess a high level of ethical awareness to ensure that their decisions do not result in losses, inequality, or injustice. Islamic financial ethics thus serves as a normative framework that guides managers in balancing economic interests and moral values. This

[4] Sindi Labaika and Fitroh Adhilla, 'Understanding Islamic Business Ethics in Financial Management and the Concepts of Financial Management in Islam', 5.2 (2023), 1923–32 <https://doi.org/10.37680/almanhaj.v5i2.3770>.

[5] Islamic Financial Management, *No Title* .

[6] Article History, 'Concept Of Islamic Financial Management', 4.1 (2018), 64–77.

approach emphasizes that managerial success in Islam is measured not solely by financial performance, but also by the resulting social impact and blessings.[7]

One of the key principles of Islamic financial ethics that is highly relevant to managerial decision-making is the principle of prudence. This principle requires financial managers to be careful, vigilant, and proactive in establishing financial policies, particularly those related to the management of public or third-party funds. Prudence in Islam aims not only to minimize financial risk but also to safeguard the trust and confidence placed in financial managers. Every decision made must be based on careful consideration, rational analysis, and a comprehensive risk evaluation. This prudence principle reflects Islamic teachings, which reject excessive speculation and uncertainty that could harm others. Thus, prudence is a concrete implementation of Islamic ethics in the practice of Islamic financial management.[8]

In managerial practice, the principle of prudence is realized through a systematic and responsible process of financial analysis and planning. Islamic financial managers must ensure that every decision regarding financing, investment, and fund allocation complies with Islamic principles and considers both short- and long-term impacts. Decision-making should not be based on personal interests or the pressure of immediate profit, but rather prioritizes the common good. Furthermore, prudence is also reflected in efforts to maintain a balance between risks and benefits, so that decisions taken do not lead to financial instability. This attitude demonstrates that Islamic financial ethics teaches managerial responsibility that is preventative in nature against potential losses. Thus, prudence is not a passive attitude, but rather an ethical strategy for maintaining organizational sustainability.[9]

Islamic financial ethics also emphasize the importance of transparency and accountability in every managerial decision. Transparency serves as a means to ensure that the process and results of financial decisions are known and monitored by interested parties. Accountability, on the other hand, requires managers to be morally, professionally, and socially responsible for the policies they make. In the Islamic context, transparency and accountability are part of the values of honesty (ṣidq) and trustworthiness, which must be maintained. Transparent financial decisions will strengthen public trust and prevent abuse of authority. Therefore, Islamic financial ethics encourages managers to make openness and responsibility the primary principles of financial governance.[10]

Furthermore, managerial decision-making in Islamic finance must be directed towards achieving the maqasid al-Shariah (objectives of sharia), particularly in safeguarding wealth and social welfare. Ideally, every financial policy should contribute to economic justice, equitable distribution of wealth, and protection of the interests of the wider community. This principle emphasizes that managerial decisions should not be exclusive or solely benefit certain groups. Islamic financial ethics teaches that wealth is a means to achieve welfare, not an end in itself. Thus, ethical decision-making will result in a financial system that is not only economically stable but also socially just. This integration of ethical values and sharia objectives distinguishes Islamic financial management from conventional approaches.[11]

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[7]Fadzlurrahman, Etty Mulyati & Helza Nova Lita, "Implementation of the Prudential Principle to Sharia Compliance by Financial Technology Providers" , *Journal of Sharia Economic Law* , Vol. 4, No. 2, 2025.

[8]Natasya Ul-Ashwat & Dwi Harmoyo, "Analysis of Prudential Principles in the Financing Process of Sharia Online Loan Companies Registered with the Financial Services Authority" , *Quranomic: Journal of Islamic Economics and Business* , Vol. 2 No. 1, 2023

[9]Maulin Nawa & Irsyad Andriyanto, "Analysis of the Implementation of the Prudential Principle in the Distribution of Consumer Financing in Islamic Financial Institutions" , *Eco-Iqtishodi: Scientific Journal of Islamic Economics and Finance* , Vol. 6 No. 1, 2024.

[10]Nandar Hermawan, "The Role of Islamic Business Ethics in Investment Decisions in Islamic Financial Institutions , " *Journal of Islamic Economic Innovation and Accounting* , Vol. 2 No. 3, 2025

[11]Eny Latifah & Rudi Abdullah, "Principles of Islamic Economics in Sharia Financial Management" , *JIDE: Journal of International Development Economics* , Vol. 2 No. 2, 2024.

Overall, Islamic financial ethics in managerial decision-making serves as a moral foundation that maintains a balance between economic interests and human values. The principles of prudence, trustworthiness, justice, and social responsibility serve as primary guidelines for managers in carrying out financial management functions. Based on Islamic ethics, managerial decisions are directed not only at achieving optimal financial performance but also at creating a sustainable and equitable financial system. This approach demonstrates the strong relevance of Islamic financial ethics in addressing the challenges of modern financial management. Therefore, strengthening ethics and prudence principles is a fundamental requirement in contemporary Islamic financial management practices.[12]

Principles of Prudence and Ethics of Islamic Finance

The prudential principle in Islamic finance literature is understood not only as a technical aspect of risk management, but also as an ethical context that binds managerial decisions to Islamic values in the operations of financial institutions. In practice, Islamic management must ensure that every financing and investment decision not only analyzes financial risks but also ensures Sharia compliance and protects the rights of fund owners (ḥifẓ al-māl). Empirical research, the application of the prudential principle in Indonesian Islamic financial institutions shows that managerial decisions must be directed at comprehensive risk identification, evaluation, and mitigation to ensure the institution's long-term operational stability. This principle requires management to implement comprehensive risk governance, including credit, liquidity, market, and operational risks, in line with Sharia requirements and modern management standards. Thus, ethical managerial decision-making in the Sharia context requires a balance between achieving economic goals and fulfilling moral responsibilities to stakeholders.[13]

Islamic financial ethics in managerial decisions are also manifested through a strong governance structure , where the principle of prudence serves as the foundation for internal and external oversight activities. A recent study on corporate governance and risk management in Indonesian Islamic banks confirms that risk governance acts as a mediator between management practices and institutional performance, enabling prudent managerial decisions to strengthen stability and customer trust. In this context, prudence also relates to information transparency, accountability for strategic decisions, and adherence to sharia principles, which are overseen by the Sharia Supervisory Board . The integration of prudence and sharia governance practices creates an ethical framework that obliges managers to consider the social, moral, and religious impacts of every economic decision. Ultimately, the imperative to maintain a balance between sharia values and business objectives makes the principle of prudence an integral moral foundation in Islamic financial management.[14]

In the legal study and implementation of the prudential principle in Islamic banking, research findings also indicate a close relationship between compliance with laws and regulations and strengthening ethical decision-making. In Indonesia, the implementation of prudential obligations and risk management is regulated by the Islamic Banking Law, which requires Islamic financial institutions to provide risk information to customers and implement systematic risk management. Compliance with this regulation is not merely an administrative obligation, but a form of the institution's ethical commitment to protecting customer rights and maintaining business sustainability. In managerial practice, this guides Islamic bank leaders to integrate Islamic risk analysis with moral and legal aspects, so that operational and strategic decisions are bound by Islamic principles. Thus, regulatory instruments become a crucial instrument in affirming the position of the prudential principle as an essential element of Islamic financial ethics.[15]

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[12]Iwan Setiawan, "Basic Principles of Sharia Financial Management" , *Journal of Accounting and Sharia Business (AKSY)* , Vol. 3 No. 2, 2024

[13]Ascarya. (2019). Prudential Principles and Stability of the Islamic Financial System in Indonesia. Indonesian Journal of Islamic Economics**,** 9(2), pp. 89–104.

[14]Kurnia Rizki, I., Surya Fatekhah, P., & Mohammad Ali, M. (2025). Implementation of the Prudential Principle in Financing Distribution in Islamic Banks. *JIOSE: Journal of Indonesian Sharia Economics***,** 3(1). DOI:10.35878/jiose.v3i1.896

[15]Mahardika, SG, Zulfikar, AL, & Fitriah, RRA (2025). Implementation of Risk Management in Islamic Banking in Indonesia**.** *Edunomika Scientific Journal***,** 8(3).

Furthermore, contemporary Islamic finance literature emphasizes that prudential risk management also has an adaptive dimension to global and digital challenges. In the digital era, Islamic financial institutions face new technological and reputational risks, requiring managerial decision-making to consider the ethical implications of technology use and the protection of customer information. These risks require managers to exercise caution not only in financial analysis but also in selecting and implementing technology that complies with Islamic principles and professional ethical standards. Effective digital risk management improves the quality of strategic decisions and reduces the likelihood of losses that could undermine public trust in Islamic financial institutions. Therefore, the integration of prudential principles into contemporary managerial decisions reflects a shift from a reactive to a proactive approach in addressing increasingly complex risks.[16]

Overall, the precautionary principle within the framework of Islamic financial ethics serves as a strategic foundation that binds every level of managerial decision-making in Islamic financial institutions. Because decision-making impacts not only the economic aspects but also the moral and spiritual credibility of the institution, Islamic managers must apply prudence as a moral and professional guideline. The application of this principle encourages Islamic financial institutions to adopt a holistic, comprehensive, and welfare-oriented risk management approach. Furthermore, the precautionary principle serves as an internal control mechanism that prevents speculative practices (gharar), injustice (zulm), or information manipulation that could harm other parties. Thus, the precautionary principle strengthens the synergy between Islamic ethics and modern managerial practices in creating stable, fair, and sustainable financial institutions.[17]

Ethics, Governance, and Managerial Decision Making

Ethics and organizational governance are two fundamental, interrelated elements in the managerial decision-making process. Ethics serve as a moral foundation that provides normative direction for managers in formulating policies and determining organizational actions. Meanwhile, organizational governance provides a structural framework, rules, and control mechanisms to ensure the consistent application of ethical values. Integrating ethics into good governance helps prevent abuse of authority and strengthens the quality of decision-making. Thus, managerial decisions are oriented not only toward efficiency and performance but also toward the organization's moral and social responsibility.

In the context of managerial decision-making, ethics plays a crucial role in minimizing the risk of fraud and conflicts of interest. Decisions made without ethical considerations have the potential to have negative impacts, such as diminished public trust and damaged organizational reputation. Conversely, decisions based on the principles of fairness, integrity, responsibility, and transparency will strengthen managerial accountability. The application of ethical values also encourages the creation of a healthy and professional organizational culture. Ultimately, ethics in managerial decision-making contributes significantly to the long-term sustainability and legitimacy of an organization.[18]

From a modern management perspective, decision-making is the core of all managerial functions, directly determining the direction, performance, and success of an organization. Every managerial decision is essentially the result of a process of selecting the best alternative from among available options, taking into account organizational goals, resources, and internal and external constraints. The quality of decisions is greatly influenced by the manager's ability to accurately identify problems, analyze relevant information, and evaluate various alternative courses of action rationally and systematically. Furthermore, managers are required to be able to calculate the short- and long-term risks and consequences of each decision. Thus, decision-making is not merely a technical activity but also

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[16]Fadzlurrahman, F., Mulyati, E., & Nova Lita, H. (2025). Application of the Prudential Principle to Sharia Compliance by Financial Technology Providers. *Journal of Sharia Economic Law*, 4(2). DOI:10.26618/j-hes.v4i02.4213

[17]Rahmawati, F., Syahpawi, S., & Nurnasrina, N. (2025). A Legal Study of Risk Management in Islamic Banking . *Money: Journal of Financial and Islamic Banking* , 2(1). DOI:10.31004/money.v2i1.23805

[18] Dabo Singkep and Riau Islands, 'Management and Ethics: Moral Foundations in Organizational Decision Making Ilham Andika Putra 1, Rahayu Mega Sari 2', I.2 (2025).

reflects the manager's intellectual capacity and professionalism in managing the organization effectively and sustainably.[19]

Furthermore, the managerial decision-making process cannot be separated from ethical values and social responsibility. Decisions made by managers not only impact the achievement of organizational performance targets but also affect the interests of various stakeholders, such as employees, consumers, the community, and shareholders. Therefore, effective decision-making requires moral considerations, honesty, integrity, and a sense of responsibility to ensure that the resulting decisions do not harm others. The integration of ethics into the decision-making process also plays a crucial role in preventing conflicts of interest and maintaining the organization's reputation and legitimacy. Ultimately, managerial decisions based on ethical values will support the organization's sustainability and strengthen public trust in the long term.[20]

Within a governance framework, managerial decision-making must be conducted systematically and structured through clear stages, starting from problem identification, information gathering, alternative determination, and evaluation and decision implementation. Good governance ensures that this process is transparent and accountable, ensuring that decisions are both managerially and ethically accountable. Thus, governance serves as a control mechanism to prevent managerial decisions from being subjective or opportunistic.[21]

Research methods

This research uses a qualitative approach with a literature review method . A qualitative approach was chosen because this research aims to understand, study, and analyze the concept of financial ethics in managerial decision making, especially those related to the principle of prudence in Islamic financial management. Literature review allows researchers to systematically examine previous research ideas, concepts, and findings to build a comprehensive conceptual understanding.

The data used in this study is secondary data obtained from various library sources, such as scientific journal articles, textbooks, academic modules, and official documents relevant to the topics of Islamic financial ethics, the principle of prudence, governance, and managerial decision-making. These sources were selected based on their topic suitability, academic credibility, and relevance to the research focus. Data collection was conducted by identifying, selecting, and categorizing literature discussing aspects of Islamic financial ethics and Islamic financial management.

Data analysis was conducted using content analysis. Each collected literature was carefully read to identify key concepts, principles, and arguments related to financial ethics and the precautionary principle. The data was then analyzed by grouping key themes, comparing views across sources, and synthesizing the findings into a structured conceptual framework. This process aims to gain a deeper understanding of the role of the precautionary principle as part of financial ethics in managerial decision-making.

Results and Discussion

The literature review shows that the development of Islamic financial management has experienced significant growth, both in terms of assets, product innovation, and its contribution to the national and global financial system. This growth has driven increasing complexity in managerial decision-making, as managers are oriented not only towards financial performance but also towards Sharia compliance and Islamic ethical values. The literature findings confirm

[19]Rahmawati, I., & Wibowo, H. (2022). Managerial Decision Making and Organizational Performance: A Strategic Management Approach. *Journal of Management and Organization* , 13(2), 95–108.

[20] Nugroho, L., & Badawi, A. (2023). Managerial Ethics and Social Responsibility in Organizational Decision Making. *Journal of Business Management and Ethics* , 5(1), 21–35.

[21]Nugroho, L., & Badawi, A. (2022). Corporate Governance and the Quality of Managerial Decision Making. *Shirkah: Journal of Economics and Business*, 7(1), 1–22.

that financial ethics serves as a normative foundation in balancing economic and moral interests. In this context, the principle of prudence is a key instrument for guiding decisions to remain rational and responsible. Thus, Islamic financial ethics has proven relevant in maintaining the sustainability of institutions amidst the dynamics of the modern financial industry.

Further discussion shows that the principle of prudence in Islamic financial management functions not only as a technical risk management tool but also as a manifestation of the values of trust and moral responsibility. Literature over the past five years indicates that consistent application of prudence contributes positively to institutional stability and reduces the risk of problematic financing. This principle requires managers to conduct comprehensive analyses, consider risks, and avoid speculative decisions. Prudence also strengthens the protection of public funds as a form of implementing ḥifẓ al-māl. Therefore, the principle of prudence from a sharia perspective encompasses technical, ethical, and spiritual dimensions simultaneously.

However, the study also identified challenges in implementing the prudential principle in Islamic financial institutions. Pressures from performance targets, limited human resource quality, and weak sharia governance and oversight often lead to prudential principles being understood narrowly as administrative procedures. This situation has the potential to degrade the quality of risk management and create conflicts of interest in managerial decision-making. This discussion indicates that the weak internalization of Islamic financial ethics is a major factor in the suboptimal implementation of the prudential principle. Therefore, a comprehensive understanding of ethics is needed to ensure that prudential principles truly function as an ethical framework, rather than simply a formality.

Overall, the results and discussion confirm that Islamic financial ethics, particularly the principle of prudence, plays a strategic role in managerial decision-making in Islamic finance. This principle encourages managers to be objective, transparent, and responsible in all financial policies. The integration of prudence with good governance strengthens accountability and public trust in Islamic financial institutions. Furthermore, this approach aligns with the objectives of the maqāṣid al-syarī'ah (obligatory objectives of Islamic law), particularly in safeguarding assets and social welfare. Therefore, strengthening ethics and the principle of prudence is a fundamental requirement for improving the quality of managerial decisions and the sustainability of Islamic financial institutions.

In this discussion, the author emphasizes the distinction between a perspective that integrates Islamic financial ethics and a perspective that interprets the prudential principle narrowly as an administrative procedure. The administrative approach views the prudential principle primarily as a form of compliance with regulations, standard operating procedures, and formal supervisory mechanisms. Within this approach, the implementation of prudence is often measured by the completeness of documentation, the fulfillment of financing analysis procedures, and compliance with regulatory requirements. Although important for maintaining systemic order, this approach tends to confine the prudential principle to technical aspects alone.

In contrast, the author views the prudential principle as an inseparable part of Islamic financial ethics. Prudence is not understood merely as a risk management tool, but also as a manifestation of the values of trust (amanah) and moral responsibility in managing public funds. From this perspective, managerial decision-making cannot rely solely on administrative compliance, but must also be accompanied by ethical considerations regarding the impact of decisions on institutional stability and social welfare. Thus, the prudential principle functions as an ethical guideline that directs managers to act responsibly, even when a decision may still be administratively permissible.

This comparison indicates that the administrative approach has inherent limitations, particularly when Islamic financial institutions face pressure to achieve performance targets. Under such conditions, the prudential principle risks being practiced as a formality without the internalization of ethical values. Conversely, the integration of ethics allows the prudential principle to be applied more consistently because it is driven by moral awareness rather than merely regulatory obligations. This contributes to strengthening the quality of risk management and preventing conflicts of interest in managerial decision-making.

Accordingly, the contribution of this article lies in affirming that the prudential principle in Islamic finance should not be narrowly understood as an administrative procedure, but rather as an ethical principle integrated throughout the entire decision-making process. This approach is aligned with the objectives of maqāṣid al-sharī'ah, particularly in safeguarding wealth (ḥifẓ al-māl), and supports the long-term sustainability of Islamic financial institutions.

Conclusion

Based on the results of the literature review that has been conducted, the increasingly rapid development of the Islamic financial industry demands increasingly complex managerial decision-making quality. Sharia financial managers are no longer only oriented towards achieving financial performance alone, but are also required to ensure compliance with sharia principles and Islamic ethical values. In this context, Islamic financial ethics acts as a normative foundation that guides managerial behavior and policies. These ethics help balance economic goals with moral, social, and spiritual responsibilities. Thus, managerial decision-making in Islamic finance must be based on comprehensive ethical considerations.

The prudential principle is a key pillar of Islamic financial ethics and Sharia financial management. This principle is not merely a technical risk management tool, but also reflects the values of trust, fairness, transparency, and responsibility in safeguarding public funds (ḥifẓ al-māl). The application of prudence encourages managers to make rational, objective, and measured decisions. In addition, this principle requires the avoidance of speculative practices that are contrary to sharia principles. The literature shows that consistent application of prudence contributes to institutional stability and increased public trust.

However, various studies show that the implementation of the prudential principle in Islamic financial institutions still faces significant challenges. The pressure to achieve performance targets often pushes managers to ignore ethical considerations for short-term gains. Furthermore , limited human resource quality and weak sharia governance and oversight exacerbate this situation. Consequently, the prudential principle is often understood narrowly as a mere administrative procedure. This condition has the potential to reduce the quality of risk management and the integrity of financial decisions.

Therefore, comprehensive strengthening of Islamic financial ethics is a fundamental need in the practice of Islamic financial management. Integration of the precautionary principle with good governance is necessary so that ethical values are truly internalized in every managerial decision. Furthermore, efforts must be made to continuously improve the competence and integrity of managers and strengthen the role of sharia oversight. These efforts will ensure that the prudential principle serves as an ethical framework, not merely a procedural formality. Thus, Islamic financial ethics can serve as a strategic foundation for realizing stable, equitable, and sustainable sharia financial institutions in accordance with the objectives of the maqāṣid al-syarī'ah.

In conclusion, this discussion shows that understanding the prudential principle merely as an administrative requirement is insufficient to address the managerial and ethical challenges of Islamic financial institutions. Integrating prudence with Islamic financial ethics positions it not only as a technical risk management tool but also as an expression of *amanah* and moral responsibility in managing public funds. This integration encourages more consistent and responsible decision-making, strengthens risk management, and minimizes conflicts of interest. Ultimately, this approach aligns the prudential principle with the objectives of *maqāṣid al-sharīʿah*, particularly in safeguarding wealth (*ḥifẓ al-māl*), and supports the long-term sustainability of Islamic financial institutions.

Suggestion

Based on the research results and findings that show that there is still limited understanding and application of the principle of prudence in a comprehensive manner in managerial decision making, especially in the ethical and spiritual dimensions, there are several suggestions that can be put forward from both practical and theoretical perspectives.

a. Theoretical Suggestion
   Theoretically, further research is suggested to develop a more integrative conceptual framework of Islamic financial ethics by incorporating the precautionary principle as the core of managerial decision making. Theory development not only needs to position prudence as part of risk management, but also as an ethical construct that has moral and spiritual dimensions. Further studies can broaden the perspective by linking the precautionary principle with maqāṣid al-syarī'ah, especially ḥifẓ al-māl, ḥifẓ al-nafs, and ḥifẓ al-dīn in the modern institutional context. In addition, empirical research is needed that tests the relationship between the internalization of Islamic financial ethics, the quality of managerial decisions, and the performance of Islamic financial institutions. Thus, enriching the theory of Islamic financial ethics can provide a stronger academic basis and be more relevant to contemporary challenges.
b. Practical Advice
   From a practical perspective, Islamic financial institutions are advised to strengthen the internalization of Islamic financial ethics throughout their managerial decision-making processes. Management needs to ensure that the principle of prudence is implemented not only as an administrative procedure but also as an ethical value embedded in the organizational culture. This can be done through the development of internal policies that explicitly link risk management to the values of trust, justice, and social responsibility. In addition, institutions need to integrate ethical considerations and sharia compliance into every financing, investment, and risk management decision. With this approach, managerial decisions are expected to be more objective, measurable, and oriented towards long-term sustainability.

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