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Good Governance Based on Maqasid Al-Shariah to Enhance Financial Reporting Integrity

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ABSTRACT

Purpose: This study aims to analyze the implementation of good governance based on sharia principles, particularly maqashid sharia, as an effort to strengthen the integrity of financial reporting. The study addresses threats to financial reporting integrity arising from conflicts of interest, information asymmetry, weak oversight, and opportunistic management behavior.

Design/Methodology/Approach: This study employs a qualitative approach using a descriptive literature review method. Secondary data were obtained from books, scientific articles, accounting standards, governance guidelines, regulations, and relevant documents concerning good governance, sharia principles, maqashid sharia, and financial reporting integrity.

Findings: The findings indicate that integrating the principles of transparency, accountability, responsibility, independence, fairness, and supervision with the sharia values of trust, justice, and benefit can strengthen the integrity of financial reporting. Implementation can be supported through stronger internal control systems, optimization of audit committees and internal audit functions, greater external auditor independence, effective sharia supervision, development of human resource competencies and ethical awareness, improved disclosure quality, and accessible violation reporting systems.

Research Implications: The study implies that good governance based on maqashid sharia can complement formal accounting and governance requirements by providing an ethical and value-based framework. Its implementation can reduce conflicts of interest and opportunistic behavior while strengthening accountability and stakeholder trust in financial reporting. These findings also provide a conceptual basis for organizations and policymakers to integrate sharia-oriented governance into financial reporting practices.

INTRODUCTION

Financial statements constitute one of the principal instruments stakeholders use to assess an organization's financial condition, performance, cash flows, and sustainability. The information contained in financial statements provides a basis for investors, creditors, governments, communities, and internal parties to make economic decisions. The Conceptual Framework for Financial Reporting emphasizes that useful financial information must be relevant and faithfully represent the substance of the economic phenomena reported. Comparability, verifiability, timeliness, and understandability further enhance the usefulness of such information (International Financial Reporting Standards Foundation, 2018).

Financial reporting integrity may face threats when conflicts of interest, information asymmetry, pressure to achieve targets, weak oversight, or opportunities for manipulation exist. Consequently, financial reporting integrity does not concern technical accounting competence alone. It also depends on ethical quality, control systems, oversight structures, and organizational governance. Good governance therefore represents an essential mechanism for reducing these risks. Sound governance establishes a clear structure for allocating authority, oversight mechanisms, control systems, and accountability between organizational managers and stakeholders. A sound governance framework also requires organizations to disclose information concerning financial condition, performance, ownership, risk, and organizational management accurately and promptly (Organisation for Economic Co-operation and Development, 2023).

Wahyuni (2022) study of listed state-owned enterprises shows that good corporate governance and audit quality have a positive and significant effect on financial reporting integrity. These findings indicate that adequate oversight structures, accountability mechanisms, and examinations can constrain opportunistic behavior and enhance the honest presentation of financial information. However, these findings do not imply that the formal existence of governance structures invariably guarantees integrity. Their effectiveness still depends on the independence of supervisory bodies, the competence of implementers, organizational culture, consistent enforcement, and the ethical commitment of the parties responsible for implementation. The limitations of governance approaches that emphasize procedural compliance create a need for a more substantive and value-based framework. It must also realize justice, public benefit, trustworthiness, and accountability to Allah SWT. This perspective positions economic activity as having both material and moral dimensions. Accordingly, financial reporting does not merely transmit numerical information. It constitutes part of the fulfillment of a trust in managing and accounting for resources.

The normative foundations of trustworthiness and justice appear, among other sources, in Surah An-Nisa verse 58, which commands that trusts be delivered to those entitled to them and that every judgment be made justly. In addition, Surah Al-Baqarah verse 282 emphasizes that transactions must be recorded correctly and fairly, without diminishing obligations, and with adequate evidence. These principles directly correspond to the characteristics of financial statements with integrity. The maqasid al-shariah framework can further develop these values. Maqasid al-shariah refers to the general objectives of Sharia in realizing benefit and preventing harm. Chapra (2008) explains that these five dimensions do not stand independently but form a comprehensive framework of human well-being. In financial reporting, scholars and practitioners should not reduce maqasid al-shariah solely to the protection of wealth. They can employ all its dimensions to establish a broader and more sustainable governance orientation.

This mapping contextualizes maqasid al-shariah within governance and reporting practices. Its implementation therefore still requires measurable indicators, procedures, and oversight mechanisms. Good governance based on maqasid al-shariah can thus be understood as governance that integrates transparency, accountability, responsibility, independent oversight, justice, Sharia compliance, and an orientation toward public benefit. Governance in Islamic financial institutions must complement general governance principles with the specific characteristics of Islamic finance, including board oversight, the Sharia supervisory board function, internal audit, risk management, balance of power, protection of investment account holders, and transparency. Its ultimate objective is to strengthen the integrity and resilience of Islamic financial institutions through effective governance (IFSB, 2023). Haniffa and Hudaib (2007) identify a gap between the ideal ethical identity of Islamic banks and the identity communicated through their annual reports. This gap appears particularly in disclosures concerning social commitments, zakat, benevolent funds, vision and mission, and information about senior management. These findings indicate a risk of symbolic compliance, in which institutions use Islamic values more as an identity marker than as an actual basis for decision-making and reporting. Organizations must therefore translate maqasid al-shariah into concrete accounting policies, internal controls, audit processes, disclosures, performance evaluations, and sanctions. Existing maqasid al-shariah literature has largely focused on measuring the social performance and compliance of Islamic financial institutions. For example, Asutay and Harningtyas (2015) developed a maqasid al-shariah index to assess the extent to which Islamic banks realize their moral and social objectives. Although this approach makes an important contribution, the integration of maqasid al-shariah with financial reporting integrity still requires further development. Financial reporting integrity does not result solely from the application of technical standards. It emerges from the interaction of moral values, governance structures, oversight quality, control systems, and the behavior of organizational managers.

Previous studies have examined the relationship between corporate governance and maqashid al-shariah in Islamic financial institutions. Mukhibad (2019) found that corporate governance and Sharia Supervisory Boards did not significantly contribute to the achievement of maqashid shariah, indicating that the formal existence of governance mechanisms does not necessarily guarantee the substantive realization of Islamic objectives. These finding suggest that further research is needed to examine how maqashid al-shariah can be translated into concrete governance mechanisms and reporting practices. Based on the preceding discussion, implementing good governance based on maqasid al-shariah is relevant to enhancing financial reporting integrity. This approach combines modern governance, which emphasizes transparency, accountability, control, and stakeholder protection, with Islamic values that emphasize trustworthiness, justice, public benefit, and moral accountability. Through this integration, financial reporting should not merely comply with formal requirements. Therefore, this study addresses the following research questions: (1) How can good governance principles based on maqasid al-shariah be implemented to strengthen financial reporting integrity? (2) How can the dimensions of maqasid al-shariah be integrated into governance mechanisms, internal controls, auditing, and financial reporting practices? (3) How does the implementation of good governance based on maqasid al-shariah contribute to reducing conflicts of interest and opportunistic behavior and enhancing stakeholder trust in financial reporting?

THEORETICAL REVIEW

Agency Theory

Agency theory explains the relationship between principals, who delegate authority, and agents, who manage organizational resources on their behalf. This relationship may create agency problems because principals and agents can have different interests, risk preferences, and access to information. Jensen and Meckling (1976) argue that the separation of ownership and control can create agency costs, particularly when managers use information advantages to pursue personal interests. Information asymmetry may also increase the risk of opportunistic behavior and reduce the integrity of financial reporting. Therefore, effective governance mechanisms, such as independent oversight, transparent disclosure, internal controls, audit committees, and internal and external audits, are needed to monitor management and reduce conflicts of interest (Almulhim, 2023; Silpachai et al., 2024; Umar et al., 2024). In financial reporting, these mechanisms help ensure that organizational resources are managed responsibly and that information provided to stakeholders is reliable. However, agency theory primarily assumes that individuals are motivated by self-interest and require monitoring and incentives, whereas managers may also act based on professionalism, ethical responsibility, and commitment to organizational goals. Therefore, this study complements agency theory with stewardship theory and maqasid al-shariah values, emphasizing that financial management and reporting should be based not only on monitoring and accountability but also on ethical responsibility and trust.

Stewardship Theory

Stewardship theory views managers as responsible stewards who prioritize organizational goals and collective interests rather than personal economic benefits. Davis, Schoorman, and Donaldson (1997) explain that stewardship-oriented managers tend to demonstrate trustworthy, cooperative, and pro-organizational behavior because organizational success is consistent with their professional and psychological satisfaction. Hernandez (2012) adds that stewardship is supported by moral responsibility, organizational identification, and commitment to protecting the interests of others, while recent research highlights the importance of trust and accountability in aligning organizational policies with practices (Ernst & Van der Voet, 2025). In corporate governance, stewardship emphasizes trust, transparency, truthful disclosure, participation, empowerment, and long-term commitment, while accountability, internal controls, and independent oversight remain necessary to prevent the misuse of delegated authority (Sama et al., 2022). Unlike agency theory, which focuses on monitoring and controlling self-interested behavior, stewardship theory emphasizes intrinsic motivation, responsibility, trust, and commitment to shared organizational objectives. From an Islamic perspective, stewardship is closely related to the concepts of amanah (trust) and khilafah (vicegerency), which require managers to manage resources responsibly, fairly, and without causing harm. Financial reporting can therefore be viewed as a form of accountability for the trust entrusted to managers. This perspective is consistent with maqasid al-shariah, which emphasizes responsible resource management and accountability not only to owners but also to employees, customers, communities, the environment, and ultimately to Allah SWT. However, stewardship should not assume that all managers are inherently ethical; therefore, trust-based governance should be supported by competence, internal controls, effective supervision, and enforcement to strengthen financial reporting integrity.

Stakeholder Theory

Stakeholder theory explains that organizations have responsibilities not only to shareholders but also to all parties who can influence or are affected by organizational activities (Freeman, 1984). Donaldson and Preston (1995) explain that the theory has descriptive, instrumental, and normative dimensions, while Mitchell, Agle, and Wood (1997) identify power, legitimacy, and urgency as factors that determine stakeholder salience. More recent studies emphasize that stakeholder management supports fair relationships, cooperation, sustainability, and joint value creation (Bridoux & Stoelhorst, 2022; Mahajan et al., 2023; Stoelhorst & Vishwanathan, 2024). In corporate governance, this perspective requires organizations to provide transparent, relevant, reliable, and accountable financial information because investors, creditors, employees, customers, governments, suppliers, communities, and other stakeholders depend on such information to make decisions and protect their interests. Financial reporting with low integrity can harm multiple stakeholders through investment losses, incorrect assessments of creditworthiness, employment insecurity, reduced government revenue, and negative social impacts. Therefore, financial reporting integrity is important not only for protecting shareholders but also for fulfilling the information rights of all stakeholders. This perspective is closely related to maqasid al-shariah, which emphasizes public benefit, justice, and the prevention of harm. Accordingly, organizations should implement governance based on maqasid al-shariah to ensure that financial reporting serves economic, social, and moral interests fairly and supports the protection of stakeholders, particularly those with weaker positions and limited access to information.

Good Governance

Good governance refers to a system of decision-making, authority, oversight, control, and accountability that promotes transparency, accountability, responsibility, independence, fairness, participation, effectiveness, and compliance with applicable rules. In the corporate context, governance regulates relationships among shareholders, boards, management, and other stakeholders to ensure that organizational activities are managed responsibly and sustainably. The G20/OECD Principles of Corporate Governance emphasize that effective governance supports market integrity, economic efficiency, sustainable growth, and financial stability through shareholder rights, stakeholder protection, disclosure, and effective board responsibilities. Previous studies show that transparency, accountability, and responsiveness can strengthen public trust and reduce corruption, while effective boards, audit committees, and financial reporting mechanisms can improve reporting transparency and organizational performance (Mansoor, 2021; Chen & Ganapati, 2023; Tran et al., 2021; Salehi et al., 2022). In Indonesia, good governance emphasizes transparency, accountability, responsibility, independence, and fairness, with sustainable value creation as an important objective. Therefore, governance should not be assessed merely from the existence of boards, audit committees, internal auditors, or Sharia supervisory boards, but also from their actual independence, competence, oversight effectiveness, disclosure quality, and enforcement of responsibilities. From a maqasid al-shariah perspective, transparency requires honest and timely disclosure of relevant information, accountability requires responsibility for decisions and resource management both horizontally toward stakeholders and spiritually before Allah SWT, and responsibility requires compliance with laws, professional standards, ethical principles, and Sharia values while avoiding fraud, exploitation, manipulation, and harmful activities. Independence ensures that decision-making and supervision are free from conflicts of interest and improper influence, while fairness requires stakeholders to receive equitable treatment according to their rights and obligations. Thus, good governance based on maqasid al-shariah combines effective organizational structures with ethical and substantive implementation to promote justice, protect stakeholder interests, prevent harm, and strengthen the integrity of financial reporting.

Maqashid al-Shariah

Maqashid al-Shariah refers to the higher objectives of Islamic law that aim to promote human welfare, establish justice, and prevent harm through the protection of religion, life, intellect, lineage, and wealth (Chapra, 2008). Linguistically, maqasid means objectives or purposes, while Sharia refers to the principles and guidance derived from Islamic teachings. Therefore, maqashid al-shariah focuses not only on the formal compliance of an action with Sharia rules but also on its purpose, substance, and consequences. Mergaliyev et al. (2021) emphasize that maqashid al-shariah provides a multidimensional framework for assessing the social, environmental, economic, and financial performance of Islamic institutions, while Alkhan and Hassan (2021) highlight its contribution to poverty reduction, equitable wealth distribution, economic development, and social welfare. Auda (2008) further develops a systems approach that emphasizes justice, rights, development, freedom, public benefit, and the improvement of human life. In organizational governance, maqashid al-shariah therefore requires the integration of Sharia compliance with honesty, accountability, justice, trustworthiness, stakeholder protection, and responsible resource management (Alwi et al., 2021). From this perspective, financial reporting is not merely a formal administrative obligation but also a form of accountability and protection of wealth. Organizations are expected to provide truthful, transparent, and reliable financial information while avoiding fraud, manipulation, exploitation, and other practices that may cause economic or social harm. Thus, maqashid al-shariah provides an ethical and substantive foundation for good governance and financial reporting integrity by ensuring that organizational decisions contribute to public benefit, protect stakeholder rights, and support sustainable human well-being (Okumuş, 2024).

Financial Reporting Integrity

Financial reporting integrity refers to the extent to which financial statements present an organization's actual economic condition honestly, accurately, completely, neutrally, and without material manipulation or omission. It involves more than simply avoiding fraud, as financial information should also be reliable, consistent, verifiable, comparable, understandable, and timely. Adwan et al. (2022) emphasize that financial reporting quality is multidimensional and can be assessed through indicators such as accrual quality and earnings management, while Tran and Tran (2023) show that reputable external auditors can improve reporting quality by reducing earnings management. Ebaid (2023) further finds that board independence can reduce fraudulent financial reporting by strengthening managerial oversight, and Sawaya et al. (2025) highlight the importance of auditor independence, professional expertise, and industry experience in improving reporting reliability. In this context, financial reporting integrity is influenced by governance quality, internal controls, ethical culture, managerial competence, audit quality, ownership structure, supervisory independence, financial pressure, and regulatory enforcement. These factors interact with one another, meaning that formal governance structures or audits may not be effective when independence, competence, or ethical commitment is weak. Therefore, financial reporting integrity should be understood as a multidimensional outcome of ethical management, effective governance, strong internal controls, competent and independent auditors, transparent disclosure, and compliance with applicable accounting standards.

RESEARCH METHOD

This study adopts a qualitative research approach using a structured literature review and descriptive-conceptual analysis to examine how good governance based on maqasid al-shariah can strengthen financial reporting integrity. The study relies on secondary data obtained from peer-reviewed journal articles, academic books, accounting standards, regulations, governance guidelines, and official institutional publications relevant to good governance, maqasid al-shariah, Sharia governance, and financial reporting integrity. The literature search was conducted through reputable academic databases and official institutional sources using combinations of keywords, including "good governance," "maqasid al-shariah," "Sharia governance," "Islamic corporate governance," "financial reporting integrity," and "financial reporting." The selection process was conducted through several stages, consisting of identification, relevance screening, eligibility assessment, and final selection. Sources were included when they were academically credible, directly relevant to the research objectives, provided sufficient conceptual or empirical information, and were available in full text. Sources that were duplicated, insufficiently related to the research questions, lacked adequate academic credibility, or provided insufficient information were excluded. For each selected source, relevant information was systematically extracted and categorized according to the study's main analytical dimensions, namely transparency, accountability, responsibility, independence, fairness, maqasid al-shariah principles, and financial reporting integrity. The collected information was then analyzed using qualitative content analysis through data reduction, thematic categorization, comparison of concepts and findings, interpretation, and synthesis. The analysis focused on identifying recurring theoretical arguments, relationships among governance principles, and mechanisms through which maqasid al-shariah-based governance may influence the integrity of financial reporting. The findings from the literature were subsequently integrated into a conceptual interpretation that connects good governance principles with the ethical objectives of maqasid al-shariah, particularly justice, accountability, protection of wealth, transparency, and prevention of harm. This analytical process enables the study to develop a coherent conceptual explanation of how governance mechanisms can reduce opportunistic behavior, information asymmetry, and reporting manipulation while promoting honest, complete, neutral, and reliable financial information.

RESULT

Good Governance Based on Maqasid al-Shariah

Good governance based on maqasid al-shariah combines institutional principles such as transparency, accountability, participation, effectiveness, efficiency, and justice with the ethical objectives of Islamic law. Maqasid al-shariah emphasizes the realization of public benefit (maslahah) and prevention of harm through the protection of religion, life, intellect, progeny, and wealth. Contemporary approaches also extend these objectives to human development, rights, dignity, and social welfare (Auda, 2008; Kamali, 2008). Thus, good governance provides the institutional mechanisms for managing public affairs, while maqasid al-shariah provides the ethical direction for ensuring that authority and resources are used responsibly for public welfare.

1. Trustworthiness and Accountability
   Amanah (trustworthiness) requires public officials to exercise authority responsibly, transparently, and fairly while avoiding corruption, conflicts of interest, and misuse of public resources. Accountability therefore extends beyond compliance with procedures to include responsibility for policy outcomes and public welfare. From a maqasid al-shariah perspective, officials are accountable not only to citizens and institutions but also to Allah SWT.
2. Justice in Public Governance
   Justice requires equal access to public services, legal protection, fair resource distribution, and non-discrimination. Governance should prioritize the needs of vulnerable groups and contribute to reducing poverty and inequality. Accordingly, development should be evaluated not only through economic growth but also through improvements in social, intellectual, spiritual, and economic well-being (Chapra, 2008).
3. Deliberation and Public Participation
   Public participation reflects the Islamic principle of shura (deliberation). Effective participation requires meaningful and inclusive opportunities for citizens, particularly affected and vulnerable groups, to contribute to policy-making. Such participation can reduce elite domination, improve policy responsiveness, and strengthen decisions oriented toward the public interest.
4. Transparency and Protection of Public Wealth
   Transparency requires accurate and accessible information concerning public planning, budgeting, procurement, and policy outcomes. In the maqasid al-shariah framework, transparency supports hifz al-mal (protection of wealth) by reducing corruption, manipulation, and waste. At the same time, disclosure should respect privacy, security, and human dignity.
5. Effectiveness and Efficiency for Public Benefit
   Good governance should ensure that public resources are used efficiently and that policies generate measurable benefits for society. Effectiveness concerns the achievement of meaningful outcomes, while efficiency emphasizes optimal resource use without waste or violation of citizens’ rights. Overall, governance based on maqasid al-shariah views authority as an amanah and evaluates governance success

through its ability to uphold justice, protect rights and resources, reduce harm, and improve human welfare and dignity.

Implementing Good Governance Based on Maqasid al-Shariah to Enhance Financial Reporting Integrity

Financial reporting integrity refers to the ability of financial statements to present an organization's economic condition honestly, completely, neutrally, and without material misstatement or manipulation. The IFRS Conceptual Framework emphasizes faithful representation, relevance, comparability, verifiability, timeliness, and understandability as important characteristics of useful financial information (IFRS Foundation, 2018). Therefore, reporting integrity depends not only on compliance with accounting standards but also on governance quality, internal controls, managerial competence, ethical conduct, and independent oversight. The analysis indicates that good governance based on maqasid al-shariah can strengthen financial reporting integrity by integrating institutional control mechanisms with ethical responsibility. Good governance provides the structural mechanisms of transparency, accountability, responsibility, independence, fairness, and supervision, while maqasid al-shariah provides the ethical orientation of amanah (trustworthiness), justice, public benefit, and hifz al-mal (protection of wealth). This integration positions financial reporting not merely as a regulatory obligation but as a form of accountability for resources entrusted to management.

1. Strengthening Trustworthiness and Accountability
   Amanah requires management to report financial conditions and the use of organizational resources honestly and avoid concealing liabilities, overstating assets or revenues, or manipulating accounting policies. Accountability strengthens this principle by requiring management and supervisory bodies to explain financial decisions, resource use, and corrective actions. Thus, ethical responsibility should operate together with formal monitoring and control mechanisms.
2. Improving Transparency and Disclosure
   Transparency requires complete, relevant, accurate, and timely disclosure of financial information, including material risks, accounting policies, liabilities, related-party transactions, and resource use. For Islamic organizations, disclosure may also cover Sharia compliance, profit-sharing arrangements, zakat, and non-Sharia income. Such transparency reduces information asymmetry and enables stakeholders to evaluate organizational performance and risks more effectively.
3. Strengthening Internal and External Oversight
   Effective internal controls, audit committees, internal audit, and independent external auditors are essential for preventing and detecting errors, fraud, and financial manipulation. Their effectiveness depends on competence, independence, access to information, and appropriate follow-up of audit findings. In Sharia-based organizations, Sharia supervision provides an additional layer of assurance by evaluating whether transactions and reporting practices comply with Sharia principles.
4. Promoting Justice and Reporting Neutrality
   Justice requires financial information to be prepared without bias or manipulation for the benefit of particular parties. Consistent accounting policies, reasonable estimates, transparent related-party transactions, and equitable access to material information support reporting neutrality. From a maqasid al-shariah perspective, this principle protects stakeholder rights and prevents financial reporting from becoming a tool for exploitation or misleading decision-making.
5. Developing Competence, Ethics, and Whistleblowing

Reporting integrity also depends on competent and ethical accounting, finance, audit, and management personnel. Continuous training in accounting standards, regulations, technology, and Sharia principles should therefore be accompanied by ethical leadership and protection for employees who report misconduct. A confidential and credible whistleblowing mechanism can strengthen early detection of fraud, corruption, conflicts of interest, and Sharia violations.

Overall, the findings indicate that maqasid al-shariah-based good governance strengthens financial reporting integrity through the combination of amanah, transparency, accountability, justice, effective internal controls, and independent oversight. The framework supports hifz al-mal by protecting organizational and stakeholder wealth while reducing the risks of fraud, earnings management, and material misstatement. Its effectiveness can be reflected in the quality and timeliness of disclosure, effective internal controls, auditor independence, proper audit follow-up, reduced financial misconduct, Sharia compliance, and greater stakeholder trust. Therefore, the integration of governance mechanisms with maqasid al-shariah provides a broader framework for achieving financial reporting that is not only compliant but also truthful, responsible, fair, and oriented toward public benefit.

DISCUSSION

The findings demonstrate that good governance based on *maqasid al-shariah* can enhance financial reporting integrity by integrating formal governance mechanisms with ethical and substantive accountability. Rather than treating financial reporting integrity as a consequence of accounting compliance alone, the findings indicate that transparency, accountability, responsibility, independence, fairness, internal control, and oversight must be reinforced by *amanah*, justice, and *hifz al-mal*. This integrated perspective suggests that reporting integrity is achieved when governance mechanisms not only constrain opportunistic behavior but also shape managerial responsibility toward stakeholders and the protection of organizational wealth.

From the perspective of agency theory, the findings confirm that governance mechanisms are necessary because the separation between ownership and management creates opportunities for information asymmetry and managerial opportunism (Jensen & Meckling, 1976). Transparency, internal controls, audit committees, and independent external audits function as monitoring mechanisms that reduce information advantages and constrain managers' ability to manipulate financial information. This interpretation is consistent with Adwan et al. (2022), who found that mechanisms that align stakeholder interests can reduce agency problems and improve financial reporting quality. Similarly, Tran and Tran (2023) found that reputable audit firms improve financial reporting quality by reducing both accrual-based and real earnings management. Ebaid (2023) also demonstrated that board characteristics, particularly effective oversight, are associated with a lower likelihood of financial statement fraud. These findings reinforce the present study's argument that governance structures remain important for protecting financial reporting integrity. However, the present findings extend agency theory by showing that monitoring alone may be insufficient when ethical responsibility is weak. The *maqasid al-shariah* perspective therefore complements agency mechanisms by providing an internal ethical orientation that discourages manipulation even when external monitoring is limited.

The findings also support stewardship theory, which assumes that managers can act as responsible stewards whose interests are aligned with organizational and collective objectives (Davis et al., 1997). The emphasis on *amanah*, ethical leadership, competence, and responsibility indicates that financial reporting integrity is not produced exclusively through surveillance and sanctions. Managers who perceive organizational resources as a trust are more likely to view truthful reporting as a moral responsibility rather than merely a compliance requirement. This interpretation is consistent with Hernandez (2012), who explains that stewardship behavior can emerge from psychological and organizational conditions that encourage individuals to act in the interests of the organization and others. Thus, *maqasid al-shariah* strengthens the stewardship perspective by adding a spiritual dimension to managerial responsibility: financial resources are not simply organizational assets but an *amanah* that must be managed and reported truthfully. Nevertheless, the findings also indicate that stewardship should complement rather than replace formal controls, because ethical intentions cannot eliminate all risks of error, conflict of interest, or opportunistic behavior.

The findings further support stakeholder theory, particularly the argument that governance should protect the legitimate interests of multiple stakeholder groups rather than shareholders alone (Freeman, 1984; Donaldson & Preston, 1995). Transparent and reliable financial reporting enables investors, creditors, employees, regulators, customers, and communities to make informed decisions and protect their interests. This is consistent with Bridoux and Stoelhorst (2022), who position stakeholder management as a basis for fair relationships and joint value creation, and with Stoelhorst and Vishwanathan (2024), who argue that corporate governance should address collective welfare rather than focus exclusively on shareholder interests. The present findings extend this perspective through *maqasid al-shariah*, particularly its emphasis on justice, public benefit, and prevention of harm. Financial reporting integrity therefore has broader social value because misleading information can transfer risks and losses to stakeholders who have limited access to organizational information.

The findings also provide support for the maqasid al-shariah perspective as an ethical foundation of governance. The emphasis on *hifz al-mal* directly connects financial reporting integrity with the protection of wealth, while justice and accountability establish ethical boundaries for financial decision-making. Mergaliyev et al. (2021) similarly argue that *maqasid al-shariah* should extend beyond formal Sharia compliance toward broader ethical, social, environmental, and financial objectives. In this context, financial reporting integrity represents a practical manifestation of *maqasid al-shariah* because truthful disclosure protects stakeholders from economic harm, reduces information asymmetry, and supports fair decision-making. The findings therefore suggest that Sharia-based governance should not be assessed merely through the existence of Sharia supervisory structures or formal compliance procedures but through the extent to which governance practices produce justice, transparency, accountability, and protection of wealth.

The importance of independence and professional competence identified in the findings is also supported by prior empirical evidence. Sawaya et al. (2025) found that auditor independence, expertise, and industry experience significantly improve financial reporting quality. Similarly, Salehi et al. (2022) demonstrated that governance characteristics, including board and audit committee expertise, are associated with financial reporting transparency. These findings indicate that ethical governance requires institutional capacity. *Amanah* and moral responsibility cannot substitute for technical competence, effective internal controls, or independent assurance. Instead, the strongest governance framework combines ethical commitment with professional expertise and institutional oversight.

Overall, the discussion indicates that agency theory, stewardship theory, stakeholder theory, and *maqasid al-shariah* are complementary rather than competing explanations. Agency theory explains the need for monitoring and control; stewardship theory explains the importance of intrinsic responsibility and ethical managerial behavior; stakeholder theory broadens governance objectives toward the protection of multiple stakeholder interests; and *maqasid al-shariah* provides an ethical and spiritual orientation that connects these mechanisms with justice, public benefit, and protection of wealth. The main conceptual contribution of this study is therefore the integration of external governance mechanisms and internal ethical responsibility into a unified framework for financial reporting integrity. Good governance becomes more effective when transparency, accountability, independence, internal controls, and auditing are supported by *amanah*, justice, and *hifz al-mal*. This integrated approach suggests that financial reporting integrity should be understood not only as an accounting outcome but also as a governance and ethical outcome that reflects the organization's responsibility to stakeholders and to broader societal welfare.

CONCLUSION

This study concludes that good governance based on maqasid al-shariah provides an integrated framework for strengthening financial reporting integrity by combining formal governance mechanisms with ethical and spiritual responsibility. Transparency, accountability, responsibility, independence, fairness, internal controls, and effective oversight can reduce information asymmetry, opportunistic behavior, and the risk of financial reporting manipulation, while amanah, justice, and hifz al-mal provide the ethical foundation for ensuring that financial information is presented honestly and responsibly. The findings also demonstrate that agency theory, stewardship theory, and stakeholder theory provide complementary explanations for this framework: agency theory emphasizes monitoring and control, stewardship theory highlights managerial responsibility and intrinsic motivation, and stakeholder theory emphasizes the protection of multiple stakeholder interests. Maqasid al-shariah integrates these perspectives by orienting governance toward justice, public benefit, protection of wealth, and prevention of harm. The study therefore contributes conceptually by positioning financial reporting integrity not merely as an outcome of accounting compliance but as a broader governance and ethical outcome. In practice, organizations should strengthen independent oversight, internal controls, audit quality, transparent disclosure, ethical leadership, professional competence, and credible whistleblowing mechanisms while embedding maqasid al-shariah values into governance practices. Future research should empirically examine this integrated framework by developing measurable maqasid al-shariah-based governance indicators and testing their relationship with financial reporting integrity across different organizational and institutional contexts.

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