

RESEARCH ARTICLE

Sacred immunity and ethical laundering in religious financial systems

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Abstract - This narrative review examines ethical accountability and public trust in religious financial governance. It proposes a conceptual framework that embeds financial integrity within faith-based institutions, with a particular focus on Islamic finance. Despite their significant moral authority, many religious organisations operate in governance vacuums that expose them to financial misconduct, operational opacity, and severe reputational risk. While global regulatory frameworks, such as the Financial Action Task Force (FATF), classify religious charities as high-risk entities, academic inquiry into this intersection remains siloed within either theological or compliance-centric discourses. To bridge this divide, we conducted a structured narrative review of peer-reviewed literature (2020–2025) across Scopus, Web of Science, Dimensions AI, and Google Scholar. Studies were selected based on their focus on institutional oversight, fiduciary ethics, stakeholder trust, and Shariah-aligned governance, supplemented by backward snowballing to achieve theoretical saturation. The review identifies five core governance challenges: (1) ethical leadership and administrative dissonance; (2) internal control and structural deficiencies; (3) regulatory pluralism; (4) digital ethics; and (5) the behavioural underpinnings of public trust. Furthermore, concepts such as "sacred immunity" and "ethical laundering" highlight how religious symbolism can be weaponised to obscure financial wrongdoing. Grounded in these findings, the paper proposes an integrated framework aligning Maqasid al-Shariah with global governance standards. By shifting the discourse from normative ideals to enforceable institutional structures, this review offers an actionable reform agenda for policymakers, regulators, and religious leaders to restore legitimacy, resilience, and public trust in religious finance.

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1. Introduction

As global governance continues to evolve, ethical accountability and public trust have emerged as essential pillars of institutional legitimacy and sustainability, including for faith-based institutions (Stupak et al., 2021; Luka & Gofwan, 2025). In the context of contemporary society, religious institutions, including mosques, churches, temples, and synagogues, find themselves in quite a paradox. This is because these religious institutions are moral authorities that preach integrity yet manage substantial financial resources that require scrutiny and transparency, like other secular organisations. Ramadhan et al. (2023) and Saputri (2024) point out that digital platforms, mobile applications, and fintech innovations have disrupted religious funds solicitation, administration, and disbursement. These tools have improved accessibility, transparency, and donor communication among younger, more tech-savvy communities. Nevertheless, governance frameworks have not kept pace. This has created gaps that allow embezzlement, corruption, and financial crimes to occur in the name of spiritual legitimacy (Mahadi et al., 2021; Khoirin & Junaedi, 2022). Therefore, the intersection between ethics, governance, and faith-driven financial management has become an urgent concern. This is particularly significant to those scholars and practitioners who want to balance moral obligations with contemporary standards of accountability.

Although religious institutions are grounded in moral principles, empirical research indirectly points to inherent deficiencies in oversight, audit measures, and transparency. According to De Mattos (2025), reports from regulatory bodies and transnational watchdogs, such as the Financial Action Task Force (FATF) and Transparency International, indicate a growing concern about the misuse of religious charities for illicit activities, including money laundering and terror financing. In the Islamic setting, justice (*adl*), trust (*amanah*), and public benefit (*maslahah*) are emphasised by Maqasid al-Shariah. Yet multiple studies show that these principles remain conceptual and are not fully operationalised in mosque and waqf governance. Evidence of this implementation gap is clear. Waqf institutions continue to face "limited regulatory framework and control" (Hassan et al., 2020). Mosque financial managers often lack the expertise to convert Shariah values into transparent financial reporting (Mahardika et al., 2022). "Knowledge deficits" related to Shariah principles and the absence of a comprehensive *waqf* management framework continue to hinder effective governance (Al-Khateeb et al., 2024). Collectively, these systemic weaknesses obstruct the structural implementation of *adl*, *amanah*, and *maslahah* and lead to Maqasid al-Shariah being upheld in principle but not integrated into financial management processes.

Academic discourse on religious governance remains fragmented and often descriptive rather than analytical. Finance and theology scholars often discuss the subject from distinct disciplinary perspectives. Financial scholars focus on compliance and auditability, whereas religious scholars prioritise the moral integrity and legitimacy of doctrines (Atad et al., 2025). This division obscures the deeper question of how ethical accountability can be institutionalised as a structural practice rather than a purely spiritual ideal. Furthermore, the literature underexplores intersections with behavioural ethics,

organisational psychology, and financial criminology. Similarly, the theorisation of sacred immunity, or the perceived untouchability of religious leaders in financial decision-making, remains under-represented. This gap has significant implications for fraud risk, donor behaviour, and public trust (Mehmood & Seror, 2022). Equally, the ethical dimensions of digital transformation in faith-based finance remain overlooked. The introduction of blockchain, artificial intelligence, and fintech-based donation monitoring systems offers prospects for transparency. At the same time, it introduces new dilemmas around data privacy, surveillance, and the commodification of spiritual giving. The lack of a standardised format of financial reporting, audit, and disclosure within religious organisations at the policy and institutional level creates a regulatory blind spot. Unlike public organisations or corporations, most religious institutions rely on voluntary or internal audits rather than strict financial disclosure (Elson & Tarpley, 2015). This lack of transparency weakens accountability and exposes institutions to reputational crises. For instance, many mosques and charitable organisations illustrate the implications of this lack of transparency through financial scandals (Putro & Fajri, 2023). The resulting lack of trust extends beyond donors to societal confidence in religious leadership and the social capital that underpins communal cohesion (Leclair, 2018). Ethical governance in religious finance is thus not merely a religious issue, but also a matter of national integrity, economic and societal stability.

This review addresses these gaps by examining Ethical Accountability and Public Trust in Religious Institutions through a multi-disciplinary analytical framework drawing on financial criminology, governance theory, Islamic finance, and organisational behaviour. Specifically, it seeks to (1) examine the structural and behavioural determinants of ethical accountability in religious financial governance; (2) assess the mechanisms through which public trust is built, sustained, or eroded in faith-based institutions; and (3) propose an emerging framework for financial integrity that aligns with both Maqasid Shariah principles and global governance standards. For conceptual clarity, ethical accountability in this review refers to the systematic internalisation of moral and fiduciary responsibility in decision-making processes, going beyond compliance to moral stewardship. Public trust, by contrast, can be defined as the shared belief in an institution's legitimacy, fairness, and transparency. Such trust is built on how the institutions are perceived and the accountability they demonstrate. The review has five dimensions of analysis. Such dimensions include ethical leadership and cognitive dissonance, religious administration, structural governance, and internal control mechanisms. Additionally, the final dimensions cover comparative regulatory practices in the United States, Iran, Singapore, India, and Russia; emerging digital ethics in faith-based financial management; and the behavioural foundations of trust and legitimacy. This review moves beyond description and offers practical frameworks for policymakers, auditors, religious councils, and financial regulators by integrating theoretical insights with cross-sectoral evidence. This exploration is timely and significant. As the interdependence of moral authority and economic credibility increases, the sustainability of faith-based institutions depends on their ability to demonstrate ethical accountability in clear, measurable ways. The proposed framework will fill a critical gap in the academic literature and offer effective solutions to enhance institutional integrity, rebuild public trust, and protect national governance from ethical and economic deficiencies.

2. Literature Review

2.1 Disciplinary Fragmentation In Religious Financial Governance

The literature on religious financial governance is characterised by significant epistemological fragmentation. Islamic finance scholars predominantly emphasise moral and theological constructs rooted in Maqasid al-Shariah (Choudhury, 2016; Swastika, 2024), while financial criminologists prioritise regulatory enforcement and forensic accountability (Pollard & Samers, 2013; Bouteraa et al., 2025). These disciplinary perspectives rarely intersect, resulting in analytical blind spots where ethical violations may occur under the guise of symbolic compliance. Within Islamic governance literature, central ethical concepts such as *amanah* (trust), *adl* (justice), and *maslahah* (public interest) are normatively embedded but unevenly operationalised in formal governance and audit structures. Recent studies suggest only incremental progress in addressing these gaps. For instance, Sani and Abu Bakar (2021) propose a risk-based Shari'ah audit framework for institutional compliance, while Akhtar et al. (2025) highlight jurisdictional variations, with Malaysia favouring procedural formalism and Pakistan relying more heavily on public interest litigation. Similarly, Hassan et al. (2020) propose an integrated model of Islamic leadership. However, despite these conceptual advancements, a key limitation persists: governance mechanisms remain fragmented and institutionally weak. Conversely, forensic auditing literature—particularly within Western regulatory traditions, tends to overlook the spiritual dimensions of religious institutions, often treating them as equivalent to secular non-profit organisations (Audretsch, Bönnte & Tamvada, 2013; Yasmin, Ghafran & Haslam, 2021). This creates a disjuncture between governance models and the lived realities of faith-based institutions.

2.2 Governance Gaps and Symbolic Accountability

Despite strong normative foundations, religious institutions often operationalise ethical governance inconsistently and superficially. Existing literature highlights a persistent gap between ethical ideals and institutional practice. In many cases, religious organisations rely on symbolic representations of accountability rather than enforceable governance mechanisms. This phenomenon is captured in the concept of “symbolic governance,” as articulated by Coule (2015), where ethical rhetoric obscures underlying structural deficiencies. Similarly, Wuthnow (2022) introduces the notion of “pre-legitimised trust,” whereby religious institutions benefit from inherent societal trust derived from their moral authority. While this trust facilitates legitimacy, it also reduces external scrutiny, thereby increasing vulnerability to governance failures. The literature remains limited by the absence of hybrid accountability models that integrate spiritual authority with institutional transparency. While existing studies acknowledge the importance of ethics, they often fail to

translate these principles into measurable, auditable, and enforceable governance structures. As a result, ethical accountability is frequently treated as a moral aspiration rather than a systemic institutional requirement.

2.3 Emerging Risks: Digital Ethics and Ethical Laundering

Recent developments in digital finance and technological innovation have introduced new dimensions to religious financial governance. While fintech tools and digital platforms have enhanced transparency and accessibility, they have also created new ethical vulnerabilities that the literature has yet to explore. Despite the growing adoption of digital technologies by religious institutions, existing studies do not sufficiently examine their dual role as both enablers of transparency and potential facilitators of misconduct. In particular, the concept of ethical laundering—where unethical financial practices are obscured under the legitimacy of religious authority—has received limited scholarly attention (Almutairi & Elhanashi, 2025; Brogi & Lagasio, 2024). In addition, issues such as sacred immunity and clerical power asymmetry introduce structural risks that complicate governance mechanisms. These dynamics reinforce the need to reconceptualise religious financial governance not merely as a theological or technological issue, but as a complex intersection of ethics, institutional design, and regulatory oversight.

2.4 Toward an Integrated Governance Framework

In response to these gaps, this review advances a synthesis that bridges disciplinary divides and addresses the limitations of existing governance models. Rather than advocating for a theological exemption for faith-based institutions, this study proposes an integrated governance lens that aligns spiritual intention (*niyyah*) with legal, forensic, and institutional accountability. This synthesis draws upon underexplored intersections between behavioral economics and faith ethics, financial criminology and Maqasid al-Shariah, as well as stakeholder theory and sacred authority. By positioning ethical accountability as both a moral and structural imperative, the proposed framework seeks to transform abstract ethical principles into enforceable governance mechanisms. Ultimately, this approach provides the foundation for a governance architecture that is spiritually grounded, legally auditable, and socially legitimate. It also sets the stage for the development of adaptive models capable of addressing emerging risks in religious financial systems.

3. Methodology

This narrative review uses a structured, targeted approach to provide a comprehensive, credible, and thematically relevant synthesis of the literature. The search draws on four main electronic databases: Scopus, Web of Science (WoS), Dimensions AI, and Google Scholar. These platforms were selected for their robust indexing of peer-reviewed academic content across multi-disciplinary areas such as governance, ethics, financial criminology, Islamic finance, and institutional trust. The review includes publications from January 2020 to September 2025 and is limited to English-language sources to ensure consistency and accessibility. The search terms were developed through an iterative scoping process, guided by thematic alignment with the review's core constructs. Key search phrases included combinations of ("ethical accountability" OR "ethics" OR "responsibility" OR "transparency") AND ("public trust" OR "trustworthiness" OR "confidence" OR "credibility") AND ("religious institutions" OR "faith organisations" OR "churches" OR "religious groups") AND ("governance" OR "oversight" OR "compliance" OR "regulation") AND ("scandals" OR "misconduct" OR "integrity" OR "reputation"). Refinement of the search and creation of accuracy were done with the help of the Boolean operators (AND, OR). The filters eliminated non-peer-reviewed articles, duplicated studies, and grey literature with no empirical or theoretical relevance.

Inclusion criteria required that studies explicitly addressed at least one of the following domains: (1) governance and public accountability in religious or non-profit sectors, (2) ethical leadership and faith-based management, (3) mechanisms of financial integrity, control, and forensic accountability, (4) dynamics of public trust, social legitimacy, and reputational capital, or (5) frameworks in Islamic economics and social finance, particularly within the Shariah governance paradigm. Articles were excluded if they focused solely on doctrinal theology without operational governance implications, or if they lacked analytical rigour in their methodology. Additionally, the authors used backward snowballing by manually reviewing the reference lists of key papers to identify foundational studies and emerging debates that database searches might overlook. This blended approach balances theoretical breadth with analytical depth, ensuring the synthesis reflects both established scholarship and recent developments shaping financial accountability in religious institutions.

4. Results and Discussion

4.1 Redefining Ethical Accountability In Religious Financial Governance

Ethical accountability in religious institutions is mostly discussed in theological or moral terms, not as a governance structure (Luka & Gofwan, 2025). In most studies, *amanah* (trust) remains a norm without enforcement provisions. When accountability is defined as an internal spiritual responsibility, it would be difficult to measure. Therefore, it is not subject to a forensic audit, regulatory compliance, or financial supervision (Coule, 2015; Ermawati & Suhardianto, 2024). Evidence from financial criminology and behavioural governance reveals that ethical behaviour that has not been enforced structurally results in symbolic compliance. Religious institutions in these environments might practice ethics on the surface, but they do not institutionalise them in reality. This gap has contributed to recurring fraud incidents and multiple failures of public trust. Ethical institutions should be accountable to both divine ideals and stakeholders, such as donors, congregants, and regulators. Unless charters of governance and audit systems incorporate these dual accountabilities, religious organisations will be susceptible to moral disengagement and operational impunity.

4.2 Public Trust as a Behavioural Asset: From Blind Faith to Rational Legitimacy

Religious institutions and their ability to gain public trust do not always operate within the rational-legal framework usually applied in governance literature (Sabrina et al., 2023). While Wuthnow (2022) conceptualises trust as an institutional asset, religious organisations frequently draw upon what can be termed “pre-legitimised trust,” in which confidence in their divine mandate supersedes critical evaluation of their operational integrity. In many cultures, such as Iran, Pakistan, and rural Indonesia, mystical traditions, social and political embeddedness, and the belief that religious leaders have special, divinely guided power strengthen blind trust. This trust is deeply embedded, often overrides critical questioning, and can shape community demands as well as governance processes. This trust does not fade away slowly when financial improprieties are discovered. Rather, it collapses suddenly and usually disastrously. According to Indian and Southeast Asian studies, contribution trends drop sharply after financial scandals. Recovery may take years, or leadership may have to change (Le Claire, 2018; Shapiro, 2018). This suggests that although trust can be given without restraint, its loss has massive, high-impact effects on financial sustainability and institutional survival. In any case, existing literature does not separate the two types of trust, namely cognitive and affective, one being founded on observed performance and the other on spiritual alignment (Legood et al., 2022). Whether existing trust-building methods, such as sermons or opaque financial statements, remain adequate in a data-driven, accountability-oriented society remains a question few researchers have raised (Hyndman & McConville, 2017; Dillard & Vinnari, 2019).

4.3 Forensic Governance: Unmasking Ethical Laundering in Religious Charities

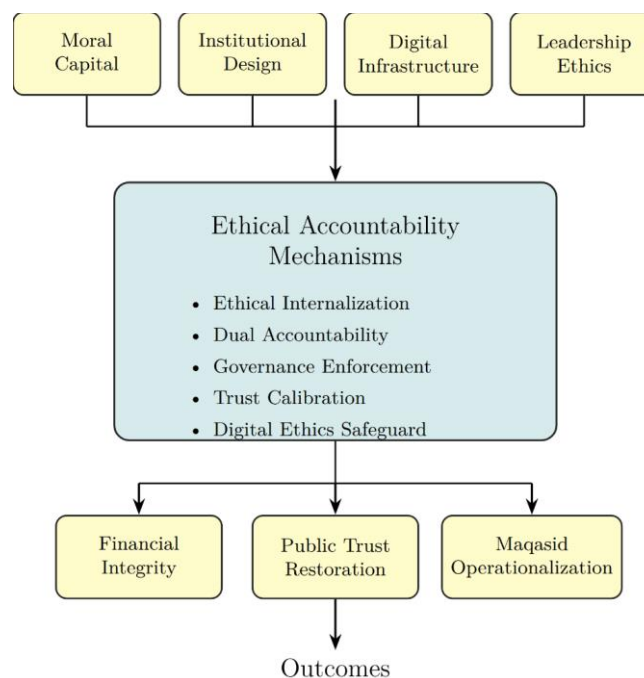
The FATF has raised the issue of the misuse of religious charities as a money launderer, funding of terrorist activities, or a source of ideological activity. However, it is rarely regarded as internal collusion or ethical laundering (Yunanto et al., 2023; De Mattos, 2025). Likewise, ethical laundering involves hiding illegal financial transactions under the guise of righteousness in faith-based business (Hanafi et al., 2024). Unlike corporations and government agencies, which are typically governed by independent regulators and formal financial oversight mechanisms, many religious bodies are self-governing, with control concentrated among clerical insiders (Porth & Garrigan, 2025). This creates a *structural conflict of interest* that reduces the independence of audit processes. In some situations, internal disagreement or whistleblowing is perceived as uprising or even apostasy. This perception suppresses internal resistance, allowing unethical practices to go unchallenged.

4.4 Integrated Framework for Ethical Accountability in Religious Financial Governance

As shown in the preceding sections, ethical values are normatively entrenched within religious institutions but tend to be compromised by structural ambiguity, unchecked clerical discretion, and persistent immunity to institutional scrutiny. These findings reveal a major gap in the literature. Academics have identified the symptoms of poor governance, but no functional framework exists to implement spiritual ethics effectively in institutional practice. Instead, it is inductively constructed through narrative synthesis and integrates interdisciplinary concepts from financial criminology, Shariah governance, digital ethics, and stakeholder theory. This model is not based on non-profit management models or Western audit frameworks. It is highly personalised to meet the intersectional vulnerability of faith-based financial systems. With sacred immunity, ethical laundering, and dual accountability in the model, it transforms theological idealism into governance realism, a perspective largely lacking in contemporary literature.

Figure 1

Integrated model of ethical accountability and public trust in religious financial governance



The proposed Integrated Model of Ethical Accountability and Public Trust in Religious Financial Governance is conceptually novel as it extends beyond traditional audit-driven and Shariah-normative frameworks. Its contribution is the institutionalisation of enforceable accountability and ethical mechanisms within religious financial institutions. This framework uses systems thinking and includes four key inputs, unlike conventional models that merely list governance elements. These inputs include moral capital (Maqasid-al-Shariah), institutional design, digital infrastructure, and leadership ethics. These contributions feed into the central engine, which includes ethical accountability procedures such as ethical internalisation, dual accountability, governance enforcement, trust calibration, and digital ethics protection. This middle layer is the model's innovation point. It converts abstract Islamic values into a form that can be measured, monitored, and audited. This directly addresses the significant gap in the literature on Shariah governance and accountability in non-profits. The model's outputs are financial integrity, recovered public trust, and the operationalisation of Maqasid principles. These outcomes are not symbolic or theoretical. They are policy-related outcomes required by regulators, including the FATF, and expected by community stakeholders. This model differs in that it does not accept spiritual idealism as an alternative to governance. It also emphasises sacred immunity and ethical laundering as systemic risks that necessitate structural responses rather than moral rhetoric. Despite its analytic depth and multi-disciplinary viewpoint, this narrative review has limitations that should be addressed to ensure transparency and academic integrity. These limitations include both epistemological and methodological concerns. They also indicate more structured and conceptual conflicts in the framework of religious financial governance, particularly in an environment shaped by doctrinal reverence and socio-political sensitivities. First, the main limitation is the inevitable linguistic and cultural bias in the English-language peer-reviewed literature from 2020 to 2025. This limitation is partly necessary to maintain analytical consistency. However, materials in non-English sources, grey literature, or internal reports reveal valuable insights into religious financial activities, especially in Iran, Russia, and some regions of South Asia, that are unavailable in Western academic databases. Consequently, this perspective is likely to be biased toward Anglo-European audit paradigms and global regulatory frameworks, including the FATF. In the meantime, informal but effective trust-based mechanisms of indigenous and localised governance remained underexplored.

Secondly, narrative reviews are always less systematic and reproducible than meta-analyses or empirical studies. Despite a structured search strategy and thematic inclusion criteria, the narrative synthesis remains interpretive. This introduces subjectivity in both source selection and analysis. Even though backward snowballing strengthens the literature base, it may also unintentionally privilege dominant discourses. It may also overlook emerging or dissenting perspectives that are not yet widely cited. As a result, it may overlook emerging or dissenting views that have yet to be widely cited. This gives the possibility of confirmation bias, particularly in an area where ethical behaviour tends to be idealised or is framed within theological immunity. Third, the review synthesises literature from various areas of study, including financial criminology, Islamic finance, organisational behaviour, and governance theory. Each field has its own epistemological assumptions. This interdisciplinary approach enriches the analysis, but it also risks conceptual dilution and category slippage. As an example, when introducing forensic audit principles to fiqh-based institutions, critical concepts like *niyyah* (intention) and *ijtihad* (juridical reasoning) can be neglected. Thus, traditional governance theory does not present concepts that define Islamic ethics. This epistemic imbalance makes it hard to establish a model of unified accountability that is spiritually based and enforceable in law. While the Integrated Model (Figure 1) provides a foundational systems-thinking framework that translates ethical principles into structured and enforceable governance mechanisms, it remains relatively static in its representation of institutional processes. To address this limitation, the present study extends this framework by introducing a dynamic perspective. The Dynamic Ethical Governance Model (DEGM) (Figure 2) builds upon the structural components of the Integrated Model by incorporating adaptive feedback loops, behavioural responses, and evolving systemic risks. In this regard, Figure 1 establishes the institutional architecture of ethical accountability, whereas Figure 2 operationalises this architecture within a dynamic and responsive governance ecosystem.

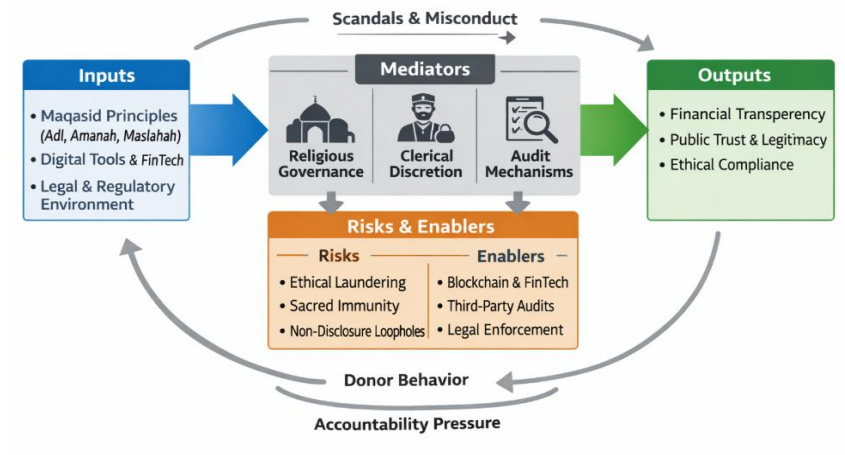
4.5 Theoretical Synthesis: The Dynamic Ethical Governance Model

Building upon the interdisciplinary tensions and theoretical gaps identified in this narrative review, this paper proposes the Dynamic Ethical Governance Model (DEGM) as a conceptual synthesis. Unlike static frameworks that depict governance as a list of ideals, the DEGM positions ethical accountability as an adaptive ecosystem—responsive to spiritual values, institutional constraints, and social pressures. This model illustrates the cyclical relationship between ethical principles, governance intermediaries, systemic risks, external enablers, and trust-based outcomes in religious financial institutions. Feedback loops reflect adaptive legitimacy based on stakeholder response to ethical performance. As depicted in Figure 2, the model posits institutional mediators that mediate Islamic ethical principles (*adl*, *amanah*, *maslahah*) as antecedents to Islamic bank loan disbursement strategy. External enablers such as regulatory context, digital financial services, and citizen demand influence these interactions. Outputs-focused aspects of the model include public trust, reputational legitimacy, and financial transparency. Importantly, the DEGM also incorporates feedback loops: ethical failures (e.g., financial scandal or misuse of donations) weaken trusted relations with the public and trigger demands for institutional reform, or in extreme cases, questions about legitimacy. Risks such as Ethics Laundering, Sacred Immunity, and Absence of Disclosure are seen not as anomalies but continuous weaknesses in the system. In contrast, countervailing forces such as blockchain-enabled transparency, third-party audits, and donor activism are presented as institutional checks. Yet, as a conceptual framework, it offers an adaptable theoretical tool for researchers, policymakers, and religious institutions to translate Maqasid into enforceable, auditable structures. And it calls for future empirical

verification and application, especially in faith-based organisations that are "playing at the interface of spiritual authority and financial responsibility."

Figure 2

Dynamic ethical governance model (DEGM)



5. Conclusion

This narrative review summarises interdisciplinary literature examining the structural and behavioral aspects of ethical responsibility and public trust in religious institutions. The review finds that despite these deep moral foundations, most faith-based institutions still operate without a standardised governance model. This inability to build a standardised structure puts them at risk of ethical undermining, reputational damage, and financial exploitation. The review also identified sacred immunity, weak internal controls, and unresolved ethical dilemmas in digital transformation as weaknesses. It requires a dual responsibility: accountability to divine norms and, at the same time, to temporal stakeholders. This research provides a framework for reconceptualising faith-based governance beyond symbolic compliance. It involves cross-jurisdictional practices or the under-theorised phenomenon of ethical laundering. The proposed framework will address the gap between Maqasid al-Shariah and enforceable oversight mechanisms. It also offers pathways toward measurable financial integrity. Empirical validation, in the form of a forensic audit, ethnographic fieldwork, and collaborative pilot studies in religious institutions, should be involved in future research. Consequently, the structural transformation of incorporating moral authority into financial legitimacy would be supported through the development of an international research consortium on the ethical governance in religious finance.

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Declaration of Competing Interests

The authors declare no conflicts of interest.

CRedit Authorship Contribution Statement

Mohd Khairul Ridhuan Mohd Fadzil: Conceptualization; Analysis; Visualization; Methodology; Data curation; Writing-original draft

Hamidah Mat: Analysis; Validation; Writing- review & revise

Availability of Data and Materials

The data supporting this study's findings are available on request from the corresponding author.

Ethics Declarations

This study did not involve human participants or animals. Ethical approval was therefore not required.

Generative Artificial Intelligence Declarations

The authors claim that artificially intelligent-assisted technologies, such as generative AI, were not used to generate content, ideas, or theories. We used AI only to enhance readability and refine the language. We used it under strict human control and oversight. The authors take full responsibility for reviewing and approving the content.

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