

The Islamic Concept of Accountability (Hisbah) as a Mechanism to Prevent Money Laundering and Financial Crimes

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Abstract

Money laundering and financial crimes have become a great danger to economic integrity, social justice and institutional credibility abroad. This article discusses the Islamic principle of Hisbah; a moral and institutional system based on accountability, transparency and ethical practices as a viable mechanism of deterring money laundering and financial abuse. Based on the Quranic injunctions, Prophetic traditions and classical works of jurists, the study explains the doctrinal basis of Hisbah and its historical development as a system of guaranteeing fairness in the market, moral control and the benefit of the people. The paper also correlates the concepts of Hisbah with current Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT), outlining that they focus on the same issues and primarily focus on prevention, transparency, and social responsibility. Based on empirical sources to the financial system of Pakistan, the analysis shows that ethics and institutional models of Hisbah can be used to enhance compliance, deter corruption, and bolster regulatory effectiveness. The paper ends by suggesting a policy framework of how to incorporate hisbah based arrangements in the modern financial regulatory framework, especially in Muslim dominated economies, to ensure both legal and ethical responsibility.

Keywords: Hisbah, Accountability, Islamic Finance, Money Laundering, Financial Ethics, Shariah Governance, Anti-Corruption

Introduction

Islam provides comprehensive guidelines in every aspect of human life and declares every individual answerable for their actions. Accountability is a key element of Islamic theology and teachings, so the concept of Hasbah provides the guiding principles for steering smooth and just governance. It is the requirement from God to spread good and avoid evil in society,

and it is founded on the Arabic word h-s-b, meaning to account or consider. Hisbah emphasizes the fact that each Muslim is accountable to Allah and contributes to the practice of moral order in society. It deals with both individual and corporate responsibility. According to Quranic teachings (*Surah al-imran*) (3:110), Muslims are the best people who believe in Allah, propagate what is right and prohibit wrong.

Hisbah emphasizes two basic rules: *amr bil Ma'ruf* (enjoying good) and *nahy 'an al-munkar* (forbidding evil). Not only the government authorities but common people are liable to follow this rule. Hisbah acts as a safeguard for justice, equality, and moral conduct. It is the responsibility of every individual in society to obey this Islamic rule seriously because morality is a key fabric of society, and failure to comply with this maxim will ultimately result in social decline.

Historically, it has been the practice during the Islamic era to appoint a person as *muhtasib* who used to oversee public morality and market regulation. For instance, during the era of the second caliph, Umar ibn al-Khattab, he appointed market regulators to maintain prices, prevent cheating in weights and measures, and assure honest trade and business practices. He personally used to visit the markets and, in case of any dishonesty or illegal activity, solved the matter on the spot. This shows the initiative of Hisbah in the early days of the Islamic era. Apart from controlling the market, Hisbah also contributed to maintaining public morals. As *hasbah* emphasizes the idea that moral education is a common responsibility, at the societal level, it is expected to scholars and community leaders to encourage virtues, lead people towards moral behaviour, and prevent harmful or immoral behaviour. For instance, scholars would frequently counsel young people on proper behaviour in public settings.

Justice and accountability are an essential part of any state and its legal system. According to Islamic scholars like Imam Abu Hanifa and Imam Malik, no society or legal system can work smoothly and justly without putting in *hasbah* as a regulatory body. In the past, adhering to the same principle of a suitable person for the right position, the great scholar Imam Abu Hanifa declined the position of *qazi ul quzat* (chief justice) during the rule of the Umayyad dynasty.

In contemporary settings, anti-corruption and social welfare organisations use the *hasbah* model frequently; for instance, groups that support consumer rights or encourage transparency in government can be regarded as modern-day examples of the *muhtasib's* role. In the same way, educational campaigns that support young people's moral development and sense of social responsibility demonstrate the enduring value of preventing evil while promoting good. In the long run, rather than just being a historical institution Hisbah is an ethical framework that encourages people and communities to defend justice, encourage goodness, and combat wrongdoing. It strengthens the belief that responsibility is a shared and individual obligation, based on faith, and necessary for a healthy society.

Hisbah (accountability, oversight, public morality, and market supervision) is a primary concept of Islamic jurisprudence that supervises markets, trade fairness, honesty, public morality, etc. This article reveals that hisbah, when properly understood and institutionally incorporated, can strengthen AML/CFT regimes. For example, Pakistani empirical data shows the scale of the issue as well as the potential for institutional solutions.

Conceptualisation and Historical Evolution of Hisbah

The concept of Hisbah is not a novel idea for both classical and modern historians, as an enormous amount of literature has been discussed among these circles. In Arabic, the term “hisbah” lexically means to ‘hope’ and originates from the root words ‘*Ihtisaba*, *yahtasibu*, and ‘*Ihtisaban*’, which convey multiple meanings within the Arabic language (Saleh 2010). Additionally, the term *hisbah* can stem from the root word *hasaba*, *yahasibu*, *muhasabah*, which in this context signifies self-evaluation. According to Ahmad Che Ya’kub, the term Hisbah refers to *al-hisab*, indicating administration or management (Salim et al., 2015).

In Hisbah mechanism the state institutions are responsible for maintaining proper conduct and preventing all forms of wrongdoing or offences. Most medieval Islamic scholars also viewed *hisbah* as the process of the Quranic idea “Enjoining what is right and forbidding what is wrong.” Al- Qur’an, 3:110. Basically, it is a collective responsibility for all Muslims, as outlined in the Holy Quran (Qur’an 3:104, Al-Hilali & Khan, trans). According to Al-Juwaini, the Shari’ah principles are grounded in the general responsibilities of Muslims to promote good and prohibit evil (Jahangir, 2025). Similarly, Ibn Taymiyah emphasized the same idea that the public institutions are to uphold virtue and eliminate vice as their highest achievement in public duties. Therefore, this duty does not lie solely on the shoulders of the *muhtasib*, but instead it also rests on every single Muslim as a whole.

As the notion of Hisbah has received a lot of attention among Islamic scholars, thoughts and ideas about Hisbah have also been generated in academic publications for a long time. These academic works have been favorably accepted and implemented by putting them into practical use. Hisbah is a source of knowledge that is based on an Islamic perspective and paradigm. Some discussions regarding this subject can be found in literature such as *al-Hisbah fi al-Islam* by Ibrahim Dasuqi al-Shihawi, *Ahkam al-Sultaniyah* by Imam al-Mawardi, *Nihayah al-Rutba fi Talab al Hisbah* by Ibn Bassam, *Ma’alim fi al-Qurbah fi Ahkam al-Hisbah* by Ibn al-Ukhuwwah, as well as many other classical texts (Taimiyah, 1976).

Conversely, other jurists like Ahmad Che Ya’kub have defined Hisbah as a state apparatus wherein the power is vested in one man called *al muhtasib* and who is to supervise socio-economic, religious, social, hygiene and other civil affairs in a particular region. The aim of this administrative responsibility is to make sure that these activities do not violate Islamic laws and to penalize those who go against them. In a similar vein, Hisbah functions as the institution that supervises the command of good and the prohibition of evil. The former interpretation might be further defined by the addition of the term “*Wilayatul Hisbah*.” Historically, this institution primarily consisted of necessary activities often being carried out by a single individual, the *Muhtasib*, who managed nearly all facets of Hisbah (Stilt & Saraçoğlu, 2018).

The designated terminology of “*Hisbah*” emerged in the late first century of Hijra. The idea of Hisbah came out as a philosophy back in the days of the Messenger of Allah, as per the instructions of the supreme Quran. The basic theme of Hisba is to enforce the rights of Allah. These rights are classified into three categories which are, the Rights of Allah, the Rights of Individuals and a mixture of both. It is the role of this office to ensure good and the elimination of evil.

This institution is one of the major factors that bring out the unique status of Islamic states in relation to others. This was inspired by the direct implications of the commandments of Allah

and the teaching of the Prophet ﷺ.

The tenets of Hisbah are encapsulated in the phrase "*al-Amr bil-Ma'ruf wa al-Nahiy 'an al-Munkar*" (enjoining what is good and forbidding what is evil). Allah says: "Let there arise out of you a group of people inviting to all that is good (Islam), enjoining *al-Ma'ruf* (i.e., Islamic monotheism and everything that Islam has prescribed) and forbidding *al-Munkar* (i.e., disbelief, polytheism of all kinds, and all that Islam has prohibited) it is they who are successful". Similarly, the Sunnah of the Prophet ﷺ further reinforces the significance of Hisbah in Islam. The Messenger of Allah (peace and blessings be upon him) stated: "Whoever among you witnesses an act of wrongdoing should change it with his hand, if he cannot do that, then he should speak out against it and if he is unable, then he should feel it in his heart, and this is the weakest form of faith" (Jamal al-Din, 1984, Hadith No. 34)

Additionally, Al-Tabari has provided insights into the reasoning behind the revelation of *Surah Al-mutaffifin* (Qur'an 83). It has been noted that during one of his visits to a marketplace, the Prophet ﷺ observed numerous acts of deceit committed by traders to gain unfair profit. Throughout the life of the Prophet ﷺ, he appointed *Sa'ad bin Sa'ad bin al-As* to control the markets (Ibn 'Abd al-Barr al-Qurtubi, n.d., p. 285). Hisbah even prospered during the lifetime of the *Khulafa Ar-Rashid*, during which time, it is recorded that *Umar al-Khattab* once punished a merchant because he found him to be dishonest in his dealings. He also appointed al-Sa'id bin Yazid, entrusting him with the supervision of commercial affairs in Madinah, alongside another official, 'Abd Allah bin Yazid, who shared the same administrative responsibilities (Md Shah et al., 2013).

Moreover, it is mentioned that Uthman bin Affan designated *al-Harith bin al-Hakam* as an enforcement officer in Madinah to carry out the market transaction supervision (Shah et al., 2021). The officials at that time were called *amil ala-suq*. An officer of similar duties was also referred to as an *arif*. Then, changes were made in relation to other nominated officials, like zakat collectors and district governors.

Likewise, during the Umayyad dynasty significant importance was placed on the efficiency of this institution. Moreover, the basic function of the *muhtasib* is to ensure that the administration operates smoothly in accordance with Islamic principles. During the *Khulafa'ur-Rashidun* period, *Abu Bakr* engaged in battles against those who turned away from Islam following the Prophet's passing until he successfully brought them back. He also forced those tribes who refused to pay Zakat. He similarly fought against individuals claiming prophethood and exiled some homosexuals from Madinah (Barkindo, n.d.). The function of the *muhtasib* changed over the years under the Abbasid Caliphate.

Merely monitoring marketplaces and promoting ethics, they were also entrusted to make sure that the civil servants were performing their duties honestly. For instance, they were to make sure that the *muazzins* were able to adhere to the prayer times. The jurisdiction of the *muhtasib* was extended to the point of tracking down the judges to ensure that they are punctual and just in their duties. Leading classical Islamic scholars such as Ibn Taymiyyah, Ibn al-Ukhuwwah, and Imam al-Mawardi (*Ahkam al-Sultaniyyah*) have extensively discussed the responsibilities of the *Muhtasib*, and emphasized justice, transparency, and public welfare (Chapra, 2014). Therefore, Hisbah has been considered a divine task, not just an administrative job.

Hisbah and Financial Ethics

Hisbah is basically connected with the maintenance of financial ethics and the promotion of fairness and transparency of business deals in Islamic finance. Islamic financing is based on a series of basic concepts that seek to offer fairness, guard against usury, and equate financial dealings with Islamic ethical principles. Each of the principles promotes the wider system of Hisbah by encouraging morally acceptable behaviours and preventing financial misconduct. Among the key prohibitions that uphold these ethical and regulatory objectives in Islamic finance are *riba* and *gharar* which *Hisbah* seeks to monitor and prevent in order to ensure justice and integrity in financial transactions.

Prohibition of Riba (Interest)

Any guaranteed profit in a loan is referred to as *riba*, and it is strictly forbidden in Islam. The Quran strongly disapproves of *riba* at different places as in Surah Al-Baqarah (2:275), it is stated: “Allah has permitted trade and prohibited usury”. Interest-based business deals are completely forbidden in Islam because they are perceived to be harmful for leading to unfair gains and, especially, a tool for exploitation in the society. Hisbah prevents individuals and financial institutions from indulging in loans with interest. Now a days in different Islamic countries, Islamic banking system aligns with the moral principles of Islamic finance and provides profit-and-loss sharing schemes such as *mudarabah* and *musharakahah* which are an alternative to conventional interest-charging loans.

Avoidance of *Gharar* (Excessive Uncertainty)

Gharar is the term used to describe ambiguity or excessive uncertainty in agreements and dealings. Islam forbids contracts with uncertain or deceptive results and speculative activity. The Hadith, in which the Prophet Muhammad ﷺ prohibited sales involving uncertainty, is the source of this principle (Hassan, 2007). Hisbah guarantees that financial agreements are honest, open, and totally free of fraud. This ethical oversight directly relates to the prohibition of *riba* (usury) and *gharar* (uncertainty), as Islamic insurance (Takaful) removes the risk and uncertainty related to traditional insurance models by having clearly defined terms and allowing participants to contribute to a mutual fund to compensate for losses (Gonulal, 2012).

Promotion of Ethical Investments

Islamic finance promotes investments which are socially and ethically good. People are prohibited from engaging in such activities as alcohol consumption, gambling, pornography, and other activities that are illegal. Hisbah supports this premise by monitoring investment portfolios and ensuring that they are guided by the Islamic regulations. For example, in Pakistan Shariah compliant fund based mutual funds and stock indices are more ethical oriented in the sense that companies which practice activities that are not halal are excluded to provide more ethical options to their financial resources to the Muslim investors (Arif & Majeed, 2023).

Openness and reciprocity in Transactions

The Islamic law promotes honesty, transparency and agreement in any financial dealings. Surah An-Nisa (4:29) says that do not wrongly take away the wealth of one another, but only

in the lawful business through mutual consent. Hisbah ensures that there are no deceptive contracts, and both parties are aware of the terms and agree. In the case of Islamic leasing (Ijarah) the rights and liabilities of the lessor and the lessee are undoubtedly specified, and the transaction is finalised transparently (Kamali, 2007). A shari'ah analysis of issues in Islamic leasing. *Journal of King Abdulaziz University: Islamic Economics*, 20(1). The hisbah is a moral and legal arrangement that promotes the Islamic financial rules. Hisbah contributes to the formation of a just and fair financial management that is well-suited with Islamic values by avoiding the exploitation of people through interests, making contracts transparent, promoting ethical investment, and ensuring that both parties are open and acting honestly.

Hisbah as a Tool Against Money Laundering

Among the most damaging financial crimes are those involving money laundering, tax evasion, corruption, trade-based money laundering, and illicit cash dealings. They augment inequality, influence markets, decrease tax revenue, and tarnish public faith. To deter these illicit activities, international organizations (e.g., the Financial Action Task Force, or FATF) have come up with elaborate legal and regulatory frameworks requiring banks to set up financial intelligence units, severe supervision, know your customer (KYC), and suspicious transaction reporting (STR) (Ahmed, n.d.). Nevertheless, criminal components continuously vary and alter their strategy, which include informal channels, trade fraud, over- or under-invoicing, misuse of fictitious businesses, hawala/hundi, and in some cases, unsatisfactory regulation is also part of it.

However, the Quran openly denounces unfair enrichment and financial system manipulation. The following is an example of such verses: *Surah Al-Baqarah* (2:188) says: "Do not take the wealth of each other unfairly or send it [to the authorities in bribery] so that [they may help] you to [eat] a part of the wealth of the people in sin, when you know [it is unlawful]...." In this verse, the Quran forbids bribing and inappropriate fraudulent activities that are set to influence the regulators to make money. On the same note, *Surah An-Nisa* (4:29) also promotes the idea that financial transactions should be founded on mutual consent and acceptable practices: "O you who have believed, eat not in unjustness of each other except in lawful business by mutual consent".

There is also a clear distinction between law and interest-based transactions as dictated by Islamic law. *Surah Al-Baqarah* (2:275) states that: "Allah allowed trade and disallowed usury". Money laundering is usually associated with interest-based transactions and fraudulent financial operations, both of which are haram (forbidden) in Islam. Also, *Surah al-mutaffifin* (83:1-4) denounces fraud and unscrupulous transactions and threatens those who make corrupt measurements and weights in trade with a divine retaliation.

Under the *maqasid al-shari'ah* (the higher objectives of Islamic law), money laundering goes against the *Hifz al-Mal* (preservation of wealth). The Islamic law aims at safeguarding wealth in a legal and just way, making sure that it leads to human welfare and stability in society. Money acquired by illegal acts weakens this goal and jeopardizes the moral and economic social structure. Thus, the Islamic jurisprudence not only condemns money laundering but also requires the cleansing of money. In case of the identity of the original owner of illegal wealth, the money is to be refunded. In case of uncertainty, it must be transferred to the state or spent on social benefits with the control of legitimate authorities (Hoque et al., 2021).

Practically, the Islamic law does not acknowledge the validity of money acquired through money laundering, even when such money is utilized in charitable activities or religious duties such as Zakah. The laundering of money does not clean up money according to Shariah. Rather, it is discussed as an extension of the initial sin, and the person is still answerable to Allah (Al Agha, 2007). The trade-based schemes, shell companies, and abuse of charitable organizations are an example of money laundering in Muslim societies. In some countries, fake documents and benami accounts have been detected as companies over-invoice imports with the view of moving illegal funds overseas. These practices not only violate the national laws but the Islamic tenets of financial integrity and justice.

Ultimately, the Islamic law categorically prohibits money laundering because it is based on fraud, exploitation and hiding illegal wealth. It compromises the moral pillars of business dealings and is a grave danger to the well-being of society. The Islamic doctrine demands transparency, honesty and legal means to obtain wealth and accountability to those engaging in financial transactions.

Hisbah's Preventive Role

The aspect of Hisbah in Islamic governance and morality is preventive as it is necessary by its mandate to guard the society against moral, social and economic corruption even before it occurs. Hisbah encourages preemptive action rather than reactive action. It guarantees that individuals and establishments adhere to the Islamic laws of justice, honesty and the common good.

Hisbah is meant to help in providing a place where individuals can perform good action freely and deter bad actions. It works at various levels. On the personal level, it promotes personal accountability and moral growth through education, religious values and involvement of society. At the institutional level, it involves surveying the public areas, market and government buildings to maintain the ethics standards.

One of the most prominent cases of the preventive functions of Hisbah is the regulation of markets in classical Islamic societies. The *muhtasib*, who was in control of professional ethics and morality among people, conducted inspections on shops and businesses to prevent fraud, cheating, and exploitation. The muhtasib maintained fairness and equity in the economy and consumer protection by verifying the accuracy of weights and measures, inspecting the quality of goods and preventing the monopolistic practices. This control minimized the chances of financial fraud and created confidence in the market.

The other is the role of Hisbah in the morality of people. Most Islamic societies establish moral guidance provided by the scholars and leaders of the community. They educate people on moral behaviour and discourage the vice which would incite society. In Hisbah, as an example, modest dressing, good language and proper use of community resources are among the behaviour promoted, reflect its preventive nature. Such actions trigger a virtue culture and prevent actions that may lead to increased social ills.

Hisbah harmonizes power and prevents corruption in government. It ensures that fewer hands do not control the masses and that public positions are not misused for personal gains or influence, by upholding transparency, accountability, and equality. This role is illustrated in the rule of righteous caliph Umar ibn al-Khattab, who personally oversaw the activity of the

citizens and intervened in the situation when the injustice took place. His proactive leadership made the officials accountable and protected the rights of the citizens.

Hisbah has a preventive side in the modern world with programs such as anti-corruption campaigns, ethical business certification, and programs that benefit the community, such as social welfare. However, some critics argue that the Hisbah mechanism is a primitive concept which is no longer applicable to deter modern white-collar crimes like money laundering, tax evasion, corruption, illicit cash dealings, etc. Firstly, this is just a mere assertion with no empirical data available to strengthen their claim. Secondly, the Quran and Hadith provide clear principles regarding the financial transactions that are allowed or forbidden. Then, subsequent Islamic jurists and scholars have discussed all the possible and even hypothetical financial transitions in their books with extraordinary detail. For example, among most of the *muhaditheen*, great Imams such as *Imam Malik*, *Imam Abu-Hanifa*, *Imam Shafi*, *Imam Ahemd Ib-ne-hamble* etc., especially established a separate section in their books named as *kitab-ul-buyu* (the book of finance) to explore issues related to finance and trade. Lastly, in the Ottoman era and currently, some Muslim majority states like Pakistan and Malaysia have founded the hisbah institution (Ateş, 2017). These examples are an indication that Hisbah is not an outdated institution to drive away evil and develop a just society.

Overall, Hisbah's preventive mission does not consist only in the punishment. It is concerned about creating a situation in which evil is supposed to dissolve before its occurrence. It tries to create an environment in which human actions are ethical, and justice is applied through teaching, surveillance and moral counselling.

The Relevance of Hisbah in Contemporary Times.

In the current world, the concept of Hisbah is still applicable as a preventive and ethical mechanism rather than an old process of the past. It works as a multidimensional force, like in anti-corruption movements, identifying business ethically, and social programs started for community welfare. In several Muslim countries, regulatory bodies influenced by the Hisbah concept are currently working to curb monetary mischief, enhance corporate openness, and influence responsible administration. This progress shows that even in the current financial and social environment, the spirit of Hisbah that leads to avoiding evil and promoting justice is still relevant.

In essence, Hisbah is not about penalizing the miscreants; it is about creating an environment where fewer chances are available for wrongdoers to fulfil their evil designs. It is concerned with influencing behaviour by educating and supervising individuals to ensure that they can act with honesty. The main force behind the *hasbah* ideology is preventive rather than penalizing. It aims to establish a culture in which justice and morality are essential. Sholikah et al. (2024) point out that *Hasbah* is still a tool of fostering ethical consciousness and virtuous behaviour in social and business activities.

Connection Between Hisbah and AML/CFT Goals

As the fundamental tenets of Hisbah, which are liability, protection, honesty, and preservation of societal interests, are closely related to the aims of the current Anti-Money laundering and Countering the Financing of Terrorism (AML/CFT) systems (Anwar, Haeriyah, & Kara, 2023). Both mechanisms are aimed at preemptive regulation and an ethical accountability culture.

Hisbah contributes to building a community where compliance is not a legal requirement, but a social value. Basically, in the past, the role of the *muhtasib* was restricted to overseeing financial transactions. In the current scenario, the role of muhtasib can flexibly be adapted to prevent the existing financial crimes like money laundering, false invoicing, and commodity management. The same rules which are used to preserve fairness in the market can be applied to financial integrity in the bigger picture.

After taking the due processes, practices of community vigilance, ethical behaviour monitoring and public reporting can help in early exposure to corrupt exercises and financial malpractices. This preventative philosophy extends to whistle-blowing systems, citizen participation and awareness programs. Religious figures, civil and political personalities can also play a role in promoting honesty and discouraging unethical practices.

Shariah supervisory boards, internal audit, and ethics committees are already part of the Islamic financial institutions, which are inspired by Hisbah principles. The purpose of these frameworks is not merely regulatory compliance but also the cultivation of conscience, faith, and social responsibility. Kyriakos-Saad, Vasquez, and El Murr (2016) explore how Islamic finance institutions integrate Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) measures within their operational and regulatory frameworks. Through it, Hisbah strengthens the official structures of AML/CFT compliance along with the moral foundations on which a transparent financial system is supposed to be constructed.

Challenges in Operationalising Hisbah Against Financial Crimes

Many challenges come up when applying *Hisbah* to modern financial crime prevention. Legal recognition is one issue. Hisbah institutions historically operated under classical or Islamic state authority. In today's secular or mixed legal systems, there often aren't clear rules that give them investigative, regulatory, or sanctioning powers in financial crime matters. Capacity is another concern.

El Khoury (2025) notes that financial criminals now routinely exploit decentralized systems, which tend to be cross-border, technical and complicated. They include digital technologies and informal networks. Religious or moral oversight bodies may not always be well-versed in modern fields such as forensics, auditing, legal affairs, or finance. On the other hand, Jurisdiction and rights are also important. The supervision should not harm the law, due process and privacy. It is not to be overreaching or abusing. It is a good idea to balance the issue of moral supervision and individual liberty, and legal safeguards. It has issues of overlapping, duplication, and conflicts between regulatory agencies, financial intelligence units and law enforcement agencies, as well as Shariah boards and informal regulation.

Moreover, absence of proper division of responsibilities among different departments may result in inefficiencies or even tensions. More challenges are brought about by informality and globalization. Numerous illegal flows imply informal financial systems, such as hawala and hundi, unregulated trade routes, cryptocurrency, and mis invoicing of trade across national borders (Passas, 2002). These are more difficult to control under conventional control.

Ultimately, it is necessary to integrate with international anti-money laundering standards. There is a need to align with FATF recommendations, mutual evaluation processes, and international cooperation. This ensures that hisbah mechanisms do not clash with

established rules or create loopholes.

Policy Suggestions: Integrating Hisbah-Inspired Mechanisms

To enhance the combating of financial crimes, more especially in the third world countries, the concept of Hisbah can be scaled down in the following ways: First, a special organization, be it a government or semi-government, should be created to play a Hisbah-like role in ensuring financial integrity and market ethics (Fanani & Takayasa, 2022). Such a body must have explicit legal power to view, examine, counsel and, where needed, impose penalties within the bounds of the law and with consideration to the rights of individuals. Its authority should be established clearly to ensure accountability, prevent abuse of power, and promote transparency in its operations. The workforce of this institution is expected to be provided with specialized training in such areas as financial law, anti-money laundering (AML) techniques, forensic accounting, technology-based surveillance, and analysis of trade information.

In Islamic financial institution, its officials should enhance their capabilities of detecting suspicious activities, the source of funds and developing financial products to avoid money laundering. It is also important that society is involved in it, and religious scholars, community leaders, and civil society can play a significant role by means of awareness, as well as by means of moral education. They should also support the system of whistleblowing.

There is a need to update regulatory reforms to monitor more of the informal financial networks and transactions based on trade. This covers increased attention to the supply chain finance, customs practices, import/export documentation, and trade-based money laundering (TBML) indicators (Ferwerda & Unger, 2020). These reforms can be supported with the help of technology, which is to be used in advanced data analytics, pattern detection, and the application of artificial intelligence to detect irregularities. In Pakistan, for example, social media surveillance has just been adopted by the tax authorities to identify unexplained wealth, a contemporary manifestation of the Hisbah-type control in action (Reuters, 2025).

Besides, there should be good coordination between the Financial Intelligence Unit (FIU), the customs, law enforcement, regulatory entities, shariah boards and the suggested *Hisbah* institution. Such organizations must be in contact with the international bodies such as the Financial Action Task Force (FATF) and the United Nations Office on Drugs and Crime (UNODC).

Conclusion

Hisbah as an institution is one of the most outstanding regulatory traditions in the Islamic civilization, which is aimed at the maintenance of moral order, fairness and social justice in the market. Salim, Abdullah, and Ahmad (2015) emphasize that *Wilayat al-Hisbah* serves as a vital institutional mechanism for ensuring justice, promoting ethical conduct, and preserving social order within Islamic societies. Hisbah is not a thing of the past, as it provides timeless ethical and institutional values that can be successfully transferred to the current fight against money laundering and other financial vices. Its focus on *amr bil ma'ruf wa nahy an al-munkar* (enjoining good and forbidding evil) encourages personal and collective responsibility, which is vital to the integrity of modern financial systems. As mentioned, *Hisbah* correlates well with the aims of the present AML/CFT (Anti-Money Laundering and Countering the Financing of

Terrorist) strategies (Shah et al., 2021). Both approaches aim at prevention, openness and equality. However, most of the regulatory systems lack the elements of divine morality and self-consciousness, which only the Hisbah mechanism can provide because it is supported by the divine guidance of Islamic teachings.

The combination of both approaches can create a more comprehensive framework that fuses legal compliance with spirituality and ethical uprightness. Cheema and Cheema (2022) critically examine Pakistan's anti-money laundering regime. The examples of Pakistan and other countries show that financial crimes continue to pose a severe threat to economic stability and trust of the investors (Gul & Khan, 2023). Only with the help of hisbah-type mechanisms that may involve ethical audits, Shariah compliance boards, and local surveillance, the culture of honesty and moral accountability may be nurtured in the community.

Nevertheless, the existing real issues, including the ambiguity of the jurisdiction, the capacity of different institutions, and the need to align with the international AML standards, still exist. To address these issues, the law needs to be amended, the professionals should be trained in Shariah-compliant financial management and operate in collaboration with the regulators, religious and academic organizations (Haqq Habibullah & Chafidz Alwi, 2024).

In conclusion, restoration and restructuring of *Hisbah* in contemporary monetary regulation is an excellent means of deterring corruption, money laundering and other evils. This paper reflects that the holistic conception of Islamic justice, and the economic practices cannot be separated from the morality, virtue and spiritual duty (Altair, Y. (2025). Combining the *Hisbah*-inspired morality and the global financial rules, Muslim communities will be able to come up with the solutions that are universally acceptable and, simultaneously, well-grounded in the idea of Shariah and the common good (*maslahah*).

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