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Wasatiyah Optimization in Sustainable Wealth Management

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Abstract

Wealth generation and management are pivotal for sustainability. This paper explores the crucial role of wealth management in achieving regenerative sustainability, advocating for wealth optimization over maximization. It introduces a novel framework for Islamic Wealth Management (IWM) centered on regenerative and sustainable wealth creation, guided by the Islamic principle of Wasatiyah (moderation). This framework aims to integrate financial success with ethical responsibilities and spiritual well-being. A key innovation is the Normalized Balance Coordinates (NBCs), a generalized, unified measure applicable to various contexts involving tensions and trade-offs. The NBCs, initially conceived as Normalized *Wasatiyah* Coordinates (NWCs) for IWM, employ a two-dimensional Cartesian system with axes normalized between -1 and 1. This system provides a unified measure of performance across competing priorities, such as economic growth vs. balance of natural systems, efficiency vs. equity, quality vs. quantity, and full employment vs. price stability. In the context of IWM, the NBCs assess both ethical and financial performance, where positive coordinates reflect adherence to Wasatiyah principles, while negative coordinates highlight areas for improvement. The paper outlines regenerative transition strategies for each quadrant, using Substitutions, Transformations, and Offsets (STOs) to guide decision-makers through diverse situations. By integrating ethical considerations with financial strategies (or, more broadly, balancing competing priorities), the NBCs framework offers a holistic model that views wealth (or any resource under consideration) as a sacred trust with inherent social, environmental, and spiritual dimensions. The paper concludes by emphasizing the transformative potential of the NBCs approach in promoting holistic balancing optimization, as opposed to singular maximization, and fostering a more equitable, sustainable, and ethically grounded global system.

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1. Introduction

The prevailing maximization paradigms of generating and managing wealth have delivered a dual-edged legacy for humanity. As documented in the United Nations Human Development Report (UNDP 2024), on one side, unprecedented advancement in technology and economic development have significantly improved global life expectancy and quality of life, lifting millions out of poverty and providing access to better education, healthcare, and living standards. Yet, this progress has not come without profound costs. Persistent challenges, such as absolute poverty, hunger, inadequate health services, stark inequalities, and widespread social exclusion, continue to plague societies. Compounding these socio-economic dilemmas is the alarming degradation of natural systems upon which human survival depends (IPCC 2023). Rampant resource depletion, biodiversity loss, and the escalating impacts of climate change (SRC 2023, GFN (2024), underscore the urgent need for a reorientation of our wealth creation and management strategies, ensuring their compatibility with intergenerational sustainability.

The current global context is simultaneously fraught with challenges and ripe with opportunities for transformation (Elkington 2020). A growing consciousness driven by data accessibility, stringent sustainability regulations (European Union 2024), greener technologies (Arbib and Seba 2020), and shifting consumer and investor preferences (Costanza, R., et. al. 1997, Cohen-Shacham et al. 2016, NZAMI 2024) offers a window of opportunity for regenerative thinking such as circular economy (Ellen MacArthur Foundation 2013, Hawken 2017 and 2021, Raworth 2017, Stahel 2019, Khan 2024), as alternatives to traditional open loop linear paradigms. In this evolving environment, Islamic Wealth Management (IWM) stands as a significant stakeholder, uniquely poised to offer a holistic and balanced perspective rooted in the enduring Islamic principle of *Wasatiyah* - moderation.

Wasatiyah embodies the essence of balance, moderation, and the avoidance of extremes. It is a guiding principle that underscores the need for harmonious coexistence between competing priorities - material, social, and spiritual. In the realm of wealth management, it challenges the conventional dichotomy between profit maximization and ethical responsibility, advocating for an integrative approach that harmonizes financial prosperity with the preservation of societal, environmental, and spiritual well-being.

Kamali (2015) presents an authoritative and comprehensive compendium of *Wasatiyah* in the Islamic thought and civilization. Azid et. al. (2022) invite their readers to think about the behavioral and religious issues related to the different dimensions of wealth management. There is an exhaustive literature on IWM. Most of these works focus on wealth maximization given the *Halal* parameters. *Wasatiyah* is not a subject in discussions. However, *Wasatiyah* has been discussed in areas of consumption and lifestyle as Israf (wastage) and Tabzeer (squandering) are strongly abhorred in Islamic teachings (Biplob and Abdullah 2021). Haneef and Imon (2024) examine this entanglement of Islamic wealth creation and management within conventional financial narratives of profit maximization and advocate a realignment with the broader Islamic economic vision of *Wasatiyah*.

In the present paper we call for wealth optimization instead of wealth maximization. The paper introduces the Normalized *Wasatiyah* Coordinates (NWCs) framework, a conceptual tool designed to operationalize *Wasatiyah* within IWM. The NWCs is an extension of Normalized Sustainability Coordinates (NSCs) as expounded by Khan (2024). The framework draws upon multidimensional considerations, providing a structured yet adaptable model for aligning wealth management practices with the *Wasatiyah* ethos. By doing so, it offers a pathway for IWM practitioners to address contemporary challenges while fostering a sustainable and equitable wealth ecosystem. This exploratory framework invites further scholarly discussion, refinement, and empirical validation, with the goal of advancing Islamic wealth management as a leading proponent of moderation and sustainability in the global financial landscape.

2. Core principles of Islamic wealth management

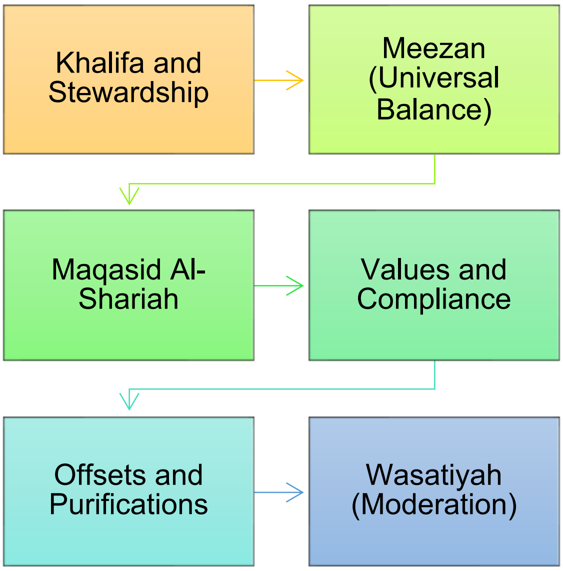
The set of principles guiding Islamic wealth management are visualized in ***Figure 1***. These principles guide a broad spectrum of Islamic businesses, household behaviors, organizations and policies including wealth management.

2.1. Khalifa and Stewardship

In Muslim economic thinking (Siddiqi 1981), the principle of *Khalifa* and stewardship emphasizes that Allah (swt) is the ultimate owner of all creation, including wealth and property. Humans are appointed as trustees (*Khalifa*) on Earth, entrusted with specific moral responsibilities. Stewardship implies ethical and sustainable use of resources, ensuring that wealth and assets are utilized responsibly for the benefit of all, including future generations. It highlights the responsibility of humans to act as caretakers, preserving resources and maintaining ecological balance as a divine mandate.

On the other extreme, opposing this vicegerency role, Al-Quran (Chapter 28, verses 76-82) talks about the story of Qarun. He was a historical personality from the nation of Prophet Musa, characterized as an excessively materialistic, highly wealthy, ungrateful, and arrogant individual who boasted that his wealth was the result of his knowledge. He was destroyed by Allah (swt) for his attitude of arrogance, unbridled acts of material pursuits and corrupt practices.

Figure 1: Core principles of Islamic wealth management



Source: Drawn by author.

2.2. Meezan (Universal Balance)

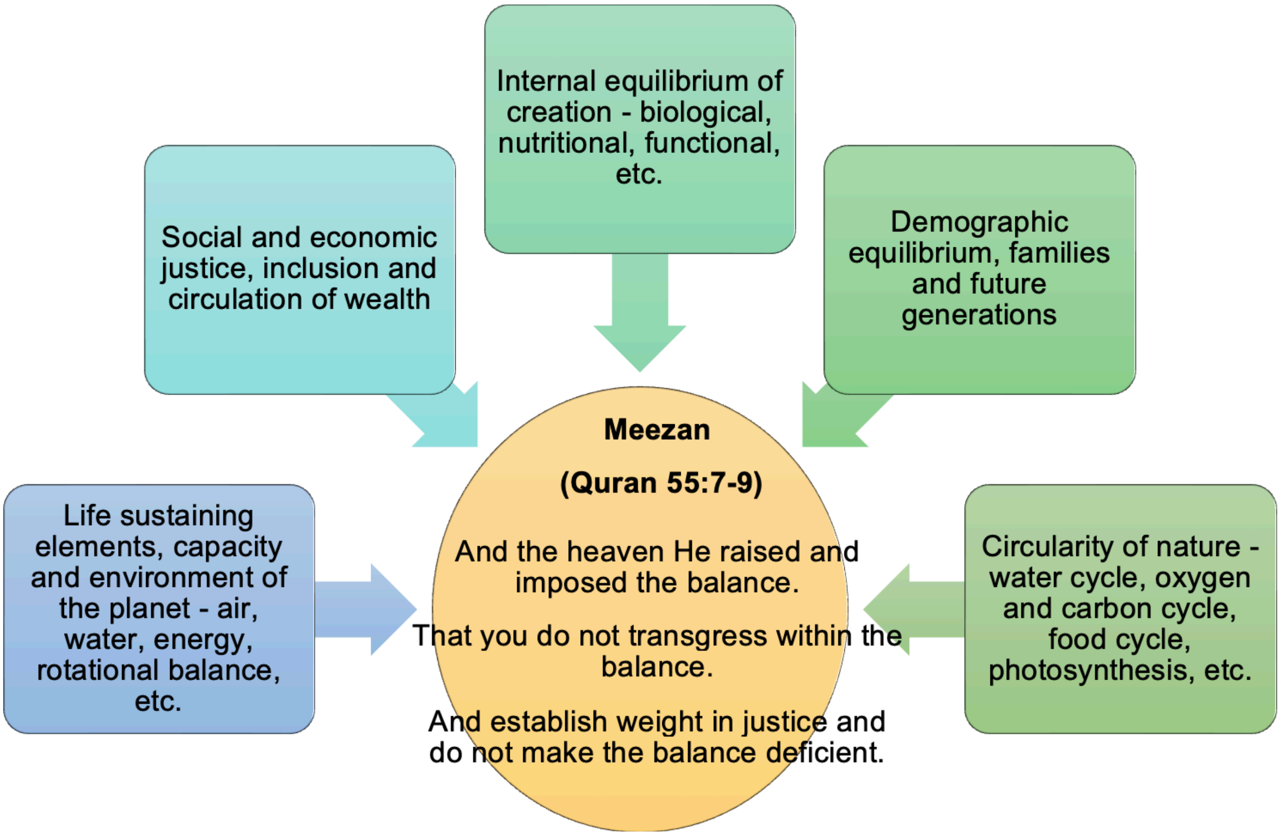
As opposed to Qarun's unbalanced regime, *Meezan* refers to justice and a balance between economic, social, and natural systems as discussed by several Islamic scholars and researchers (Al-Mubarak and Goud 2018). Humans, as trustees, are instructed not to transgress this balance, which is seen as part of Allah's will. As visualized in ***Figure 2,*** *Meezan* underscores the interdependence of environmental, societal, and economic dimensions, promoting policies and practices that do not harm one aspect while benefiting another. It also calls for fairness and justice in transactions and resource distribution, avoiding exploitation or overconsumption.

IWM encourages investments in sectors that promote health, wellness, *halal* and organic Agri and dairy products, renewable energy, water, and nature-friendly businesses, aligning with the emphasis on preserving creation's natural equilibrium. Demographic equilibrium through business strategies aligned with preservation of families and future generations and intergenerational wealth distribution through inheritance and balancing the long-term perspective of sustainability with short-term efficiency.

The holistic framework of Meezan, or universal balance, imparts to IWM several important moral sentiments that are worth exploring further. At the core is a deep reverence for the delicate equilibrium and harmony ordained by the Creator within the various systems of the cosmos - economic, social, environmental, biological, and so on. This instills a profound sense of humility and responsibility in the human being as owner or manager of wealth, who is viewed not as the owner or master, but rather as a trustee and caretaker tasked with maintaining their balance.

This moral sentiment manifests in a heightened awareness of the interconnectedness of all things. One's IWM actions and decisions cannot be evaluated in isolation but must be considered in the context of their broader impacts on the intricate web of natural and societal relationships. There is an ethical imperative for the owner and manager alike to think holistically and long-term, anticipating how one's wealth management pursuits, for example, might have downstream effects on social justice or the environment.

Figure 2: Meezan: Justice, Balance and Dynamic Equilibrium



Source: Drawn by author based on Al-Mubarak, T. and Goud, B. (2018)

Closely related is the sentiment of balance and moderation, just as the divine plan has established an ideal equilibrium, the virtuous path for the human is one of avoiding extremes - whether that be excessive asceticism or unchecked materialism. There is a moral beauty in finding the middle way, the point of harmony where neither the individual nor the collective is shortchanged.

Furthermore, the *Meezan* principle instills a sense of humility and limits. While wealth owners are granted stewardship over creation, they must recognize that they do not have the wisdom or authority to transgress the balance the Almighty sets. There is an ethical duty to operate within the prescribed boundaries, not seeking to arrogate godlike powers of manipulation and control.

Lastly, this framework of balance cultivates a moral sentiment of justice and inclusion. The equilibrium envisioned is not merely a technical or ecological one but must extend to the social and economic realms as well. Wealth, resources, and opportunity cannot be allowed to become concentrated in the hands of the few at the expense of the many. True balance requires a just circulation and distribution that uplifts the whole of society.

2.3. Maqasid Al-Shari'ah

The overarching objectives of Islamic law aim to enhance the welfare of society across multiple dimensions: religion, life, intellect, progeny, and wealth. This is pursued in a multidimensional system where economy, society and nature are embedded. *Maqasid Al-Shari'ah* provides a framework for ensuring holistic development (Chapra 2007), where economic activities are aligned with ethical and spiritual goals. It integrates well-being at individual and societal levels, emphasizing justice, equity, and sustainability. Siddiqi (2013), Dasuki and Bouheraoua (2011), Asutay and Harningtyas (2015) and several scholars call for Islamic finance – wealth creation and management to align with the *Maqasid Al-Shari'ah*.

Environmental, Social, and Governance (ESG) standards have become increasingly important in wealth management in recent years. As investors and clients seek to align their investments with their values, ESG factors have emerged as key considerations. Wealth managers must now demonstrate how they incorporate ESG principles into their investment strategies and decision-making processes. This includes evaluating the environmental impact, social responsibility, and corporate governance of potential investments. By adhering to ESG standards, wealth managers can appeal to a growing segment of the market that prioritizes sustainable and ethical investing.

For Islamic wealth management, it is important to not only comply with ESG standards, but to also align investments and practices with the principles of *Maqasid Al-Shari'ah*. This includes ensuring investments are *halal* and promoting family values as emphasized by Siddiqi (2013) and Khan (2024b) and upholding religious and moral obligations. Wealth managers catering to Muslim clients must demonstrate how their offerings fulfill the higher objectives of Shari'ah law, such as preserving faith, life, lineage, intellect, and wealth. By integrating ESG and *Maqasid Al-Shari'ah*, Islamic wealth management can provide a holistic approach that meets the financial and spiritual needs of clients. ***Figure 3*** visualizes representation of the key principles and considerations regarding the adaptation of family values and *Maqasid Al-Shari'ah* aligned ESG standards in Islamic wealth management.

The intertwined concepts of *Meezan* and *Maqasid Al-Shari'ah* provide a profound framework for sustainable wealth management by emphasizing the interconnectedness of economic, social, spiritual and environmental systems. Unlike traditional approaches that prioritize short-term financial gains, the *Meezan* and *Maqasid* principles demand a holistic perspective where wealth creation is intrinsically linked to maintaining ecological balance, social justice, and long-term sustainability. By viewing wealth managers as trustees rather than absolute owners, this approach encourages investment strategies that generate value not just financially, but also in terms of societal well-being and environmental preservation. The balance inherent in *Meezan* ensures that wealth generation does not come at the cost of depleting natural resources, undermining social structures, or compromising the potential for future generations. This means evaluating investments not merely by their immediate financial returns, but by their broader impact on systemic equilibrium - considering how each economic decision ripples through social networks, ecological systems, and intergenerational potential. Such a comprehensive approach transforms wealth management from a purely extractive model to a regenerative practice that actively contributes to maintaining and enhancing the delicate interconnected systems that sustain human and planetary prosperity.

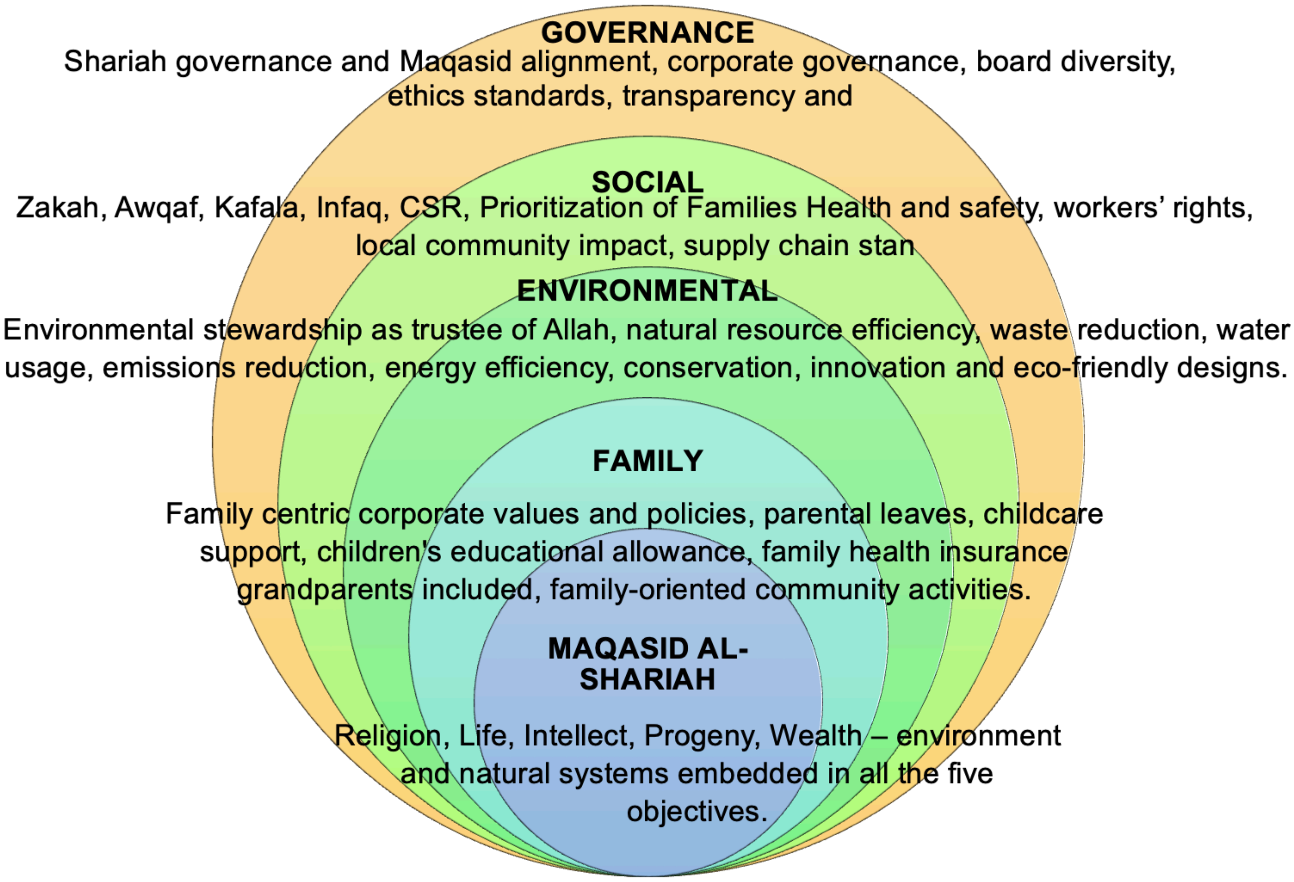
2.4. Values and Compliance

Compliance with Shari'ah principles and the laws of the jurisdiction, alongside adhering to universal ethical values in business and governance, is an imperative. This principle promotes transparency, accountability, and fair dealing in wealth management. It ensures that financial activities respect both divine laws and the state's regulatory standards, creating trust and integrity within markets.

2.5. Offsets and Purification

Wealth must be purified from negative externalities, including social inequalities and environmental pollution, through mechanisms such as: *Zakah* (purification), *Sadaqah*, *Awqaf*, *Infaq*, inheritance, free loans, etc. This principle ensures that wealth creation aligns with social justice, reducing disparities and addressing the harm caused by business activities. It serves as a corrective tool, redirecting excess wealth to uplift marginalized groups and protect the environment.

Figure 3: Aligning the ESG framework with Family and Maqasid Al Shari'ah



Source: Drawn by author

3. Normalized Wasatiyah Coordinates

Wasatiyah advocates for a balanced lifestyle, integrating and unifying material (*Dunya*) and spiritual (*Akhirah*) dimensions and requiring a unified measure. It promotes a middle path in all activities, *including* personal habits, business practices, and governance. *Wasatiyah* avoids extremes, whether in consumption, investment, or social interactions, ensuring harmony between individual needs, societal welfare and environmental balance. In practice, it calls for sustainable and regenerative development models where economic growth is aligned with ethical considerations and environmental preservation.

From the perspective of *Khalifa* and Stewardship, we can see a strong sense of responsibility and accountability emerging. The idea that wealth and resources ultimately belong to Allah, and humans are merely trustees or caretakers, implies a moral duty to manage these assets in a way that pleases the Creator and benefits society. This sentiment of being a steward rather than an owner shapes one's mindset and ethical orientation

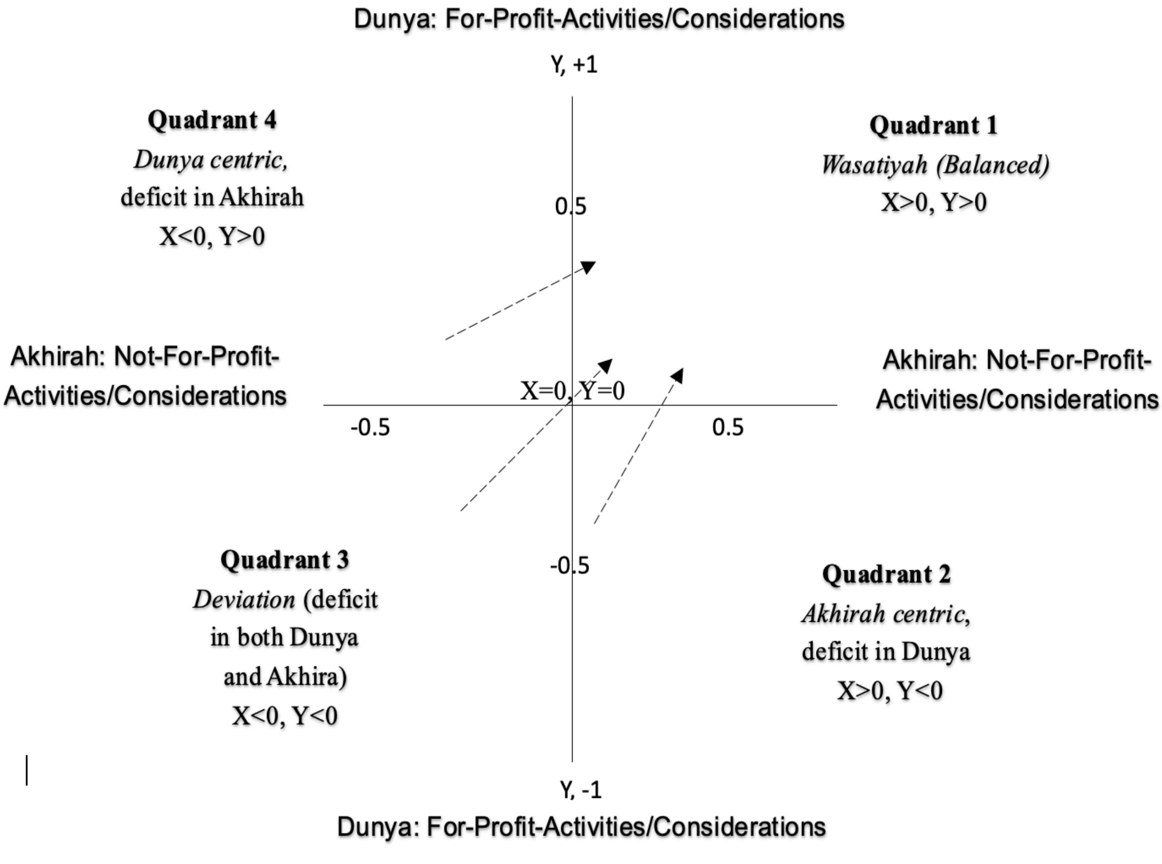
The principle of *Meezan*, or Universal Balance, points to a moral sentiment around the importance of harmony and equilibrium. There is an ethical imperative to avoid upsetting the delicate balance between economic, social, and natural systems that Allah has ordained. This calls for considering the broader, systemic impacts of one's wealth management decisions, rather than just narrow self-interest.

In the realm of Offsets and Purification, we see moral feelings around the need for atonement and cleansing. The recognition that wealth can become impure or tainted by negative externalities motivates the use of tools like *Zakah*, *Sadaqah*, and other offsets to rectify these harms. This reflects a sentiment of seeking purity and social justice. The *Maqasid Al-Shari'ah* objectives of enhancing religion, life, intellect, progeny, and wealth points to an expansive, holistic moral vision. Wealth is not merely for personal gain but must be managed in service of these higher purposes ordained by the divine. This cultivates a sentiment of stewardship over a narrow individualistic mindset.

Finally, the principle of, or moderation, gestures towards a moral sentiment of balance and avoiding extremes. The path of virtue lies in the middle, rejecting both excessive asceticism and unbridled materialism. This promotes an ethical orientation of balance, temperance, and equilibrium in one's lifestyle and relationship to the material world. Collectively, these Islamic economic principles reveal a treasure of moral sentiments - responsibility, harmony, purity, holistic higher purpose, and moderation.

The Islamic worldview is perfectly encapsulated in this supplication: *"Our Lord! Give us in this world that is good and in the Hereafter that is good and protect us from the punishment of the Fire."* Al-Qur'an (2:201).

Figure 4: The Balanced (Wasatiyah) framework of Islamic Economics



Source: Drawn by author

This is juxtaposed to behaviors like Qarun's behavior as mentioned above. In ***Figure 4***, by conceptualizing the *Akhirah*/Ethics dimension on one axis and the Dunya/Profits dimension on the other, it becomes possible to represent their relationship within a two-dimensional Cartesian framework. Each axis is normalized to range from -1 to 1, ensuring a consistent and comparable scale regardless of the underlying metrics or indicators chosen. In this setup, the sign and magnitude of the coordinates reflect the quality and intensity of each dimension: positive coordinates indicate alignment with *Wasatiyah* principles, such as moral soundness and financial viability, while negative coordinates highlight areas in need of improvement. The resulting four quadrants formed by these two perpendicular axes then serve as a diagnostic map. A subject's position within one of these quadrants provides immediate insights into its overall state: whether it is ethically strong but financially weak, financially robust but ethically compromised, balanced and regenerative, or lacking on both fronts.

With a view to present a robust conceptual framework for Islamic wealth management, we extend Khan's (2024) framework of Normalized Sustainability Coordinates (NSCs). We illustrate that Normalized *Wasatiyah* Coordinates (NWCs) can serve as diagnostic tools across the four quadrants, and Substitutions, Transformations, and Offsets (STOs) can be employed as tailored regenerative transformation strategies for the wealth portfolio. The approach is rooted in Islamic ethical principles (*Akhirah* dimension) and sound financial stewardship (*Dunya* dimension), striving for a state of *Wasatiyah* - moderation and balance - consistent with the *Maqasid Al-Shari'ah*.

3.1. Defining NWCs:

X-Axis (Ethics - *Akhirah*): Reflects adherence to Islamic ethical norms and Shari'ah principles.

> x = 1: The investment portfolio or wealth strategy fully aligns with Islamic principles - no involvement in haram activities (including *Riba*, *Gharar*, *Maysir*, unethical sectors), transparency, justice, and stewardship of Allah's resources.
>
> x = -1: The approach is ethically compromised and violates Shari'ah, involving impermissible transactions, exploitation, harm to society or the environment, or neglect of *Zakah* and *Sadaqah* obligations.

Y-Axis (Profits - *Dunya*): Reflects material and financial performance within the guided Islamic framework.

> y = 1: Wealth is growing sustainably, ensuring *halal* earnings, risk diversification aligned with Shari'ah, and delivering stable returns for stakeholders.
>
> y = -1: The investment is unprofitable or unsustainable, leading to losses, wealth erosion, or financial instability that inhibits fulfilling obligations such as family welfare or charitable giving.

By plotting an Islamic wealth management strategy's NWCs (x, y), we identify four distinct quadrants:

3.2. Four Quadrants (4Q):

Quadrant I ($x \geq 0, y \geq 0$): Ethically and Shari'ah-wise sound and profitable. This is the *Wasatiyah* ideal - wealth management that is Shari'ah-compliant, socially responsible, and financially sustainable.

Quadrant II ($x \geq 0, y < 0$): Ethical and Shari'ah integrity is maintained, but profitability is lacking. The portfolio or strategy is Shari'ah-compliant but struggles financially.

Quadrant III ($x < 0, y < 0$): Both ethical and Shari'ah standards and profitability are compromised. The approach involves impermissible or dubious activities and is also financially detrimental, failing Islamic fiduciary and moral obligations.

Quadrant IV ($x < 0, y \geq 0$): Profitable but ethically and Shari'ah-wise tarnished. Although returns are generated, methods may involve haram sectors, violation of stewardship responsibilities, environmental harm, unjust practices, or neglect of other moral duties - contradicting Islamic wealth principles.

Although the NWCs framework categorizes states into four broad quadrants, it is essential to recognize that each quadrant encompasses a spectrum of possible normalized coordinates, and thus, varying levels of intensity or severity within that state. For example, in Quadrant II, a subject might hover just below the profit-neutral line with (x=0.8, y=-0.1), indicating strong ethical performance but only slightly negative financial returns, while another subject in the same quadrant could be deeply embedded at (x=0.9, y=-0.8), signifying a robust ethical standing but severe financial underperformance. Similarly, Quadrant IV might contain entities barely straying into unethical territory at (x=-0.1, y=0.7), where only minor Substitutions might restore moral alignment, whereas entities further along at (x=-0.9, y=0.9) would require more comprehensive Transformations to rebuild their ethical foundations. Even within Quadrant I, moving from a marginally positive position (x=0.1, y=0.2) to an ideal regenerative scenario (x=1.0, y=1.0) might entail progressively more nuanced Offsets and structural modifications. In all such cases, different intensities within the same quadrant will naturally demand tailored combinations of Substitutions, Transformations, and Offsets to effectively recalibrate toward a balanced and regenerative *Wasatiyah* state.

3.3. Transformation Strategies

To move toward Quadrant I or maintain the regenerative state, we employ three categories of interventions:

Substitutions (S): Replacing impermissible or harmful elements with permissible and morally sound alternatives.

Transformations (T): Implementing fundamental changes to the underlying wealth management structure - investment policies, governance, and long-term vision - in line with Islamic values.

Offsets (O): Taking compensatory steps to mitigate residual harms or imbalances, ensuring a path toward positive net ethical and financial gain.

3.3.1. Quadrant I: Positive Ethics, Positive Profits

The Islamic wealth strategy is both aligned with Shari'ah and financially stable. Investments uphold justice, transparency, and community welfare, and profits enable further good works - such as *Zakah*, *Waqf*, and charitable distributions. Though this quadrant represents the ideal *Wasatiyah* state, continuous improvement is essential to maintain resilience and spiritual growth. The regenerative transformation STO strategies for this state of wealth management will include the following.

Substitutions: Even when in an ideal state, subtle improvements can be made. For example, replace ethically neutral holdings with even more positive-impact Islamic financial instruments (e.g., moving from a basic *Sukuk* to a green *Sukuk* funding sustainable projects).

Transformations: Strengthen the Islamic governance framework by implementing Shari'ah advisory boards with more robust oversight. Adopt long-term Islamic sustainable investment strategies that foster environmental stewardship and reduce systemic financial risks (e.g., gradually shifting more capital into renewable energy or socially impactful ventures that align with Islamic social finance).

Offsets: In this positive state, offsets are proactive rather than corrective, allocating a portion of profits to innovative *Sadaqah Jariyah* projects (endowments in education, healthcare, or community uplift). Reinforce community ties by supporting local Islamic microfinance initiatives to help others achieve financial inclusion and stability.

As a result of these strategies a continuously improving, self-reinforcing virtuous cycle of *halal* wealth accumulation and ethical distribution, strengthening the Ummah and safeguarding future generations can be expected.

3.3.2. Quadrant II: Positive Ethics, Negative Profits

The portfolio is Shari'ah-compliant but underperforming financially. Although the manager avoids *Riba*, unethical industries, and speculative trades (*Gharar*, *Maysir*), economic returns are insufficient to sustain long-term goals or fulfill social responsibilities adequately. The STO strategies will entail the following.

Substitutions: Replace underperforming *halal* investments with equally ethical but more financially viable options. For instance, if certain Islamic funds are consistently under-delivering, substitute them with more competitive Shari'ah-compliant equities or *Sukuk* that have demonstrated stable returns. Move from a narrow commodity-based Islamic investment to a diversified *halal* portfolio including green technology or healthcare ventures that respect Islamic principles.

Transformations: Rethink financial strategies while maintaining ethical integrity. For instance, introduce risk-sharing partnerships (*Mudarabah* or *Musharakah*) with well-managed Islamic businesses that have growth potential. Develop a more sophisticated Islamic asset allocation model that balances risk and return under Shari'ah constraints, leveraging Islamic financial innovations and global *halal* market insights.

Offsets: While the primary goal is to improve financial stability, temporary offsets can help cushion transitions by seek Islamic micro-*takaful* (insurance) arrangements to mitigate risks. Negotiate temporary cost reductions or benefit from Islamic philanthropic funds that support capacity building for ethically driven but financially weak ventures.

As a result of these measures, elevating profitability without compromising on Shari'ah adherence, guiding the strategy toward Quadrant I where spiritual and financial well-being reinforce each other is expected.

3.3.3. Quadrant III: Negative Ethics, Negative Profits

This is the most critical state: The wealth management approach is both ethically and Shari'ah-wise flawed (involving haram, injustice, or exploitation) and unprofitable (leading to waste of resources and inability to fulfill Islamic obligations). Immediate and fundamental reforms are needed. The following are examples of potential STO strategies.

Substitutions: Remove investments in haram industries (alcohol, gambling, conventional finance with *Riba*) and replace them with permissible and ethically neutral or positive assets. Even if initial financial returns are modest, the priority is to eliminate unethical income streams promptly.

Transformations: Overhaul the entire wealth management framework by establishing a Shari'ah governance structure, employing qualified Shari'ah scholars to audit current holdings and ensure compliance. Transform the business model to prioritize *Maqasid al-Shari'ah* and ensuring financial instruments promote justice, prevent harm, and contribute positively to society. Integrate *halal* risk-sharing modes (like *Musharakah* and *Mudarabah*) instead of relying on interest-bearing loans or exploitative profit-making schemes.

Offsets: In the interim, use offsets to address and compensate for the past damage by dedicating a portion of remaining capital or future gains to environmental restoration, social welfare projects, or community development (e.g., providing interest-free loans (*Qard Hasan*) to small *halal* businesses). Engage in immediate *Zakah* or *Sadaqah* to purify wealth and rectify injustices caused by previous unethical investments.

A step-by-step regeneration that gradually lifts the strategy out of degeneracy, first stabilizing ethically and then building toward financial soundness, ultimately moving towards Quadrant I.

3.3.4. Quadrant IV: Negative Ethics, Positive Profits

The wealth management is financially successful but involves unethical or Shari'ah-noncompliant elements. High returns may come from questionable sectors (e.g., *Riba*-based finance, exploitative industries) or from investments that neglect moral obligations (no attention to *Zakah*, hoarding wealth). Examples of potential STO strategies include the following.

Substitutions: Substitute haram or doubtful asset classes with Shari'ah-compliant alternatives – for example replace conventional bonds with Sukuk. Divest from exploitative labor-intensive industries to Islamic socially responsible investments that honor fair wages, just treatment of workers, and environmental care.

Transformations: Ethical realignment is crucial like implementing a formal Shari'ah compliance framework and periodic Shari'ah audits. Transforming the investment philosophy to embrace Ihsan (excellence) and *Amanah* (trust), ensuring wealth is a means to serve people and please Allah, not merely accumulate returns.

Offsets: While transitioning, employ offsets to address legacy issues redirecting a portion of profits into Islamic charitable institutions, *waqf* (endowments), or projects that rectify social harm. If the portfolio benefited from unethical gains, use purified capital (through *Sadaqah*) to compensate communities adversely affected. Gradually restoring ethical equilibrium without losing the financial foundation, the portfolio now contributes positively to society and aligns with divine guidance, nearing Quadrant I's ethical-financial harmony.

In Islamic wealth management, NWCs serve as a spiritual-ethical and financial compass, pinpointing the current state relative to the *Wasatiyah* ideal. The four quadrants clarify the nature of deficiencies - whether moral, financial, or both - and STO strategies provide concrete, Shari'ah-consistent pathways for regenerative transformation. The aim is to achieve a state of balanced, harmonious wealth stewardship, reflecting the Islamic ideals of justice, responsibility, moderation, and benefit to all of Creation.

4. Mathematical Framework

Below is a formal mathematical framework that translates the *Wasatiyah* conceptual model into an optimization problem. While this model can be elaborated in various ways depending on context and application, the formulation presented here captures the essence of seeking a balanced (moderate) solution that is ethically sound (*Akhirah*-focused) and materially beneficial (*Dunya*-focused).

<u>Model Components:</u>

1. Decision Variables:

- Let $x \in [-1,1]$ represent the ethics (*Akhirah*) dimension. Here:
  - $x = 1$ corresponds to the highest ethical standard.

- $x = 0$ represents an ethically neutral stance.
- $x = -1$ corresponds to completely unethical behavior.

◦ Let $y \in [-1,1]$ represent the material profit (Dunya) dimension. Here:

- $y = 1$ corresponds to maximum profit realization.
- $y = 0$ represents a neutral (break-even) financial outcome.
- $y = -1$ corresponds to significant material loss.

2. Quadrant Interpretation:

The Cartesian plane is divided into four quadrants based on the signs of x and y:

◦ Quadrant I ($x \geq 0, y \geq 0$): Balanced region where both ethics and profits are non-negative.
◦ Quadrant II ($x \geq 0, y < 0$): Ethically sound but financially detrimental.
◦ Quadrant III ($x < 0, y < 0$): Both ethically and financially negative.
◦ Quadrant IV ($x < 0, y \geq 0$): Financially profitable but ethically unsound.

The *Wasatiyah* principle favors solutions in Quadrant I as it strives for a positive and balanced outcome on both dimensions.

3. Objective of *Wasatiyah*:

The principle of *Wasatiyah* suggests not only maximizing each dimension but doing so in a way that reflects moderation and balance. A purely profit-maximizing solution ignoring ethics (Quadrant IV) or a purely ethical solution ignoring economic viability (Quadrant II) does not fulfill the *Wasatiyah* spirit. Similarly, a solution that fails on both fronts (Quadrant III) is undesirable.

Wasatiyah implies simultaneously achieving positive ethics and profits in a balanced manner.

4. Objective Functions:

(a) Multi-Objective Formulation:

We can initially frame this as a multi-objective optimization:

Maximize (x, y) Subject to $x, y \in [-1, 1]$.

This seeks to maximize ethics and profits simultaneously. However, this leaves open the possibility of solutions that are extreme in one dimension but lack balance.

(b) Balanced Single-Objective Function:

To ensure the concept of *Wasatiyah* (moderation and balance), we can combine the two objectives into a single function that rewards balanced improvement. One common approach is to use a product form, which inherently requires both dimensions to be strong:

Maximize $f(x, y) = x \cdot y$ Subject to $x, y \in [-1, 1]$.

This product is the highest when both x and y are large and positive, encouraging solutions in

Quadrant I where both ethics and profits are optimized. If one dimension is small or negative, the product diminishes, discouraging unbalanced solutions.

Alternatively, we could use a function that emphasizes closeness and positivity, such as:

Maximize $g(x, y) = \min\{x, y\}$ Subject to: $x, y \in [0, 1]$.

This formulation maximizes the lower bound of the two, ensuring that we do not sacrifice one dimension for the other. For instance, if $x = 1$ and $y = 0.5$, then $g(x, y) = 0.5$ To improve this, we need to raise y closer to x, encouraging balanced growth.

5. Constraints and Modifications:

- To strictly ensure that we are considering "*Wasatiyah*" as positive ethical and profitable solutions, we can require: $x \geq 0, y \geq 0$.
- If the decision space allows solutions in other quadrants, the optimization will naturally push towards Quadrant I if the objective is to maximize $x \cdot y$. However, if we want to limit consideration strictly to Quadrant I, then:

  $0 \leq x \leq 1, 0 \leq y \leq 1$.

6. Final Optimization Problem:

Option 1 (Product-based objective):

Maximize $x \cdot y$

subject to:

$$0 \leq x \leq 1,$$

$$0 \leq y \leq 1.$$

Option 2 (Minimum-of-two-based objective):

Maximize $\min\{x, y\}$

subject to:

$$0 \leq x \leq 1,$$

$$0 \leq y \leq 1.$$

Both formulations ensure that the optimal solution is one that improves both ethics and profits simultaneously, reflecting the *Wasatiyah* principle of moderation and balance. The product-based objective will be maximal at $(x, y) = (1,1)$, while the min-based objective also encourages moving both dimensions toward their upper bound to maximize the minimum.

7. Interpretation and Extensions:

- The chosen objective function can be adjusted to incorporate different value systems, priorities, or constraints. For example, we might place additional weights if certain ethical considerations are more critical than marginal profit gains:

Maximize $W(x, y) = \alpha x + \beta y - \gamma|x - y|$

where α, β, and γ are parameters that reflect the importance of each dimension and the desire for balance.

- o Additional constraints can represent policy requirements, resource limitations, or social impact thresholds. For example:

$x \geq xmin > 0, y \geq ymin > 0$

ensures at least some minimal level of ethical and financial performance.

In summary, this formal mathematical model for *Wasatiyah* optimization treats the problem of achieving balanced and positive outcomes in both ethics (*Akhirah*) and profits (*Dunya*) dimensions as an optimization problem on the two-dimensional plane [−1,1]2, with objectives and constraints chosen to emphasize the quadrant (Quadrant I) and nature (balanced positivity) that *Wasatiyah* embodies.

4.1. Quadrant III Regenerative Transformation towards Quadrant I

Quadrant III is a special case where ethics and financial performance are both not meeting the minimum required conditions and urgently require radical transformation. We suggest a formal optimization model for improving a Quadrant III state, for example with NWCs $(x, y) = (-0.5, -0.5)$ toward Quadrant I ($x \geq 0, y \geq 0$) using three types of interventions – Substitutions (S), Transformations (T), and Offsets (O) to optimize a *Wasatiyah* objective function. The model is based on the normalized *Wasatiyah* coordinates (NWCs).

Context:

- We start with an initial NWCs situation diagnosed as

  (xinitial, yinitial) = $(-0.5, -0.5)$ in Quadrant III, where both ethics (*Akhirah*) and profits (*Dunya*) are negative.

- We have three categories of interventions:
  1. Substitutions (S): These could represent replacing negative practices or frameworks with neutral or more positive ones.
  2. Transformations (T): These could represent deeper structural or systemic changes that shift the underlying paradigm from unethical/unprofitable to more ethically sound and profitable.
  3. Offsets (O): These could represent compensatory measures or supportive policies that help lift performance in both dimensions.

The goal is to use these interventions to improve the NWCs from Quadrant III to Quadrant I, where both x and y are nonnegative, and to do so in a way that maximizes a "*Wasatiyah* function." The *Wasatiyah* principle suggests balanced improvement: pushing both ethics and profits toward positive synergy.

Decision Variables:

- Let $s \geq 0$ be the intensity level of Substitution interventions.
- Let $t \geq 0$ be the intensity level of Transformation interventions.
- Let $o \geq 0$ be the intensity level of Offset interventions.

These variables represent how much of each intervention we apply. They are continuous variables that can be scaled according to the problem context.

Parameters:

We assume each type of intervention contributes incrementally and positively to both ethics (x) and profits (y). Define the parameters that represent the efficacy of each intervention:

- $a_s, a_t, a_o > 0$: The incremental gains to the ethics dimension (x) per unit of S, T, and O interventions, respectively.
- $b_s, b_t, b_o > 0$: The incremental gains to the profits dimension (y) per unit of S, T, and O interventions, respectively.

These parameters are context-dependent and must be estimated or assigned based on how effective each intervention type is in improving the NWCs.

State Equations:

The final NWCs after applying the interventions are:

$x_{final} = x_{initial} + a_s s + a_t t + a_o o = -0.5 + a_s s + a_t t + a_o o,$

$y_{final} = y_{initial} + b_s s + b_t t + b_o o = -0.5 + b_s s + b_t t + b_o o.$

Feasibility Constraints:

To move from Quadrant III to Quadrant I, both final coordinates must be nonnegative:

$x_{final} = -0.5 + a_s s + a_t t + a_o o \geq 0,$

$y_{final} = -0.5 + b_s s + b_t t + b_o o \geq 0,$

These constraints ensure that the chosen levels of interventions are sufficient to bring the state out of negativity in both dimensions.

Objective Function (Wasatiyah Function):

A suitable *Wasatiyah* objective function encourages balanced improvement in both x and y. One natural choice is the product $x_{final} \cdot y_{final}$, which is only maximized when both are significantly positive and balanced. Thus:

Maximize $W(x_{final}, y_{final}) = x_{final} \cdot y_{final}$

Substituting, we get:

Maximize s, t, o: $(-0.5 + a_s s + a_t t + a_o o)(-0.5 + b_s s + b_t t + b_o o)$

Maximizing this product ensures that we do not merely shift one dimension to positivity at the expense of the other. Instead, both must improve for the objective to increase significantly, reflecting the *Wasatiyah* principle of balanced moderation and synergy.

Nonnegativity Constraints:

$S \geq 0, t \geq 0, o \geq 0.$

Complete Optimization Model:

Maximize s, t, o:

$(-0.5 + ass + att + aoo). (-0.5 + bss + btt + boo)$

Subject to:

$-0.5 + ass + att + aoo \geq 0,$

$-0.5 + bss + btt + boo \geq 0,$

$s \geq 0, t \geq 0, o \geq 0.$

Interpretation and Extensions:

- This model identifies the best "mix" of interventions (S, T, O) to pull the NWCs out of Quadrant III and into Quadrant I while maximizing a measure of balanced success.
- If desired, additional constraints can be included to limit resources, cap intervention levels, or incorporate other policy or ethical requirements.
- The parameter values as, at, ao, bs, bt, bo can be tuned to reflect realistic impact assessments of each intervention strategy.

By solving this optimization problem, one obtains the optimal intervention strategy that achieves the *Wasatiyah*-inspired improvement from an initially negative ethical and profit state to a more balanced, positive outcome.

The NWCs framework as a unified measure of ethical and financial performance fundamentally distinguishes itself from conventional financial models through its holistic, multi-dimensional approach to wealth management. Traditional financial frameworks, such as Modern Portfolio Theory or Capital Asset Pricing Model, primarily focus on risk-adjusted returns and quantitative financial metrics, treating ethical considerations as peripheral or irrelevant. In contrast, the NWCs model integrates ethical performance as a co-equal dimension with financial performance, presenting a more comprehensive optimization strategy. Unlike Environmental, Social, and Governance (ESG) approaches that often treat ethical considerations as secondary screening mechanisms, NWCs embed ethical evaluation into the core mathematical structure of wealth management.

As an extension of the normalized sustainability coordinates (NSCs), the NWCs four-quadrant diagnostic system provides a more nuanced assessment than binary ethical screening, offering detailed regenerative transformation strategies through Substitutions, Transformations, and Offsets. Where contemporary sustainable finance models typically rely on negative screening - like Shari'ah Screening, or passive ESG integration, NWCs based on Circular-ESG framework, propose an active, dynamic approach to unified (ethical-financial) optimization. The framework's mathematical formulation allows for precise quantification of ethical and financial performance, addressing a critical limitation in existing responsible investing (SRI) models that struggle to measure and integrate moral dimensions systematically. By presenting a structured methodology that treats ethics and profitability as interdependent variables rather than competing priorities, the NWCs framework represents a significant epistemological shift in understanding wealth management - from a reductive, profit-maximization paradigm to a more holistic, regenerative approach that recognizes the intrinsic interconnectedness of financial and ethical systems.

5. Illustrative empirical case study

It is often perceived as difficult to develop robust rubric for the ethical dimension and to test the *Wasatiyah* framework empirically. To further elaborate this important point, and to offer an illustrative empirical case, in ***Table 1*** we present a hypothetical example of 4 *Halal* restaurants. The total mf-ESG scores are 100 and the *Halal* threshold scores are 20. The 4 *Halal* restaurants score differently on the different rubrics. Although all the 4 restaurants are *Halal* - Restaurant 1's mf-ESG scores are 45; Restaurant 2's mf-ESG scores are 60; Restaurant 3's mf-ESG scores are 80; and Restaurant 4's mf-ESG scores are 95.

Table 1: The Maqasid and Family aligned ESG (mf-ESG) of Halal Restaurants

Mf-ESG Scores Total 100	*mf-ESG Rubrics*	*Halal Restaurant 1*	*Halal Restaurant 2*	*Halal Restaurant 3*	*Halal Restaurant 4*
Maqasid Aligned ENVIRONMENTAL DIMENSION (mE) Total scores 20	Waste reduction Water usage Clean energy usage Biodiversity support Green supply chain Hygiene and usage of Plastic	2.5	10	20	20
Maqasid Aligned SOCIAL DIMENSION(S) Total scores 20	Zakah, Awqaf, Kafala, Infaq/ CSR Families support Health and Safety Workers' rights Local community impact Supply chain	2.5	10	10	20
Maqasid Aligned GOVERNANCE DIMENSION (G) Total scores 20	Maqasid alignment of Shari'ah governance Corporate governance and board diversity Ethics standards Transparency and disclosures Executive compensation	5	10	10	20
Maqasid Aligned FAMILY DIMENSION (F) Total scores 20	Family centric corporate values and policies, parental leaves, childcare support, children's educational allowance, family health insurance grandparents included, family-oriented community activitie	15	10	20	15
Halal threshold scores 20		20	20	20	20
Total mf-ESG Scores of Restaurants		**45**	**60**	**80**	**95**

Source: Hypothetical Table, prepared by the author for explanatory purposes.
Note: Please refer to Figure 3 above for the concept mf-ESG

Using the Min-max normalization formula to scale values from -1 to +1 we get the normalized balanced coordinates (NBCs) of ***Table 2*** for the ethics dimension. Since the profits' rubric is not a challenge, we assume the profits' coordinates as 0.5 for all restaurants. Paradoxically, it is evident that *Halal* restaurants 1 and 2 fall into Quadrant 4, scoring low on the ethical dimensions. The *Wasatiyah* model is helpful diagnostic to identify improvement areas.

6. From maximization to optimization

The preceding discussion leads to rethinking the common wisdom of wealth management beyond profit maximization to address the shortcomings of the current paradigm. *Wasatiyah* resonates with and reimagines the broader intellectual and economic discourse of the past and the present.

Table 2: NBCs for Halal Restaurants

Restaurants	mf-ESG Scores, from Table 1	Normalized X Coordinates	Normalized Y coordinates (assumed)	Normalized Balanced Coordinates (NBCs)	Quadrant Placement, reference Figure 3
Restaurant 1	45	-1	0.5	-1, 0.5	QVI, low on ethics
Restaurant 2	60	-0.4	0.5	-0.4,0.5	QVI, low on ethics
Restaurant 3	80	0.4	0.5	0.4, 0.5	QI, High on ethics
Restaurant 4	95	1	0.5	1. 0.5	QI, High on ethics

Source: NBCs calculation based on hypothetical Table 1

Note: Min-max normalization formula to scale values from -1 to +1
X_min = min(mf_ESG_scores), X_max = max(mf_ESG_scores)

Normalized scores = [2 * (x - X_min) / (X_max - X_min) - 1 for x in mf_ESG_scores]

6.1. Adam Smith's Moral Sentiments vs. Modern Free Markets:

Adam Smith, often credited as the father of the free market economy, grounded his economic ideas in his earlier work (Smith 1759 on "*The Theory of Moral Sentiments*"). He believed that "sympathy, fairness, and moral responsibility" were essential underpinnings of human behavior. For Smith, free markets relied on individuals' ability to temper self-interest with concern for others. Over time, however, free-market economics evolved under the assumption of "*homo economicus*" – an individual being rational only if purely selfish! This reductionist view drove the wealth management paradigm toward profit and wealth maximization, sidelining moral sentiments and ethical considerations. The *Wasatiyah* framework introduced in the early 7th century AD – in its renewed form, reintroduces Smith's neglected moral dimension, advocating for a balanced and ethically guided approach to wealth management. It emphasizes moderation, interconnectedness, and social responsibility, preceding much early Smith's idea of moral limits to selfishness.

6.2. Failures of Wealth Maximization:

The profit-maximization paradigm has led to wealth concentration in the hands of a few, exacerbating socio-economic divides. Overexploitation of natural resources and unsustainable practices has put unbearable pressures on natural systems. Ethical breaches in corporations, from financial scandals to exploitative practices, has eroded trust. *Wasatiyah* challenges this paradigm by promoting a regenerative and inclusive economic system, which aligns wealth management with ethical and environmental imperatives.

6.3. Economic Thought Beyond Smith:

Other intellectual traditions also support rethinking the wealth management paradigm. Sen (1999) focuses on what people can achieve, emphasizing well-being over material wealth. Raworth (2017) advocates for balancing economic activity within planetary and social boundaries. Rawls (1971) highlights the need for equitable distribution of resources. Khan calls for regenerative humane transition. *Wasatiyah* fits into this broader conversation by offering a spiritually grounded framework that harmonizes financial goals with ethical imperatives, filling gaps left by secular approaches.

6.4. Need for a Broader Wealth Paradigm:

The global challenges of today - climate change, inequality, and exclusion and societal unrest - demand a shift from wealth maximization to wealth optimization. We must recognize that wealth is a trust (*Amanah*) rather than an individual possession, resonating with stewardship concepts in both religious and secular thought. Wealth is a means to achieve well-being and justice rather than an end. Integration of moral sentiments and social responsibility into economic decision-making is an imperative.

6.5. Broader Resonance of Wasatiyah:

Wasatiyah is central to Islamic religious beliefs: *"And thus, We have made you a justly balanced community that you will be witnesses over the people and the Messenger will be a witness on you..."* Al-Baqarah verse 143.

However, from a broader global perspective of free market economies, it is easy to comprehend that *Wasatiyah* reflects the moral sentiments Smith envisioned, integrating them into wealth management. It insists that the self-interest driving markets must be tempered with moderation and responsibility. It resonates with global calls for responsible market economies such as more than 325 signatories with USD 57.5 trillion in assets under management - committed to achieving Paris Agreement targets (NZAMI 2024) and other ethical investing, and stakeholder-oriented models.

Wealth maximization focuses on the unbounded pursuit of increasing profits and accumulating material resources, often as the primary or sole objective of economic activity. It typically emphasizes short-term financial gains, individual benefits, and the efficiency of resource utilization, with little regard for broader social, environmental, or ethical consequences. This approach often leads to negative externalities, such as inequality, environmental degradation, and exploitation, as it prioritizes self-interest and ignores the interconnectedness of economic systems with societal and ecological well-being.

In contrast, wealth optimization emphasizes balance, sustainability, and harmony between material prosperity and broader ethical, social, and environmental goals. It seeks to align wealth creation with moral responsibilities, including equity, justice, and the stewardship of resources. Rather than maximizing financial outcomes at any cost, wealth optimization aims for regenerative and inclusive progress, ensuring long-term resilience and well-being for both current and future generations. This paradigm considers wealth not just as a means of individual enrichment but as a tool for collective benefit and ethical responsibility.

Beyond its Islamic origins, the *Wasatiyah* framework offers a universally compelling approach to wealth management that transcends cultural and religious boundaries. The core principles of balance, ethical responsibility, and holistic well-being resonate with contemporary global economic challenges that demand more nuanced approaches to wealth creation. Secular economic philosophies from various traditions put emphasis on collective well-being, Indigenous economic models prioritizing community and ecological sustainability, and progressive Western economic thought championing stakeholder capitalism - share striking parallels with fundamental ethos of *Wasatiyah*. The framework's mathematical modeling provides a translatable methodology that could be adapted to different cultural contexts by recalibrating the specific ethical and financial parameters. For instance, Western corporate social responsibility frameworks, Scandinavian stakeholder economic models, and emerging sustainable development approaches all reflect similar impulses towards balancing economic productivity with broader societal and environmental considerations. By demonstrating how ethical dimensions can be systematically integrated into financial decision-making through a rigorous, quantifiable approach, the *Wasatiyah* optimization model offers a potentially transformative tool for reimagining economic systems beyond its Islamic intellectual heritage. The universality of its core insight - that wealth should be viewed as a dynamic, balanced instrument of collective progress rather than a mechanism for individual accumulation - provides a powerful bridge between diverse economic philosophies and approaches to sustainable development.

This call for rethinking wealth management from maximization to optimization resonates intellectually and practically – *Wasatiyah* and an important segment of current state of global consciousness. By addressing the moral and societal dimensions of economic activity, *Wasatiyah* represents a timely and necessary evolution of wealth management that could bridge Adam Smith's moral sentiments with today's sustainability and equity challenges. It redefines wealth as a tool for balanced progress, rather than an unbounded pursuit of accumulation - a shift that is both intellectually sound and practically urgent.

7. Generalization - Normalized Balanced Coordinate (NBCs)

As a generalization of the above discussion, the Normalized Balanced Coordinates (NBCs) framework emerges as a versatile analytical tool that transcends its original Islamic wealth management context, offering a powerful methodology for diagnosing and through STOs transforming complex systemic challenges across diverse domains. By reducing multifaceted and noisy problems to two pivotal dimensions - typically representing ethical/environmental considerations and efficiency/developmental metrics - the NBCs approach provides a systematic, dynamic and quantifiable method for understanding and optimizing performance in various fields.

At its core, the NBCs framework employs a two-dimensional Cartesian coordinate system normalized between -1 and +1, allowing for consistent and comparative analysis across different contexts. This mathematical structure enables practitioners to plot the current state of a system, organization, or initiative along two critical axes, with positive coordinates indicating alignment with desired principles and negative coordinates highlighting areas requiring improvement. The generalized approach makes it applicable to domains as varied as sustainable and responsible investments (SRIs), environmental, social, and governance (ESG) metrics, sustainable development goals (SDGs), public health policy, individual, household and firms' behaviours, and organizational strategy.

The framework's transformative power lies in its three-pronged intervention strategy: Substitutions, Transformations, and Offsets (STOs). Substitutions involve replacing underperforming or problematic elements with more aligned alternatives. Transformations represent fundamental structural changes to address systemic issues. Offsets provide compensatory mechanisms to mitigate existing imbalances. This approach allows for a nuanced, contextually sensitive method of moving towards a more balanced and optimal state, regardless of the specific domain of application.

What distinguishes the NBCs framework is its ability to simplify complex and often noisy multidimensional challenges into a clear, actionable diagnostic tool. By focusing on two critical dimensions, it provides decision-makers with an intuitive yet rigorous method to assess current performance, identify improvement areas, and develop targeted strategies for positive change. The normalized coordinate system ensures that different contexts can be analyzed using a consistent methodology, facilitating cross-domain comparisons and knowledge transfer.

The potential applications of the NBCs framework are vast and largely unexplored. From public health initiatives balancing equity and efficiency to corporate strategies aligning social responsibility with financial performance, this approach offers a powerful lens for understanding and optimizing complex systems. Future research could focus on developing domain-specific implementations, creating a generalized methodology that can be customized across various fields, potentially establishing NBCs as a fundamental analytical approach for addressing multidimensional challenges in an increasingly complex global landscape.

8. Conclusions

The NWCs framework reimagines wealth management by bridging the divide between ethical imperatives and financial objectives. Its potential extends beyond Islamic finance, offering a universal model for achieving balance in an era of growing socio-economic and environmental challenges. By aligning profitability with sustainability and ethics, the framework positions global financial institutions to lead in fostering an inclusive, regenerative economy. The mathematical and conceptual models presented demonstrate how Islamic economic principles can be systematically applied to create regenerative wealth strategies that balance material prosperity with moral integrity.

At its core, the NWCs or more generally NBCs approach embodies the principle of *Wasatiyah* - moderation and balance - by providing a structured method to assess and improve wealth management practices or any other state, action or policy. The four-quadrant model allows practitioners to diagnose ethical and financial performance, identifying specific strategies for transformation across different scenarios. Whether an investment portfolio is ethically sound but financially weak, or profitable but morally compromised, the framework offers tailored interventions through Substitutions, Transformations, and Offsets that guide stakeholders toward a more balanced and sustainable approach to wealth creation and distribution.

The significance of this framework extends beyond theoretical constructs, offering a practical blueprint for reimagining economic activity as a means of social upliftment and spiritual growth. By emphasizing stewardship, universal balance, and the interconnectedness of economic, social, and environmental systems, the *Wasatiyah* approach challenges prevailing narratives of wealth accumulation. It presents a compelling alternative that aligns financial pursuits with higher moral objectives, ultimately contributing to a more just, sustainable, and ethically grounded global economic ecosystem that respects both individual prosperity and collective well-being.

8.1. Direction of Future Research

The prevailing paradigm of wealth management has long prioritized maximization - of profits, returns, and accumulation. However, this approach has proven inadequate in addressing systemic challenges such as rising inequality, environmental degradation, and the erosion of societal trust. It is increasingly clear that wealth, as a concept, must be reimagined as a tool for balanced and regenerative progress.

Adam Smith, often regarded as the father of free-market economics, envisioned markets driven by moral sentiments - sympathy, fairness, and justice. However, modern economic systems have sidelined these ethical underpinnings in favor of the self-interested "*homo economicus*." This shift has resulted in markets that maximize individual gains at the expense of collective well-being, leading to unsustainable practices and deep social inequities.

Regenerative economics offers a timely alternative, emphasizing sustainability and the integration of economic activity within ecological and social boundaries. Frameworks like the Circular-ESG model and more its general form like Normalized Balance Coordinates (NBCs) advocate for closing negative externalities and achieving net-positive impacts through circular, inclusive, and regenerative strategies. Such approaches align closely with the principle of *Wasatiyah* in Islamic economics, which advocates for balance and moderation.

Future research should explore the practical application and refinement of the Normalized Balance Coordinates (NBCs) framework across diverse domains. A key focus should be developing robust methodologies for defining and quantifying the relevant dimensions for specific trade-offs, such as economic growth vs. ecological sustainability, efficiency vs. equity, quality vs. quantity, and full employment vs. price stability. This includes investigating appropriate normalization techniques and exploring visualization methods that effectively communicate the complex interplay between competing priorities. Furthermore, research should delve into the development of tailored transition strategies, like the STOs (Substitutions, Transformations, and Offsets) introduced in the context of IWM, for each specific application of the NBCs. This involves identifying effective interventions and policy recommendations that facilitate movement towards the desired balanced state, considering the dynamic and interconnected nature of the systems involved. Crucially, research should examine the behavioral aspects of decision-making within the NBCs framework, exploring how individuals and organizations can be incentivized to adopt a more holistic and balanced approach that moves beyond single-dimension maximization.

Beyond the initial examples, future research could explore the application of NBCs to a wider range of tensions and trade-offs. These could include balancing individual liberties vs. societal security, technological innovation vs. ethical considerations, short-term gains vs. long-term sustainability, cultural preservation vs. modernization, and resource consumption vs. environmental protection. The NBCs framework offers a powerful tool for analyzing and addressing these complex challenges by providing a unified platform for measuring and optimizing across multiple, often conflicting, dimensions. By shifting the focus from maximizing a single variable to achieving a desired balance among competing priorities, the NBCs approach has the potential to foster more sustainable, equitable, and resilient systems. Future work should also investigate how the NBCs can be integrated with existing decision-making tools and frameworks, such as cost-benefit analysis and multi-criteria decision analysis, to enhance their effectiveness and broaden their applicability.

Optimizing wealth management shifts the focus from unbounded accumulation to achieving harmony between material prosperity and ethical integrity. This approach aligns with contemporary calls for stakeholder capitalism, ESG integration, and regenerative systems. The Normalized *Wasatiyah* Coordinates (NWCs) framework provides a robust tool for operationalizing this shift, ensuring that wealth is not merely accumulated but used to foster justice, sustainability, and spiritual well-being. The framework opens doors for curriculum and pedagogy change, and future-fit empirical research and knowledge development.

To rigorously validate the Normalized *Wasatiyah* Coordinates (NWCs) framework, a multi-stage mixed-methods research approach is recommended. Initial quantitative research could involve a comprehensive longitudinal study across Islamic financial institutions, tracking wealth portfolios using the NWCs diagnostic tool. This would require developing standardized measurement protocols for ethics (*Akhirah*) and profitability (*Dunya*) dimensions, potentially employing a comprehensive scoring rubric that captures both quantitative financial metrics and qualitative ethical assessments. Parallel qualitative research through structured interviews with Islamic finance practitioners, Shari'ah scholars, and wealth management experts would provide insights into the framework's practical applicability and potential refinements. A comparative case study methodology could be particularly illuminating, examining portfolios before and after implementing NWCs-guided transformations to assess changes in financial performance, ethical alignment, and overall portfolio resilience. Furthermore, interdisciplinary collaborative research involving economists, Islamic finance scholars, ethicists, and data scientists could help develop more robust models for NWCs optimization and validation.

Declarations

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Declaration of generative AI and AI-assisted technologies in the writing process

The model has been developed by the author. During the preparation of this work, the author(s) used ChatGPT 4o to improve language readability. After using this tool/service, the author(s) reviewed and edited the content as needed and take(s) full responsibility for the content of the publication.

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