


# Chapter 7

## Revolutionizing Islamic Finance With Ethical AI: Shariah-Compliant Robo-Advisors

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### ABSTRACT

*The revolutionary role that robo-advisors play in Shariah-compliant Islamic finance is examined in this essay. The first section lays out the fundamental ideas of Shariah-compliant investing, which serve as a framework for moral financial judgment. Examined is the emergence of robo-advisors, which show how these AI-powered tools are improving accessibility and efficiency while enabling adherence to Shariah laws. Key characteristics of robo-advisors that adhere to Shariah are examined, along with particular difficulties including cultural sensitivity and regulatory compliance. The research integrates case studies that demonstrate effective implementations, providing valuable perspectives on their real-world uses. The paper's conclusion, which offers a look ahead, highlights how ethical AI and robo-advisors have the*

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*potential to transform Islamic finance by promoting sustainability, inclusion, and creativity in Shariah-compliant investments.*

## **INTRODUCTION**

**AI-Driven Portfolio Optimization in Islamic Finance:** The study evaluates the development of a Shariah-compliant multi-period fuzzy portfolio optimization system which combines ethical and sustainable investment methods. The model takes ethical criteria together with sustainability limits to create investment choices which preserve Shariah compliance and maximize financial returns. Such an approach delivers an extensive method to handle complicated financial market conditions thus it facilitates morally sound financial management that promotes sustainable development and moral business decisions. These factors hold great importance because they build a financial system which promotes social responsibility with Shariah compliance and inclusivity in every aspect (Kharrim,2024).

## **ARTIFICIAL INTELLIGENCE AS A CATALYST IN ISLAMIC FINANCIAL SERVICES**

Artificial Intelligence (AI) functions as a catalyst for developing new prospects and confronting difficulties in Islamic finance. The research fills essential knowledge voids about AI implementation in Shariah-compliant financial products by offering significant findings for professionals and research experts and government authorities. The research investigation presents both opportunities and obstacles from AI to assist in the creation of ethical applications within Islamic finance frameworks which improves industry efficiency and understands inclusion along with regulatory compliance. (Kismawadi et al,2024). The technology uses AI to deliver programmed financial guidance services that support Islamic requirements. The analysis explores Shariah-compliant robo-advisors through their essential elements of investment screening and portfolio management and risk assessment methods which boost Islamic finance efficiency and accessibility by enabling ethical decisions as well as financial inclusion and responsible investment practices (Hooda et al, 2023). This is related the applications in sustainable Islamic finance by studying the ethical aspects of Generative AI technology in financial services. Research must analyse how Generative AI aligns with Islamic ethical standards as it influences financial developments toward sustainable development. This study evaluates both potential advantages and ethical issues from AI innovations to confirm their support of re-

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