Journal of Islamic Marketing

Exploring sharia compliance parameters in marketing to foster innovation and collaboration within Islamic finance

Yaser Taufik Syamlan
Shariah Business Management Department, Faculty of Sharia Economics and Business, Tazkia Islamic Univeristy, Bogor, Indonesia, and Faculty of Economics and Business, Universitas Indonesia, Depok, Indonesia

Sari Wahyuni
Strategic Management Department, Faculty of Economics and Business, Universitas Indonesia, Depok, Indonesia

Ignatius Heruwasto
Management Institute FEB-UI, Faculty of Economics and Business, Universitas Indonesia, Depok, Indonesia, and

Mohammad Hamsal
Management Department, BINUS Business School Doctor of Research of Management, Bina Nusantara University, Jakarta, Indonesia

Received 21 April 2024
Revised 23 November 2024
29 January 2025
4 May 2025
Accepted 6 May 2025

Abstract

Purpose – This study aims to comprehensively explore and analyze the construct of sharia compliance in marketing to promote innovation and collaboration among Islamic financial institutions (IFIs), which will be beneficial for both academics and industry. This study began by exploring the definition of Sharia compliance from highly reputable journal, comparing it with previous research and confirming it to the IFI to construct the Sharia compliance parameters.

Design/methodology/approach – The parameters extracted from the existing literature are subsequently communicated to practitioners in the field of Islamic finance and subjected to exploratory factor analysis (EFA). In the context of this study, it is postulated that each fundamental component represents Sharia compliance, including Aqad fulfillment, Maqasid al-Shariah, accounting aspects and consumer protection. Three experts in the field were involved in developing the metrics and designing the questionnaire, which was then completed by 48 leaders of IFIs to be processed using EFA. Finally, this study conducted additional interviews with five CEOs to substantiate this assumption and ensure that the Sharia compliance parameters bridge academia and Islamic finance industry. The EFA questionnaire comprised 27 items, which was distributed to 48 leaders of IFIs in Indonesia, primarily in the Java region.

JEL classification – G21, G24, O31, O35

Declaration of funding: No funding was received.

Data availability statement: The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to their containing information that could compromise the privacy of research participants.

Disclosure of interest statement: No interests to declare.

Journal of Islamic Marketing

1759-0833
DOI 10.1108/JIMA-04-2024-0172

Findings – This study emphasizes the need to embrace Sharia compliance within IFIs, especially amid the challenges of volatility, uncertainty, complexity and ambiguity (VUCA). Sharia compliance should be integral part in marketing, especially when IFIs collaborate and introduce innovative products, ensuring alignment with the four aspects. These four aspects are Aqad fulfillment, Maqasid al-Shariah, accounting aspects and consumer protection. Based on EFA, four key aspects have been validated as significant factors. The implementation of these factors reinforces Sharia compliance as the core principles of the Islamic marketing approach to enhance customer confidence and attracting clienteles. In addition, industry players recognize these four aspects as crucial in the IFIs marketing process, especially when undertaking innovation and collaboration efforts.

Research limitations/implications – This research assists IFIs in assessing whether their marketing initiatives, particularly in areas of innovation and collaboration, adhere to Sharia principles. Moreover, this research will also benefit future research in Islamic finance since it attempts to form the Sharia compliance variable from rigorous academic steps.

Originality/value – This research contributes original insights by proposing sharia compliance parameters that combine ideas from Islamic scholars with practitioners' perspectives. To strengthen this idea, this study uses EFA to discern factors to emphasize the contemporary relevance of Sharia compliance in a VUCA environment. The parameters can be used as guidance for IFIs to do marketing by way of collaborative innovation with their cross-industries partners.

Keywords Sharia compliance, Islamic financial institution, Innovation, Collaboration

Paper type Research paper

1. Introduction

Islamic financial institutions (IFIs) currently face the challenges of a volatile, uncertain, complex and ambiguous (VUCA) environment (Hudaefi *et al.*, 2023). This VUCA landscape necessitates that IFIs not only adapt to rapid technological advancements but also manage resources efficiently to maintain a competitive edge (Rabbani *et al.*, 2020). Unlike conventional financial institutions, IFIs operate under a dual mandate: to pursue profit maximization for worldly purposes and to fulfill spiritual objectives through adherence to Sharia principles (Ariff *et al.*, 2024; Uddin, 2022). This unique duality creates a complex environment where profitability must be balanced with compliance to Islamic laws, pushing IFIs to explore innovative revenue generation methods that align with Sharia law (Madbash, 2024).

In Indonesia, collaboration among IFIs and with technology partners has become increasingly common. These partnerships serve to streamline operations and foster innovation, enabling IFIs to deliver high-quality and efficient services to customers (Iskandar *et al.*, 2022). Examples include Bank Syariah Indonesia's partnership with "Platform Sekolah Pintar" for educational services, Prudential Syariah's collaboration with Bank Rakyat Indonesia to enhance premium payment options, and Pegadaian Syariah's alliance with Alfamart to facilitate payment channels (Tamanni *et al.*, 2022). Al Ijarah Leasing Islamic Finance, which uses platforms from its shareholders, including Bank Muamalat Indonesia and Bank Panin Dubai Syariah, demonstrates similar collaborative efforts within the Islamic fintech and leasing industries. Although such partnerships aim to enhance service quality, they introduce challenges in maintaining Sharia compliance.

Despite the rise of collaborative efforts in Islamic finance, a substantial gap persists in the literature on detailed frameworks for Sharia compliance in such partnerships. Most existing studies tend to address sharia compliance either through secondary data or by examining isolated financial instruments, which fails to capture the complexity of compliance in collaborative settings (Alnori and Alqahtani, 2019; Che Azmi and Hanifa, 2015). For instance, Usman *et al.* (2022) explored the role of Sharia compliance in e-banking, emphasizing its significance in shaping consumer behavior, yet their study did not address the compliance challenges that arise in partnerships across different sectors. Similarly, Andespa *et al.* (2024) provided a systematic review of customer Sharia compliance perceptions but lacked a focus on collaborative business models. Other studies, like Hamidi and Worthington (2023), introduced the quadruple bottom line to highlight ethical, social and economic impacts in Islamic finance, but did not delve into specific compliance dimensions relevant to inter-institutional collaborations. In addition, research by Salaheldeen and Battour (2024) on innovation within halal entrepreneurship underscored the need for ethical alignment but overlooked the operational intricacies that partnerships entail within the framework of Sharia compliance.

Recent literature further reveals a growing interest in integrating advanced technologies, such as blockchain and digital platforms, into Islamic finance to improve transparency and compliance efficiency (Al-Okaily and Alsmadi, 2024). However, studies have largely examined these technologies in isolation, without addressing the compliance nuances that arise when IFIs collaborate with non-Islamic partners in tech-driven environments. Furthermore, while Can (2021) and Guzaini and Abdalkrim (2022) concentrated on Sharia compliance in capital markets through secondary data, they provided only a limited understanding of maintaining compliance in multiparty collaborations involving non-Islamic entities. Thus, there remains a critical need for a comprehensive, multidimensional framework that addresses these gaps by providing IFIs with concrete parameters for evaluating Sharia compliance in collaborative settings.

Recent literature further reveals a growing interest in integrating advanced technologies, such as blockchain and digital platforms, into Islamic finance to improve transparency and compliance efficiency (Al-Okaily and Alsmadi, 2024). However, studies have largely examined these technologies in isolation, without addressing the compliance nuances that arise when IFIs collaborate with non-Islamic partners in tech-driven environments (Salaheldeen and Battour, 2024). Furthermore, while Can (2021), Guzaini and Abdalkrim (2022) concentrated on Sharia compliance in capital markets through secondary data, they provided only a limited understanding of maintaining compliance in multiparty collaborations involving non-Islamic entities. Research such as that by Hamidi and Worthington (2023) emphasizes the importance of aligning Sharia principles in collaborative endeavors but does not explore the operational challenges posed by VUCA (volatility, uncertainty, complexity and ambiguity) environments. Thus, there remains a critical need for a comprehensive, multidimensional framework that addresses these gaps by providing IFIs with concrete parameters for evaluating Sharia compliance in collaborative settings.

Moreover, Shariah compliance is a fundamental aspect of Islamic marketing as well, it is playing a crucial role in fostering trust and confidence among customers by ensuring ethical practices that align with the values and expectations of Muslim consumers (Suandi *et al.*, 2023). It ensures that marketing strategies and offerings adhere to shariah principles, meeting the unique needs of Muslim consumers and enhancing the overall effectiveness of marketing efforts (Fernando *et al.*, 2024). In addition, shariah compliance directly contributes to consumer satisfaction and the perceived quality of Islamic banking products and services, thereby addressing barriers to their adoption and strengthening the relationship between consumers and IFIs (Ali *et al.*, 2024). Existing literature often focuses on Shariah-compliant financial products and services but neglects the role of marketing strategies in promoting these offerings while adhering to Islamic ethical guidelines such as research by Ismail *et al.* (2024), Sudarwanto *et al.* (2024) and Tawfik and Elmaasrawy (2024). Furthermore, the rapid evolution of technology and its integration into marketing practices poses new challenges and opportunities for aligning digital marketing strategies with Shariah principles.

This research aims to address this gap by developing a comprehensive framework to evaluate Sharia compliance in collaborative settings, particularly in partnerships between IFIs and technology providers, while emphasizing its significance in marketing practices. Drawing on foundational works by Rosly (2010) and Laldin and Furqani (2019), the study identifies four critical dimensions of Sharia compliance: adherence to aqad fulfillment, alignment with Maqasid al-Sharia, compliance in accounting practices and consumer protection. Recent insights into Sharia-compliant innovation, such as those discussed by Sudarwanto *et al.* (2024) in the context of Islamic crowdfunding, further underscore the relevance of these dimensions in multiparty arrangements. Similarly, studies by Mohd Noh *et al.* (2024) highlight the importance of addressing Gharar (uncertainty) in modern financial instruments, which aligns closely with ensuring transparency and fairness in technology-driven collaborations. By integrating these dimensions, the framework provides a holistic approach for assessing compliance, ensuring that partnerships remain aligned with Sharia principles while fostering innovation and operational efficiency.

The suggested framework fills in a major gap in both academia and business by offering a thorough, multifaceted way to check for Sharia compliance in groups, especially when IFIs work together with tech-based companies and its partners. Unlike previous studies that have often narrowly examined isolated financial instruments or specific dimensions of compliance (Karbhari *et al.*, 2023), this framework integrates four essential dimensions: adherence to Sharia contracts, alignment with Maqasid Shariah, compliance in accounting practices and consumer protection. Relano (2023) underscores that ethical banking practices, when integrated with Maqasid Shariah, contribute to sustainable growth and a more robust operational model. By putting these factors together into a single, usable model, the framework gives IFIs the tools they need to carefully evaluate possible partnerships, making sure that all of them are in line with Islamic principles. Furthermore, research by Ascarya (2022) indicates that incorporating Islamic social finance principles into partnerships helps build stakeholder trust, ensuring both compliance and long-term operational stability. From an academic point of view, this study fills in a very important gap by providing an empirically based framework that builds a solid base for future research, especially when it comes to exploring how practitioners see Sharia compliance and what that means for the Islamic finance sector.

This study makes a substantial contribution by addressing gaps in the literature while offering practical solutions for the industry. The integration of robust theoretical foundations and empirical methods ensures the credibility and applicability of the framework across diverse contexts. The framework's multidimensional nature provides IFIs with actionable insights to mitigate compliance risks, enhance stakeholder trust, and promote sustainable growth by fostering ethical and transparent practices (Ullah *et al.*, 2023). On a theoretical level, this research advances academic discourse by framing Sharia compliance as a measurable construct, paving the way for deeper investigations into its impact on organizational performance, financial outcomes and reputation. This paper also offers questionnaire parameters for future research which never been proposed. For practical applications, the study offers strategic guidance for IFIs to strengthen their operations and collaborations while maintaining alignment with Sharia principles (Kamil *et al.*, 2021). The study also proposes potential future initiatives, such as diversifying the samples to enhance generalizability, exploring subdimensions for more detailed results and exploring the connection between Sharia compliance and financial performance metrics through innovation (Salaheldeen and Battour, 2024). We expect these advancements to significantly enhance the understanding and implementation of Sharia compliance, ensuring its continued relevance and contribution to the sustainable growth of Islamic finance.

2. Literature review

2.1 Trends in Islamic finance and sharia compliance

A total of 146 studies related to Sharia compliance and Islamic finance were published between 2020 and 2024, according to the Scopus database. Based on the Vos Viewer analysis of the author’s keywords, the bibliometric map highlights key themes and interconnected areas within the field of Islamic finance. Central concepts such as “Islamic finance,” “Islamic banking” and “Sharia compliance” dominate the landscape, reflecting their importance as foundational pillars of the discipline. Subtopics like “Maqasid al-Sharia,” “consumer protection” and “risk management” reveal specific areas of scholarly focus, particularly regarding ethical and legal frameworks. In addition, emerging topics such as “fintech” and “blockchain” signal a growing interest in integrating advanced technologies into Islamic financial practices (Figure 1).

Sharia compliance emerges as a central theme in Islamic finance, intricately linked to governance, regulations and ethical principles. It serves as the foundation for ensuring that financial practices and products align with Islamic law. Key studies, such as Rosly (2010) and Laldin and Furqani (2019), highlight that Sharia compliance is a multifaceted concept. It encompasses elements such as contracts (aqad) – later referred to as Aqad fulfillment – alignment with Maqasid al-Sharia, accounting practices and consumer protection. Together, these dimensions ensure that financial transactions are not only legally compliant but also ethically grounded and socially beneficial.

Innovation and collaboration also featured prominently in the field of Islamic finance, reflecting the sector’s efforts to leverage technology while maintaining adherence to Sharia principles. The bibliometric clustering of terms such as “fintech” and “collaboration” underscores the growing integration of digital platforms and advanced technologies. These innovations aim to enhance transparency, operational efficiency and service delivery. Recent

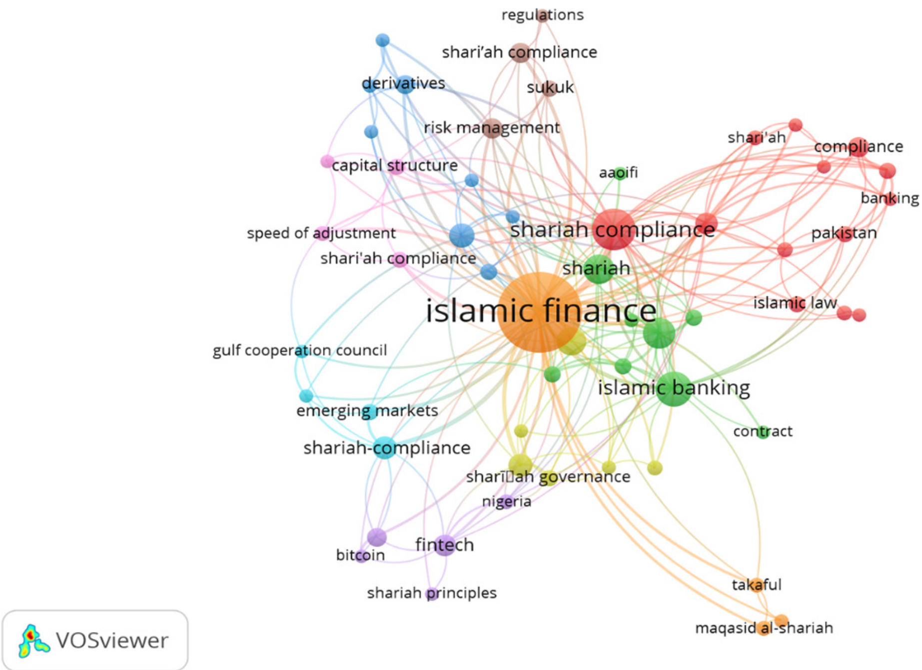

Figure 1. Authors’ keywords
Source: Authors’ own work

research, such as that by Abdullah *et al*. (2024), emphasizes the potential of technology to drive Sharia-compliant innovations, ensuring that financial institutions remain competitive in a rapidly evolving global market.

Maqasid al-Shariah, another core theme, underscores the alignment of financial practices with the broader objectives of Islamic law. These objectives go beyond mere compliance, focusing on promoting social justice, protecting wealth and ensuring equitable outcomes. The prominence of Maqasid al-Shariah in the literature reflects its critical role in shaping ethical and sustainable financial practices which at the end utilize as the focal point of IFIs marketing. By aligning financial products and services (which is process of marketing) with these overarching goals, Islamic finance institutions contribute to the socioeconomic development of communities while adhering to the principles of fairness and justice inherent in Islamic law.

Sharia compliance also defines the ethical underpinning of Islamic marketing. Shariah compliance is a branch of Islamic finance, and some principles governing it are fairness and transparency, with the concept of Maqasid al-Shariah, to propose the business and delivery of financial and nonfinancial products in accordance with Shariah. Principles of consumer protection in Sharia-compliant financial practices also accompany the principles of Islamic marketing (Suandi *et al.*, 2023), which relate to truthfulness in communication, ethical advertisement and consumer rights. For instance, IFIs promote their Islamic banking products and services by highlighting their compliance with Sharia, which supports trust and bolsters customer relationships. Moreover, technology, which has given rise to Islamic finance through fintech, also plays a good role in Islamic marketing by providing consumers with more efficient services and meaningful engagement. Both Sharia compliant and Islamic marketing aim to maintain the principles of justice and fairness while ensuring that both financial and marketing practices help achieve socioeconomic welfare under the tenets of Islamic law.

2.2 Why sharia compliance matters in marketing to boost innovation and collaboration

In the context of Islamic banking and finance, Shariah compliance plays a crucial role in Islamic marketing, as it establishes the legitimacy of financial products and services in accordance with Islamic law – an essential factor for building trust and confidence among Muslim consumers. These principles must be followed to build customer loyalty and customer engagement, where trust is the first element that reflects Shariah principles because of respect, which highlights the Islamic moral values and principles of efficiency (Ali *et al.*, 2024). More importantly, this trust can be used for marketing purposes to attract and keep customers, promoting the ethical differences of IFIs. One notable strength of Shariah compliance, particularly in the realm of Islamic marketing, is its potential to function as a unique selling proposition. Islamic financial products, which offer unethical and religiously obligated principles, such as interest-free and profit-sharing in line with the Islamic doctrine, are markedly different from conventional counterparts, allowing institutions to target certain market segments that prioritize ethical considerations (Said *et al.*, 2022). Market differentiation serves to both create a competitive advantage but also to innovate and roll-out products that are specifically relevant for Muslim consumers, such as any interest-free loan or halal investment. However, it is important to understand that Shariah compliance matters, but product quality and customer service also contribute to consumers’ purchasing choices.

Sharia compliance significantly impacts IFI during their business operations, particularly when they seek to foster collaboration and innovation with their partners in effort of marketing their product and services (Mallouli, 2019). This is highly reasonable because, in the Islamic financial industry, Islamic law serves as the fundamental basis for the operations of these institutions and the focal point of the marketing campaign (Alamad *et al.*, 2021). IFIs prohibit the presence of interest (riba), activities that border gambling (Maysir) and transactions that involve excessive uncertainty (gharar) (Tanin *et al.*, 2021). Therefore, IFIs fundamentally base every activity they undertake on compliance with Sharia (Aysan and Bergigui, 2021). Furthermore, marketing collaborations and/or innovations carried out by IFIs that do not adhere to Sharia aspects, encompassing the three elements, will not be able to build a good market reputation or earn the trust of their customers (Hosen, 2021). Furthermore, cases in Malaysia, where a Shariah-compliant bank lost in court due to non-compliance with Sharia aspects, demonstrate the legal risks IFIs face which distract the brand of IFI international wide (Trakic, 2020).

IFIs must ensure that the services marketed to customers align with Sharia principles. To support this, government and regulatory bodies must establish consistent standards to oversee and enforce compliance. Consistent adherence to Sharia compliance has various effects on IFIs (Muryanto, 2022). These impacts include increased marketing performance of IFIs in terms of sales and market share after conducting collaboration and innovation. This is a result of the trust that customers place in the collaborative and innovative products/services created by IFIs. Moreover, by offering such products, IFIs will satisfy their customers to the extent that they continue using the services and even attract new customers to enjoy them (Asnawi *et al.*, 2020; Ghamry, 2022).

IFIs are also vulnerable to reputation risks when they engage in collaboration and/or innovation. According to the Financial Services Authority, reputation risk is defined as a decrease in stakeholder trust stemming from negative perceptions of IFIs (Butt *et al.*, 2022).This can also occur when IFIs fail to adhere to Islamic principles in the transactions mandated by regulators. If this happens, the institution loses respect from stakeholders, which can impact their sustainability and existence as well as damage the overall image of the Islamic financial industry which at the end, may impacting the sales and market share (Ghamry, 2022). IFIs also receive support from regulator when engaging marketing collaborations and innovations. The guidelines prioritize compliance Islamic principles in their marketing effort. Both financial regulators and those overseeing the Sharia aspects of these IFIs permit collaborations and innovations that align with Sharia compliance guidelines to operate (Muhammad *et al.*, 2021). Ultimately, adhering to Sharia is a manifestation of IFIs' efforts to achieve global goals, namely profitability, and their goal, namely Sharia compliance, to benefit society at large.

Another important element of Islamic marketing which can protect the reputation risk is educating the public about Shariah compliance principles. The current understanding of Islamic finance has not expanded, and the ethical implications involved (Ali *et al.*, 2024) do not appear to have been addressed by many consumers. And, since no good will appear in Shariah business unless focused on by marketing strategies, Shariah awareness and knowledge should be increased to understand how business should be conducted according to Shariah laws. Shariah compliance and marketing are thus further augmented via ethical principles based on Maqasid al-Shariah integration. This sensitized framework ensures transparency, fairness and consumer welfare, which can be monitored in Islamic perspectives of marketing practices (Amani, 2024). Aligning comprehensive marketing efforts to these values will strengthen trust, improve customer engagement and further support the broader goals of ethical and sustainable development within the halal market among IFIs (Fernando *et al.*, 2024).

2.3 Designing the sharia compliance construct

2.3.1 Definition of sharia compliance from Islamic scholars. To construct the Sharia compliance construct, this study gathers ten definitions from the research in the field of Islamic economics, as follows (Table 1):

Table 1. Definitions from renowned sharia scholars

No.	Author/Year	Definition	Journal/ publisher	Article/Book
1	Wilson (1997)	Shariah compliance ensures that financial institutions operate within the ethical boundaries set by Islamic law, thereby fostering confidence in the financial system	*International Journal of Social Economics*	Islamic finance and ethical investment
2	Haniffa and Hudaib (2007)	Shariah compliance encompasses not only the avoidance of prohibited activities but also the promotion of ethical and socially responsible behavior in business practices. This includes transparency, fairness and accountability to all stakeholders	*Journal of Business Ethics*	Exploring the ethical identity of Islamic banks via communication in annual reports
3	Askari *et al.* (2010)	Sharia compliance involves adhering to the Islamic principles of social responsibility, where financial institutions are encouraged to engage in charitable activities and contribute to the development of the community	*Wiley*	Globalization and Islamic finance: convergence, prospects, and challenges
4	Chapra (2014)	Sharia compliance means aligning financial products and services with the objectives of Islamic law, fostering social justice and promoting equitable distribution of wealth	*Edward Elgar*	Morality and justice in Islamic economics and finance
5	Hamid *et al.* (2019)	Sharia compliance means following the rules and regulations of Islamic law in all aspects of financial dealings, ensuring that transactions are free from prohibited elements such as Riba (interest), Gharar (uncertainty) and Maysir (gambling)	*Banks and Bank Systems*	The effect of Al-Bai' and wadiah contracts on sharia compliance and the sharia banking system performance through the maqashid index in sharia banks in Indonesia
6	Alamer (2022)	Sharia compliance requires financial institutions to implement a robust Sharia governance framework that includes Sharia boards, audits and ethical screening to ensure that all operations are in line with Islamic principles	*Journal of Corporate Law Studies*	Accountability in sharia governance: is it time for sharia firms?
7	Uddin (2022)	Sharia compliance is adherence and conformity of financial practices and transactions with the principles and guidelines of Islamic law as derived from the Quran and Sunnah	*International Journal of Islamic and Middle Eastern Finance and Management*	Examining sustainable shari'ah compliance under Shirkah-Ul-Milk: does Shari'ah-compliant risk matter

(*continued*)

Table 1. Continued

No.	Author/Year	Definition	Journal/ publisher	Article/Book
8	Ariff *et al.* (2024)	Sharia compliance refers to the integration of Islamic ethics and values in the entire financial ecosystem, including ethical investment, ethical consumption and ethical business practices	*Journal of Islamic Accounting and Business Research*	Corporate ESG performance, Shariah-compliant status and cash holdings
9	Sheikh and Hussain (2024)	Sharia compliance refers to the commitment to the maqasid al-shariah (objectives of Islamic law), which include the preservation of faith, life, intellect, wealth and lineage, and promoting the greater benefit of society	*Qualitative Research in Financial Markets*	Reimagining Islamic banking in the light of Maqasid Shariah
10	Muthoifin *et al.* (2025)	Sharia compliance involves conducting Islamic financial transactions with utmost transparency, honesty and accountability, while ensuring fairness for all parties involved	*The Journal of Lifestyle and SDGs Review*	Islamic banking: a comprehensive review of the definition, strategy, legal framework, and practice of contracts in the modern financial system

Source(s): Authors' own work

Sharia compliance refers to IFIs' efforts to abide by and conform all their transactions to the principles of Islamic law. In this context, Islamic law refers to the Quran and Sunnah, both explicit and recorded teachings in these two sources, as well as the outcomes of reasoning and analysis by a mufti, considering these two main sources (Uddin, 2022). Sheikh and Hussain (2024) emphasize that Sharia compliance aims to safeguard six aspects: a Muslim's religion, human life, intellect, lineage and provide benefits to humankind, including the environment.

Ariff *et al.* (2024) and Haniffa and Hudaib (2007) emphasize that compliance with Sharia values implies focusing on the ethical implementation of financial transactions and muamalah (business transactions) in accordance with the moral values taught by Islam. Alamer (2022) argues that the essence of compliance is to avoid anything prohibited by Islamic law. The definition by Hamid *et al.* (2019) enhances the operational understanding of Sharia compliance. He defines it as an effort to steer IFIs away from excessive risk and speculative business activities and focuses on real economic activities. According to Yaya *et al.* (2021), adhering to Islamic values significantly contributes to the well-being of individuals and provides prosperity to humankind in general. Khatib *et al.* (2022) encourage IFIs, as a congregation of servants offering Sharia-compliant transactions, to implement Sharia supervision in the form of audits to ensure that all operational aspects of IFIs align with Islamic values. This is done to safeguard them from the risks mentioned above.

Hamid *et al.* (2019) define Sharia compliance as the efforts of individuals or IFIs to adhere to Sharia financial regulations when conducting financial transactions whereby sharia-compliant transactions are free from Riba (interest), Maysir (gambling) and Gharar (excessive uncertainty). Furthermore, Wilson (1997) assert that Islamic business ethics, again derived from Islamic teachings, form the foundation of the ecosystem of Sharia-compliant transactions in investment, consumption and business practices. Chapra (2014) asserts that all transactions can achieve Sharia compliance by upholding social justice and promoting fair wealth distribution through ethical business practices. The values of transparency in pricing and information, honesty, accountability and transparency define Sharia compliance, ensuring justice for all parties involved.

In conclusion, from the above definitions, several key points can be summarized in the table below:

In summary, these definitions shed light on the multifaceted nature of Sharia compliance in IFIs. First, one of the key takeaways is the unwavering commitment and strict adherence to the Aqad Fulfillment, as outlined in the Quran and As Sunnah. Researcher such as Ariff *et al.* (2024), Sheikh and Hussain (2024), Uddin (2022) and Wilson (1997) emphasize the paramount importance of conducting financial transactions and business practices in full accordance with Islamic principles. This involves abstaining from prohibited elements, such as Riba (interest), Maysir (gambling) and Gharar (excessive uncertainty), while actively embracing ethical and morally upright behaviors. Second, Sharia compliance extends beyond mere adherence to rules and encompasses a deep commitment to achieving Maqasid al-Sharia. Askari *et al.* (2010), Chapra (2014) and Sheikh and Hussain (2024) highlight the significance of aligning financial activities with the broader aims of Sharia, which include promoting social justice, the equitable distribution of wealth and the overall well-being of the community.

Furthermore, compliance with Sharia emphasizes the promotion of transparency, honesty and justice of Accounting Aspects in all transactions. Alamer (2022), Ariff *et al.* (2024), Haniffa and Hudaib (2007) and Wilson (1997) emphasize the need for businesses to be transparent in their pricing, information dissemination and overall dealings. Honesty and integrity are crucial in fostering trust between the institution and its clients while ensuring fairness and justice in every transaction. Finally, accountability plays a crucial role in compliance with Sharia. All stakeholders hold financial institutions accountable for their actions and transactions. Alamer (2022) and Muthoifin *et al.* (2025) emphasize the importance of upholding accountability to ensure ethical practices, financial soundness and trustworthiness.

In the context of marketing, Sharia compliance is critically important in the marketing processes of IFIs, as evidenced by the ten definitions presented above. Wilson (1997) emphasizes that the creation of Sharia-compliant products as part of marketing efforts can foster consumer trust in IFIs. Askari *et al.* (2010) further support Wilson (1997) by arguing that marketing based on Sharia compliance values represents a form of social responsibility for IFIs in their marketing processes to achieve sales targets and increase market share. Hamid *et al.* (2019) also contend that Sharia-compliant products attract consumers who seek to purchase from IFIs that uphold Islamic ethical values. Alamer (2022) highlights that Islamic ethics in marketing, focusing on Sharia compliance values such as transparency and honesty, can enhance consumer loyalty. In addition, Haniffa and Hudaib (2007) state that the implementation of Sharia compliance is essential in marketing strategies as it provides a competitive advantage for IFIs by ensuring social justice and equitable wealth distribution. Ariff *et al.* (2024) opine that Islamic ethics in business practices will positively impact ethical and sustainable marketing. Finally, Sheikh and Hussain (2024) assert that the efforts of IFIs to steadfastly maintain Sharia compliance demonstrate a commitment to executing Maqasid al-Sharia, which strengthens the processes of collaboration and innovation in marketing.

2.3.2 Integration of bibliometric findings with current research. The bibliometric clusters directly align with the framework proposed in the referenced study, which identifies four critical dimensions of Sharia compliance: Aqad fulfillment, Maqasid al-Shariah, accounting aspects and consumer protection. These dimensions are crucial in operationalizing Sharia compliance within collaborative and innovative contexts, as highlighted in the paper:

- Correlation with Aqad fulfillment: The bibliometric link between “contracts,” “Sharia compliance” and “Islamic law” reflects the foundational role of contracts in ensuring ethical transactions. This directly corresponds to the study’s emphasis on the pre- and post-Ijab Qabul phases.
- Alignment with Maqasid al-Shariah: The cluster around “Maqasid al-Shariah” and “Islamic law” aligns with the paper’s focus on ensuring financial practices meet broader ethical and social objectives. The study’s inclusion of Maqasid Shariah as a dimension addresses these themes comprehensively.
- Accounting practices and consumer protection: Clusters related to “regulations,” “risk management” and “transparency” correlate with the dimensions of accounting practices and consumer protection. This demonstrates the relevance of these aspects in ensuring that financial practices are not only compliant but also transparent and fair.

The bibliometric analysis offers a macroscopic view of Islamic finance, highlighting key areas of scholarly focus, yet certain research gaps persist, which this study seeks to address. One significant gap lies in the fragmented approach to examining Sharia compliance, as much of the existing literature isolates individual aspects rather than considering them collectively. For instance, while study like Rosly (2010) focus on fulfilling contracts (aqad) by ensuring compliance with legal and ethical forms, others such as Ariff *et al.* (2024), Mergaliyev *et al.* (2021) and Wilson (1997) delve into the alignment with Maqasid Shariah to achieve higher ethical objectives. Meanwhile, research by Alamer (2022) and Talib *et al.* (2020) emphasizes good accounting practices, advocating for harmonization of Sharia-based financial reporting standards. In addition, consumer protection in Islamic finance has been explored in works like Hosen (2021), which highlight the need for trust and regulatory measures to safeguard customer interests from the process of marketing product to the after sales services. This study adds to the body of research by presenting a multidimensional Sharia compliance framework that integrates these important factors – aqad fulfillment, following Maqasid al-Shariah, maintaining good record keeping on accounting aspects, and consumer protection – into a single model. By doing so, it offers both theoretical advancements and practical applications by IFIs in the marketing process which can enrich the discourse on Sharia compliance.

2.3.3 Proposed dimension of sharia compliance. This study builds its foundation for Sharia compliance in innovation and collaboration on Rosly (2010), who proposed four key parameters that can be further developed and adapted for the purposes of this research. These parameters are also supported by other researchers, such as Rakhmadi (2022), Ullah *et al.* (2023), Muryanto (2022), Can (2021) and Che Azmi and Hanifa (2015). This section first establishes the connection between Rosly's parameters and the key takeaways summarized in Table 2, before proceeding to a more detailed analysis. IFIs can use Rosly's (2010) four dimensions of Sharia compliance to innovate and collaborate, thereby enhancing their performance. These dimensions include the conformity of the pillars and the conditions of contracts. However, Rosly (2010) offered another perspective by suggesting additional dimensions, such as fulfilling Maqasid Shariah, accounting and financial reporting aspects, and the positive law aspect for consumer protection. Other scholars, including Rakhmadi (2022), Muryanto (2022), Can (2021) and Che Azmi and Hanifa (2015), support Rosly's (2010) proposal in relation to Table 3. The relationship map of these four dimensions is presented in Table 3.

This research bases its design of Sharia compliance variables for innovation and collaboration (which is part of marketing process) on the four aspects mentioned by Rosly (2010). First, for IFIs that embrace the Aqad fulfillment, it is related to commitment to follow Qur'an and Sunnah, sharia objectives, transparency and accountability (Can, 2021; Laldin and Furqani, 2019; Rakhmadi, 2022). Rosly (2010) offered the second pillar, Maqasid al-Sharia, which relates to the commitment to embrace the divine objectives of sharia (Sheikh and Hussain, 2024; Ullah *et al.*, 2023). The third pillar, which regards accounting aspects of reporting of each innovation and collaboration, will cover transparency, honesty, accountability and justice in every transaction (Alamer, 2022; Tawfik and Elmaasrawy,

Table 2. The key points of sharia compliance definition

No.	Key takeaway	Source
1	*Aqad fulfillment* as the commitment and adherence to the teachings of Islam from the Quran and Sunnah	(Haniffa and Hudaib, 2007; Kamil *et al.*, 2021; Sudarwanto *et al.*, 2024; Uddin, 2022)
2	*Maqasid al-Sharia* as the commitment to follow Sharia objectives	(Hamid *et al.*, 2019; Sheikh and Hussain, 2024)
3	*Accounting aspects* as the way of promoting transparency, honesty and justice in every transaction	(Chapra, 2014; Haniffa and Hudaib, 2007; Tawfik and Elmaasrawy, 2024; Wilson, 1997)
4	*Customer protection* as the effort of preserving accountability to all parties involved in transactions	(Alamer, 2022; Muthoifin *et al.*, 2025)

Source(s): Authors' own work

Table 3. The relationship map

No.	Key takeaway	Aqad fulfillment	Maqashid al-Sharia	Accounting aspects	Consumer protection
1	Commitment and adherence to the teachings of Islam from the Quran and Sunnah	x			x
2	Commitment to Sharia objectives		x		
3	Promoting transparency, honesty and justice in every transaction			x	x
4	Accountability of all parties involved in transactions		x	x	x

Source(s): Authors' own work

2024). Commitment to Quran and Sunnah transparency, honesty, accountability and justice, along with safeguarding customer wealth, constitute the fourth pillar of consumer protection (Muryanto, 2022).

2.3.3.1 Aqad fulfillment. Aqad fulfillment, as the foundational pillar of Sharia compliance, is essential in guiding both collaboration and innovation within Islamic finance. The function of Aqad is a medium to regulate all transactions, in alignment with the Quran and As-Sunnah (Moosa, 2023; Rakhmadi, 2022). Furthermore, fulfilling the two pillars of the contract, namely its elements (Rukun) and conditions (Syarat), helps prevent activities prohibited by Islam (Haram), such as injustice (Zhalim), uncertainty (Gharar) and usury (Riba) (Tanin *et al.*, 2021; Uddin, 2022). Fulfilling the contract's elements and conditions promotes fairness and transparency in transactions within IFIs, thus enhancing their accountability (Alamer, 2022). Executing the contract in accordance with the Quran and Sunnah diligently fulfills the rights and obligations of all parties involved, while also safeguarding against losses by fulfilling all conditions and terms. Fulfilling the contract also encourages Sharia-compliant economic agents to adhere to the Islamic business ethics exemplified by the predecessors since the time of Prophet Muhammad . Fulfilling the contract confers legal strength to Sharia, especially concerning the transfer of contractual objects among individuals (Tawfik and Elmaasrawy, 2024).

According to Rosly (2010), an individual's competence to undertake actions or business transactions in accordance with Sharia principles is the first dimension of fulfilling a contract (aqad). The parties involved in the transaction must understand the various effects of the contract they are signing, requiring them to possess clear understanding and rational thinking, free from coercion (Cattelan, 2020; Rakhmadi, 2022). The second essential element prior to engaging in collaboration pertains to the subject matter of the contract (akad) (Rakhmadi, 2022). The agreement must explicitly state and define the contract's subject matter, regardless of whether it involves tangible or intangible assets. A contract will not be valid in the eyes of Sharia if the contract's subject matter is ambiguous, as this would give rise to uncertainty (Gharar). Moreover, the contract's subject matter must be permissible (halal), both in its essence and in the means of acquisition, to enable both parties to engage in blessed transactions (Abd Rahman *et al.*, 2020; Rakhmadi, 2022).

The third aspect of fulfilling the contract to ensure Sharia compliance involves determining the pricing and return on investment from collaborative transactions or innovations. Furthermore, in the context of a sales and purchase contract, this depends on the type of contract used. For cash sales, the seller must guarantee a fixed value that remains unchangeable once the contract is in place. In the case of Murabaha sales, Murabaha's requirement entails the disclosure of acquisition costs as well as the buyer's profit (Moosa, 2023; Tlemsani, 2020). Partnership contracts necessitate a clear statement of return on investment in the form of a proportional profit share, contingent on the partnership's future performance (Hanif, 2016). In conclusion, ijab qabul (offer and acceptance) – the transfer of ownership – must be clearly defined. You can carry out this verbally or in writing. When collaborating or innovating within an IFI, it is essential to document all terms. We must conduct this phase continuously and consistently to promptly acquire or execute the parties' rights and obligations with care, thereby enabling a thorough understanding of the agreement's implications (Rakhmadi, 2022; Rosly, 2010).

2.3.3.2 Maqasid al-shariah. Maqasid al-Shariah is often referred to in the definition of compliance in Table 1. This plays a strategic role in Sharia compliance. Maqasid al-Shariah provides a comprehensive way of thinking to understand the principles of Islamic legal decisions (Sheikh and Hussain, 2024). Maqasid al-Shariah illustrates the adaptability of Islamic law in keeping up with dynamic societal changes to preserve Islamic values, particularly in financial transactions conducted by IFIs (Abd Rahman *et al.*, 2020).

Maqasid al-Shariah encompasses several crucial aspects, including the moral, social, economic and spiritual dimensions. Maqasid al-Shariah encourages IFIs to ensure that their business actions align with the overarching goals of Islam in safeguarding religion and human life (Kholish and Roy, 2020). Every collaboration and innovation necessitate this approach, as it provides both a firm and flexible framework for IFIs to adapt to contemporary developments and innovations (Salaheldeen and Battour, 2024). Maqasid al-Shariah ensures that laws governing transactions between parties aim to uphold justice and promote well-being. The underlying principles of Maqasid al-Sharia encompass not only religious preservation but also fostering collaboration and innovation. These aspects collectively serve to protect the sanctity of faith, the dignity of human life, the well-being of future generations, the faculties of human intellect, the responsible management of wealth and the conservation of the environment (Khan *et al.*, 2023).

Recent studies emphasize the role of Maqasid al-Shariah in enhancing transparency, fostering collaboration and promoting justice in financial operations. For instance, Al-Okaily and Alsmadi (2024) explore how digital tools like blockchain and the metaverse can align with Sharia principles to support financial transparency and accountability in Islamic finance. Similarly, Salaheldeen and Battour (2024) highlight the intersection of entrepreneurial innovation and sustainable practices within the halal industry, grounded in Maqasid al-Shariah's principles of fairness and societal equity. The literature also underscores the operationalization of Maqasid al-Shariah in enhancing customer trust and institutional credibility. Hamidi and Worthington (2023) integrate Maqasid al-Shariah into a quadruple bottom line framework – adding "Prophet" to the conventional "People, Planet, and Prosperity" dimensions to measure the holistic performance of Islamic banks. Their findings reveal that aligning financial practices with Maqasid al-Shariah not only supports compliance but also enhances customer satisfaction and organizational resilience. Moreover, studies like Darmawan (2024) address practical challenges, such as marketing failures in Islamic banking products. They propose that aligning product development and marketing strategies with Maqasid al-Shariah can mitigate risks and enhance customer retention, underscoring its strategic importance in decision-making and risk management.

2.3.3.3 Fulfillment of accounting aspect. According to Rosly (2010), the accounting aspect constitutes a key dimension of Sharia compliance, as it ensures that all collaborative and innovative activities undertaken by IFIs and their partners conform to Sharia principles. The accounting aspect allows Sharia financial institutions to distinguish between permissible (halal) and prohibited (haram) transactions (Mustafa, 2023). Furthermore, accurate accounting records indicate a transfer of ownership (Ullah *et al.* (2023); Moosa, 2023). Proper recording assists all parties and stakeholders to clearly understand the outcomes and impacts of each collaboration and innovation (Haridan, 2023).

Rosly (2010) considers four accounting aspects. Afdawaiza *et al*. (2024) emphasizes the importance of records being comprehensible, conforming to comparable standards with other companies, reflecting the value of resources and enabling decision-making for the evaluation of collaborations or innovations over time. Stakeholders can analyze the purpose, process and outcomes of every collaboration by recording it in an easy-to-understand and standardized manner (Inigo *et al.*, 2020). Moreover, the effective recording of collaborations and innovations enhances decision-making, aiding in achieving Sharia compliance (Muryanto, 2022). Accurate recording of every collaborative and innovative transaction is essential for the fulfillment of the rights and obligations of all parties. Furthermore, precise recording assists decision-makers in making quality decisions based on factual data. Finally, to achieve Sharia compliance in the accounting aspect, one must adhere to standards (Muhammad and Nugraheni, 2022).Transparency in accounting supports the fulfillment of rights and obligations. Afdawaiza *et al*. (2024) underscores the role of accounting practices in facilitating informed decision-making and upholding Sharia principles in collaborative and innovative endeavors. Similarly, Muryanto (2022) highlight of regulatory frameworks for Islamic fintech to maintain Sharia compliance in the face of evolving financial technologies.

2.3.3.4 Consumer protection. Sharia compliance in Rosly (2010) also refers to safeguarding the rights and obligations of consumers. Furthermore, Sharia financial institutions are required to uphold moral aspects, such as honesty, transparency and fairness when engaging in innovation or collaboration. This is done to ensure that consumers' rights are fulfilled, because without such fulfillment, the profits gained by financial institutions would not be blessed. Rosly (2010) mentioned seven aspects of consumer protection. The first is the clarity of the information provided to consumers (Chaudhry *et al.*, 2020). For instance, in Malaysia, the central bank sets standards for providing information to consumers. Second, goods and services must be of top quality to safeguard the safety and well-being of consumers' lives, wealth and intellect (Azmat and Subhan, 2022). Third, Sharia financial institutions must grant consumers the right to choose whether to use their services, as coercion in business contradicts Islamic principles and disrupts economic transactions (Rosly, 2010). Fourth, Sharia considers collaboration compliant when its outcomes enable users to voice their opinions and express them (Ullah and Khan, 2014). Furthermore, education on products and services resulting from collaboration and innovation is the fifth aspect of consumer protection. Consumers have the right to a healthy environment and receive compensation if the outcomes of innovation and collaboration damage their wellbeing or reputation. Empirical studies further validate the integration of ethical consumer protection practices into Islamic finance. Muryanto (2022) underscores the urgency of Sharia compliance regulations for digital financial services, particularly in fintech-driven collaborations, to mitigate risks and uphold consumer rights. Mustafa (2023) adds that the accountability mechanisms embedded in Islamic accounting frameworks ensure transparent and fair treatment of all stakeholders, including consumers. These studies affirm that consumer protection is not just an ethical imperative but also a strategic necessity for fostering long-term trust and sustainability in Islamic finance.

3. Methodology

This research integrates a literature review, interviews, and statistical methods to construct a Sharia Compliance within the context of collaboration and innovation in IFIs. The study begins by further examining Rosly (2010), who outlines four potential aspects that will build the Sharia compliance construct. We then created items measuring these four aspects, drawing inspiration from Rosly (2010). The assumed four dimensions that will make up this construct are also looked at to see if they make sense. Three people were involved: a person who works in Islamic finance, a member of the Sharia supervisory board for an Islamic fintech company and an expert in fiqh muamalah who has worked in the Sharia finance industry for over 20 years.

Below are brief profiles of the three individuals who assisted in the face validity process.

Following these two processes started by interviewing respondents based on Table 4, the operationalization of the construct and its questionnaire items for Sharia compliance are presented below in Table 5 before being distributed to practitioners in the Islamic finance industry.

Following the process, we distributed the questionnaire to 60 practitioners, of whom 49 responded and 48 provided valid responses. The population of this research are IFIs situated in Indonesia. A purposive sampling technique will be used to select specific institutions that conform to principles. These principles encompass possessing an Android or application-based website during the time the questionnaire is administered, in addition to having prior collaborative partnerships. We used the exploratory factor analysis (EFA) method in the next phase. This was chosen for this research because the research team aims to further explore the Sharia compliance variable based on existing literature with the intention of developing it into the foundational questionnaire for a social research project using more advanced methods, such as structural equation modeling. Technically, EFA elucidates the structure of a variable in more detail based on its underlying factors. There are several reasons for choosing EFA. First, hidden patterns become visible. In a more technical sense, when connected to Sharia compliance, initial assumptions about certain question items related to specific variables may not hold true. EFA is also useful for dimensionality reduction, that is, reducing the number of question items. This is possible because this method analyzes closely interrelated data (Hair *et al.*, 2019; Yu *et al.*, 2019; Zhou *et al.*, 2019).

EFA is instrumental in uncovering the internal structure of a set of variables or items and identifying underlying factors. First, EFA provides the advantage of revealing hidden patterns within data without assuming specific factor models. This allows for the

Table 4. List of respondents

Initial	Profile
Respondent 1	An Islamic Finance Consultant in one of the oldest consulting firms in Indonesia. He has been active in the field since 2005 and is appointed as a member of the National Sharia Board (DSN) as well as Chairman of the Sharia Supervisory Board of one of Indonesia's largest Islamic fintech companies
Respondent 2	With experience in Islamic banking and finance since 1998, he currently serves as the CEO of one of the oldest full-fledged Sharia multifinance companies in Indonesia
Respondent 3	A graduate of Al-Azhar University in Cairo, Egypt, he has a wealth of experience in the field of Islamic finance, particularly in Islamic banking, cooperative finance and Islamic fintech. He also holds a PhD in Islamic economics and has published a mathematical model for measuring the level of Sharia compliance within financial institutions

Source(s): Authors' own work

Table 5. Dimension name: AQAD fulfillment (coded as SCA)

Dimension name	Source
(SCA1) Rational behavior, legal competence and authority of parties	Rosly (2010), Rakhmadi (2022), Cattelan (2020), (Muthoifin *et al.*, 2025)
(SCA2) Verification of contract's object	Rosly (2010), Hamid *et al.* (2019),Rakhmadi (2022)
(SCA3) Clear determination of returns (sale price/rental fee/profit sharing) at contract's start	Rosly (2010), Resp 1, Moosa (2023)
(SCA4) Clear specifications and deliverability of contract object	Rosly (2010), Resp 3, Moosa (2023), Mohd Noh *et al.* (2024)
(SCA 5) Halal acquisition of contract object by seller	Rosly (2010), Rakhmadi (2022)
(SCA 6) Presence of offer (Ijab) and acceptance (Qobul)	Rosly (2010), Moosa (2023), Mohd Noh *et al.* (2024)
(SCA 7) Clarity of offer and acceptance by parties	Rosly (2010), Moosa (2023), Mohd Noh *et al.* (2024)
(SCA 8) Connection between offer and acceptance	Respondent 3
(SCA 9) Clear communication of contract implications	Respondent 1
Dimension 2: Maqasid al-Sharia (coded as SCMS)	
(SCMS 1) Protecting religion (Hifz Din)	Rosly (2010), Abd Rahman *et al.* (2020), Sheikh and Hussain, 2024)
(SCMS 2) Protecting life (Hifz Maal)	
(SCMS 3) Protecting dignity (Hifz Nasl)	
(SCMS 4) Protecting intellectual (Hifz Aql)	
(SCMS 5) Protecting wealth (Hifz Maal)	
(SCMS 6) Protecting the environment (Hifz Bi'ah)	Respondent 2
Dimension 3: Accounting aspect (SCLK)	
(SCLK1) Understandable	Rosly (2010), Haridan (2023), Afdawaiza *et al.* (2024), Inigo *et al.* (2020; 2022), Talib *et al.* (2020), Muryanto (2022), Mustafa (2023), Moosa (2023)
(SCLK 2) Show the difference to make decision	
(SCLK 3) Require accuracy	
(SCLK 4) Adhere standards	
Dimension 4: Consumer protection (SCPK)	
Clear product info	Rosly (2010), Chaudhry *et al.* (2020), Muryanto (2022), Mustafa (2023), Azmat and Subhan (2022)
Quality and safety	
Right to choose	
Right to be heard	
Explanations/education	
Healthy environment	
Compensation for losses	

Source(s): Authors' own work

identification of previously unseen or anticipated factors, and can aid in assessing validity. Thus, EFA serves as a meaningful initial step in the comprehensive data analysis process, particularly after obtaining the latest clustering results (Hair *et al.*, 2019; Yu *et al.*, 2019; Zhou *et al.*, 2019).

As part of the mixed-methods approach, this study conducted an initial interview to validate the variables, followed by a questionnaire distribution. A final interview was also carried out to gather real-world examples of Sharia compliance implementation. This study also incorporates interviews with the CEO of IFI to validate the presence and implementation of Shariah compliance parameters in practice. The interviews were conducted to gain in-depth insights and confirm that the theoretical parameters of Shariah compliance, as outlined in the literature, align with their application in the operational and business activities of the fintech institution. Below in Table 6 are brief profiles of the five Shariah Fintech and Financial Institution who confirm the Shariah compliance parameters in practice.

4. Result and discussion

4.1 Respondent profile

The questions related to Sharia compliance, along with the four main items, were subjected to EFA as well as reliability and validity testing for validation. All questions were distributed to 48 respondents from various IFIs. These four items include the fulfillment of aqad (contracts), Maqasid al-Shariah (objectives of Islamic law), accounting aspects and consumer protection. The following data and their explanations are provided:

Table 7 is the demographic data of respondents used to validate the Sharia compliance variables, 46 out of 48 respondents (96%) were male, while only two respondents (4%) were female. This significant gender disparity suggests an imbalance in representation within the IFIs sampled for this study. Regarding organizational roles, 46 individuals (96%) held C-level positions, one respondent (2%) was a founder and another (2%) served both as a commissioner and a founder of a Sharia financial institution.

Table 6. List of interviewee

Initial	Profile
Interviewee 1	CEO of Oneshaf who has ten years' experience in the industry. Oneshaf is the aggregator company which registered with the OJK and also affiliated with the Indonesian Sharia Fintech Association
Interviewee 2	CEO and CFO of Moriafund who has five years' experience in the industry both in Indonesia and Saudi Arabia. Moriafund is a superapps application that can provide IT services with the flexibility of providing cooperative-based financial systems, sharia banking, P2P crowdfunding and securities crowdfunding, social finance
Interviewee 3	CEO of Asysyirkah who has 13 years' experience in the industry. Asy-Syirkah is a digital cooperative based on a close loop peer-to-peer financing business model between members
Interviewee 4	CEO of Asyki who has ten years' experience in the industry. Asyki is a sharia micro insurance company
Interviewee 5	CEO of BFI Syariah (Sharia Compliant Leasing) who has five years' experience in the industry. BFI Finance Syariah is a non-bank financial institution that operates in the field of sharia financing

Source(s): Authors' own work

Table 7. Respondents' profile

Demography	No.	%
Gender		
Male	46	96
Female	2	4
Total	48	100
Position		
Founder	1	2
C-Level	46	96
Chairman	1	2
Total	48	100
Type of IFI		
Islamic Fintech	29	62
Islamic leasing	1	2
Islamic insurance	3	6
Islamic rural bank	1	2
Islamic cooperative	14	28
Total	48	100
Location		
Java Island	48	100

Source(s): Authors' own work

Furthermore, based on the types of Sharia financial institutions to which the respondents belong, the majority, specifically 29 IFIs (62%), are classified as Sharia Fintech companies. In addition, there is also variation in the form of other IFIs, such as one IFI in the field of Sharia Leasing, three IFIs in Sharia Insurance, one IFI in the form of an Islamic Rural Bank, and 14 IFIs in the form of Sharia-based Cooperatives. This demonstrates the diversification in the distribution of respondents based on their financial institution profiles. All the entities were located on Java Island. This may indicate operational centralization and presence in an area with significant market potential and resources.

4.2 Result of EFA

We implemented an EFA in the initial stages of this study to scrutinize the suitability and validity of the data set. A pivotal component of this analysis involved subjecting the data to two crucial tests: the Kaiser–Meyer–Olkin (KMO) test and the Bartlett's test. These tests are paramount for ensuring sample adequacy and assessing the overall fitness and validity of the proposed model. The KMO analysis is instrumental in revealing the appropriateness of the available data for in-depth analysis. As the KMO values get closer to 1, the data becomes more useful for finding links between the different aspects of Sharia compliance that can be explained by common factors. Concurrently, Bartlett's test assumes no correlation among the detailed dimensions of Sharia compliance. A low *p*-value from this test means that there are strong connections between the parts that make up these dimensions and variables. This means that factor or principal component analysis can be used. The amalgamation of insights from both the KMO and Bartlett's tests allows for a comprehensive assessment of sample data suitability, instilling confidence in the subsequent factor analysis or principal component analysis (Hair *et al.*, 2019; Yu *et al.*, 2019; Zhou *et al.*, 2019).

The examination of KMO and Bartlett's tests, as detailed in Appendix 1, provided critical insights into four assumed aspects forming compliance variables – SCA (Aqad Fulfillment), SCMS (Maqasid al-Sharia), SCLK (Accounting Aspect) and SCPK (Consumer Protection). The KMO values for each constituent item gauged the suitability of the factor analysis or principal component analysis. SCMS had the highest KMO value of 0.869, indicating excellent suitability, followed by SCPK (0.787), SCA (0.704) and SCLK (0.61). While SCLK demonstrated a moderate level of suitability, SCPK and SCA demonstrated a tendency toward suitability. Bartlett's test, with a significantly low *p*-value, confirmed significant correlations among these dimensions. Collectively, these findings instill confidence in the appropriateness and validity of the available data for further analysis of these four dimensions.

Following this, the EFA process delved into the anti-image correlation matrix and Measures of Sampling Adequacy (MSA), as depicted in Appendix 2. MSA values, ranging from 0.422–0.947, provide a nuanced understanding of the extent to which latent factors could explain variations among SCA (Aqad Fulfillment), SCMS (Maqasid al-Sharia), SCLK (Accounting Aspect) and SCPK (Consumer Protection). We reaffirmed the suitability of the variables for factor analysis, as all items, except SCLK2 and SCPK7, demonstrated a good representation of detailed factors within the four dimensions of Sharia compliance. The communalities analysis (Appendix 3) then scrutinized the communalities using principal component analysis, excluding variables with extraction values below 0.5 from further testing. This iterative process maintained the rigor of the analysis, aligning with the established communality criteria. The next step in the EFA process involved assessing the total explained variance, shedding light on the formation of factors from each variable. As delineated in Appendix 4, SCA required two factors to collectively account for 75.287% of the variation in the data. In comparison, SCMS, SCLK and SCPK require only one factor to explain a substantial portion of their respective data variations (Hair *et al.*, 2019; Yu *et al.*, 2019; Zhou *et al.*, 2019).

Notably, Appendix 5's rotated factor matrix for SCA revealed distinct factors within the variable, offering a detailed understanding of its dimensionality. This insight laid the groundwork for subsequent discussions and interpretations. In the reliability analysis, Cronbach's alpha (Appendix 6) showed that all items in the SCA, SCMS, SCLK and SCPK were reliable because their values were higher than the 0.5 level. This underscores the trustworthiness of the items and their suitability for further analyses. In conclusion, the multifaceted EFA procedures conducted in this study ensured robust evaluation of data suitability, dimensionality and reliability. Using KMO, Bartlett's tests, anti-image correlation matrix, MSA, communality analysis and total variance together not only proved that the sample data was good, but it also set the stage for further statistical analyses and discussions. This comprehensive approach enhances the credibility and rigor of the study, facilitating a nuanced exploration of Sharia compliance dimensions in the context of Islamic banking (Hair *et al.*, 2019; Yu *et al.*, 2019; Zhou *et al.*, 2019).

4.3 Discussion

The main objective of this study was to verify and ensure successful extraction of the Sharia compliance variable. Through a literature review, questioning and thorough analysis, this study aims to establish an accurate extraction of the variable related to Sharia compliance, which is assumed to be the SCA (Aqad Fulfillment), SCMS (Maqasid al-Sharia), SCLK (Accounting Aspect) and SCPK (Consumer Protection). This involved using EFA and reliability analysis of Cronbach's alpha to confirm that the process of isolating and identifying this variable from the data set is effective and reliable. This study intends to contribute to a deeper understanding of the underlying concepts of Sharia compliance and its implications within the context of collaboration and innovation in IFIs.

4.3.1 The EFA discussion of aqad fulfillment (SCA) and the relationship between collaboration and innovation. The rotated factor matrix results show that only the SCA dimension displays more than one factor, specifically two factors. Regarding these factors, Table 8 illustrates the coding for the contract's constituent factors:

In an era where technology is rapidly advancing, the principles of Shariah present in the pillars and conditions of a contract must also be fulfilled to maintain compliance. Financial institutions must strongly uphold Shariah principles when they collaborate with their partners to innovate. Referring to the two EFA factors, Shariah financial institutions must thoroughly examine contract agreement documents with their partners in the context of collaboration before signing them. Before offering and accepting (Ijab Qabul), four aspects must be ensured: whether the parties have the rational capability to make business decisions. This is important because in the eyes of Shariah, transactions conducted for global collaboration will impact an individual's afterlife (Chapra, 2014; Ullah *et al.*, 2023). This becomes crucial because if the transaction encounters any problems later, the religious court will summon the individuals who conducted the contract (Khan *et al.*, 2023). Furthermore, it is crucial to detail issues related to profit distribution and pricing within collaborations from

Table 8. Grouping of SCA after EFA

Factor	Coding	Item	Item questionnaire
Factor 1 – Post Ijab Qabul	SCA2	Existence of object of Aqad	When we collaborate or innovate, we ensure the presence of the object of Aqad
	SCA6	Ijab Qabul	When we collaborate or innovate, we ensure the presence of offer (Ijab) and acceptance (Qobul) in collaboration or innovation
	SCA7	Clarity of Ijab Qabul	When we collaborate or innovate, we ensure the clarity of offer and acceptance by the parties involved (type/method of expression/verbiage)
	SCA8	Coherence of Ijab Qabul	When we collaborate or innovate, we ensure the coherence of offer and acceptance
	SCA9	Implications of Aqad	When we collaborate or innovate, we ensure the implications of the contract have been clearly communicated
Factor 2 – Pre-Ijab Qabul	SCA1	Competencies of involved parties	We ensure that all parties involved in collaboration / innovation are capable of acting rationally (Baliqh), possess legal competence and authority
	SCA3	Clear pricing and profit sharing	When we collaborate or innovate, we ensure that the agreed-upon return (selling price/rental price (Ujroh)/Profit-Sharing ratio) is clearly determined at the beginning of the collaboration or innovation contract
	SCA4	Clear specification of object	When we collaborate or innovate, we ensure that the agreed-upon contract subject has clear specifications and is deliverable
	SCA5	Object is earned in halal ways	When we collaborate or innovate, we ensure that the agreed-upon/offered contract subject is obtained through halal means by the seller

Source(s): Authors' own work

the outset, as they affect the clear and timely distribution of assets, such as capital or collaboration results, to parties (Sutrisno, 2022). Furthermore, a thorough description of the contract's subject is necessary to prioritize transparency and Shariah objectives. Clarity regarding the contract's subject will ultimately reduce gharar (ambiguity), which might render a transaction impermissible in the eyes of Shariah. The parties must ensure that they obtain the contract's subject and funds through lawful means before offering and accepting a contract (Moosa, 2023).

The execution of the pillars and conditions of a contract during the offer and acceptance phases follows the completion of the preparation stage. This process requires a clear and unambiguous execution of the offer and acceptance, whether conveyed verbally, in writing or through an agreed-upon method (Rosly, 2010; Trakic, 2020). The role of witnesses is particularly significant in the early stages of collaboration agreements, as they can provide critical testimony in case of disputes, explaining the inception and terms of the collaborative contract. The coherence of the offer and acceptance is essential. When collaborative contracts utilize written agreements, it is imperative to explicitly state the mutual consent of all parties to mitigate potential disputes (Moosa, 2023; Mohd Noh *et al.*, 2024). In addition, the contract's scope must ensure the transfer of the collaborative subject, both in its physical form and its benefits (Moosa, 2023). This aspect is pivotal to sustaining the collaboration, as it forms the core of the partnership between Shariah financial institutions and their collaborators (Rakhmadi, 2022).

Based on the interviews, Oneshaf, Moriafund, Asy-Syirkah and Asyki exemplify a strong commitment to sharia compliance through innovative approaches to fulfilling aqad. Oneshaf, as an aggregator registered with OJK and a member of the Indonesian Sharia Fintech Association, emphasizes three key principles: custom Murabaha contracts without Wakalah, no penalties and no asset repossession. These principles build trust and enhance joint marketing while aligning with Islamic values. Similarly, Moriafund ensures all partners are supervised by a Sharia Supervisory Board and incorporates ethical practices, such as avoiding late payment penalties. Its consultative approach, which outlines clear exit strategies, fosters transparency and trust.

From an innovation perspective, these foundational aspects are critical for Shariah financial institutions to effectively deliver innovative products and services to consumers. In a rapidly evolving technological landscape, several challenges arise. However, Shariah financial institutions can leverage electronic Know Your Customer processes as a filtering mechanism during the onboarding phase. This ensures the competency and integrity of the parties involved while preventing activities such as money laundering. Moreover, consumers are obligated to understand and verify the subject matter of contracts. Applications provided by Shariah financial institutions facilitate this by offering features that explain the product or service, including its functionalities and financial details. Specific features can ensure that users read and acknowledge the terms and conditions, whether for products, services or pricing, before proceeding with transactions.

During the offer and acceptance phase, certain IFIs, such as Bank Syariah Indonesia (BSI), employ a written method for specific products like their Wakaf donation service. Users are required to confirm their acceptance by reading the terms and clicking "Yes" to proceed. The funds withdrawn from the consumer's account are then transferred to the designated wakaf institution, which manages the assets according to the terms of the wakaf contract. This process exemplifies the coherence, continuity and accountability of the wakaf agreement, ensuring the proper transfer of consumer assets to the wakaf manager. By implementing the four dimensions of Sharia compliance outlined in Tables 1 and 2, Shariah financial institutions aim to achieve both worldly profit (dunia) and spiritual rewards in the hereafter.

In the VUCA environment, the rapid advancement of technology and financial innovations introduces new and increasingly complex types of transactions. Upholding the fulfillment of Sharia contracts, including the pre-ijab qabul (pre-agreement conditions) and post-ijab qabul (post-agreement adherence), is essential to ensure the validity of these transactions (Mohd Noh *et al.*, 2024). These principles safeguard the integrity of Sharia compliance by ensuring that all contractual obligations are met according to Islamic law, even as technology reshapes transaction processes (Moqbel and Ahmed, 2020). Modern technologies, such as blockchain and digital platforms, offer significant potential to enhance contract adherence and reduce uncertainty in financial dealings (Karim and Shetu, 2020). For example, blockchain can ensure the immutability of contracts, aligning digital transactions with Sharia requirements while mitigating risks of gharar or excessive uncertainty (Utami and Kartika, 2022). By integrating these innovations, IFIs can confidently adapt and collaborate in a rapidly evolving financial landscape while maintaining the integrity of their contracts (Abdullah *et al.*, 2024).

Sharia compliance also plays a pivotal role in shaping marketing strategies within IFIs. Institutions not only adhere to sharia principles to ensure operational integrity but also emphasize these principles in their marketing approaches to build trust and attract customers. Moriafund, for instance, leverages its super app capabilities, offering diverse financial services such as cooperative systems, Islamic banking, P2P crowdfunding and social finance. Its marketing emphasizes sharia compliance as a core value, aligning with customer expectations for ethical and religiously compliant financial solutions. Similarly, Asy-Syirkah, a digital cooperative focusing on peer-to-peer financing within a closed loop of members, emphasizes its "Pure Sharia Muamalah" ethos in its promotional activities. This distinct branding reinforces its dedication to sharia principles, enhancing its credibility and appeal to a niche market seeking ethically driven financial services.

4.3.2 The EFA discussion of SCMS (maqasid al-sharia) and the relationship between collaboration and innovation. Based on the EFA results, there is only one factor in the SCMS. In other words, the SCMS groups all six dimensions into a single factor that explains Maqasid al-Shariah. Thus, the coding and questionnaire items of the SCMS were as follows.

Collaborative activities with partners and the innovations undertaken by IFIs should help their consumers maintain their connection with Allah Azza Wajalla and adhere to Quranic and Sunnah regulations regarding transactions. To ensure this, collaboration between IFIs and Sharia scholars is imperative to uphold Sharia compliance. IFIs driven by rapid technological advancements will continue to collaborate to enhance their technological capabilities and produce innovations (Mustafa and Hanif, 2023; Rahman and Sarea, 2024). In this context, Sharia scholars play a vital role in ensuring product compliance. Moreover, IFIs must ensure that their innovative products remain free from Riba, Maysir and Gharar, safeguarding Muslim consumers from sinful practices that could harm their faith (Chapra, 2007; Haridan, 2023).

Next, according to Table 9, IFIs must demonstrate their role in safeguarding human life (Hifz Nafs) through collaborative efforts and innovation. Collaborations and innovations should yield healthy and safe products for society, thereby benefiting IFIs' image and performance (Hasmawati and Mohamad, 2019). Innovation output refers to the welfare of users. For instance, collaboration between Islamic insurance, banks, fintech and medical institutions eases life necessities. Third, IFI innovations, whether through collaboration or independently, should preserve lineage (Hifz Nasl). This entails safeguarding lineage within the daruriyyat level. For instance, in practice, innovations involve correctly documenting

Table 9. The item and questionnaire for Maqasid al-Sharia

Coding	Summary	Questionnaire
SCMS1	Protecting religion (Hifz Din)	The collaboration and innovation carried out by IFI to uphold the religion (Hifz Al-Din)
SCMS2	Protecting life (Hifz Maal)	The collaboration and innovation carried out by IFI also contribute to the preservation of human life (Hifz Nafs)
SCMS3	Protecting dignity (Hifz Nasl)	The collaboration and innovation carried out by IFI also contribute to safeguarding the aspect of human progeny (Hifz Nasl)
SCMS4	Protecting intellectual (Hifz Aql)	The collaboration and innovation carried out by IFI also contribute to the preservation of the intellectual aspect of humanity (Hifz Aql)
SCMS5	Protecting wealth (Hifz Maal)	The collaboration and innovation carried out by IFI also contribute to safeguarding human wealth (Hifz Maal)
SCMS6	Protecting the environment (Hifz Bi'ah)	The collaboration and innovation carried out by IFI also contribute to preserving the economic and macro-environmental impact (Hifz Biah')

Source(s): Authors' own work

heirs' names when opening accounts in Sharia banks or other financial institutions and securing their inheritance rights (Alma'mun *et al.*, 2022). Another example is when commercial Sharia financial institutions collaborate with social Sharia financial institutions to distribute Zakat, Infaq, Shadaqah and Wakaf. This collaboration maintains the recipients' lineage, allowing them to continue worshipping *Allah Azza Wajalla*.

According to Mergaliyev *et al.* (2021), the fourth point underscores the need for collaborations and/or innovations to uphold the intellectual capacity of humans, guiding their brain, imagination and control to steer clear of reprehensible actions and achieve high nobility. Comprehensive consumer education about the significance and benefits of Sharia finance can achieve this. Innovations like "smart spending" features can help users monitor expenses by collaborating with app developers. Further collaboration with scholars or Islamic organizations can provide advice and content to foster sound financial decisions. Fifth, collaborative and innovative efforts by IFIs must help society protect assets legally and in accordance with Islamic principles (Herianingrum *et al.*, 2024). Collaboration should not compromise on cybersecurity. Technologically driven collaborations should protect customer assets against irresponsible hackers. Innovation must also align with Islamic principles by cleaning customers' wealth from prohibited elements.

In a VUCA environment, Maqasid al-Shariah serves as a critical framework to filter and guide responses to rapid technological advancements, dynamic business environments, shifting government regulations and evolving consumer behavior. Amid the rapid pace of technological change, Maqasid al-Sharia provides a moral compass to evaluate whether innovations align with Sharia principles, ensuring that new technologies enhance ethical and transparent practices (Abdullah *et al.*, 2024). In the context of changing business landscapes and regulatory shifts, Maqasid emphasizes justice, fairness and sustainability, allowing IFIs to adapt while maintaining compliance with Islamic values (Jatmiko *et al.*, 2023). Furthermore, as consumer preferences evolve, often demanding greater convenience and digital integration, Maqasid ensures that these demands are met without compromising on core Sharia principles (Güney, 2024). By integrating the objectives of Maqasid into decision-making processes, IFIs can navigate these challenges with resilience, fostering trust and sustainability in a complex and rapidly changing world. Integrating social responsibility initiatives reflects the Islamic principles of justice and balance, ultimately fostering trust and long-term relationships with consumers (Hamidi and Worthington, 2023; Shah *et al.*, 2021).

In the practice, the principles of Maqasid al-Sharia are central to foster ethical collaboration and innovation within Oneshaf, Moria Fund and Asy-Syirkah. Oneshaf exemplifies this by rejecting projects that conflict with Islamic values, even at the expense of potential revenue. For instance, it declined involvement in a shopping mall project due to plans to include a nightclub, ensuring alignment with Maqasid objectives such as preserving life (nafs), religion (din) and intellect (aql). This ethical commitment strengthens trust with stakeholders and promotes sustainable partnerships, showcasing how adherence to Maqasid al-Sharia can influence strategic decisions and innovation. Moria Fund also integrates Maqasid al-Sharia by tailoring financing to the financial capacity of beneficiaries, thereby protecting wealth (maal) and preserving life (nafs). It safeguards investors' interests by conducting thorough due diligence, such as advising against high-risk ventures to avoid financial losses. Asy-Syirkah similarly applies Maqasid principles by rejecting projects with ethical concerns, like financing the export of coconut charcoal for shisha production due to its potential harm to health and the environment. These practices illustrate how ethical considerations and innovative risk assessment enhance collaboration and ensure compliance with Islamic principles.

Moreover, collaborative innovations among IFIs can significantly impact both economic and non-economic aspects of the environment. In macroeconomic scenarios which related to Hidfz Bi'ah, the selection of contract structures must be carefully evaluated to mitigate risks and enhance their effectiveness. Collaborative profit-and-loss-sharing schemes must address inherent business risks while maintaining fairness and transparency in transactions to foster trust in the Islamic financial ecosystem (Jatmiko *et al.*, 2023). Moreover, collaboration between IFIs and other industries, such as technology, can create positive impacts by driving employment, stimulating economic growth and promoting sustainability. By anchoring these innovations in Maqasid al-Shariah, IFIs ensure that resilience, ethical governance and adaptability remain at the core of their operations in an increasingly uncertain world.

4.3.3 The EFA discussion of SCLK (accounting aspects) and the relationship between collaboration and innovation. The financial aspect of the collaborations and innovations undertaken by IFIs is also an integral part of the Sharia Compliance. Based on the EFA results, the following Table 10 are the remaining dimensions:

The accounting aspect plays a central role in reflecting the financial activities as a result of collaboration and innovation transactions. It also portrays the transparency of how assets

Table 10. The item and questionnaire for accounting aspects

Coding	Summary	Questionnaire
SCLK1	Understandable	Accounting records of collaborations/innovations conducted by IFIs should be comprehensible
SCLK3	Require accuracy	Accounting records of collaborations/innovations conducted by IFIs must be accurate, reflecting the resources utilized
SCLK4	Adhere standards	Accounting records of collaborations/innovations conducted by IFIs must adhere to applicable standards for comparability

Source(s): Authors' own work

transition between parties in collaborations and how the exchange of goods and services from IFIs to consumers occurs in accordance with Sharia principles. This aspect goes beyond mere administrative recording; to ensure Sharia compliance, the financial process, which in this case is recording, must be well designed to be understood by both internal and external stakeholders. When executed well, comprehensively (SCLK1), and easily understood, it enables the Sharia Supervisory Board at the IFI level to effectively monitor the Sharia aspects (Jatmiko *et al.*, 2023; Moosa, 2023; Tlemsani, 2020b).

Another critical financial aspect is the accuracy of the information (SCLK3) during recording. All information must be written based on valid evidence. In addition, accurate and comprehensive recording serves as a strong foundation for decision-making. Well-documented information provides a holistic view of the financial, operational and social impacts of collaborations and innovations, as well as compliance with Sharia. This assists decision-makers, such as IFI management and Sharia supervisory boards, in making sustainable choices in line with the institution's business principles and Sharia aspects (Haridan, 2023). For instance, the Fatwa of the National Sharia Board number 17 of 2000 prohibits an IFI from recording fines it imposes on its customers as business revenue. A social institution must record this as non-halal income.

The next aspect is accurate financial recording, which reflects the resources used at every step of collaboration and innovation. With meticulous recording, IFIs can effectively monitor the utilization of funds, labor and other resources. Measuring the efficiency and effectiveness of collaborations and innovations is crucial for wise resource allocation. For instance, when an IFI introduces an innovative product under the Murabaha contract, it is necessary to record inventory during the supplier purchase process and prior to consumer sale. This fulfills the Murabaha conditions, which require the IFI to own the asset (Moosa, 2023).

In the practice side, the adherence of accounting principles has been done IFIs. Oneshaf and Asy-Syirkah exemplify innovation in accounting while adhering to sharia principles. Oneshaf tailors its practices to comply with Indonesian Financial Accounting Standards by recording transactions based solely on its proportional involvement, emphasizing clarity and accountability. This precise approach supports its collaborations with financial institutions, building stakeholder confidence and enabling seamless joint initiatives. Similarly, Asy-Syirkah employs an off-balance sheet model to reflect its intermediary role, enhancing efficiency while ensuring compliance with Islamic accounting standards. Its transition to flat margin calculations for murabaha financing in 2022 further demonstrates adaptability to stakeholder needs.

Moreover, Asyki's adoption of IFRS 17, as mandated by Indonesia's Financial Services Authority (OJK), underscores its commitment to transparency and sharia compliance. By using a cash basis system, Asyki records only premiums paid rather than accruing full amounts for multiyear policies, ensuring an accurate representation of its financial position. This approach avoids overestimation and reinforces operational trust. BFI Syariah also demonstrates accounting innovation by recording vehicles as inventory in murabaha transactions without wakalah, ensuring compliance with Sharia Financial Accounting Standards (PSAK) while adhering to sharia principles. In ijarah (leasing) agreements, BFI avoids the annuity method for profit recognition due to its potential financial instability, opting instead for a flat calculation method that aligns profits with asset depreciation.

By adapting their accounting practices to meet both sharia and regulatory standards, institutions like Oneshaf, Asy-Syirkah, Asyki and BFI Syariah showcase how ethical compliance can drive innovation. These practices enhance transparency, foster trust and reinforce their competitive advantage in the Islamic finance market, which indirectly strengthens their marketing efforts by building a reputation for integrity and reliability.

In a VUCA environment, accounting plays a critical role in ensuring Sharia compliance by focusing on three key aspects: understandability, accuracy and adherence to standards. Financial records of collaborations and innovations conducted by IFIs must be comprehensible to allow stakeholders, including regulators and auditors, to clearly evaluate compliance with Sharia principles (Mustafa, 2023). Accurate recording is essential to reflect the true resources utilized, preventing gharar (excessive uncertainty) and ensuring transparency in profit-and-loss-sharing schemes and other contractual obligations (Can, 2021). Furthermore, adherence to applicable accounting standards ensures uniformity and comparability, allowing stakeholders to consistently assess compliance (Andespa *et al.*, 2024).

Recording must also adhere to applicable accounting standards, both within the realm of Islamic finance and the broader financial sector. This adherence enables the comparison of records with those of other financial institutions and facilitates measurement within a wider industry framework. Compliance with these standards ensures that the recorded information is valid, verifiable and transparent, ultimately fostering public trust in the business's sustainability and the principles upheld by IFIs (Rahman and Sarea, 2024). In Indonesia, the Indonesian Institute of Accountants (IAI) has issued Sharia Accounting Standards, also known as PSAK, to regulate both Sharia-compliant and non-Sharia-compliant entities involved in Sharia transactions. These standards, ranging from PSAK 100 to PSAK 109, cover the conceptual framework for presenting Sharia financial statements and the accounting treatment for transactions such as murabaha, musyarakah, mudharabah, salam, istishna, and social finance (IAI, 2016a, 2016b). The development of these standards follows the general accounting standards model but is deeply rooted in Sharia principles, as guided by the fatwas of the National Sharia Board. Together, these practices provide a solid foundation for Sharia compliance, fostering resilience and trust in IFIs amid the challenges of rapid technological advancements and evolving business landscapes.

4.3.4 The EFA discussion of SCPK (consumer protection) and the relationship between collaboration and innovation. In the realm of collaboration and innovation, IFIs hold in high regard all the rights and interests of their consumers. Moreover, when IFIs engage in collaboration and innovation, they face the challenge of effectively communicating the names of products originally in Arabic, ensuring that consumers truly comprehend the essence, features and legal implications of the product. To comply with Sharia principles and record their profits as business income, IFIs must consider various aspects of consumer protection. In the case of consumer protection, according to the EFA results, the dimension and its questionnaire were as follows:

First based on Table 11, IFIs prioritize transparency by providing comprehensive product information to ensure that consumers – both as users of innovation and as business partners in collaboration – fully comprehend the partnership's direction, benefits, potential gains and potential risks. Transparency fosters trust and aligns with the ethical principles of Sharia compliance, ensuring stakeholders are equipped to make informed decisions (Ullah *et al.*, 2023; Andespa *et al.*, 2024). The second aspect, ensuring security, requires IFIs to guarantee the safety and reliability of their goods and services before they are utilized by consumers or partners. Achieving a zero-defect outcome benefit both IFIs and the broader financial industry by mitigating risks and protecting stakeholders. For instance, when developing investment-based products with collaborating partners, IFIs must ensure product safety and provide continuous performance updates to prevent losses for all involved parties (Fahmi and Latif, 2024).

The third critical aspect is providing freedom of choice, which underscores the importance of respecting the right of collaborating partners and consumers to independently decide whether to engage in collaborations or use innovative products offered by IFIs. This principle enables stakeholders to make rational, informed decisions based on their preferences and interests. In

Table 11. The item and questionnaire for consumer protection

Coding	Summary	Questionnaire
SCPK1	Clear product info	We provide clear product information to consumers / involved parties
SCPK2	Quality and safety	We ensure that goods and services are of high quality and safe for consumers / involved parties
SCPK3	Right to choose	We ensure that consumers / involved parties have the right to choose
SCPK4	Right to be heard	We ensure that consumers / involved parties have the right to be heard
SCPK5	Explanations/education	We ensure that consumers / involved parties have the right to receive explanations / education
SCPK6	Healthy environment	We ensure that consumers / involved parties have the right to a healthy environment
SCPK7	Compensation for losses	We ensure that consumers / involved parties have the right to compensation for losses

Source(s): Authors' own work

addition, IFIs recognize the right to be heard, valuing the opinions and perspectives of consumers, and collaborating partners during both decision-making processes and established partnerships. Actively incorporating stakeholder feedback ensures a collaborative and ethical approach to Sharia-compliant financial practices (Baber, 2020).

Furthermore, IFIs are committed to providing explanations and education to consumers and other involved parties regarding the complexity of innovative Sharia-based products or services. This approach empowers consumers to understand the associated risks and potential benefits, ensuring they make decisions aligned with their values and expectations. The commitment to education is particularly critical for complex financial products, where clarity helps reduce uncertainty and strengthens stakeholder confidence (Kopalle *et al.*, 2020; Utami and Kartika, 2022).

In the practice side, the effort to protect the customer interest has been done IFIs. Oneshaf exemplifies this by prioritizing transparency in its operations, such as eliminating penalties, repossession and Wakalah in Murabaha transactions. Through joint marketing with IFIs, Oneshaf educates consumers via its website, social media and direct channels, empowering informed decision-making. BFI Syariah prioritizes data confidentiality and is developing a customer platform to provide real-time access to product information, financing agreements and vehicle options at partner showrooms. This educational approach builds trust and enhances collaborative relationships by establishing a reputation for fairness and reliability.

Similarly, Moria demonstrates a consumer-focused approach by offering tailored partnership packages and educating customers to align their needs with its services, fostering satisfaction and deeper collaboration. Asy-Syirkah strengthens consumer protection with its "Project Information Sheet," provided during every wakalah bil ujroh contract. This sheet details risks, loss-sharing terms and the absence of guarantees by LPS, ensuring transparency. Investors acknowledge these terms before transferring funds and receive monthly monitoring reports, reflecting Asy-Syirkah's innovation in accountability. Meanwhile, Asyki leverages digital transformation through its host-host system, which integrates with partner networks for accurate consumer identity verification. This shift from manual to digital processes minimizes errors in claims processing, protecting consumers while streamlining operations. By aligning with sharia principles and consumer expectations, these organizations reinforce trust, strengthen partnerships and drive sustainable innovation in the Islamic finance market.

IFIs also adhere to sustainable financial practices by ensuring collaborations and innovations contribute to a healthy environment for all involved parties. Finally, by recognizing the right to compensation, IFIs uphold their accountability by pledging to compensate for losses incurred due to collaboration or innovation, as agreed upon at the outset. This assurance reflects the ethical foundation of IFIs, fostering trust and long-term relationships with stakeholders (Can, 2021; Ullah *et al.*, 2023).

Finally, in a VUCA environment, consumer protection becomes a cornerstone of Sharia compliance, especially as IFIs innovate and collaborate to adapt to changing landscapes. Providing clear product information ensures transparency, allowing consumers to make informed decisions while maintaining trust in Sharia-compliant offerings (Andespa *et al.*, 2024). Ensuring the quality and safety of goods and services reflects the ethical responsibility of IFIs to protect consumers from harm and uphold Islamic principles. By safeguarding the right to choose, IFIs empower consumers, reinforcing fairness and consent in transactions. Likewise, the right to be heard and the provision of explanations and education demonstrate a commitment to ethical engagement, ensuring that consumers are informed and their concerns addressed (Relano, 2023). In addition, the right to a healthy environment aligns IFIs with broader sustainability goals, while ensuring compensation for losses fosters accountability and trust in case of disputes (Can, 2021). Furthermore, independence and accountability in Sharia compliance measures strengthen consumer confidence in innovative financial products, bridging ethical considerations and market expectations (Alamer, 2022). Together, these pillars of consumer protection not only reinforce Sharia compliance but also position IFIs as ethical leaders in navigating the complexities of a VUCA environment.

5. Conclusion and recommendation

The purpose of this study is to further analyze and explore the Sharia Compliance construct using statistical methods. From the beginning, it was assumed that all constitutive variables of Sharia Compliance, namely Aqad Fulfillment, Maqasid al-Shariah, Accounting Aspects and Consumer Protection, had only one factor. This determination was made after conducting a literature review and face validity with three experts. The outcome of these processes resulted in the design of a questionnaire encompassing the four dimensions coded as SCA (Aqad Fulfillment), SCMS (Maqasid al-Shariah), SCLK (Accounting Aspect) and SCPK (Consumer Protection). The total number of questions from the four dimensions of Sharia Compliance before conducting the EFA was 27 items. The questionnaire was then distributed to 48 leaders of financial institutions, the majority of which were in the Java region.

However, an explanatory factor analysis and reliability test revealed the need to drop two questionnaire items, SCLK2 and SCPK7. This is because both dimensions failed the mandatory tests in the EFA process. SCLK2 was eliminated during the initial anti-image correlation test when obtaining the MSA, with a value below 0.5 0.422. Furthermore, the component matrix process discarded SCPK7 with a value of 0.322. Returning to the initial assumption that each dimension of Sharia Compliance had only one factor, after performing the EFA calculations, this assumption holds true for all dimensions except for SCA. SCA exhibited two forming factors: Factor 1 Post-Ijab Qabul and Factor 2 Pre-Ijab Qabul. All dimensions also demonstrated reliability following Cronbach's alpha test, rendering the results of this research applicable for broader use by subsequent researchers.

Based on these research findings, several practical implications emerge for managerial, educational, policy and societal stakeholders involved in IFIs. From a managerial perspective, the study underscores the importance of Shariah compliance as a strategic tool to navigate the VUCA environment. Implementing a structured approach that incorporates the four key aspects – Aqad Fulfillment, Maqasid al-Shariah, Accounting Aspects and Consumer Protection – can strengthen trust and stability, facilitating collaboration with diverse stakeholders such as technology partners, regulators, and global institutions. This framework helps IFIs to uphold Islamic principles while embracing innovation and operational efficiency, ultimately fostering inclusivity, and expanding opportunities for partnerships across various sectors. Such adherence to Shariah principles not only mitigates risks associated with ambiguity and complexity but also promotes transparency, ethical safeguards, and social responsibility. For example, ensuring clear accounting practices and aligning innovations with Maqasid al-Shariah can reduce mismanagement risks and attract ethically conscious investors and customers, providing a competitive advantage. Therefore, integrating Sharia compliance into daily operations enables IFIs to transform VUCA challenges into opportunities for growth, collaboration, and long-term sustainability.

In the educational realm, the framework proposed in this study offers valuable tools for developing curricula and training programs tailored to future Islamic finance professionals. Incorporating these insights can better equip students and practitioners with the practical knowledge needed to address compliance challenges while encouraging innovation. Case studies based on this research can serve as effective teaching resources that bridge theoretical concepts with real-world applications. For policymakers, the findings highlight the necessity of establishing standardized guidelines and frameworks for Shariah compliance. Regulatory bodies can leverage these insights to formulate clear policies that facilitate ethical collaboration and innovation, as well as develop audit and monitoring mechanisms to ensure industry-wide consistency. The societal impact of these implications is significant; by promoting transparency, fairness and consumer protection, IFIs can enhance public trust and improve stakeholders' quality of life. Adherence to Maqasid al-Shariah ensures that financial innovations support social welfare, reduce inequality and promote environmental stewardship. Ultimately, providing Shariah-compliant financial services not only fosters trust and loyalty among customers but also contributes to broader socioeconomic development, positioning Islamic finance as an ethical and sustainable sector. By offering a transaction that adheres to the principles of Sharia, companies can further ensure that all transactions are legitimate, all contracts (aqad) are fulfilled, and consumer rights are secured, resulting in trust and loyalty. Not only does this boost brand image, but it also creates a long-term relationship by fulfilling customers' spiritual and practical demands, thus making Sharia-compliant marketing a sustainable and customer-oriented strategy. Finally, in terms of academic contributions, the study provides a foundational framework for further research into Sharia compliance, offering a multidimensional approach that integrates practical and theoretical perspectives. Future research can build on this work by exploring subdimensions within each compliance aspect, testing with diverse samples and examining the link between Sharia compliance, financial performance and institutional reputation. These efforts will deepen the understanding of compliance dynamics in Islamic finance and its role in fostering sustainable growth and innovation.

References

Abd Rahman, N., Mastuki, N., Osman, M.R. and Kasim, N. (2020), "Islamic legal maxim for Shari'ah audit in Islamic bank", *Journal of Islamic Accounting and Business Research*, Vol. 11 No. 2, pp. 457-471, doi: 10.1108/JIABR-11-2017-0170.

Abdullah, A., Hassan, R. and Mohamad, S. (2024), "FinTech innovations and Shariah compliance: opportunities and challenges for Islamic financial institutions", *Journal of Islamic Accounting and Business Research*, Vol. 15 No. 1, pp. 101-120, doi: 10.1108/JIABR-10-2023-0256.

Afdawaiza, R., Mas'ud, R. and Manulandong, S.Q. (2024), "Islamic Banks in the digital age: balancing innovation with Sharia principles",*Ikonomika: Jurnal Ekonomi dan Bisnis Islam*, Vol. 9 No. 1, pp. 1-25.

Alamad, S., Hidayah, N.N. and Lowe, A. (2021), "A shared boundary object: financial innovation and engineering in Islamic financial institutions", *British Accounting Review, British Accounting Association*, Vol. 53 No. 3, p. 100958, doi: 10.1016/j.bar.2020.100958.

Alamer, S.A. (2022), "Accountability in sharia governance: is it time for sharia firms?", *Journal of Corporate Law Studies*, Vol. 22 No. 2, pp. 749-781, doi: 10.1080/14735970.2022.2152181.

Ali, Q., Parveen, S., Aspiranti, T., Nurhayati, N. and Rusgianto, S. (2024), "Barriers to the adoption of Islamic banking: a bibliometric analysis", *International Journal of Ethics and Systems*, Vol. 40 No. 3, pp. 628-650, doi: 10.1108/IJOES-01-2023-0001/FULL/PDF.

Alma'mun, S., Kamarudin, M.K., Nasir, W.N. and Ahmad, R. (2022), "Legislative provisions for jibah in Malaysia was iyyah w a _ Indonesia : to what extent and do they differ in practice ?", *ISRA International Journal of Islamic Finance*, Vol. 14 No. 2, pp. 157-174, doi: 10.1108/IJIF-01-2021-0013.

Alnori, F. and Alqahtani, F. (2019), "Capital structure and speed of adjustment in non-financial firms: does sharia compliance matter? Evidence from Saudi Arabia", *Emerging Markets Review*, Vol. 39, pp. 50-67, doi: 10.1016/J.EMEMAR.2019.03.008.

Al-Okaily, M. and Alsmadi, A.A. (2024), "The role of metaverse and blockchain in enhancing digital Islamic finance: empirical perspective", *Journal of Islamic Marketing*, doi: 10.1108/JIMA-11-2023-0369/FULL/XML.

Amani, D. (2024), "The mediating effects of perceived brand integrity on brand ethical behavior and corporate brand legitimacy in halal cosmetics", *Journal of Islamic Marketing*, Vol. 15 No. 6, pp. 1461-1478, doi: 10.1108/JIMA-06-2023-0189/FULL/PDF.

Andespa, R., Yeni, Y.H., Fernando, Y. and Sari, D.K. (2024), "A systematic review of customer Sharia compliance behaviour in Islamic banks: determinants and behavioural intention", *Journal of Islamic Marketing*, Vol. 15 No. 4, pp. 1013-1034, doi: 10.1108/JIMA-06-2023-0181/FULL/XML.

Ariff, A.M., Majid, N.A., Kamarudin, K.A., Abidin, A.F.Z. and Muhmad, S.N. (2024), "Corporate ESG performance, Shariah-compliant status and cash holdings", *Journal of Islamic Accounting and Business Research*, Vol. 15 No. 3, pp. 534-552, doi: 10.1108/JIABR-08-2022-0217/FULL/PDF.

Ascarya, A. (2022), "The role of Islamic social finance during Covid-19 pandemic in Indonesia's economic recovery", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 15 No. 2, pp. 386-405, doi: 10.1108/IMEFM-07-2020-0351/FULL/XML.

Askari, H., Iqbal, Z. and Mirakhor, A. (2010), *Globalization and Islamic Finance: Convergence, Prospects, and Challenges*, *Globalization and Islamic Finance: Convergence, Prospects, and Challenges*, John Wiley and Sons, doi: 10.1002/9781118390467.

Asnawi, N., Sukoco, B.M. and Fanani, M.A. (2020), "The role of service quality within Indonesian customers satisfaction and loyalty and its impact on Islamic banks", *Journal of Islamic Marketing*, Vol. 11 No. 1, pp. 192-212, doi: 10.1108/JIMA-03-2017-0033.

Aysan, A.F. and Bergigui, F. (2021), "Sustainability, trust, and blockchain applications in Islamic finance and circular economy: best practices and fintech prospects", *Islamic Finance and Circular Economy*, doi: 10.1007/978-981-16-6061-0_9.

Azmat, S. and Subhan, M. (2022), "Ethical foundations of the Islamic financial industry", *Journal of Business Ethics*, Vol. 180 No. 2, pp. 567-580, doi: 10.1007/s10551-021-04882-5.

Baber, H. (2020), "E-finance adoption in Islamic banks: evidence from Pakistan", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 13 No. 2, pp. 281-297, doi: 10.1108/IMEFM-05-2019-0190.

Butt, M.A., Ayub, H., Latif, B., Asif, F., Shabbir, M.S. and Raja, A.A. (2022), "Financial risks and performance of conventional and Islamic banks: do reputational risk matters?", *Journal of Islamic Accounting and Business Research*, Vol. 13 No. 4, pp. 581-595, doi: 10.1108/jiabr-10-2020-0336.

Can, G. (2021), “Does Sharia compliance affect financial reporting quality? An evidence from Muslim majority countries”, *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 14 No. 1, pp. 16-33, doi: 10.1108/IMEFM-04-2019-0149.

Cattelan, V. (2020), “The typewritten market: Shari’ah-compliance and securitisation in the law of Islamic finance”, *Arab Law Quarterly*, Vol. 35 Nos 1/2, pp. 74-91, doi: 10.1163/15730255-BJA10051.

Chapra, M.U. (2007), *Vision of Development in the Light of Maqāsid Al-Sharī ‘Ah*, Jeddah, KSA.

Chapra, M.U. (2014), *Morality and Justice in Islamic Economics and Finance*, Edward Elgar Publishing.

Chaudhry, N.I., Roomi, M.A. and Dar, S. (2020), “Barriers to financial product innovation in Islamic banks in Pakistan: an interpretive structural modeling approach”, *Journal of Islamic Accounting and Business Research*, Vol. 11 No. 2, pp. 346-360, doi: 10.1108/JIABR-05-2017-0063.

Che Azmi, A. and Hanifa, M.H. (2015), “The Sharia - compliance of financial reporting practices: a case study on waqf”, *Journal of Islamic Accounting and Business Research*, Vol. 6 No. 1.

Darmawan, A.A. (2024), “The failure mode and effect analysis of Islamic banking product marketing in Indonesia”, *Journal of Islamic Marketing*, Vol. 15 No. 1, pp. 120-135, doi: 10.1108/JIMA-03-2023-0065.

Fahmi, I. and Latif, R. (2024), “Accelerating Islamic economy and finance through financial technology”, *Indonesian Journal of Islamic Economics*, Vol. 12 No. 1, pp. 1-15.

Fernando, Y., Hendayani, R., Jawo, M., Rahamaddulla, S.R., Abdul Aziz, K. and Maimunah, N. (2024), “Discovering Islamic marketing potential in shaping blockchain-based halal logistic services: a bibliometric analysis”, *Journal of Islamic Marketing*, Vol. 16 No. 3, doi: 10.1108/JIMA-06-2024-0258/FULL/PDF.

Ghamry, S. (2022), “Factors influencing customer switching behavior in Islamic banks : evidence from Kuwait”, *Journal of Islamic Marketing*, Vol. 13, p. 1995, doi: 10.1108/JIMA-01-2020-0021.

Güney, S. (2024), “The role of computerized accounting information systems in sustainability of Islamic microfinance institutions”, *Journal of Islamic Accounting and Business Research*, Vol. 15 No. 1, pp. 34-49.

Guzaini, M. and Abdalkrim, M.M. (2022), “Sharia-compliance, internal capital allocation and investment policy: evidence from Malaysia”, *Montenegrin Journal of Economics*, Vol. 18 No. 1, pp. 77-88, doi: 10.14254/1800-5845/2022.18-1.6.

Hair, J.F., Black, W.C., Babin, B.J. and Anderson, R.E. (2019), *Multivariate Data Analysis*, 8th ed., Hampsire UK.

Hamid, W., Salim, U. and Aisjah, S. (2019), “The effect of Al-Bai’ and Wadiah contracts on sharia compliance and the sharia banking system performance through the Maqashid Index in sharia banks in Indonesia”, *Banks and Bank Systems*, Vol. 14 No. 4, pp. 104-113.

Hamidi, M.L. and Worthington, A.C. (2023), “Beyond the triple bottom line: Prosperity, People, Planet, and Prophet in Islamic banking”, *Journal of Islamic Marketing*, Vol. 14 No. 2, pp. 394-409, doi: 10.1108/JIMA-02-2021-0036/FULL/XML.

Hanif, M. (2016), “Economic substance or legal form: an evaluation of Islamic finance practice”, *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 9 No. 2, pp. 277-295, doi: 10.1108/IMEFM-07-2014-0078.

Haniffa, R. and Hudaib, M. (2007), “Exploring the ethical identity of Islamic banks via communication in annual reports”, *Journal of Business Ethics*, Vol. 76 No. 1, pp. 97-116, doi: 10.1007/S10551-006-9272-5/METRICS.

Haridan, N.M. (2023), “Financial innovation in Islamic banks : evidence on the interaction between Shariah board and FinTech”, *Journal of Islamic Accounting and Business Research*, Vol. 14 No. 6, pp. 911-930, doi: 10.1108/JIABR-11-2022-0305.

Hasmawati, A. and Mohamad, A. (2019), "'Potential application of Istisna' financing in Malaysia", *Qualitative Research in Financial Markets*, Vol. 11 No. 2, pp. 211-226, doi: 10.1108/QRFM-07-2018-0083.

Herianingrum, S., Widiastuti, T., Hapsari, M.I., Ratnasari, R.T., Firmansyah, F., Hassan, S.A., Febriyanti, A.R., Amalia, R.C. and Muzakki, L.A. (2024), "Muzakki and Mustahik's collaboration model for strengthening the fundraising capacity of Islamic social finance institutions during COVID-19", *International Journal of Ethics and Systems*, Vol. 40 No. 1, pp. 175-188, doi: 10.1108/IJOES-05-2022-0091/FULL/XML.

Hosen, M.N. (2021), "Perception and expectation of customers in Islamic bank perspective", *Journal of Islamic Marketing*, Vol. 12 No. 1, pp. 1-19, doi: 10.1108/JIMA-12-2018-0235.

Hudaefi, F.A., Hassan, M.K. and Abduh, M. (2023), "Exploring the development of Islamic Fintech ecosystem in Indonesia: a text analytics", *Qualitative Research in Financial Markets*, Vol. 15 No. 3, pp. 514-533, doi: 10.1108/QRFM-09-2021-0167.

IAI (2016a), "Financial Accounting Standard 107: Ijarah accounting", Indonesia Inancial Accounting Standard, available at: https://web.iaiglobal.or.id/PSAK-Syariah/70#gsc.tab=0 (accessed 24 January 2025).

IAI (2016b), "Financial Accounting Standards 102: Murabahah accounting", Indonesia Financial Accounting Standards, available at: https://web.iaiglobal.or.id/PSAK-Syariah/65#gsc.tab=0 (accessed 24 January 2025).

Inigo, E.A., Ritala, P. and Albareda, L. (2020), "Networking for sustainability : alliance capabilities and sustainability- oriented innovation", *Industrial Marketing Management,* Vol. 89, pp. 550-565, doi: 10.1016/j.indmarman.2019.06.010.

Iskandar, D., Nugroho, A. and Suryanto, P. (2022), "Systematic review of the barriers to social enterprise performance in Indonesia", *Cogent Business and Management*, Vol. 9 No. 1, p. 2124592, doi: 10.1080/23311975.2022.2124592.

Ismail, A., Lee, U.H.M.S., Muda @ Ismail, F.L. and Sharbani, A.S. (2024), "Strategic insights into marketing Islamic banking products: a systematic literature review", *Global Business and Management Research: An International Journal*, Vol. 16 No. 3s, pp. 491-506.

Jatmiko, W., Ebrahim, M.S., Iqbal, A. and Wojakowski, R.M. (2023), "Can trade credit rejuvenate Islamic banking?", *Review of Quantitative Finance and Accounting*, Vol. 60, Springer US, doi: 10.1007/s11156-022-01092-6.

Kamil, N.K.M., Bacha, O.I. and Masih, M. (2021), "Is there a diversification 'cost' of Shari'ah compliance? Empirical evidence from Malaysian equities", *Economic Systems, North-Holland*, Vol. 45 No. 1, p. 100817, doi: 10.1016/J.ECOSYS.2020.100817.

Karbhari, Y., Benamraoui, A., Hassan, A.F.S., Karbhari, Y., Benamraoui, A. and Hassan, A.F.S. (2023), "Sharia boards, managerial strategies and governance practices in Islamic banks: a Goffmanesque discourse", *Accounting, Auditing and Accountability Journal*, Vol. 37 No. 4, pp. 1069-1095, doi: 10.1108/AAAJ-07-2017-3037.

Karim, M.R. and Shetu, S.A. (2020), "Blended Islamic social finance-microtakāful model for financial inclusion and poverty alleviation in Bangladesh", *International Journal of Islamic Finance and Sustainable Development*, Vol. 14 No. 3, pp. 1-20.

Khan, I.U., Hameed, Z., Khan, S.U. and Khan, M.A. (2023), "Green banking practices, bank reputation, and environmental awareness: evidence from Islamic banks in a developing economy", *Environment, Development and Sustainability*, Vol. 26 No. 6, pp. 16073-16093, doi: 10.1007/s10668-023-03288-9.

Khatib, S.F.A., Abdullah, D.F., Al Amosh, H., Bazhair, A.H. and Kabara, A.S. (2022), "Shariah auditing: analyzing the past to prepare for the future", *Journal of Islamic Accounting and Business Research*, Vol. 13 No. 5, pp. 791-818, doi: 10.1108/JIABR-11-2021-0291/FULL/XML.

Kholish, N. and Roy, M. (2020), "The significance of Maqasid Syariah principles in improving Islamic economics and finance", *International Journal of Innovation, Creativity and Change*, Vol. 13 No. 3, pp. 1342-1353.

Kopalle, P.K., Kumar, V. and Subramaniam, M. (2020), "How legacy firms can embrace the digital ecosystem via digital transformation", *Business Horizons*, Vol. 63 No. 3, pp. 439-451, doi: 10.1016/j.bushor.2020.01.005.

Laldin, M.A. and Furqani, H. (2019), "Fintech and Islamic finance: setting the Sharī 'ah parameters", *Fintech In Islamic Finance*, doi: 10.4324/9781351025584-8.

Madbash, A.J.Y. (2024), "Islamic banks' profit and violations in murābaḥah financing", *International Journal of Islamic Finance and Sustainable Development*, Vol. 16 No. 3, pp. 83-104, doi: 10.55188/ijifsd.v16i3.903.

Mallouli, A.E.L. (2019), "Sharia compliant, innovation and product development within Islamic financial institutions. Conformité charia, innovation et développement des produits au sein des institutions de finance islamique", *Revue Internationale Des Sciences de Gestion*, Vol. 2 No. Julliet 2019, pp. 704-715.

Mergaliyev, A., Asutay, M., Avdukic, A. and Karbhari, Y. (2021), "Higher ethical objective (maqasid al-shari'ah) augmented framework for Islamic banks: assessing ethical performance and exploring its determinants", *Journal of Business Ethics*, Vol. 170 No. 4, pp. 797-834, doi: 10.1007/S10551-019-04331-4/TABLES/10.

Mohd Noh, M.S., Nor Azelan, S.H. and Zulkepli, M.I.S. (2024), "A review on Gharar dimension in modern Islamic finance transactions", *Journal of Islamic Accounting and Business Research*, doi: 10.1108/JIABR-01-2023-0006/FULL/XML.

Moosa, R. (2023), "An overview of Islamic accounting : the murabaha contract", *Journal of Risk and Financial Management*, Vol. 16 No. 7.

Moqbel, M. and Ahmed, U. (2020), "The integration of Islamic social and commercial finance (IISCF): a systematic literature review", *Heliyon*, Vol. 6 No. 12, p. e05723, doi: 10.1016/j.heliyon.2020.e05723.

Muhammad, R. and Nugraheni, P. (2022), "Sustainability of Islamic banking human resources through the formulation of an Islamic accounting curriculum for higher education: Indonesian perspective", *Sage Open*, Vol. 12 No. 1, p. 215824402210798, doi: 10.1177/21582440221079838.

Muhammad, R., Annuar, H.A., Taufik, M. and Nugraheni, P. (2021), "The influence of the SSB's characteristics toward Sharia compliance of Islamic banks", *Cogent Business and Management, Cogent*, Vol. 8 No. 1, pp. 1-21, doi: 10.1080/23311975.2021.1929033.

Muryanto, Y.T. (2022), "The urgency of sharia compliance regulations for Islamic Fintechs : a comparative study of Indonesia, Malaysia and the United Kingdom", *Journal of Financial Crime*, Vol. 30 No. 5, doi: 10.1108/JFC-05-2022-0099.

Mustafa, H. (2023), "Exploring accountability : memory, object, metaphor and common sense", *Journal of Islamic Accounting and Business Research*, doi: 10.1108/JIABR-06-2022-0156.

Mustafa, M. and Hanif, M. (2023), "Shariah governance and technological innovation in Islamic banks: the role of Shariah scholars in the digital era", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 16 No. 3, pp. 487-505, doi: 10.1108/IMEFM-03-2023-0123.

Muthoifin, F.D., Marshal, N.A.N., Andri, L., Hakim, S.J.U., Heravi, D., Zinah, M.M.A. and Saib, A. (2025), "Islamic banking: a comprehensive review of the definition, strategy, legal framework, and practice of contracts in the modern financial system", *Journal of Lifestyle and SDGs Review*, Vol. 5 No. 1, p. e03067, doi: 10.47172/2965-730X.SDGsReview.v5.n01.pe03067.

Rabbani, M.R., Khan, S. and Thalassinos, E.I. (2020), "FinTech, blockchain and Islamic finance: an extensive literature review", *International Journal of Economics and Business Administration (IJEBA)*, Vol. VIII No. 2, pp. 65-86.

Rahman, A. and A., Sarea, A.M. (2024), "Digital transformation, Shariah compliance, and the evolving role of Shariah boards in Islamic finance", *Journal of Islamic Accounting and Business Research*, Vol. 15 No. 1, pp. 34-50, doi: 10.1108/JIABR-09-2023-0201.

Rakhmadi, A. (2022), “Measuring sharīʿah compliance model: evidence from Islamic banks in Indonesia”, *JKAU : Islamic Econ*, Vol. 35 No. 1, pp. 23-40, doi: 10.4197/Islec.35-1.2.

Relano, F. (2023), “Ethical and Islamic banking compared from a time-based perspective”, *Journal of Business Ethics*, Vol. 188 No. 4, pp. 795-805, doi: 10.1007/S10551-023-05497-8/METRICS.

Rosly, S.A. (2010), “Shariah parameters reconsidered”, *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 3 No. 2, pp. 132-146, doi: 10.1108/17538391011054372.

Said, L.R., Bilal, K., Aziz, S., Gul, A., Shabbir, M.S., Zamir, A. and Abro, H. (2022), “A comparison of conventional versus Islamic banking customers attitudes and judgment”, *Journal of Financial Services Marketing*, Vol. 27 No. 3, pp. 206-220, doi: 10.1057/S41264-021-00113-0/METRICS.

Salaheldeen, M. and Battour, M. (2024), “Fostering innovation capability and sustainable innovation in halal industry: the role of halal entrepreneurs’ success”, *Journal of Islamic Marketing*, Vol. 15 No. 3, pp. 777-799, doi: 10.1108/JIMA-12-2022-0323/FULL/XML.

Shah, S.A., Bhutto, M. and Azhar, S. (2021), “Integrative review of Islamic marketing”, *Journal of Islamic Marketing*, Vol. 13 No. 6, doi: 10.1108/JIMA-07-2020-0216.

Sheikh, R. and Hussain, K. (2024), “Reimagining Islamic banking in the light of Maqasid Shariah”, *Qualitative Research in Financial Markets*, doi: 10.1108/QRFM-04-2024-0108/FULL/PDF.

Suandi, E., Herri and Yulihasri, Syafrizal. (2023), “Evaluating the relationship between entrepreneurial marketing, competitive advantage, and Islamic banks performance”, *Journal of Financial Services Marketing*, Vol. 28 No. 3, pp. 599-614, doi: 10.1057/s41264-022-00169-6.

Sudarwanto, A.S., Kharisma, D.B. and Cahyaningsih, D.T. (2024), “Islamic crowdfunding and Shariah compliance regulation: problems and oversight”, *Journal of Financial Crime*, Vol. 31 No. 4, pp. 1022-1036, doi: 10.1108/JFC-01-2023-0003/FULL/XML.

Sutrisno, H. (2022), “The role of Islamic financial institutions in improving the Indonesian economy”, *Jurnal Ekonomi Islam*, Vol. 13 No. 2, pp. 101-112.

Talib, N.Y.A., Latiff, R.A. and Aman, A. (2020), “An institutional perspective for research in WAQF accounting and reporting: a case study of Terengganu state Islamic Religious Council in Malaysia”, *Journal of Islamic Accounting and Business Research*, Vol. 11 No. 2, pp. 400-427, doi: 10.1108/JIABR-11-2016-0132.

Tamanni, L., Indra, I., Syamlan, Y.T. and Priantina, A. (2022), “Islamic social finance and commercial finance: a marriage made in heaven? ”, *Journal of Islamic Accounting and Business Research*, Vol. 13 No. 8, pp. 1216-1233, doi: 10.1108/JIABR-01-2021-0018.

Tanin, T.I., Ahmad, A.U.F. and Muneeza, A. (2021), “Shariah-compliant equities and Shariah screening: need for convergence of ethical screening of stocks with Shariah screening”, *International Journal of Emerging Markets*, Vol. 18 No. 2, doi: 10.1108/IJOEM-09-2020-1041.

Tawfik, O.I. and Elmaasrawy, H.E. (2024), “Effect of Shariah compliance on financing decisions: empirical evidence from GCC”, *Journal of Islamic Accounting and Business Research*, Vol. 15 No. 1, pp. 196-223, doi: 10.1108/JIABR-07-2022-0165/FULL/PDF.

Tlemsani, I. (2020), “Screening of Murabaha business process through Quran and hadith : a text mining analysis”, *Journal of Islamic Accounting and Business Research*, Vol. 11 No. 10, pp. 1889-1905, doi: 10.1108/JIABR-05-2020-0159.

Trakic, A. (2020), “Shari’ah compliance in Islamic finance contracts : the Malaysian constitutional dilemma”, *Oxford University Commonwealth Law Journal ISSN:, Taylor and Francis*, Vol. 20 No. 2, doi: 10.1080/14729342.2020.1812025.

Uddin, M.N. (2022), “Examining sustainable shari’ah compliance under Shirkah-Ul-Milk: does shari’ah-compliant risk matter”, *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 16 No. 1, pp. 1-18, doi: 10.1108/imefm-05-2020-0212.

Ullah, S. and Khan, M. (2014), “Shari’ah compliance in Islamic banking: an empirical study on selected Islamic banks in Bangladesh”, *Journal of Islamic Economics, Banking and Finance*, Vol. 10 No. 1, pp. 121-136.

Ullah, I., Saba, I. and Ahmad, R. (2023), “An exploratory study of manfaʿah (usufruct) in ijārah accounting from the Sharīʿah perspective”, *ISRA International Journal of Islamic Finance*, Vol. 15 No. 4.

Ullah, K., Ashfaque, M. and Atiq, M. (2023), “Shariah capabilities and value propositions of Islamic banking”, *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 16 No. 4, pp. 701-715, doi: 10.1108/IMEFM-12-2019-0518.

Usman, H., Projo, N.W.K., Chairy, C. and Haque, M.G. (2022), “The exploration role of sharia compliance in technology acceptance model for e-banking (case: Islamic bank in Indonesia)”, *Journal of Islamic Marketing*, Vol. 13 No. 5, pp. 1089-1110, doi: 10.1108/JIMA-08-2020-0230/FULL/XML.

Utami, S. and Kartika, A. (2022), “Sharia financial technology (Fintech) management model in Indonesia”, *Cuadernos de Economía*, Vol. 45 No. 128, pp. 147-159.

Wilson, R. (1997), “Islamic finance and ethical investment”, *International Journal of Social Economics*, Vol. 24 No. 11, pp. 1325-1342, doi: 10.1108/03068299710193624.

Yaya, R., Saud, I.M., Hassan, M.K. and Rashid, M. (2021), “Governance of profit and loss sharing financing in achieving socio-economic justice”, *Journal of Islamic Accounting and Business Research*, Vol. 12 No. 6, pp. 814-830, doi: 10.1108/jiabr-11-2017-0161.

Yu, H., Liu, R. and Zheng, D. (2019), “Interaction orientation based on value co-creation theory: scale development and validation”, *Journal of Contemporary Marketing Science*, Vol. 2 No. 3, pp. 298-322, doi: 10.1108/jcmars-08-2019-0027.

Zhou, Q., Deng, X., Jin, R. and Chang, T. (2019), “Analyzing the key drivers of contractors’ temporary competitive advantage in the competition of international high-speed rail projects”, *KSCE Journal of Civil Engineering*, Vol. 23 No. 11, pp. 4579-4591, doi: 10.1007/s12205-019-0602-4.

Further reading

Dar, H.A. (2013), “Islamic financial innovation: tools and trends”, *Journal of Emerging Economies and Islamic Research*, Vol. 1 No. 3, p. 1, doi: 10.24191/jeeir.v1i3.9126.

Fatema, M., Islam, M. and Bakar, R. (2018), “Halal purchase intention - a study on Islamic banks of Bangladesh”, *The Journal of Social Sciences Research*, Vol. 4 No. 12, pp. 402-412.

Khan, F. (1998), *In Introduction to Islamic Finance*, Daarul Ishaat, Karachi.

Qoyum, A. (2018), “Maqasid Ash-Shari’ah framework and the development of Islamic finance products: the case of Indonesia”, *Tazkia Islamic Finance and Business Review*, Vol. 12 No. 2, pp. 169-188.

Shahwan, S. (2014), “A literature analysis in proposing maqasid framework in the product development stages of Islamic banks”, *Proceeding FREKS - IAEI*, pp. 1-32.

Appendix. The result and procedures of validity and reliability test

In conducting the EFA procedure, the first step involves an analysis of sample adequacy through tests, the use of Kaiser–Meyer–Olkin (KMO), and the measure of sampling adequacy (MSA) test. Both of these tests are crucial to maintaining the model's fitness and validity. The results of the KMO analysis will depict how suitable and appropriate the available data is for analysis. As the value approaches 1, the data's suitability improves, as KMO aids in identifying correlations among dimensions of sharia compliance explained by common factors. Furthermore, in the Bartlett's test, the assumption is made that there is no correlation among the detailed dimensions of sharia compliance. If the significance value is indicated by a low *p*-value, the constituent components of these dimensions and variables have significant correlations, validating the use of factor analysis or principal component analysis. By combining information from both of these tools, the suitability of the sample data can be assessed, indicating that it is adequate for performing factor analysis or principal component analysis with higher confidence(Hair *et al.*, 2019; Yu *et al.*, 2019; Zhou *et al.*, 2019).

Appendix 1

Table A1. KMO Bartlett's test

KMO and Bartlett's test	SCA	SCMS	SCLK	2nd SCLK	SCPK	2nd SCPK2
Kaiser–Meyer–Olkin measure of sampling adequacy	0.704	0.869	0.61	0.662	0.787	0.777
Bartlett's test of sphericity						
Approx. chi-square	388.117	242.617	70.989	61.136	343.339	321.024
Df	36	15	6	3	21	15
Sig.	0.000	0	0	0	0	0

Source(s): SPSS results

The results of the KMO and Bartlett's tests provided for the four assumed aspects forming the compliance variables, namely, SCA (Aqad fulfillment), SCMS (aspects of Sharia Maqasid), SCLK (financial reporting aspect) and SCPK (consumer protection), depict important aspects before proceeding to further analysis. The KMO values for each constituent item of Sharia compliance were used to determine whether they were suitable for factor or principal component analysis. The SCMS dimension had the highest KMO value (0.869), indicating excellent suitability with reference to Hair *et al.* (2019). The SCPK score was 0.787, followed by the SCA at 0.704, and SCLK at 0.61. Two dimension which are SCLK and SCPK were run twice due to the MSA below 0.5 for SCLK and extraction communalities below 0.5 in SCPK. These data points indicate varying degrees of suitability, with SCA and SCPK tending to be quite suitable, whereas SCLK shows a moderately suitable level. The Bartlett's test, with a *p*-value significantly below the 1% confidence level, indicates that these dimensions exhibit significant correlations. Essentially, the KMO and Bartlett's test results provide confidence that the available data are appropriate and valid for further analysis of these four dimensions (Hair *et al.*, 2019).

After reviewing the above results, further analysis will be conducted on the EFA process by examining the anti-image correlation matrix results, which will assess the sample adequacy in the measuring sample adequacy test. Below are the results:

Appendix 2

Table A2. Anti-image matrix (MSA)

Anti-image correlation matrix (measures of sampling adequacy)									
	1st attempt		1st attempt		1st attempt	2nd attempt		1st attempt	2nd attempt
SCA1	0.625	SCMS1	0.82	SCLK1	0.763	0.755	SCPK1	0.784	0.785
SCA2	0.657	SCMS2	0.844	SCLK2	0.422	Dropped	SCPK2	0.748	0.735
SCA3	0.726	SCMS3	0.947	SCLK3	0.582	0.609	SCPK3	0.83	0.868
SCA4	0.694	SCMS4	0.866	SCLK4	0.604	0.665	SCPK4	0.742	0.722
SCA5	0.802	SCMS5	0.908				SCPK5	0.891	0.902
SCA6	0.565	SCMS6	0.855				SCPK6	0.72	0.702
SCA7	0.758						SCPK7	0.865	Dropped
SCA8	0.777								
SCA9	0.757								

Source(s): SPSS results

In EFA, the anti-image correlation matrix also signifies a matrix intended to examine the relationship between variables in a data set and latent factors extracted in the factor analysis. Furthermore, a second matrix called MSA is implemented in this study to observe the extent to which the variations among the variables of contract fulfillment, Sharia objectives (maqasid Sharia), accounting aspects and consumer protection aspects can be explained by the latent factors assumed from the outset. Generally, according to the table above, MSA values ranged from 0.422 (SCLK2) to 0.947 (SCMS3). In general, MSA values closer to 1 indicate that the latent factors forming the dimensions of the Sharia compliance items can explain their variations within the original variables. All items except for SCLK2 (which has been dropped) and SCPK 7 (dropped due to extraction communalities below 0,5) indicate a good representation of the detailed factors forming the four dimensions of Sharia compliance above with respect to the observed forming items. The next step of EFA is to analyze the communalities using principal component analysis. Below is the result:

Appendix 3

Table A3. Communalities

Communalities											
Factor	Initial	Extraction	Factor	Initial	Extraction	Factor	Initial	Extraction	Factor	Initial	Extraction
SCA1	0.842	0.722	SCMS1	0.766	0.684	SCLK1	0.416	0.458	SCPK1	0.804	0.686
SCA2	0.75	0.649	SCMS2	0.83	0.811	SCLK2	0.205	0.044	SCPK2	0.943	0.855
SCA3	0.666	0.55	SCMS3	0.554	0.563	SCLK3	0.674	0.871	SCPK3	0.721	0.585
SCA4	0.823	0.699	SCMS4	0.649	0.597	SCLK4	0.642	0.641	SCPK4	0.911	0.863
SCA5	0.838	0.935	SCMS5	0.711	0.734				SCPK5	0.822	0.810
SCA6	0.869	0.799	SCMS6	0.832	0.865				SCPK6	0.874	0.595
SCA7	0.839	0.458							SCPK7	0.431	0.332
SCA8	0.865	0.558									
SCA9	0.829	0.844									

Source(s): SPSS results

From the above results, it is important to remember that if there are variables with extraction values in the communalities table < 0.5, then those variables do not meet the communality criteria and should be excluded from the testing. The factor analysis process must be repeated from the beginning without including variables that do not meet communality criteria. This repetition followed the same approach as the mean substitution approach (MSA) criteria explained above. This situation occurred with SCPK 1, where in this study, SCPK was re-evaluated separately to obtain a new communalities value that adheres to the standard assumptions for factor analysis testing. Moving on to the total variance explained, this study aimed to analyze how many factors are formed from a variable (Hair *et al.*, 2019; Yu *et al.*, 2019; Zhou *et al.*, 2019). The results are as follows.

Appendix 4

Table A4. Total variance explained

Total variance explained				
Variable	Factor	Total	% Variance	Cumulative
SCA	2	1.49	16.553	75.287
SCMS	1	4.517	75.285	75.285
SCLK	1	2.372	59.292	59.292
SCPK	1	4.993	71.334	71.334

Source(s): SPSS results

In EFA, for the variable SCA, two factors were used that successfully explained approximately 16.553% of the overall variation in the data for that variable. If these two factors are combined, they can collectively account for approximately 75.287% of the variation in the SCA data. In comparison, for the SCMS variable, only one factor was needed, which successfully explained 75.285% of the total variation in the SCMS data. Similarly, for the variables SCLK and SCPK, only one factor was required to explain the variation, with success rates of approximately 59.292% and 71.334% (Hair *et al.*, 2019; Yu *et al.*, 2019; Zhou *et al.*, 2019), respectively. These results provide insight into the ability of the identified factors to explain the variation in the data. Based on these results, the next step is to focus on the SCA variable, as it exhibits two factors with eigenvalues greater than 1. The results of the rotated factor matrix for SCA are as follows:

Appendix 5

Table A5. Rotated factor matrix for SCA

	Rotated factor matrix	
Factor	1	2
SCA1	0.2490	0.8790
SCA2	0.8250	0.1420
SCA3	0.5440	0.5670
SCA4	0.1540	0.8910
SCA5	0.2680	0.9120
SCA6	0.8650	0.0930
SCA7	0.7240	0.3060
SCA8	0.7690	0.3450
SCA9	0.8420	0.3300

Source(s): SPSS results

From the results above, SCA factors 2, 6, 7, 8 and 9 formed a distinct factor on their own, while SCA factors 1, 3, 4 and 5 formed their own factors. This is explained further in the Discussion section. Outside the SCA variables, namely SCMS, SCLK and SCPK, all form only a single factor, as initially assumed based on the determination of factors from the literature. Based on the above EFA procedures, we can conclude that all items except for SCLK2 and SCPK 7 are valid (Hair *et al.*, 2019). Thus, we proceed with the reliability analysis of each variable, which is presented in the table below.

Appendix 6

Table A6. Cronbach's alpha

	Cronbach's alpha if item deleted						
	Alpha if item deleted		Alpha if item deleted		Alpha if item deleted		Alpha if item deleted
SCA1	0.885	SCMS1	0.903	SCLK1	0.851	SCPK1	0.895
SCA2	0.892	SCMS2	0.889	SCLK3	0.621	SCPK2	0.883
SCA3	0.89	SCMS3	0.926	SCLK4	0.753	SCPK3	0.904
SCA4	0.893	SCMS4	0.914	F Test	4.167	SCPK4	0.885
SCA5	0.883	SCMS5	0.905	Sig.	0.018	SCPK5	0.884
SCA6	0.891	SCMS6	0.895			SCPK6	0.9
SCA7	0.89						
SCA8	0.88						
SCA9	0.879						

Source(s): SPSS results

Corresponding author
Yaser Taufik Syamlan can be contacted at: yasersyamlan@tazkia.ac.id