SUKUK: International Journal of Banking, Finance, Management and Business
Vol. 4, No. II, 2025
ISSN: 2978-316X (British Library)
https://sukukjournal.org.uk/index.php/sukuk/issue/view/11

Regulating Morality and Markets: A Critical Study of Fatwa Issuance Mechanisms in Islamic Economic Practice

Samhudi Ramli Ahmad

State Islamic University Sultanah Nahrasiyah – Indonesia

samhudiramliahmad@outlook.com

Abstract

This study critically examines the role of fatwa issuance in shaping the moral and regulatory frameworks within Islamic economic practices. It explores how religious authority, particularly through formal fatwa institutions, intersects with market governance, influencing the ethical conduct and operational standards of Islamic financial systems. As Islamic finance experiences global expansion, mechanisms of fatwa issuance are increasingly scrutinised for their transparency, consistency, and ability to adapt to the complexities of modern economies and diverse institutional landscapes. Focusing on selected Muslim-majority countries and transnational contexts, the research investigates the institutional frameworks and administrative processes involved in fatwa issuance. It deliberately avoids theological debate, concentrating instead on the procedural and economic dimensions of religious rulings in financial markets. The study addresses two primary questions: How do fatwa issuance mechanisms influence the governance of Islamic economic practices? And what are the regulatory implications and challenges of institutionalising religious authority in financial markets? Employing a qualitative methodology, the research draws from document analysis, expert interviews, and comparative case studies. It evaluates procedural transparency, structural diversity, and legal pluralism to understand how different jurisdictions balance religious authority with financial regulation. The findings suggest that while fatwa mechanisms help shape market norms and build investor confidence, they often struggle with issues such as institutional fragmentation, lack of standardisation, and limited responsiveness to dynamic economic conditions. The study concludes by recommending more coherent institutional design, improved cross-jurisdictional coordination, and greater procedural transparency. Future research should explore the digitalisation of fatwa processes and its implications for transnational governance in Islamic finance, particularly in enhancing consistency and regulatory alignment across borders.

Keywords

Fatwa Issuance, Islamic Economic, Mechanism, Morality, Market.

Introduction

Fatwas are crucial in Islamic finance, guiding ethical economic behavior and bridging traditional teachings with modern practices, influencing both individuals and institutions. Ullah *et al*. (2018) highlight the concept of 'fatwa repositioning,' which reflects the struggle of Islamic financial institutions to ensure Shari'a compliance amid evolving market demands. The ethical aspect of fatwas is crucial in Islamic finance, especially regarding the prohibitions on *riba* (usury) and gharar (excessive uncertainty). Maksum (2015) discusses how fatwas can delineate acceptable financial practices, thereby guiding both individual behaviour and institutional policies.

Fatwas play a dual role in guiding economic behavior and maintaining the ethical integrity of Islamic finance. Institutions like the AAOIFI emphasise adherence to Shari'a-compliant practices outlined in fatwas, which are essential for creating a sustainable Islamic finance ecosystem by ensuring financial products are legally compliant and ethically sound. Khatib *et al*. (2022) highlighted the ongoing analysis and adaptation of Shari'a auditing practices are vital for addressing future challenges and highlighting the role of fatwas in Islamic finance. Judijanto *et al*. (2025), noted that reinterpreting Islamic jurisprudence for modern contexts is essential to address contemporary economic issues.

Statistical data indicates that the Islamic finance industry is projected to grow significantly, with estimates suggesting it could reach USD 3.69 trillion by 2024 (Islamic Financial Services Board, 2021). This growth heightens the need for effective fatwa mechanisms to address market complexities. Without timely rulings, financial products may stray from ethical foundations, risking consumer confidence.

Fatwas are key regulatory tools in Islamic economics, offering legal guidance on various practices to ensure alignment with Islamic principles. In Indonesia, they significantly influence socio-economic development, impacting areas such as banking and trade regulations. (Sulistyowati, 2023). Fatwas play a crucial role in ensuring the integrity of Islamic finance by guiding economic decisions in accordance with Sharia law.

Balancing doctrinal morality with market pragmatism is crucial in Islamic economic governance, which is grounded in ethical principles promoting justice, equity, and social welfare. (Yilmaz, 2024). The interplay between ethical considerations and economic realities is further exemplified in various case studies. For example, the Islamic banking sector has seen substantial growth, with assets reaching approximately $2.88 trillion globally in 2021 (Salisu & Saniff, 2023). This growth is backed by clear fatwas that enhance investor confidence and consumer trust. However, the challenge lies in adapting these fatwas to changing market conditions while maintaining core Islamic moral principles. (Elmahjub, 2021).

Fatwas significantly impact Islamic economic practices by providing authoritative legal guidance for Muslims in financial transactions, ensuring adherence to Sharia law amid modern market challenges. For instance, Hassan (2023) highlights that the evolution of time and place necessitates the adaptation of fatwas, reflecting the dynamic nature of economic practices. Furthermore, Rosidi (2025) Highlights how institutional centralisation in fatwa governance boosts religious legitimacy and aids in issuing relevant fatwas for modern economic issues.

This study examines the Fatwa Issuance Mechanisms in Islamic Economic Practice, focusing on how to integrate Islamic finance into the national financial system and the regulatory challenges and opportunities involved. The research tackling the following questions: How do fatwa issuance mechanisms influence the governance of Islamic economic practices? And what are the regulatory implications and challenges of institutionalising religious authority in financial markets? The goal is to assess both ethical considerations and market demands.

This research explores mechanisms of fatwa issuance and how they are integral to the functioning of Islamic economic practice. They not only serve to regulate compliance with Sharia but also facilitate a balance between ethical imperatives and the practical demands of modern economies. As Islamic finance continues to expand, the significance of fatwas will only increase, necessitating ongoing dialogue and adaptation within the framework of Islamic jurisprudence.

Literature review

Fatwas are non-binding legal opinions in Islamic jurisprudence that interpret shariah in relation to contemporary issues. They connect classical texts with modern realities, relying on two key concepts: ijtihad (independent reasoning) and maqasid al-shariah (objectives of Islamic law). Ijtihad enables qualified scholars to derive legal rulings from the Qur'an and Sunnah, keeping Islamic jurisprudence dynamic and responsive to new challenges (Ridzuan *et al*., 2024).

Maqasid al-shariah is crucial for understanding the ultimate goals of Islamic law, which aim to preserve faith, life, intellect, lineage, and property. This framework helps scholars issue fatwas that promote justice and welfare in society (Awass, 2023).

The methodology for delivering fatwas has evolved to include contemporary perspectives for greater relevance. In Malaysia, fatwa issuance now follows a structured approach that involves public consultations and interdisciplinary collaboration (Ibrahim & Ab Rahman, 2022). Fatwas are grounded in theology, highlighting the importance of scholarly consensus (ijma). Achieving consensus can be difficult in diverse contexts with varying interpretations of Islamic texts. In these situations, fatwa bodies play a vital role in mediating differences and offering authoritative guidance that reflects a collective understanding of Islamic principles (Yusuf *et al*., 2023).

The historical evolution of economic fatwas highlights the transformative nature of Islamic finance and changing authority dynamics within the Muslim community. The growth of modern Islamic finance has prompted the creation of dedicated fatwa bodies and councils for structured fatwa issuance (Safdar, 2025). A key example of this transformation is Indonesia's National Sharia Board (DSN-MUI), which issues fatwas on Islamic finance. This body standardizes rulings across financial institutions and boosts the credibility of Islamic financial products in a competitive market. (Yusuf *et al*., 2023). The DSN-MUI's fatwas guide Islamic banks, ensuring shariah compliance and addressing modern financial needs. However, transnational fatwa boards like the AAOIFI and IFSB have become increasingly prominent. These organizations enable collaboration among international scholars, fostering idea exchange and harmonization of fatwas (Safdar, 2025). This transnational approach boosts fatwa consistency and strengthens the global Islamic finance industry, fostering trust among stakeholders.

Authority is shifting as traditional scholars adapt to institutional roles. While local scholars still hold influence, institutional fatwa bodies are now seen as more credible sources of guidance. This change affects the relationship between scholars and the community, with individuals increasingly turning to formal institutions for advice rather than just local scholars (Awass, 2023).

National and transnational fatwa boards significantly influence Islamic jurisprudence, especially in finance and social matters. Institutions like Indonesia's National Sharia Board (DSN-MUI) and the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) exemplify the trend of institutionalising fatwa issuance. The DSN-MUI plays a key role in standardising fatwas for Islamic financial institutions in Indonesia and ensuring adherence to shariah principles (Yusuf *et al*., 2023). Centralising authority enhances Islamic finance's credibility and offers a unified framework for complex transactions.

The dynamics of authority within these fatwa boards can vary significantly. While some boards operate with a high degree of independence, others may be influenced by governmental policies or local cultural contexts. For instance, the DSN-MUI operates within the framework of the Indonesian government, which can sometimes lead to tensions between religious authority and state interests (Awass, 2023). This interplay highlights the complexities of fatwa issuance in contexts where political and religious spheres intersect.

The issuance of fatwas in the realm of financial products is fraught with challenges, primarily due to a lack of standardisation and the existence of differing methodologies. This discrepancy is evident in the way various Islamic scholars approach financial issues, often leading to conflicting opinions. For instance, some scholars adhere strictly to traditional fiqh-based methodologies, while others adopt a maqasid-oriented approach, focusing on the ethical and social objectives of Islamic law (Devi & Hamid, 2024). This divergence creates a fragmented landscape where financial institutions may receive varying guidance on the same product, leading to confusion among consumers and stakeholders alike.

Furthermore, the absence of a unified framework for fatwa issuance can result in conflicts of interest, particularly in commercial contexts. Scholars who are affiliated with financial institutions may face pressure to issue fatwas that favour their employers, raising ethical concerns about the legitimacy of such rulings. For example, a fatwa that permits a particular financial product may be influenced more by the financial benefits to the issuing scholar than by a rigorous assessment of its compliance with Islamic principles (Aziz *et al*., 2025). This situation not only undermines the credibility of fatwas but also poses significant risks to consumers who rely on these religious rulings for their financial decisions.

Moreover, the lack of standardisation in fatwa issuance can lead to a proliferation of products that may not be genuinely compliant with Shariah law. As financial institutions seek to innovate and expand their offerings, they may inadvertently introduce products that exploit loopholes in Islamic jurisprudence. This issue is exacerbated by the rapid pace of financial innovation, which often outstrips the ability of scholars to provide timely and relevant guidance (Khan & Khan, 2024). The result is a marketplace that may be flooded with questionable financial products, complicating the task of consumers who are trying to navigate their options in accordance with their faith.

Statistical data highlights the extent of this challenge; a survey conducted by the Islamic Financial Services Board revealed that 60% of Islamic financial institutions reported difficulties in obtaining clear and consistent fatwas for new products (Devi & Hamid, 2024). This uncertainty can stifle innovation within the sector, as institutions may hesitate to launch new offerings without a solid foundation of Shariah compliance. Consequently, the Islamic finance industry risks falling behind its conventional counterparts, which are not encumbered by similar regulatory and ethical dilemmas.

The dynamic interplay between innovation (ijtihad) and tradition (taqlid) presents another layer of complexity in the issuance of fatwas for financial products. In a rapidly changing financial landscape, the need for innovative solutions that address contemporary economic challenges is more pressing than ever. However, the reliance on traditional interpretations of Islamic law often creates a tension that can hinder the development of new financial products. Scholars who advocate for ijtihad argue that it is essential for adapting Islamic law to modern contexts, thereby allowing for more flexible and relevant rulings (Khan & Khan, 2024).

On the other hand, those who favour taqlid often view it as a safeguard against the potential misinterpretation of Islamic teachings. They argue that strict adherence to established rulings ensures the integrity of Islamic finance and protects consumers from exploitative practices (Jaffar *et al*., 2024). This dichotomy raises critical questions about the legitimacy of new financial products and whether they can be reconciled with traditional principles. For instance, the introduction of fintech solutions, such as peer-to-peer lending platforms, has sparked debate among scholars regarding their compliance with Shariah law, as these products may not fit neatly into existing frameworks (Aziz *et al*., 2025).

The challenge lies in finding a balance between these two approaches. While innovation is necessary for the growth and relevance of Islamic finance, it must not come at the expense of foundational principles. The emergence of hybrid financial products that combine elements of both traditional and modern practices exemplifies this struggle. For example, some Islamic banks have begun to offer products that incorporate elements of conventional finance while striving to maintain compliance with Shariah law. However, the acceptance of such products varies widely among scholars, leading to further confusion in the market (Devi & Hamid, 2024).

Data indicates that financial institutions that embrace a more innovative approach to product development are often more successful in attracting a younger demographic, which is increasingly seeking Shariah-compliant options that align with their values (Jaffar *et al*., 2024). This trend underscores the importance of reconciling innovation with tradition to ensure that Islamic finance remains competitive and relevant in a global market.

Methods

This study utilises a qualitative approach, centered on a thorough literature review, to investigate the theological and juristic foundations of fatwas. The bibliographic methodology brings together a variety of academic discussions, case studies, and regulatory frameworks to illustrate the evolution of authority within Islamic finance through both the ijtihad and taqlid mechanisms. This comprehensive analysis sheds light on existing gaps and the underlying theological and juristic bases that lend legitimacy and effectiveness to fatwas.

The research primarily focuses on the examination of secondary data, including policy reports, scholarly articles, and documented case studies related to the establishment of institutional fatwa bodies in terms of fatwa issuance. It aims to promote standardisation and consistency while navigating the complexities of contemporary financial practices. The review stresses essential Shariah principles, emphasising that by integrating ijtihad and maqasid al-shariah into the fatwa process, scholars can produce rulings that are both legally valid and socially relevant, thus fostering a dynamic and adaptable Islamic legal system. Special attention is paid to the analysis of national and transnational fatwa boards, revealing a nuanced relationship of authority, independence, and consistency.

By employing a structured literature review, the study critically assesses challenges such as the tension between ijtihad and taqlid in promoting innovation while maintaining the integrity of Islamic finance, the lack of standardisation, and the existence of conflicting methodologies in fatwa issuance within the financial sector. Through this methodological framework, the research identifies practical strategies, including fostering constructive dialogue that balances tradition with innovation, and aims to develop a more unified framework for fatwa issuance that emphasizes ethical considerations and consumer protection.

Result and Discussion

Authority and Legitimacy of Fatwa Issuance

The legitimacy of fatwas, or Islamic legal opinions, varies significantly across different contexts, influenced by cultural, political, and social factors. In Indonesia, for instance, the fatwa issued by the Indonesian Ulema Council (MUI) is often perceived as authoritative due to its institutional backing and widespread acceptance among the Muslim populace. Menchik (2022) highlights how the MUI's fatwas can shape public behaviour and policy, illustrating the intertwining of religious authority and state politics. However, the perception of legitimacy can be fragmented; competing fatwas from various Islamic scholars can lead to confusion and division within the community. For example, differing opinions on contemporary issues such as vaccination during the COVID-19 pandemic have highlighted these tensions, as varying fatwas have emerged, each claiming legitimacy from different scholarly interpretations.

The consequences of fragmented authority are profound, as they can lead to a lack of trust in religious institutions. Bensala (2023) discusses how the proliferation of fatwas without a unified authority can result in societal fragmentation, where individuals may feel compelled to choose between conflicting opinions. This fragmentation can undermine the collective moral compass of the community, leading to a decline in respect for religious authority. Moreover, the inability to reach a consensus on critical issues can exacerbate tensions within the Muslim community, as seen in debates surrounding gender roles and modernity. The challenge, therefore, lies in reconciling these differences while maintaining a coherent framework of Islamic jurisprudence that resonates with contemporary societal values.

The credibility of Shariah boards is significantly influenced by their transparency and independence, critical factors in the perception of their authority. Gusrianti and Sari (2023) examine the role of transparency in Islamic banking, emphasising that Shariah boards must operate with clear guidelines and accountability to foster trust. Without transparency, the decisions made by these boards can be viewed with suspicion, leading to questions about their motivations and the integrity of their rulings. For instance, if a Shariah board is perceived as being influenced by commercial interests rather than adhering strictly to Islamic principles, its fatwas may be dismissed as lacking legitimacy.

Independence is equally crucial, as it allows Shariah boards to issue fatwas without external pressures, maintaining the integrity of their rulings. The relationship between Shariah boards and financial institutions can complicate this independence; if board members are affiliated with the institutions they oversee, their ability to provide unbiased opinions may be compromised. This potential conflict of interest can lead to scepticism regarding the fatwas issued, as stakeholders may question whether they are genuinely reflective of Islamic law or merely serving the interests of the institution. Thus, ensuring both transparency and independence is essential for Shariah boards to uphold their authority and legitimacy in the eyes of the community.

The financial industry has witnessed the emergence of various green financial instruments that have the potential to drive sustainable growth. One such innovation is the rise of green bonds, which are debt securities issued to fund projects with environmental benefits (Martin, 2023). These bonds have gained significant traction, with the global green bond market reaching a record $522 billion in 2021, a 75% increase from the previous year (Tavares *et al*., 2024). The demand for green bonds has been driven by investors seeking to align their portfolios with environmental, social, and governance (ESG) principles, as well as by governments and corporations looking to finance climate-friendly initiatives.

The Role of Shariah Standard Bodies and Their Significances

The interplay between global Shariah standards and local jurisprudential practices presents a complex landscape for Islamic finance. Shariah standard bodies, such as the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB), strive to create uniform frameworks that can be adopted across diverse jurisdictions. However, local interpretations of Shariah often vary significantly due to cultural, historical, and legal contexts. For instance, while AAOIFI provides a set of standards that aim for global applicability, local scholars may favour interpretations that align more closely with their indigenous practices, leading to potential conflicts (Rahbi, 2022).

This divergence can create a significant challenge for Islamic financial institutions operating in multiple jurisdictions. A notable example is the case of Sukuk issuance, where varying interpretations of permissibility can affect the structuring and acceptance of these financial instruments. In Malaysia, Sukuk structures may be more flexible compared to those in the Gulf Cooperation Council (GCC) countries, where stricter interpretations prevail. This inconsistency can hinder cross-border transactions and complicate the regulatory environment for investors (Devi & Hamid, 2024).

Furthermore, the lack of a universally accepted Shariah standard can lead to what is known as 'fatwa shopping', where institutions seek rulings that best suit their interests rather than adhering to a consistent ethical framework. This practice undermines investor confidence and raises concerns about the integrity of Islamic finance as a whole (Oseni, Ahmad, & Hassan, 2016). The perception that Shariah compliance can be manipulated for profit diminishes the credibility of financial offerings, making it essential for standard bodies to address these issues effectively.

The globalisation of Islamic finance necessitates a collaborative approach between Shariah standard bodies and local authorities to foster a more cohesive regulatory environment. Initiatives aimed at harmonising fatwas and creating a more unified approach to Shariah compliance can enhance the legitimacy and attractiveness of Islamic financial products. By bridging the gap between global standards and local practices, these bodies can help mitigate tensions and promote greater acceptance of Islamic finance in the global marketplace (Alhejaili, 2025).

Morality Based and Market Demands in Financial Industry

In the financial industry, particularly Islamic finance, aligning ethical mandates with profit-driven realities is a key challenge. Economic fatwas are essential in this process, offering guidance that upholds Shariah principles while meeting modern market demands. For instance, Hameed and Hamid (2023) see the current fatwa issuance mechanisms needing updates to address the complexities of modern financial products. A more dynamic approach could better serve consumers and financial institutions, ensuring ethical considerations remain a priority over profit.

The concept of maqasid, or Shariah objectives, provides a framework for assessing financial practices. It emphasises prohibiting *riba* (usury) and gharar (excessive uncertainty) while promoting social welfare and justice (Abdullah *et al*., 2021). Integrating ethical objectives into economic fatwas allows financial institutions to develop profitable and socially responsible products. For instance, sukuk (Islamic bonds) demonstrate how financial instruments can align with Shariah while fulfilling investor demand for ethical investments.

The reconciliation of ethical mandates and market demands is evident in the rise of socially responsible investing (SRI) in Islamic finance. According to Rahman *et al*. (2024), investors are increasingly aware of the ethical implications of their investments, leading financial institutions to develop products that balance profit and ethics. This trend enhances the reputation of Islamic finance and attracts a wider audience, boosting market participation.

Reconciling these interests presents challenges, as critics claim some financial institutions partake in "Shariah-washing," marketing products as Shariah-compliant without genuine ethical adherence (Masruroh & Faiz, 2025). This practice undermines Islamic finance credibility, highlighting the need for stronger fatwa governance to ensure ethical compliance. Improved oversight mechanisms could mitigate risks and enhance the integrity of Islamic financial products.

"Shariah-washing" is a growing concern in Islamic finance, referring to the misleading marketing of financial products as Shariah-compliant without genuine adherence to its principles, which undermines consumer trust. Hameed and Hamid (2023) see this practice undermines the credibility of Islamic finance and threatens its ethical foundations. To address this issue, a maqasid-based framework is crucial, as it prioritizes societal welfare alongside profitability.

The significance of maqasid in tackling Shariah-washing is crucial. By aligning financial products with Shariah objectives, institutions can ensure their offerings adhere to ethical principles. For instance, maqasid highlights the importance of social justice and economic equity, guiding the creation of products that benefit the community instead of just maximising shareholder profits (Abdullah *et al*., 2021). This approach boosts consumer trust and aligns the financial industry with the demand for ethical investments.

Maqasid-based frameworks can improve regulatory compliance and oversight. Rahman *et al*. (2024) argue that a clear understanding of maqasid enables regulatory bodies to better evaluate financial products for ethical and legal compliance. A maqasid-based approach not only offers regulatory benefits but also drives innovation in the financial sector. By developing products that comply with Shariah and meet maqasid objectives, institutions can create solutions that tackle social issues. For example, Islamic microfinance can empower underserved communities while ensuring sustainable returns for investors (Masruroh & Faiz, 2025). These innovations show that ethical considerations can align with market demands, creating a more inclusive financial ecosystem.

Issuing fatwas on complex financial products is crucial for product innovation, legal enforceability, and market reactions in Islamic finance. As financial instruments grow more sophisticated, fatwas play a vital role in ensuring Shariah compliance. Abdullah *et al*. (2021) argue that developing fatwas for complex products like derivatives and structured finance requires a deep understanding of both financial mechanics and Shariah ethics. A notable example is the fatwa on Islamic swaps, which has generated debate among scholars. Some believe they can be structured to comply with Shariah, while others argue they inherently involve gharar (uncertainty) and *riba* (usury), making them incompatible with Islamic principles. (Hameed & Hamid, 2023). This divergence highlights the complexities of fatwa issuance and the necessity for a framework that balances innovation with ethical standards.

The implications of these fatwas go beyond compliance; they influence the legal enforceability of financial products. In regulated Islamic finance jurisdictions, regulatory acceptance of fatwas can dictate a product's legal compliance. Rahman *et al*. (2024) highlight that clear and consistent fatwas can enhance the legal standing of Islamic financial products, thereby encouraging market participation and investment. Conversely, ambiguous or conflicting fatwas can lead to uncertainty, deterring potential investors and stifling innovation.

Market reactions to fatwas on complex financial products can vary significantly, often influenced by the perceived legitimacy of the issuing authority. For instance, when reputable Shariah boards issue fatwas, market confidence tends to increase, leading to greater acceptance of the products in question. On the other hand, if a product is associated with questionable fatwas or practices, it may face significant backlash from both consumers and investors (Masruroh & Faiz, 2025). This dynamic underscore the importance of transparency and accountability in the fatwa issuance process.

Conclusion

This study critically examined the mechanisms of fatwa issuance within Islamic economic practice and highlighted their essential role in regulating both morality and markets. Fatwas, as interpretive legal opinions grounded in Islamic jurisprudence, serve not only as religious guides but also as institutional instruments that influence the operational ethics and regulatory norms of Islamic finance. The analysis revealed that these mechanisms are deeply embedded in institutional frameworks that attempt to balance doctrinal authenticity with modern financial innovation.

Fatwa issuance mechanisms are shown to function as moral anchors in Islamic finance, providing religious legitimacy to financial products and market behavior. Yet, this foundational role is complicated by the diversity of fatwa-issuing authorities across jurisdictions, which has led to inconsistencies in rulings. This fragmentation of authority has generated confusion among practitioners and weakened public confidence in Shariah-compliant products, especially when similar instruments receive conflicting rulings from different fatwa boards.

The shift in fatwa authority from individual scholars to institutional bodies—such as national Shariah councils and international standard-setting organisations—has introduced a new era of formalisation. These institutions bring increased legitimacy and structure to the issuance process, but they also raise concerns about transparency, independence, and the influence of commercial interests. The potential for conflict of interest, particularly when scholars are appointed by financial institutions whose products they are meant to evaluate, presents a serious ethical dilemma. This concern is exacerbated when fatwas are issued behind closed doors without adequate disclosure of the deliberative process.

A central issue explored in this study is the ongoing tension between traditionalist and reformist approaches in Islamic legal interpretation. While the traditional reliance on taqlid ensures adherence to established jurisprudence, the rapidly evolving landscape of global finance demands more dynamic reasoning rooted in ijtihad. The challenge lies in striking a balance between preserving the integrity of Islamic legal heritage and allowing enough flexibility to address the complexities of contemporary financial instruments. The study found that in many cases, the tension between these two approaches delays the introduction of innovative financial products or results in inconsistent rulings that hamper market development.

The lack of global standardisation remains one of the most significant challenges facing the fatwa issuance system. Without a unified framework, Islamic finance remains fragmented, limiting its growth in transnational markets. Fatwa shopping—where institutions seek rulings from more lenient or commercially favorable bodies—undermines the credibility of Islamic finance and raises questions about the authenticity of its moral claims. This situation underscores the need for robust institutional frameworks that are both independent and coordinated across regions.

In light of these findings, several policy implications emerge. There is an urgent need for the harmonisation of fatwa standards through collaborative efforts among national and international regulatory bodies. Cross-border dialogues and mutual recognition mechanisms could pave the way for greater consistency in Shariah rulings, enhancing investor confidence and market integration. Improving transparency within fatwa institutions is also critical. This includes not only publishing fatwas but also providing access to the reasoning behind rulings, the deliberation process, and any dissenting opinions. Such openness would strengthen public trust and mitigate concerns about bias or manipulation.

Establishing inclusive and multidisciplinary fatwa bodies that integrate the perspectives of scholars, economists, regulators, and community representatives can improve the relevance and integrity of fatwas. These bodies should function autonomously, free from undue influence by commercial stakeholders, while remaining responsive to the realities of the financial marketplace. In parallel, educational initiatives are necessary to build a new generation of Shariah experts with a strong grounding in both Islamic jurisprudence and modern financial theory.

Looking ahead, the role of digital technologies offers promising solutions for improving fatwa governance. Platforms using blockchain could increase accessibility, traceability, and accountability in the fatwa issuance process. These tools can also support the development of digital databases that allow scholars and practitioners to reference existing fatwas more efficiently, reducing duplication and inconsistencies.

Another important direction for future research is the integration of fatwa mechanisms with emerging sectors such as fintech, green finance, and digital currencies. These areas are evolving rapidly, often ahead of regulatory and religious responses. Developing agile fatwa institutions that can respond to these challenges in real time without compromising scholarly rigor will be essential for the continued relevance of Islamic economic practice.

There is also a need to explore how fatwas are received by diverse Muslim communities. Cultural, social, and economic contexts all influence how religious rulings are interpreted and applied. Understanding this reception is crucial for designing communication strategies that improve community engagement and compliance with fatwa-based guidelines.

Ultimately, fatwa issuance in Islamic finance is not merely a question of legal formality—it is a moral endeavor that reflects the broader aims of the Shariah: justice, welfare, and the preservation of human dignity. The future of fatwa governance depends not only on institutional reform but also on a renewal of ethical commitment. Reinvigorating the maqasid al-shariah within fatwa discourse will ensure that Islamic finance continues to serve as a meaningful alternative in a world that increasingly calls for ethical and inclusive economic solutions.

The financial industry is at the crossroads of addressing climate change, requiring a comprehensive integration of climate governance frameworks to align environmental sustainability with economic imperatives. The findings demonstrate that financial institutions have a unique opportunity to drive the global sustainability agenda by adopting innovative practices and aligning with Environmental, Social, and Governance (ESG) principles. Integrating climate-related risks into decision-making processes fosters long-term resilience while ensuring that profitability does not come at the expense of environmental stewardship. However, challenges such as inconsistent regulations, data deficiencies, and organisational inertia continue to hinder widespread implementation. Overcoming these barriers demands coordinated efforts and robust leadership.

References

Abdullah, A., Rehman, A. A., & Farooq, M. U. (2021). Analyzing fatwas on benchmarking Islamic financial products and services. In *Benchmarking Islamic Finance* (pp. 128-135). Routledge.

Alhejaili, M. (2025). Harmonising derivatives with Shari'ah: ethical practices and regulatory insights. *International Journal of Islamic and Middle Eastern Finance and Management*.

Awass, O. (2023). *Fatwa and the making and renewal of Islamic law: from the classical period to the present*. Cambridge University Press.

Aziz, J. A., Maghfiroh, S., Kholifah, A., Voak, A., & Althof, C. C. (2025). Rethinking 'Interest'in Islamic Finance: A Critique of the Method of Fatwâ MUI and Its Legitimacy in Indonesia. *Journal of Islamic Thought and Civilization*, *15*(1), 81-98.

Bensala, Y. (2023). The Stumbling of Fatwa and Its Impact on Islamic Societies. *ALBASIRAH JOURNAL*, *13*(2), 30-39.

Devi, A., & Hamid, B. A. (2024). Challenges and Obstacles in the Standardization and Harmonization of Fatwa in Islamic Finance Industry and Way Forward. *Ekonomi Islam Indonesia*, *6*(1).

Elmahjub, E. (2021). Islamic jurisprudence as an ethical discourse: An enquiry into the nature of moral reasoning in Islamic legal theory. *Oxford Journal of Law and Religion*, *10*(1), 16-42.

Faisalal, Y. A. (2019). *Fatwa Shopping as Modernising Islamic Finance Law* (Doctoral dissertation, Western Sydney University (Australia)).

Gusrianti, G., & Sari, P. H. (2023). Transparency of shariah supervisory board information in islamic banks of Indonesia and Malaysia: the effect of Islamic corporate governance. *Jurnal Dinamika Akuntansi*, *15*(1), 1-12.

Hameed, A., & Hamid, H. A. H. (2023). A Proposal for Updating Fatwa Issuing Mechanism in Financial Matters. *Al Basirah*, *12*(2).

Hassan, O. M. (2023). The Change of Time and Place and Its Impact on The Change of Fatwa (Contemporary Applied Study). *Russian Law Journal*, *11*(8S), 77-92.

Ibrahim, A., & Ab Rahman, A. (2022). Methodology of Ijtihad Jama'i: A Mechanism for Contemporary Fatwa Issuance. *Malaysian Journal of Islamic Studies (MJIS)*, *6*(2), 1-14.

Jaffar, S., Ahmad, M., & Khalil, H. (2024). The Contemporary Relevance of Qiyas and Ijtihad in Responding to Modern Social Challenges. *Scholar Insight Journal*, *2*(2), 52-69.

Judijanto, L., Aziz, M., & Sabri, S. (2025). Reinterpreting Islamic Jurisprudence in the Context of Modern Indonesia: A Comparative Study of Traditional and Contemporary Approaches. *Islamic Studies in the World*, *2*(2), 52-60.

Khatib, S. F., Abdullah, D. F., Al Amosh, H., Bazhair, A. H., & Kabara, A. S. (2022). Shariah auditing: Analyzing the past to prepare for the future. *Journal of Islamic Accounting and Business Research*, *13*(5), 791-818.

Khan, A. B., & Khan, N. U. H. (2024). Revival of Ijtihad; Indispensable for the Adaptability of Islamic Law. *Pakistan Journal of Criminal Justice*, *4*(1), 147-157.

Maksum, M. (2015). Economics ethics in the fatwa of Islamic economics. *Al-Ulum*, *15*(1), 107-134.

Masruroh, N., & Faiz, M. F. (2025). Economic Necessity, Fatwa Authorities, and Halal Awareness: How Mandatory Certification Shapes Producer Practices. In *Implementing Halal Principles and Regulations in Business Governance* (pp. 1-30). IGI Global Scientific Publishing.

Menchik, J. (2022). The politics of the Fatwa: Islamic legal authority in Modern Indonesia. *Indonesia*, *114*(1), 75-97

Oseni, U. A., Ahmad, A. U. F., & Hassan, M. K. (2016). The legal implications of 'Fatwā shopping'in the Islamic finance industry: problems, perceptions and prospects. *Arab Law Quarterly*, *30*(2), 107-137.

Rahbi, F. (2022). Secularism and Sharia: Global Perspectives on Contemporary Legal Frameworks. *dynamics*, *1*, 2.

Rahman, T., Joe, N. M., & Jalil, M. A. (2024). Governance Apathy and Systemic Barriers in Enforcing Shariah Compliance: A Critical Study of Islamic Banking Practices in Bangladesh. *International Journal of Social and Business Studies*, *2*(2), 52-71.

Ridzuan, M. A. M., Abd Razak, M. I., Hassan, P., Yusof, M. Y., & Kasmaruddin, N. I. (2024). The Methodology of Delivering Fatwas and Ruling Answers: A Contemporary Perspective in Malaysia. *Insight Journal*, *11*(2), 403-411.

Rosidi, M. H. (2025). Navigating Fatwa Governance: A Comparative Study of Institutional Centralisation and Religious Legitimacy. *International Journal of Research and Innovation in Social Science (IJRISS)*, 9(5), 3238-3244.

Safdar, M. (2025). The Role of AAOIFI in Standardizing Sharīʿah Governance Practices Globally. Available at SSRN: https://ssrn.com/abstract=5251190 or http://dx.doi.org/10.2139/ssrn.5251190.

Salisu, A., & Saniff, S. M. (2023). A Systematic Literature Review on the Relationship between Sharia Regulatory Framework and Islamic Fatwa. *REVENUE: Jurnal Manajemen Bisnis Islam*, *4*(1), 1-18.

Shaham, R. (2020). Legal Maxims (qawāʿid fiqhiyya) in Yūsuf al-Qaraḍāwī's Jurisprudence and Fatwas. *Journal of the American Oriental Society*, *140*(2), 435-453.

Sulistyowati, S. E. (2023). The Importance of Fatwa in the Islamic Socio-Economics Development of Indonesia. *PERAN FATWA*, 241.

Ullah, S., Harwood, I. A., & Jamali, D. (2018). 'Fatwa repositioning': the hidden struggle for Shari'a compliance within Islamic financial institutions. *Journal of Business Ethics*, *149*(4), 895-917.

Yilmaz, I. (2024). Exploring the foundations of Islamic moral economy: a return to substantive morality. *International Journal of Ethics and Systems.*

Yusuf, M., Azhari, F., Abduh, M. R., & Farhanah, S. A. (2023). Islamic Banks Analysis of the Rules of Fiqh on the Fatwa of the National Sharia Board-Indonesian Ulama Council.*INJURLENS 3*(1), 21-37.