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How Shariah Supervision Shapes Islamic Microfinance: Operational Models, Inclusion Outcomes, and Institutional Constraints

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Abstract

This study examines how Shariah supervision shapes the operational models, financial inclusion outcomes, and institutional constraints of Islamic microfinance institutions (IMFIs), with particular attention to their role in serving unbanked and underbanked populations. It explores how Shariah governance differentiates Islamic microfinance from conventional models by embedding ethical principles, social responsibility, and religious compliance into financial intermediation. As demand for Shariah-compliant financial services continues to grow in developing and Muslim-majority economies, understanding the governance mechanisms underpinning Islamic microfinance is critical for advancing inclusive finance agendas. The study primarily addresses how Shariah supervision influences product structures, risk-sharing arrangements, and financing contracts, as well as how it affects inclusion outcomes for marginalised communities. It also considers the institutional and regulatory constraints that limit the operational effectiveness of IMFIs, without providing extensive empirical measurement of client-level impacts. Using a qualitative and theoretical approach, the study draws on existing literature, governance theories, and comparative insights across different institutional models, including NGO-based, cooperative, and bank-linked IMFIs. The findings suggest that robust Shariah supervision enhances institutional credibility, client trust, and ethical accountability, thereby supporting financial inclusion, while simultaneously generating trade-offs between Shariah idealism and operational practicality. Future research may empirically assess governance quality and inclusion outcomes, and examine the implications of digitalisation for Shariah supervision in Islamic microfinance.

Keywords

Shariah Supervision, Islamic Microfinance, Governance, Inclusion, Institutions

Introduction

Islamic microfinance institutions (IMFIs) play a pivotal role in addressing financial exclusion, particularly among unbanked and underbanked populations in developing and Muslim-majority economies. According to Hassan (2015), these institutions provide essential financial services that are compliant with Islamic principles, thereby catering to individuals who may be hesitant to engage with conventional financial systems due to religious beliefs. This is particularly significant in regions where traditional banking infrastructure is lacking, as IMFIs offer products such as microloans and savings accounts that align with Shariah law, thus promoting financial inclusion.

Shariah supervision sets Islamic microfinance apart from conventional microfinance, which focuses on profit. IMFIs follow Shariah principles, prioritizing ethical financing and social responsibility. This governance ensures compliance with Islamic law, fostering client trust and improving their overall experience (Shah, Langrial, & Mahmood, 2024). The expectations placed on Shariah Supervisory Boards (SSBs) have significantly increased, as they are now tasked with ensuring compliance, ethical integrity, and social justice within the financial services provided by IMFIs (Taufiq *et al*., 2025). As highlighted by Muhammad *et al*. (2025), SSBs are not only responsible for overseeing the adherence to Shariah principles but also for promoting economic justice and financial inclusion among marginalised communities.

Shariah supervisory boards (SSBs) play a critical role in safeguarding Shariah compliance, which is essential for the credibility of Islamic microfinance institutions (IMFIs) (Rahmatika *et al*., 2024). According to Rosalina *et al*. (2022), effective operational supervision by SSBs can enhance the integrity of Islamic financial products, which is vital for gaining the confidence of clients who may be sceptical about conventional financial systems. However, there exists a tension between the goals of financial inclusion and the institutional, regulatory, and capacity constraints faced by IMFIs. Saifurrahman and Kassim (2024) highlight that many Islamic banks and microfinance institutions struggle with regulatory hurdles that inhibit their ability to effectively serve micro, small, and medium enterprises (MSMEs).

This duality presents a significant challenge, as while the demand for Shariah-compliant financial services is growing, the capacity of these institutions to meet that demand is often limited by external constraints. This topic also resonates within broader discussions on inclusive finance and Islamic social finance, where the effectiveness of governance structures is under scrutiny. Widiastuti *et al*. (2022) suggest that an integrated model of Islamic social finance, supported by robust governance frameworks, can lead to more effective financial inclusion outcomes.

The primary aim of this paper is to conceptually examine how Shariah supervision influences the operational models, inclusion outcomes, and institutional constraints of Islamic microfinance institutions. This investigation is crucial as it highlights the unique governance structures that differentiate Islamic finance from conventional systems (Grassa, 2015). Furthermore, this paper adopts a theoretical and governance-oriented perspective, steering clear of a purely technical or product-based approach. This perspective allows for a deeper exploration of the implications of Shariah supervision on the broader financial landscape, particularly in promoting financial inclusion among underserved populations (Srivastava *et al*., 2025).

The research questions for this study are: how Shariah supervision influence the operational models of Islamic microfinance institutions? How does Shariah supervision affect financial inclusion outcomes for unbanked populations? By integrating governance theories with practical case studies, the research aims to elucidate the multifaceted role of Shariah oversight in enhancing the operational efficiency and social impact of Islamic microfinance.

Literature review

Islamic microfinance is underpinned by principles that are distinctly different from conventional financial practices. Central to its framework is the prohibition of *riba* (usury), which necessitates a risk-sharing approach rather than a debt-based one. This aligns with the objectives of promoting social justice and financial inclusion, particularly for the underprivileged. The concept of *maqasid al-shariah*, which encompasses the higher objectives of Islamic law, further reinforces the ethical dimensions of Islamic microfinance, aiming not only at financial returns but also at social welfare (Muhammad *et al*., 2025).

Furthermore, Islamic microfinance employs various instruments that cater to the diverse needs of its clientele. Instruments such as *qard hasan* (benevolent loans), *murabaha* (cost-plus financing), and *musharakah* (joint venture financing) are designed to facilitate economic activity without falling into the traps of interest. For instance, *qard hasan* serves as a tool for poverty alleviation by providing interest-free loans to those in need, thereby promoting financial inclusion (Awan *et al*., 2023). Additionally, zakat- and waqf-linked models are pivotal in supporting financial sustainability and social responsibility, enabling a more holistic approach to microfinance that benefits communities at large (Ascarya, 2024).

The operational models of Islamic microfinance are not only innovative but also reflect the socio-economic realities of the Muslim populations they serve. For example, in Indonesia, waqf-based microfinance institutions have emerged as effective models that leverage community resources for economic development (Andayani *et al*., 2025). These models highlight the adaptability of Islamic microfinance to local contexts while adhering to Shariah principles. The success of these initiatives underscores the potential of Islamic microfinance to address both financial and social objectives, thereby contributing to the broader goals of sustainable development.

The integration of social welfare objectives into the operational framework of Islamic microfinance distinguishes it from conventional models. The focus on community upliftment and poverty alleviation resonates with the Islamic ethos of caring for the less fortunate. This unique positioning not only enhances the credibility of Islamic microfinance institutions but also attracts a diverse range of stakeholders, including non-governmental organisations and philanthropic entities, who are keen to contribute to social development (Malkawi, 2013).

Shariah supervision plays a critical role in ensuring that Islamic financial institutions operate in accordance with Islamic law. Central to this supervision are Shariah Supervisory Boards (SSBs), which are tasked with overseeing compliance and providing guidance on Shariah-related matters. The composition of these boards typically includes scholars with expertise in Islamic jurisprudence and finance, ensuring a robust governance structure that upholds the integrity of Islamic microfinance (Nathan Garas & Pierce, 2010). The effectiveness of SSBs is paramount, as their decisions directly influence the operational models of Islamic financial institutions.

The governance theories that underpin Shariah supervision, such as institutional theory, stakeholder theory, and legitimacy theory, provide a framework for understanding the dynamics at play within Islamic microfinance. Institutional theory highlights the importance of norms and rules in shaping organisational behaviour, emphasising the need for Islamic financial institutions to adhere to Shariah principles to maintain legitimacy (Karbhari *et al*., 2020). Stakeholder theory further underscores the significance of engaging various stakeholders, including clients and community members, in the governance process, thereby fostering a sense of ownership and accountability.

Empirical studies have shed light on the effectiveness of Shariah supervision in Islamic finance. For instance, research indicates that institutions with strong SSBs tend to perform better in terms of compliance and stakeholder satisfaction (Algabry *et al*., 2020). However, challenges remain, such as the varying interpretations of Shariah principles among scholars, which can lead to inconsistencies in governance practices. The need for standardisation and harmonisation of Shariah rulings is thus critical to enhancing the effectiveness of Shariah supervision across different jurisdictions.

The challenges faced by SSBs are compounded by the rapid evolution of the financial landscape. As Islamic microfinance institutions innovate and introduce new products, the ability of SSBs to keep pace with these changes becomes paramount. The integration of technology and digital finance in Islamic microfinance presents both opportunities and challenges for Shariah supervision, necessitating ongoing education and adaptation among board members (Malkawi, 2013). This dynamic environment requires SSBs to be proactive in their approach, ensuring that they remain relevant and effective in guiding Islamic financial institutions.

Financial inclusion is a critical objective of Islamic microfinance, particularly in addressing the needs of unbanked populations. The literature highlights the significant barriers that these individuals face in accessing traditional financial services, including lack of collateral, low income levels, and insufficient financial literacy (Niaz & Khan, 2021). Islamic microfinance seeks to bridge this gap by providing accessible financial products that are compliant with Shariah principles, thereby empowering individuals to engage in economic activities and improve their livelihoods.

Comparative analyses between Islamic and conventional microfinance approaches reveal distinct advantages of the former in achieving inclusion outcomes. Islamic microfinance, with its emphasis on ethical financing and risk-sharing, tends to foster stronger relationships between lenders and borrowers, which can enhance trust and cooperation (Malik, 2024). For instance, the use of *musharakah* contracts encourages joint participation in business ventures, aligning the interests of both parties and promoting sustainable economic development. This contrasts with conventional microfinance, which often relies on high-interest loans that can exacerbate financial distress among borrowers.

Despite the positive outcomes associated with Islamic microfinance, gaps remain in the literature regarding the governance–inclusion nexus. While there is a growing body of research on the operational models of Islamic microfinance, less attention has been paid to how governance structures influence inclusion outcomes. Understanding this relationship is crucial, as effective governance can enhance the credibility and effectiveness of Islamic microfinance initiatives, ultimately leading to improved financial inclusion for unbanked populations (El Gout *et al*., 2025).

The role of technology in facilitating financial inclusion cannot be overlooked. The advent of digital finance has the potential to revolutionise access to Islamic microfinance, particularly for those in remote areas. However, this also raises questions about the adequacy of existing governance frameworks to address the challenges posed by digital platforms (Dehejia & Gupta, 2022). Ensuring that Shariah supervision is adapted to the digital context is essential for maintaining the integrity of Islamic microfinance and safeguarding the interests of clients.

Methods

This study adopts a qualitative and conceptual research approach to examine how Shariah supervision shapes the operational models, financial inclusion outcomes, and institutional constraints of Islamic microfinance institutions. A qualitative design is appropriate given the study's focus on governance structures, normative frameworks, and institutional dynamics that cannot be adequately captured through quantitative methods. Rather than testing hypotheses, the research aims to develop a theoretically grounded understanding of Shariah supervisory mechanisms and their implications for inclusive finance.

The analysis is based on secondary qualitative data derived from a comprehensive review of peer-reviewed literature in Islamic finance, microfinance, financial inclusion, and governance studies. In addition, policy and regulatory documents, including Shariah standards and supervisory guidelines, are examined to contextualise the role of Shariah supervision within institutional and legal frameworks. This approach enables an assessment of how regulatory environments influence supervisory effectiveness and operational practices in Islamic microfinance.

To enhance analytical depth, the study adopts a comparative institutional perspective by drawing insights from Islamic microfinance practices across different jurisdictions. The data are analysed thematically to identify recurring patterns related to Shariah supervision, operational models, inclusion outcomes, and institutional constraints. By integrating literature-based insights with policy analysis and comparative evidence, the methodology provides a holistic understanding of the governance challenges and opportunities shaping Islamic microfinance, while offering a conceptual foundation for future empirical research.

Result and Discussion

Shariah Supervision and Operational Models

Shariah supervision plays a pivotal role in shaping the operational models of Islamic microfinance institutions (IMFIs). The integration of Shariah principles into product structures fundamentally influences the nature of financial offerings, ensuring that they are compliant with Islamic law. For instance, risk-sharing arrangements such as *Mudarabah* (profit-sharing) and *Musharakah* (joint venture) are designed to align the interests of both the financier and the entrepreneur, promoting a collaborative approach to economic activities (Shah, Langrial, & Mahmood, 2020). These structures not only provide ethical alternatives to conventional loans but also foster sustainable economic development among unbanked populations, who often lack access to traditional financial services.

However, the implementation of Shariah-compliant products often encounters trade-offs between idealism and practicality. While the theoretical framework of Islamic finance advocates for equitable risk-sharing, the operational realities can complicate this ideal. For example, the need for collateral in many microfinance contracts may inadvertently exclude the very clients that Shariah supervision aims to support (Davis, 2018). This tension between adherence to Shariah principles and the necessity of pragmatic solutions highlights the challenges faced by IMFIs in balancing ethical considerations with operational viability.

Moreover, variations in institutional models significantly influence how Shariah supervision is applied in practice. NGO-based IMFIs often adopt a more flexible approach to Shariah compliance, prioritising social objectives over strict adherence to Islamic financial principles. In contrast, bank-linked IMFIs may enforce more stringent Shariah governance mechanisms, which can limit their ability to innovate in product offerings (Ahmed, 2013). For example, the rigid application of Shariah rules in some bank-affiliated microfinance programmes may restrict the types of financing contracts available, potentially alienating clients who require more adaptable financial solutions.

The effectiveness of Shariah supervision also varies across different regions and regulatory environments. In Indonesia, the role of supervisory boards in Islamic microfinance has been scrutinised for its influence on both compliance and operational efficiency (Taufiq *et al*., 2025). The findings suggest that while strong Shariah governance can enhance the credibility of Islamic microfinance, it may also impose constraints that hinder the agility needed to respond to local market demands. This highlights the importance of contextualising Shariah supervision within the specific operational frameworks of IMFIs.

Shariah supervision shapes the operational models of Islamic microfinance in multifaceted ways, influencing product structures, risk-sharing arrangements, and the overall inclusivity of financial services (Alam *et al*., 2022). The interplay between Shariah idealism and operational practicality, coupled with variations across institutional models, underscores the complexity of delivering Shariah-compliant financial solutions to unbanked populations. As the sector continues to evolve, a nuanced understanding of these dynamics will be essential for fostering inclusive and sustainable economic growth.

Figure 1. Shariah Supervision and Operational Models in Islamic Microfinance

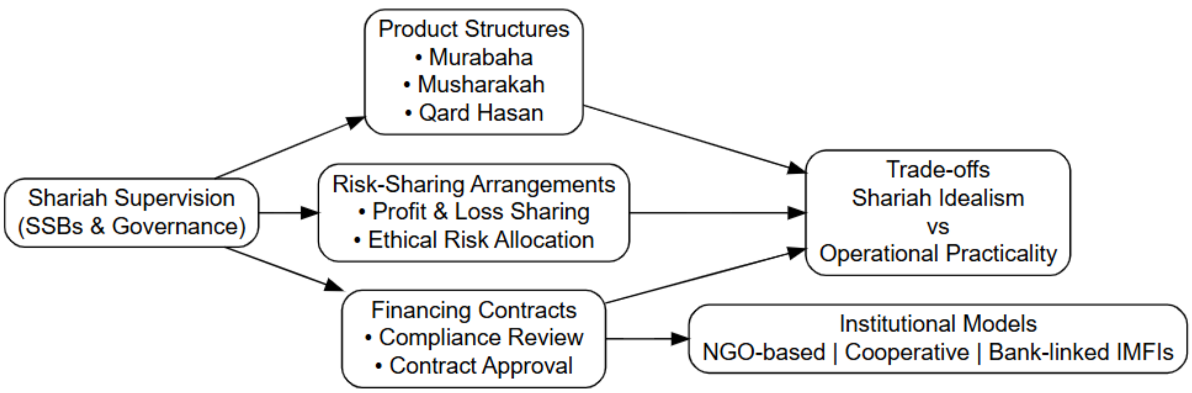

Figure 1 illustrates how Shariah supervision functions as a central governance mechanism shaping the operational models of Islamic microfinance institutions. At the core of the framework, Shariah Supervisory Boards and Shariah governance structures influence the design of financial products, including *murabaha, musharakah*, and *qard hasan*, ensuring compliance with Islamic principles. Shariah supervision also governs risk-sharing arrangements by promoting profit-and-loss sharing and ethical risk allocation, as well as overseeing financing contracts through compliance review and contract approval processes. These operational dimensions collectively generate trade-offs between Shariah idealism and operational practicality, particularly in the context of serving unbanked and low-income clients who require accessible and flexible financial solutions. The figure further demonstrates that the outcomes of these governance-operation interactions vary across institutional models, such as NGO-based, cooperative, and bank-linked Islamic microfinance institutions. Overall, the framework highlights the role of Shariah supervision in balancing ethical compliance, institutional diversity, and practical constraints within Islamic microfinance operations.

Inclusion Outcomes and Social Impacts

Shariah supervision plays a pivotal role in shaping the operational models of Islamic microfinance, particularly in enhancing financial inclusion. Effective Shariah oversight fosters trust among clients, as it assures them that financial products are compliant with Islamic principles. This trust is crucial in a sector often viewed with scepticism due to historical misalignments between conventional finance and Islamic ethics. According to Akhlaq and Asif (2024), the significance of Sharia compliance extends beyond mere adherence to religious norms; it serves as a foundation for ethical finance, which is essential for client protection. By ensuring that financial products are not only Sharia-compliant but also ethically sound, institutions can better cater to the needs of underserved populations, thereby promoting financial inclusion.

However, while Shariah supervision can enhance trust and client protection, there are limitations that must be acknowledged. Strict compliance with Sharia principles can sometimes restrict the flexibility of financial products, making them less adaptable to the evolving needs of clients. For instance, the rigid structure of certain Sharia-compliant products may hinder their scalability, particularly in diverse markets where consumer demands are rapidly changing. Taufik Syamlan *et al*. (2025) highlight that while adherence to Sharia compliance is vital, it can also lead to challenges in innovation and product development. Institutions may find themselves constrained by the necessity to maintain compliance, which can stifle creativity in product offerings that could otherwise cater to a broader audience.

The implications of these dynamics are particularly pronounced for micro-entrepreneurs, especially those from underrepresented demographics such as women-led businesses and rural communities. Islamic microfinance has been instrumental in empowering women by providing them with access to capital that is consistent with their values. Islam *et al*. (2025) note that microfinance initiatives tailored for women not only enhance their entrepreneurial success but also contribute to broader social impacts, such as improved family welfare and community development. For example, in Bangladesh, programmes that offer Sharia-compliant microloans to women have significantly increased their participation in economic activities, leading to greater financial independence and social empowerment.

Moreover, the focus on ethical finance within the framework of Shariah supervision has broader implications for social impact. By prioritising client protection and ethical considerations, Islamic microfinance institutions can foster an environment where financial literacy and responsible borrowing are emphasised. This is crucial in preventing over-indebtedness, a common issue in microfinance that can lead to financial distress. As highlighted by Anderson *et al*. (2025), a well-structured Shariah-compliant financial product can serve not only as a means of financing but also as a tool for education and empowerment, equipping clients with the knowledge to make informed financial decisions.

Nevertheless, the institutional constraints posed by strict Shariah compliance must be navigated carefully. Financial institutions may face challenges in balancing compliance with the need for innovative and flexible product offerings. Abiola-Adams *et al*. (2023) argue that innovative approaches to structuring Sharia-compliant financial products are essential for meeting the diverse needs of clients while adhering to Islamic principles. This balancing act is critical for ensuring that Islamic microfinance can effectively contribute to financial inclusion without compromising its foundational ethical standards. As such, it is imperative for institutions to engage in ongoing dialogue with Shariah scholars and practitioners to explore new avenues for product development that align with both compliance and client needs.

In conclusion, while Shariah supervision is essential for enhancing trust and client protection in Islamic microfinance, it is equally important to recognise the limitations and institutional constraints that can arise from strict compliance. By fostering an environment of innovation and flexibility, Islamic microfinance can better serve the needs of micro-entrepreneurs, particularly women and rural communities. As the sector continues to evolve, the integration of ethical finance principles with practical considerations will be key to achieving meaningful social impact and advancing financial inclusion.

Institutional Constraints and Governance Challenges

Islamic microfinance, while offering significant potential for financial inclusion, faces a myriad of institutional constraints that hinder its efficacy. One of the most prominent challenges is the limited availability of Shariah expertise. As highlighted by Budi (2025), the fragmentation within regulatory frameworks often leads to a scarcity of qualified Shariah scholars who can provide the necessary oversight. This shortage not only affects the operational models of Islamic microfinance institutions (IMFIs) but also raises concerns regarding the authenticity and compliance of their financial products. The lack of uniformity in Shariah interpretations across different jurisdictions further complicates the situation, resulting in inconsistencies that can undermine the credibility of Islamic finance.

Another significant constraint is regulatory fragmentation, which can create an environment ripe for confusion and inefficiency. Grassa *et al*. (2025) note that the coexistence of various regulatory bodies with overlapping mandates can lead to conflicting guidelines, making it difficult for IMFIs to navigate compliance requirements. This fragmentation can result in increased operational costs, as institutions may need to allocate resources towards understanding and adhering to multiple sets of regulations. Furthermore, this situation may inadvertently encourage practices of symbolic compliance, where institutions appear to comply with Shariah principles without genuinely adhering to them, potentially leading to Shariah arbitrage. Such practices can erode trust among stakeholders and compromise the integrity of Islamic microfinance.

Cost pressures also pose a significant challenge for Islamic microfinance institutions. As Rahman *et al*. (2015) suggest, the operational costs associated with maintaining Shariah compliance can be burdensome, particularly for smaller institutions that may lack the financial resources to invest in comprehensive governance structures. These cost pressures can lead to a focus on short-term profitability at the expense of long-term sustainability and ethical considerations. In many cases, institutions may prioritise financial returns over community development goals, which are central to the ethos of Islamic finance. This misalignment can further exacerbate the challenges faced by IMFIs in achieving their intended social impact.

Governance asymmetries present another layer of complexity in the operational landscape of Islamic microfinance. Murad *et al*. (2024) argue that the power dynamics between Shariah boards and management can create tensions that affect decision-making processes. In some instances, the lack of clarity regarding the roles and responsibilities of Shariah scholars can lead to governance challenges, where the board's influence may be undermined by management's pursuit of profit. This misalignment can result in a failure to uphold the ethical principles that underpin Islamic finance, ultimately jeopardising the sustainability of IMFIs. The need for transparent governance structures that clearly delineate authority and accountability is therefore paramount to ensure that the interests of all stakeholders are adequately represented.

The broader implications of these institutional constraints are profound. The sustainability and credibility of Islamic microfinance hinge on the ability of institutions to effectively navigate these challenges. As highlighted by Budi (2025), the risk of symbolic compliance and Shariah arbitrage can lead to a loss of confidence among clients and investors, undermining the foundational principles of Islamic finance. To foster a more robust and credible Islamic microfinance sector, it is essential for stakeholders to address these governance challenges proactively. This may involve advocating for regulatory reforms that promote coherence and clarity, investing in capacity-building initiatives to enhance Shariah expertise, and fostering collaborative relationships between Shariah boards and management teams. Only through such concerted efforts can Islamic microfinance institutions hope to achieve their dual objectives of financial inclusion and ethical governance.

In conclusion, the institutional constraints and governance challenges faced by Islamic microfinance are multifaceted and require a comprehensive approach to address. By recognising the importance of Shariah expertise, regulatory coherence, and effective governance structures, stakeholders can work towards creating an environment that supports the sustainable growth of Islamic microfinance. The path forward will necessitate collaboration among regulatory bodies, financial institutions, and the communities they serve, ensuring that the principles of Islamic finance are not only upheld but also effectively translated into practice.

Conclusion

Islamic microfinance institutions occupy a strategically important position in advancing financial inclusion among unbanked and underbanked populations, particularly in developing and Muslim-majority economies where conventional banking systems often fail to reach marginalised groups.

The findings of this study demonstrate that Shariah supervision constitutes a defining governance mechanism that fundamentally shapes the operational models, inclusion outcomes, and institutional credibility of Islamic microfinance institutions. By embedding ethical principles, social responsibility, and religious compliance into financial practices, Shariah supervision differentiates Islamic microfinance from conventional approaches and strengthens trust among clients who are often excluded from formal financial systems.

At the operational level, the analysis shows that Shariah supervision directly influences product structures, risk-sharing arrangements, and financing contracts. Instruments such as *murabaha*, *musharakah*, and *qard hasan* reflect an effort to align financial intermediation with Islamic ethical norms while addressing the practical needs of micro-entrepreneurs. However, the study also highlights a persistent tension between Shariah idealism and operational practicality. While risk-sharing and ethical finance are central to Islamic microfinance, institutional realities—such as collateral requirements, cost pressures, and regulatory constraints—can limit the inclusiveness and scalability of Shariah-compliant products. These trade-offs are particularly pronounced when serving vulnerable clients who require flexible and accessible financial solutions.

The findings further indicate that inclusion outcomes are closely linked to the effectiveness of Shariah supervision. Robust Shariah governance enhances client trust, ethical accountability, and protection against exploitative practices, thereby contributing to positive social impacts, including women's empowerment, rural development, and micro-enterprise sustainability. At the same time, overly rigid interpretations of Shariah compliance may constrain innovation and product adaptability, potentially undermining outreach to diverse client segments. This duality underscores the need for a balanced approach to Shariah supervision—one that preserves ethical integrity while remaining responsive to evolving socioeconomic conditions.

Institutional constraints emerge as a critical challenge shaping the governance–inclusion nexus in Islamic microfinance. Limited Shariah expertise, regulatory fragmentation, governance asymmetries, and rising compliance costs collectively restrict the capacity of Islamic microfinance institutions to fully realise their social mission. The risk of symbolic compliance and Shariah arbitrage further threatens institutional credibility if governance structures prioritise form over substance. Addressing these challenges requires coordinated efforts to strengthen regulatory coherence, invest in capacity building for Shariah supervisors, and clarify the roles and responsibilities of Shariah boards and management.

The policy and practical implications of this study are clear. Strengthening Shariah governance frameworks is essential for ensuring that Islamic microfinance remains both ethically grounded and operationally effective. Regulators, practitioners, and Shariah scholars must collaborate to promote standardisation, flexibility, and innovation within Shariah-compliant boundaries. Aligning Shariah supervision with the broader objectives of *maqasid al-shariah* can help reconcile ethical imperatives with financial inclusion goals.

Looking ahead, future research should empirically examine the relationship between Shariah supervision quality and measurable inclusion outcomes across different institutional models and jurisdictions. Greater attention should also be given to the implications of digital finance and technological innovation for Shariah governance in microfinance. In conclusion, Shariah supervision represents both an opportunity and a challenge for Islamic microfinance. When effectively designed and implemented, it can serve as a powerful institutional mechanism for ethical finance, social justice, and inclusive development; when constrained by institutional weaknesses, its transformative potential remains only partially realised.

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