

Reforming Sharia Business Law in Indonesia: Reconstructing a Contemporary Legal Framework for Islamic Financial Integration

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Abstract: Indonesia's aspiration to position itself as a global leader in Islamic finance remains constrained by a fragmented and sectoral Sharia business law framework. Despite notable legislative progress—such as the enactment of the Sharia Banking Law (Law No. 21 of 2008), the Financial Services Authority Law (Law No. 21 of 2011), and the Halal Product Assurance Law (Law No. 33 of 2014)—the regulatory authority continues to be dispersed across multiple institutions, leading to overlapping mandates and weak institutional coordination. This study employs a qualitative doctrinal legal research approach, complemented by comparative and descriptive quantitative analysis, to examine Indonesia's regulatory structure in comparison with more integrated jurisdictions, including Malaysia, Bahrain, the United Kingdom, and Brunei Darussalam. The findings indicate that institutional fragmentation, delays in transforming fatwa-based rulings into binding legal instruments, and the absence of a unified Sharia governance framework have limited the effectiveness, legal certainty, and systemic integration of Islamic finance regulation in Indonesia. In response, this article proposes a contemporary legal reform agenda that includes the establishment of an autonomous Sharia Financial Services Authority, the codification of an integrated and professional Sharia Business Law aligned with international standards, and the adoption of technology-based supervisory mechanisms. This study contributes to the academic discourse on Islamic financial law by offering an integrated governance model that connects classical Sharia principles with modern regulatory theory. By combining doctrinal analysis with cross-jurisdictional comparison, the article provides both conceptual and normative insights for strengthening Sharia business law, enhancing regulatory coherence, and advancing public welfare (*maṣlaḥah*) through a fully integrated Islamic financial system in Indonesia.

Keywords: Islamic Finance; Sharia Business Law; Integrated Legal Framework; Financial Services Authority; Regulatory Harmonization.

Abstract: Aspirasi Indonesia untuk memposisikan diri sebagai pemimpin global dalam keuangan Islam masih dihadapkan pada kendala berupa kerangka hukum bisnis syariah yang terfragmentasi dan bersifat sektoral. Meskipun telah terjadi kemajuan legislasi yang signifikan—seperti pengesahan Undang-Undang Perbankan Syariah (UU No. 21 Tahun 2008), Undang-Undang Otoritas Jasa Keuangan (UU No. 21 Tahun 2011), dan Undang-Undang Jaminan Produk Halal (UU No. 33 Tahun 2014)—kewenangan regulasi masih tersebar di berbagai institusi, sehingga memunculkan tumpang tindih kewenangan dan lemahnya koordinasi kelembagaan. Penelitian ini menggunakan pendekatan penelitian hukum doktrinal kualitatif yang dilengkapi dengan analisis komparatif serta deskriptif kuantitatif untuk mengkaji struktur regulasi di Indonesia dengan membandingkannya pada yurisdiksi yang lebih terintegrasi, seperti Malaysia, Bahrain, Inggris, dan Brunei Darussalam. Temuan penelitian menunjukkan bahwa fragmentasi kelembagaan, keterlambatan transformasi putusan berbasis fatwa ke dalam instrumen hukum yang mengikat, serta ketiadaan kerangka tata kelola syariah yang terpadu telah membatasi efektivitas regulasi, kepastian hukum, dan integrasi sistemik keuangan Islam di Indonesia. Menyikapi kondisi tersebut, artikel ini mengusulkan agenda reformasi hukum kontemporer yang mencakup pembentukan Otoritas Jasa Keuangan Syariah yang otonom, kodifikasi hukum bisnis syariah yang terintegrasi dan profesional selaras dengan standar internasional, serta penerapan mekanisme pengawasan berbasis teknologi. Penelitian ini berkontribusi pada pengembangan diskursus akademik di bidang hukum keuangan Islam dengan menawarkan model tata kelola terintegrasi yang menghubungkan prinsip-prinsip syariah klasik dengan teori regulasi modern. Melalui penggabungan analisis doktrinal dan perbandingan lintas yurisdiksi, artikel ini memberikan kontribusi konseptual dan normatif bagi penguatan hukum bisnis syariah, peningkatan koherensi regulasi, serta pengembangan kemaslahatan publik (*maṣlaḥah*) melalui sistem keuangan Islam yang terintegrasi secara menyeluruh di Indonesia.

Kata kunci: Keuangan Islam; Hukum Bisnis Syariah; Kerangka Hukum Terintegrasi; Otoritas Jasa Keuangan; Harmonisasi Regulasi.

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Introduction

In recent decades, Islamic finance has experienced rapid growth and is assuming an increasingly pivotal role in the global financial system. Asset growth, product innovation, and the expansion of the halal ecosystem demonstrate that Islamic finance is no longer viewed as an alternative but rather as an integral part of the modern financial landscape. In this context, Indonesia possesses a significant demographic and social capital, positioning it to play a key role as one of the world's leading Islamic finance centers. However, this magnitude of potential has not been fully supported by an integrated, adaptive, and harmonized Islamic business legal framework that aligns with the dynamics of contemporary Islamic finance.¹

Normatively, the state has demonstrated a strong commitment to the development of Islamic finance through the establishment of various strategic regulations, including the Islamic Banking Law, the Financial Services Authority Law, and the Halal Product Guarantee Law. These regulations provide a crucial foundation for the development of Islamic financial institutions and products. However, the regulation of Sharia business law in Indonesia is still a developing sector, operating separately. The authority for regulation and supervision is spread across various state institutions, while different

institutions hold the authority to determine Sharia principles. This fragmentation gradually raises issues of coordination, overlapping authority, and legal uncertainty in Sharia business practices.²

This condition becomes increasingly problematic as Islamic finance expands beyond the traditional sector's boundaries. Today, Islamic finance includes not only banking, but also capital markets, insurance, Islamic social funds, financial technology, and the interconnected halal industry. This cross-sectoral and innovation-based character requires a complete and integrated legal framework. Without a coherent legal foundation, Islamic financial integration is challenging to achieve optimally and has the potential to erode public trust, thereby hindering Indonesia's competitiveness in the global Islamic finance landscape.³

Several previous studies have examined the issue of Islamic financial regulation and governance in Indonesia. The first research highlights institutional problems in the Islamic economic system, showing that the plurality of authority and dualism of the legal system are among the main factors inhibiting integration.⁴ The second research focuses on the position and role of fatwa in Islamic financial regulation.⁵ The third research uses a comparative approach by examining the experiences of other countries in building an

¹ Sholahuddin Al Fatih, "Capturing Regulation On Islamic Banking Finance In Indonesia," *Journal of Islamic Business Law* 9, no. 1 (March 2025): 1–11, <https://doi.org/10.18860/jibl.v9i1.14359>.

² Elmiliyani Wahyuni et al., "Keberlanjutan Dan Keuangan Islam: Pendekatan Terintegrasi Dalam Perekonomian Global," *TAMWIL: Jurnal Ekonomi Islam* 11, no. 1 (June 2025): 1–13, <https://doi.org/10.31958/jtm.v11i1.13919>.

³ Ahmad Narud, Rachel Chan, and Nikhil Joshi, "The Legal Framework of Shariah Banking in Indonesia: Implications for Financial Regulation and Market Development," *Sharia Oikonomia Law Journal* 3, no. 1

(April 2025): 116–26, <https://doi.org/10.70177/solj.v3i1.2082>.

⁴ Sholahuddin Al Fatih, "Capturing Regulation On Islamic Banking Finance In Indonesia," *Journal of Islamic Business Law* 9, no. 1 (March 2025): 1–11, <https://doi.org/10.18860/jibl.v9i1.14359>.

⁵ Suaidi Suaidi, "Bridging Institutional and Regulatory Gaps: Enhancing Sharia Compliance in Islamic Financial Institutions in Indonesia," *El-Uqud: Jurnal Kajian Hukum Ekonomi Syariah* 3, no. 1 (April 2025): 23–39, <https://doi.org/10.24090/eluqud.v3i1.13288>.

integrated Islamic economic system.⁶ However, the comparative study generally stops at presenting best practices, without deeply contextualizing them within Indonesia's complex and plural legal and institutional structure.

Based on the analysis of these previous studies, it can be concluded that there are still research gaps that have not been adequately addressed. First, the study of Sharia business law in Indonesia tends to be partial and sectoral, resulting in it not being viewed as a comprehensive and interconnected legal system. Second, the discourse on Islamic financial law reform is more often focused on specific normative or institutional aspects, without efforts to reconstruct the legal framework as a whole. Third, there is still limited research that systematically links the reform of sharia business law with modern regulatory theories and international standards of Islamic finance.

This research seeks to fill this gap by offering a more comprehensive perspective on the reform of sharia business law in Indonesia. Instead of examining existing regulations in isolation, this study views sharia business law as a system that needs to be reconstructed to support Islamic financial integration. By combining legal doctrinal analysis, cross-jurisdictional comparisons, and contemporary governance approaches, this study aims to develop a more coherent, adaptive, and certainty-oriented legal framework.

The reconstruction of sharia business law in this study is not only interpreted as a formal regulatory reform, but also as a strategy to strengthen the public benefit (*maṣlahah*). An

integrated legal framework is expected to create institutional consistency, increase the trust of business actors and the public, and encourage sustainable Islamic financial innovation. In the long term, this reform is expected to strengthen Indonesia's position in the global Islamic financial ecosystem.

Based on this description, this research aims to answer one key question: How can a contemporary and integrated reconstruction of the Islamic business legal framework be designed to support the development of an effective, competitive, and sustainable Islamic financial system in Indonesia?

Method

This study employs a qualitative doctrinal legal research approach⁷, enriched with quantitative comparative and descriptive analysis, to examine the regulatory structure of Sharia business and finance law in Indonesia. This type of research is focused on the study of legal norms, regulatory policies, and institutional governance that shape the Islamic financial system. The research data were collected through a literature study, involving the collection of primary legal materials, including laws and regulations, relevant authority policies, and fatwas that became normative references for Islamic financial practices. Additionally, secondary legal materials, such as books and scientific journal articles, as well as the results of previous research, are utilized to enhance the analytical framework.

Data analysis was conducted qualitatively, descriptively, and prescriptively by examining the consistency, coherence, and effectiveness

⁶ Istianah Zainal Asyiqin, "Legal Framework Synergy: Indonesia and Malaysia's Role in Advancing Islamic Fintech Regulations," *Indonesian Comparative Law Review* 7, no. 2 (March 2025),

<https://doi.org/10.18196/iclr.v7i2.25451>.

⁷ Burhan Bungin, *Analisis Data Penelitian Kualitatif* (Jakarta: PT Raja Grafindo Persada, 2003).

of existing regulations, as well as their implications for Islamic financial integration. A comparative approach is employed by comparing Indonesia's regulatory framework with those of jurisdictions considered more integrated, namely Malaysia, Bahrain, the United Kingdom, and Brunei Darussalam, to identify principles and best practices relevant to the legal reform agenda. Quantitative data are analyzed descriptively to reinforce and contextualize qualitative findings. Data validation is carried out through triangulation of sources and approaches, by comparing various types of legal materials and the results of cross-jurisdictional analysis, so that the findings and recommendations produced have normative consistency, comparative relevance, and conceptual usefulness.

Results and Discussions

Regulatory Fragmentation and Challenges of Sharia Business Law Governance in Indonesia

Regulatory fragmentation remains a fundamental problem that continues to overshadow the development of Sharia business law in Indonesia. Although various regulations have been issued to support the growth of Islamic finance, the regulatory framework is developing sectorally and has not yet been established within a single, unified legal framework. Each sector—from banking and capital markets to insurance and the halal industry—has its own regulatory regime that often operates in parallel without adequate coordination. As a result, Sharia business law has developed partially and has not yet fully reflected a comprehensive legal system.⁸

This condition is inextricably linked to the

expansion of regulatory and supervisory authority within various state institutions. On the one hand, there are regulatory institutions that have administrative authority and technical supervision. On the other hand, the authority to determine Sharia principles lies with the fatwa institution, which holds different positions and functions within the constitutional structure. This fully integrated division of roles creates a gap between sharia norms, regulatory policies, and business practices. In practice, this distance often creates a misalignment between the normative goals of Islamic finance and its legal implementation.

This institutional fragmentation then leads to overlapping authority and uncertainty of norms. An Islamic business activity can be overseen by more than one institution, each with its own standards and mechanisms. For business actors, this situation not only increases the burden of compliance but also causes legal confusion. When regulations do not provide clear and consistent direction, legal certainty as the main prerequisite for a healthy business climate becomes difficult to realize.

The impact of regulatory fragmentation is increasingly felt as Islamic finance innovation develops. Technology-based products and services, such as Islamic fintech, require a swift, adaptable, and coordinated regulatory response. However, fragmented regulatory structures are often unable to keep up with the pace of innovation. As a result, many Islamic finance innovations operate in a regulatory space that is not fully clear, which ultimately has the potential to hinder the sector's

⁸ Riduan Mas'ud and Mohd Rizal Muwazir, "The Role of Legal and Regulatory Frameworks for Sharia-Compliant Financing in Promoting Innovation and Quality

Enhancement in Indonesia's Halal Industry," *Khazanah Hukum* 7, no. 2 (June 2025): 174–89, <https://doi.org/10.15575/kh.v7i2.43440>.

development and weaken public legal protections.

In addition to affecting the technical aspects of regulations, governance fragmentation also impacts the consistency of applying Sharia principles. Differences in supervision and interpretation mechanisms between institutions can result in non-uniform Sharia compliance standards. In the long run, these inconsistencies have the potential to erode public trust in the Islamic financial system. In fact, trust is the primary foundation in Islamic finance, both for business actors and the community as service users.

The fragmentation of regulations also reflects broader challenges in Indonesia's pluralistic legal system. The coexistence of state law, Islamic law, and modern economic dynamics within a single regulatory space is inevitable. However, this plurality should be managed through a governance design that can unite various interests and norms within a coherent framework. Without adequate integration, plurality has the potential to become a source of normative and institutional tensions.

In the context of global competition, the problem of regulatory fragmentation also affects the competitiveness of Indonesia's Islamic finance. An integrated legal framework and a clear institutional structure generally support countries that have successfully developed Islamic finance significantly. Without fundamental reforms, the sharia business law system in Indonesia is at risk of

being left behind and will struggle to achieve the level of integration necessary to compete at the international level.⁹

Therefore, regulatory and governance fragmentation cannot be understood solely as an administrative technical issue. It is a structural problem that demands a more comprehensive legal response. This condition underscores the need for Sharia business law reform, which should not only focus on adding or revising regulations, but also on unifying the legal framework and enhancing institutional coordination. This reform serves as the initial basis for the reconstruction of contemporary and integrated Sharia business law, supporting the development of Islamic finance in Indonesia.¹⁰

The Position of Fatwa and Its Integration Problems in the National Regulatory System

Fatwas hold a strategic position in Islamic financial practice because they serve as the primary normative source, ensuring that economic activities conform to Sharia principles. In the Indonesian context, a fatwa serves not only as an ethical and religious guide but also provides a substantive reference for regulators and industry players in designing and implementing Islamic financial products.¹¹ As such, fatwas occupy a unique position at the intersection of religious norms and the state's legal system, which requires a precise integration mechanism to function effectively within the framework of national regulations.¹²

Although it plays a central role, a fatwa is

⁹ Ahmad Abdul Gani, "Perkembangan Fintech Syariah dan Regulasi Hukum: Sebuah Kajian Literatur," *Jurnal Ilmu Akuntansi Dan Bisnis Syariah (AKSY)* 5, no. 1 (June 2023): 157–65, <https://doi.org/10.15575/aksy.v5i1.26428>.

¹⁰ Suaidi Suaidi, "Bridging Institutional and Regulatory Gaps: Enhancing Sharia Compliance in Islamic Financial Institutions in Indonesia," *El-Uqud: Jurnal Kajian Hukum Ekonomi Syariah* 3, no. 1 (April 2025): 23–39,

<https://doi.org/10.24090/eluqud.v3i1.13288>.

¹¹ Rahman Helmi, "Manhaj Penetapan Fatwa Hukum Ekonomi Syariah Di Indonesia," *Syariah: Jurnal Hukum Dan Pemikiran* 18, no. 2 (December 2018): 301–14, <https://doi.org/10.18592/sy.v18i2.2518>.

¹² Muhammad Nazmi Mohd Asri et al., "Shariah Governance in Islamic Financial Institutions in Indonesia and Malaysia: A Comparative Analysis," *Journal of*

essentially not a legally binding norm within the system of laws and regulations. The character of a fatwa as a product of collective *ijtihad* is normative, religious, and moral, so its binding power depends on the process of transformation into formal regulations. This is where the main problem arises, namely the gap between the issuance of fatwas and their adoption by state regulatory institutions. When the transformation process is slow or inconsistent, fatwas risk losing their effectiveness as an instrument to control sharia compliance.¹³

The relationship between the fatwa authority and the state regulatory institution is a crucial point in this integration problem. Fatwa authorities are authorized to establish sharia principles and provisions, while state regulators have the mandate to formulate legally binding rules and oversee their implementation. However, this relationship does not always run synergistically. In practice, there are often limitations in institutional coordination that prevent fatwas from being fully internalized in the policies and technical regulations issued by regulators.¹⁴

The delay in adopting fatwas into formal regulations is a problem that has a direct impact on legal certainty. In certain situations, industry players have developed fatwa-based products or services but have not yet obtained

an adequate legal framework from regulators. This condition puts business actors in a vulnerable position, both in terms of compliance with positive law and Sharia law. This uncertainty can ultimately hinder innovation and reduce the competitiveness of the Islamic finance industry.¹⁵

In addition to delays, the disharmony between fatwas and state regulations poses a serious challenge. It is not uncommon to find differences in emphasis or interpretation between the provisions of fatwas and technical rules issued by state institutions. This difference can lead to ambiguity in the application of Sharia principles, particularly for industry players who must comply with two normative regimes simultaneously. In this context, the integration of fatwas into the national regulatory system has not fully reflected the unity of the vision and goals of the law.¹⁶

The problem of fatwa integration also has implications for the Sharia compliance monitoring mechanism. When fatwas have not been clearly formalized in binding regulations, the supervisory function tends to depend on the internal interpretation of each sharia supervisory institution or unit.¹⁷ This has the potential to give birth to diverse and non-uniform compliance standards between sectors and between institutions. As a result,

Islamic Finance 9, no. 2 (December 2020): 146–54, <https://doi.org/10.31436/jif.v9i2.492>.

¹³ Salma Rahmani and Koko Komaruddin, “Harmonisasi Fatwa Dan Regulasi Perbankan Syariah Di Indonesia,” *At-Tasyri Jurnal Hukum Islam Dan Ekonomi Syariah* 6, no. 02 (July 2025): 133–44, <https://doi.org/10.55380/tasyri.v6i02.777>.

¹⁴ Rahmani and Komaruddin.

¹⁵ Dinda Ika Yulianti, Rini Puji Astuti, and Muhammad Danial Rosipudin Afton, “Analisis Kebijakan Dan Regulasi Perencanaan Keuangan Syariah Di Indonesia: Tinjauan Hukum Tiga Lembaga Pengawasan: Perencanaan Keuangan Syariah,” *JURNAL AKADEMIK*

EKONOMI DAN MANAJEMEN 2, no. 2 (May 2025): 20–25, <https://doi.org/10.61722/jaem.v2i2.4491>.

¹⁶ Maulana Reyza Alfaris, Muhammad Waliyam Mursida, and Moch Irfan Dwi Syahroni, “Model Regulasi Financial Technology Syariah dalam Kerangka Hukum Indonesia: Studi Perbandingan Malaysia dan Inggris,” *Jurnal Legislatif*, 2019, 73–96, <https://doi.org/10.20956/jl.v3i1.10208>.

¹⁷ Adi Nurhani Mufrih and Jamaliah Hadiroh, “Progresifitas Fatwa Dan Regulasi Ekonomi Syariah Terhadap Pembangunan Ekonomi Nasional,” *Alhamra Jurnal Studi Islam*, October 12, 2022, 77–90, <https://doi.org/10.30595/ajsi.v3i2.14487>.

sharia principles, which should be the standard foundation, are instead applied in a fragmentary manner.¹⁸

From the perspective of the national legal system, this condition highlights the need for a more structured and integrated system of fatwa governance. Fatwas cannot be positioned solely as a stand-alone normative source; they must be systematically linked to the mechanism of state regulation. Such integration requires procedural clarity, division of authority, and a coordination model that allows fatwas to be effectively transformed into operational legal norms.¹⁹

Therefore, strengthening the integration of Sharia business law in Indonesia cannot be separated from reforming fatwa governance in the national regulatory system. Improving the relationship between fatwa authorities and state regulators is a prerequisite for creating legal certainty, ensuring consistency in sharia compliance, and sustaining sharia financial development.²⁰ Within the broader framework of legal reform, the integration of fatwas serves as a normative foundation, ensuring that regulatory modernization remains rooted in Sharia principles and oriented towards the public interest.²¹

Table 1. The Problem of Fatwa Integration in the

National Regulatory System			
Aspects	Fatwa Authority	State Regulator	Integration Issues
Normative Status	Normative-religious	Binding positive law	Difference in binding power
Designation Process	Collective ijtihad	Legislation/regulatory procedures	Adoption delays
Compliance Standards	Sharia principles	Administrative technical provisions	Disharmony of norms
Monitoring Mechanism	Sharia internal	State surveillance	Non-uniform standards
Impact on Industry	Ethical guidelines	Legal certainty	Operational uncertainty

Source: Author's Interpretation

The table provides a brief yet comprehensive description of the challenges in integrating fatwa into the national regulatory system, highlighting the fundamental differences between the character of fatwa authorities and state regulators. Fatwas have a normative-religious status derived from collective ijtihad, whereas state regulators work within a formally binding positive legal framework; as a result, these differences in binding power often create implementation gaps. The difference in the determination procedure—between the religious mechanism and the legislative or administrative regulatory process—led to a delay in the adoption of fatwas into technical rules. In addition, the inconsistency between Sharia principle standards and state administrative provisions

¹⁸ Suhardi T. Minta Tasimin, “Financial Technology (Fintech) Syariah,” *YUSTISI* 12, no. 3 (October 2025): 439–47, <https://doi.org/10.32832/yustisi.v12i3.20776>.

¹⁹ Kefi Miftachul Ulum et al., “Tipologi Multiakad Dalam Fatwa Ekonomi Digital Dewan Syariah Nasional Majelis Ulama Indonesia,” *Adzkiya : Jurnal Hukum dan Ekonomi Syariah* 12, no. 2 (December 2024): 61–84, <https://doi.org/10.32332/adzkiya.v12i2.7431>.

²⁰ Musaiyana Musaiyana, Ahmad Hasan Ridwan, and Ayi Yunus Rusyana, “Integrasi Fatwa DSN-MUI ke dalam

Kompilasi Hukum Ekonomi Syariah (KHES): Upaya Formulasi Hukum Ekonomi Syariah Sebagai Produk Perundang-Undangan Nasional,” *Equality: Journal of Islamic Law (EJIL)* 3, no. 2 (July 2025): 1–16, <https://doi.org/10.15575/ejil.v3i2.1929>.

²¹ M. Zaidi Abdad, “Signifikansi Fatwa DSN MUI terhadap Perkembangan Ekonomi Syariah di Indonesia,” *istinbath* 18, no. 2 (2019), <https://istinbath.or.id/index.php/ijhi/article/view/177>.

has the potential to give rise to disharmony in norms and non-uniform compliance standards in supervision. Overall, this condition has an impact on operational uncertainty for the Islamic finance industry, which requires legal certainty, as well as consistency in Sharia compliance, as the foundation of sustainability and public trust.

Lessons from Integrated Jurisdictions: A Comparative Analysis of Islamic Financial Regulation Models

The experience of several countries in developing Islamic finance indicates that the success of such systems is primarily determined by the level of integration between legal frameworks and regulatory governance. Malaysia, Bahrain, the United Kingdom, and Brunei Darussalam are often cited as examples because they have successfully established an Islamic financial system that is relatively stable, adaptive, and characterized by substantial legal certainty. Although they differ in their political context and legal system, these four jurisdictions equally place institutional integration and clarity of authority as the main foundations in the regulation of Islamic finance.²²

Malaysia displays a strong integration model through the centralization of sharia authorities in the national legal system. The existence of the Sharia Advisory Council at the central bank serves as the highest authority for

interpreting Sharia principles that are binding on regulators and financial institutions.²³ This model ensures consistency between fatwas, regulations, and industry practices, while minimizing potential disharmony of norms. In addition, Malaysia has systematically codified Islamic financial law, providing high legal certainty for businesses and investors.²⁴

Bahrain, as one of the world's leading Islamic financial centers, has developed a regulatory approach that emphasizes harmonization with international standards. Financial regulatory authorities in Bahrain integrate sharia principles into a professional and risk-based supervisory framework. The role of international standards institutions, such as AAOIFI, has become very significant in ensuring uniformity of practice and Sharia compliance.²⁵ This approach suggests that the integration of Islamic finance does not have to be separate from the global financial system, but rather can go hand in hand through internationally recognized standards.²⁶

The UK presents a different, yet no less relevant, model. As a country with a secular legal system, the UK adopts an inclusive approach by placing Islamic finance within the framework of general financial regulation. Sharia principles are not regulated through religious law, but are facilitated through regulatory adjustments that ensure equal treatment (level playing field). This model confirms that Islamic financial integration can

²² Asri et al., "Shariah Governance in Islamic Financial Institutions in Indonesia and Malaysia."

²³ Muhammad Nanang Choiruddin et al., "Financial Literacy, FinTech, and Contemporary Innovation in Islamic Economic Law: An Analysis of MSME Performance Sustainability in Indonesia and Malaysia," *MILRev: Metro Islamic Law Review* 4, no. 2 (August 2025): 976–1008, <https://doi.org/10.32332/milrev.v4i2.10164>.

²⁴ Fazlurrahman Syarif, "Regulatory Framework for Islamic Financial Institutions: Lesson Learnt between Malaysia and Indonesia," *Journal of Halal Product and*

Research (JHPR) 2, no. 2 (December 2019): 79–85, <https://doi.org/10.20473/jhpr.vol.2-issue.2.79-85>.

²⁵ Fauzan Akbar and Adi Mansah, "Enhancing Regulatory Frameworks for Islamic Banking Institutions: Comparative Study Between Indonesia and Bahrain," *BASKARA: Journal of Business and Entrepreneurship* 7, no. 1 (October 2024): 55–62, <https://doi.org/10.54268/baskara.v7i1.24311>.

²⁶ Mufrih and Hadiroh, "Progresifitas Fatwa Dan Regulasi Ekonomi Syariah Terhadap Pembangunan Ekonomi Nasional."

be achieved through regulatory flexibility and legal certainty, without the need to establish a separate legal regime.²⁷

Meanwhile, Brunei Darussalam offers a model that emphasizes unity between religious authorities and the state. In this context, Sharia law has become an integral part of the national legal system, allowing for the more organic integration of fatwas, regulations, and supervision. Centralized institutions enable strong coordination and the consistent application of Sharia principles across the financial sector. Brunei's model shows that high integration can be achieved when legal and political structures support the central role of sharia in state regulation.²⁸

From these four jurisdictions, several key principles relevant to Indonesia can be identified, including the importance of clarity among sharia authorities, consistency between fatwas and regulations, systematic codification of laws, and professional and adaptive supervision mechanisms. Although Indonesia has distinct social and legal characteristics, the lessons learned from these integrated jurisdictions provide a conceptual and practical foundation for designing more coordinated, contextual, and sustainable Sharia business law reforms.

Reconstruction of the Contemporary Sharia Business Law Framework for Islamic Financial Integration in Indonesia

The reconstruction of the Sharia business legal framework in Indonesia is a strategic step to address various fundamental problems that have hindered the integration of Islamic finance.²⁹ The results of normative and comparative analysis indicate that the primary issue is not the absence of regulation, but rather the fragmented and poorly coordinated legal structure. This condition prevents Sharia business law from functioning as a complete system. Therefore, reconstruction is directed at reorganizing the existing legal framework to be more integrated, aligned, and responsive to contemporary Islamic financial needs.³⁰

The reconstruction effort began with strengthening institutional design through the establishment of an integrated Islamic financial authority. The presence of this institution is intended to consolidate the functions of regulation, supervision, and development of the entire Islamic financial sector within a clear and coordinated framework. With centralized authority and a focus on Islamic finance, the potential for policy overlap can be mitigated while creating consistency in the application of Sharia principles across various financial sectors. This model also opens up space for policy formulation that is more responsive to industry dynamics and economic innovation.³¹

²⁷ Maulana Reyza Alfaris, Muhammad Waliyam Mursida, and Moch Irfan Dwi Syahroni, "Model Regulasi Financial Technology Syariah dalam Kerangka Hukum Indonesia: Studi Perbandingan Malaysia dan Inggris," *Jurnal Legislatif*, 2019, 73–96, <https://doi.org/10.20956/jl.v3i1.10208>.

²⁸ Nurhasliza Ramli et al., "Perbandingan Kerangka Tadbir Urus Perbankan Islam Di Antara Indonesia Dan Malaysia: Comparison of Shariah Governance Framework in Islamic Banking Between Indonesia and Malaysia," *Journal of Management and Muamalah* 13, no. 1 (June 2023): 44–55,

<https://doi.org/10.53840/jmm.v13i1.140>.

²⁹ Ismawati and Suud Sarim Karimullah, "Consumer Protection in the Digital Era: An Analysis of Consumer Protection in E-Commerce," *NUSANTARA: Journal Of Law Studies* 3, no. 02 (December 2024): 68–80, <https://doi.org/10.5281/zenodo.17376951>.

³⁰ Budi Sastra Panjaitan et al., "Revitalizing Sharia Advocates: Reforming the Law on Advocates in Strengthening the Role of Islamic Law in Indonesia," *Al-Istinbath: Jurnal Hukum Islam* 9, no. 2 (October 2024): 485–504, <https://doi.org/10.29240/jhi.v9i2.10875>.

³¹ Mahipal Mahipal and Yudi Wahyudin, "Reconstruction

In addition to institutional strengthening, the reconstruction of sharia business law also requires improvements in normative aspects through more systematic codification of laws. So far, sharia business arrangements are spread across various sectoral regulations that are often not conceptually connected. The codification of Sharia business law is expected to consolidate Sharia principles, state law provisions, and business practices into a unified, clear, and easily applicable legal framework. Thus, the law not only functions as an instrument of control but also as a guide that provides certainty and clarity for business actors.³²

In the context of financial globalization, such codification needs to be aligned with relevant international standards and practices. This alignment is not intended to eliminate the local character of Indonesian sharia law, but rather to ensure that the system built can interact healthily with the global financial system. By adopting international standards selectively and contextually, Indonesia's sharia business law can become more credible, competitive, and adaptive to cross-border developments.³³

The reconstruction of the legal framework must also be accompanied by strengthening the supervisory mechanism, which leverages technological developments. Technology-based surveillance allows for a more effective,

transparent, and data-driven monitoring process. Through digital systems, regulators can respond more quickly and accurately to potential violations of Sharia principles. This approach also strengthens consumer protection and maintains the stability of the Islamic financial system in the face of increasingly complex risks.³⁴

Overall, the integrated reconstruction of Sharia business law offers a direction of legal reform that is not only technical but also substantive. A more coherent and adaptive legal framework will enhance legal certainty, clarify institutional relationships, and ensure that Islamic financial development aligns with the goals of public benefit (*maṣlaḥah*).³⁵ Thus, Islamic finance in Indonesia can evolve as an inclusive and equitable system, making a genuine contribution to national economic development.

Conclusion

This study concludes that the main challenge in the development of Islamic finance in Indonesia does not lie in the lack of regulation, but in the legal structure of Islamic business, which remains fragmented and institutionally less integrated. The spread of regulatory and supervisory authority across various state institutions, accompanied by weak coordination and a lack of harmonized norms, has hindered the creation of legal

of Sharia Law Enforcement In Islamic Banking By The Sharia Supervisory Board Using A Swot Analysis Approach," *Indonesia Law Review* 14, no. 2 (August 2024), <https://doi.org/10.15742/ilrev.v14n2.1>.

³² "Political Configuration and Characteristics of Legal Products of Islamic Law Based Reforms in Indonesia under the BJ Habibie Administration | ElectronicPublications," accessed December 13, 2025, <https://www.electronicpublications.org/stuff/1110>.

³³ Muhammad Rais and Harya Pramata, "Regulating Sharia Financial Transactions: The Role of the Indonesian Ulema Council (MUI) and Implications for

Islamic Finance in Indonesia," *Law and Economics* 18, no. 1 (February 2024): 1–11.

³⁴ Khoirul Anam, "Law Institutionalization of Sharia Principles and Economic Performance through Financial Development," *Sharia Economic Law Innovation* 1, no. 1 (June 2024): 47–60.

³⁵ Atmo Prawiro, "Kelemahan Fatwa Dan Kompilasi Hukum Ekonomi Syariah Dalam Kebijakan Legislasi Ekonomi Di Indonesia," *Alashriyyah* 2, no. 1 (October 2016): 24–24, <https://doi.org/10.53038/alashriyyah.v2i1.17>.

certainty and the effectiveness of Islamic financial governance. This condition prevents Sharia business law from functioning as a coherent and adaptive legal system in response to contemporary economic dynamics. This research also confirms that the position of fatwa as the primary normative source in Islamic finance has not been fully integrated into the national regulatory system. The delay in transforming fatwas into binding regulations and differences in interpretation between fatwa authorities and state regulators have implications for inconsistencies in sharia compliance and operational uncertainty for industry players. Without improving fatwa governance, efforts to integrate sharia business law will continue to face normative and institutional obstacles.

Through a comparative analysis of more integrated jurisdictions, this study demonstrates that the clarity of Sharia authorities largely determines the success of Islamic finance, as well as the systematic codification of laws and professional and adaptive supervision mechanisms. Lessons learned from Malaysia, Bahrain, the United Kingdom, and Brunei Darussalam reinforce the argument that legal and institutional integration are prerequisites for creating stability, innovation, and competitiveness in Islamic finance. Based on these findings, this study recommends reconstructing the sharia business legal framework through the establishment of an integrated sharia financial authority, the codification of sharia business law that is professional and in line with international standards, and the strengthening of technology-based supervision. This reconstruction is expected to enhance legal certainty, unify regulatory governance, and ensure consistency in the application of Sharia principles across all financial sectors

CRedit authorship contribution statement

Achmad Jaka Santos Adiwijaya: Conceptualization, Research design, Writing – original draft, Supervision. Martin Roestamy: Theoretical framework, Legal perspective development, Writing – review & editing. Abraham Yazdi Martin: Methodology, Formal analysis, Data interpretation, Writing – review & editing. Radif Khotamir Rusli: Legal analysis, Case examination, Validation. Ismail Sugardo: Comparative perspective, Literature review, Critical review, Proofreading, Final revision. All authors have read and approved the final manuscript.

Declaration of competing interest

The authors declare that they have no known competing financial, institutional, or personal interests that could have appeared to influence the work reported in this paper.

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